
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Capitalised terms used on this cover page have the same meanings as those defined in the section headed “Definitions” in this Offer Document.

If you are in any doubt as to any aspect of this Offer Document or the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this Offer Document, together with the accompanying form of proxy and Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offer Document and the accompanying forms, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying forms.

SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00751)

- (1) CONDITIONAL CASH OFFER BY
CLSA LIMITED ON BEHALF OF
SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 100,000,000 SHARES
AT HK\$5.0 PER SHARE**
- (2) APPLICATION FOR WHITEWASH WAIVER**
- (3) CONDITIONAL VERY SUBSTANTIAL ACQUISITION
FOR SKYWORTH GROUP LIMITED**
- AND**
- (4) NOTICE OF SGM**

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 8 to 27 of this Offer Document. A letter from CLSA Limited containing, among other things, the details of the terms of the Offer is set out on pages 28 to 36 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer and the Whitewash Waiver is set out on pages 37 to 38 of this Offer Document. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver is set out on pages 39 to 114 of this Offer Document.

Custodians, nominees and trustees who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraphs under the section headed “Overseas Shareholders” in Appendix I to this Offer Document.

A notice convening the SGM to be held at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Friday, 5 May 2023, is set out on pages SGM-1 to SGM-3 of this Offer Document. A form of proxy for use at the SGM is enclosed herewith. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, as soon as practicable but, in any event, not less than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof (as the case may be). Such form of proxy for use at the SGM is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://investor.skyworth.com>). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjournment or postponement thereof (as the case may be) in person should you so wish.

14 April 2023

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Accompanying documents

- Form of proxy for the SGM
- Form of Acceptance

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be announced by the Company.

Despatch of this Offer Document, notice of the SGM, form of proxy for the SGM and Form of Acceptance	Friday, 14 April 2023
Latest time for lodging transfer of Shares to qualify for attendance at the SGM	4:30 p.m. on Friday, 28 April 2023
Closure of the Register (both dates inclusive)	Tuesday, 2 May 2023 to Friday, 5 May 2023
Latest time for lodging form of proxy for the SGM	10:00 a.m. on Wednesday, 3 May 2023
SGM	10:00 a.m. on Friday, 5 May 2023
Announcement of results of the SGM and whether the Offer has become unconditional	no later than 7:00 p.m. on Friday, 5 May 2023
Latest time for lodging the Form of Acceptance and latest time for determining Shareholders' entitlement to participate in the Offer based on the records of the Register (<i>Notes 1 to 3</i>)	4:00 p.m. on Friday, 19 May 2023
Closing date of the Offer	Friday, 19 May 2023
Record Date	Friday, 19 May 2023
Announcement of results of the Offer to be posted on the Stock Exchange's website	no later than 7:00 p.m. on Friday, 19 May 2023
Latest date for (i) despatch of cheques to the Accepting Shareholders and (ii) (if applicable) despatch of share certificate for those Shares tendered but not bought-back under the Offer (<i>Note 4</i>)	Wednesday, 31 May 2023

EXPECTED TIMETABLE

Notes:

1. Dealings in the Shares after Wednesday, 17 May 2023 will not be settled under the rules of the Stock Exchange prior to the Record Date.
2. The Executive has agreed, subject to the approval of the Independent Shareholders for the Offer, the Whitewash Waiver and the PRC MGO at the SGM by way of poll, to waive any obligation of Mr. Wong to make a general offer which might result from completion of the Offer. Assuming that the resolutions relating to the Offer, the Whitewash Waiver and the PRC MGO will be approved by the Independent Shareholders and the Offer has become unconditional on Friday, 5 May 2023, being the date of the SGM, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended.
3. In order to accept the Offer, Qualifying Shareholders are required to submit to the Registrar the duly completed Form of Acceptance in accordance with the instructions as set out in this Offer Document and the Form of Acceptance (which instructions form part of the terms and conditions of the Offer) at or before 4:00 p.m. on Friday, 19 May 2023.
4. Remittance for the total amounts due to Accepting Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares bought-back from such Accepting Shareholders) will be made by the Company within 7 business days (as defined in the Takeovers Code) after the close of the Offer.

All references to time and dates contained in this Offer Document refer to Hong Kong time and dates.

DEFINITIONS

In this Offer Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“Accepting Shareholder(s)”	Qualifying Shareholder(s) accepting the Offer;
“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Administrative Measures”	Administrative Measures for the Takeover of Listed Companies (Revised in 2020);
“Announcement”	the announcement of the Company dated 23 December 2022 in relation to, among other things, the Offer, the Whitewash Waiver and the PRC MGO;
“Board”	the board of Directors;
“CASBE”	the China Accounting Standards for Business Enterprises;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“CITIC Securities”	CITIC Securities Company Limited, the financial adviser to RGB in relation to the PRC MGO, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030);
“CITICS”	CITIC Securities (Hong Kong) Limited (formerly known as CLSA Capital Markets Limited, which has changed its name to CITIC Securities (Hong Kong) Limited with effect from 28 December 2022), the financial adviser to the Company in respect of the Offer and a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being an indirectly wholly-owned subsidiary of CITIC Securities;
“CITICS Group”	CITICS, CLSA Limited and persons controlling, controlled by or under the same control (with the meanings ascribed to such terms in the Takeovers Code) as either CITICS or CLSA Limited;

DEFINITIONS

“CLSA Limited”	CLSA Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being the agent making the Offer on behalf of the Company, an indirectly wholly-owned subsidiary of CITIC Securities;
“Codes”	the Takeovers Code and the Share Buy-backs Code;
“Company”	Skyworth Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00751);
“Conditions”	the conditions to which the Offer is subject, as set out under the section headed “ <i>Conditions of the Offer</i> ” in the Letter from the Board and in Appendix I to this Offer Document;
“Da Hua”	Da Hua Certified Public Accountants (Special General Partnership), the reporting accountant to Skyworth Digital;
“Deloitte”	Deloitte Touche Tohmatsu in Hong Kong, the reporting accountant to the Company;
“Director(s)”	the director(s) of the Company;
“Euros”	the lawful currency of the European Union;
“Excluded Shareholders”	Overseas Shareholders, if any, whose addresses, as shown on the Register as at the Latest Practicable Date, are outside Hong Kong and located in jurisdictions the laws of which may prohibit the making of the Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in such jurisdictions and their shareholdings in the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;

DEFINITIONS

“Form of Acceptance”	the form of acceptance for use by the Qualifying Shareholders in connection with the Offer;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKFRS”	the Hong Kong Financial Reporting Standards;
“HKSCC”	HKSCC Nominees Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement, who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver;
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in relation to the Offer and the Whitewash Waiver;
“Independent Shareholders”	Shareholders other than (i) the Wong Concert Party Group; (ii) the Undertaking Directors; (iii) the CITICS Group (other than any member of the CITICS Group which is (1) an exempt fund manager as regards Shares held in that capacity; or (2) an exempt principal trader who holds the Shares as a simple custodian for and on behalf of non-discretionary clients, where such non-discretionary clients (A) control the voting rights attached to such Shares, and (B) give instructions as to how such Shares are to be voted); (iv) Shareholders involved in or interested in the Whitewash Waiver, the Offer and/or the PRC MGO (other than as a Shareholder); and (v) any person who may be required to abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and/or the PRC MGO to be proposed at the SGM in accordance with the Codes;

DEFINITIONS

“Initial Offer Price”	the initial offer price of HK\$3.8 per Share as announced by the Company in the Announcement, which has subsequently been revised as more particularly described in the Price Increase Announcement and this Offer Document, subject to the terms of the Offer;
“Irrevocable Undertakings”	the irrevocable undertakings given by (i) each of Mr. Wong and Ms. Lin that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer and (ii) each of the Undertaking Directors that he will not, and will procure any holders of Shares whose Shares he is deemed to be interested in by virtue of Part XV of the SFO not to, accept the Offer;
“Last Trading Day before the Announcement”	23 December 2022, being the last trading day of the Shares on the Stock Exchange prior to the issue of the Announcement;
“Last Trading Day before the Price Increase Announcement”	28 March 2023, being the last trading day of the Shares on the Stock Exchange prior to the issue of the Price Increase Announcement;
“Latest Acceptance Time”	the latest time for receipt by the Registrar of the Form of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Friday, 19 May 2023, or such later date as the Company may announce in accordance with the requirements of the Codes;
“Latest Practicable Date”	11 April 2023, being the latest practicable date for the purpose of ascertaining certain information referred to in this Offer Document prior to its printing;
“LCD”	Skyworth LCD Technology Limited, an indirect wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maximum Number”	the maximum number of Shares to be bought-back pursuant to the Offer, being an aggregate of 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date;

DEFINITIONS

“Mr. Lin”	Mr. Lin Jin, the son of Mr. Wong and Ms. Lin and an executive Director and Chairman of the Board of the Company;
“Mr. Wong”	Mr. Wong Wang Sang, Stephen;
“Ms. Lin”	Ms. Lin Wei Ping, the spouse of Mr. Wong and an executive Director;
“Offer”	a conditional cash offer by CLSA Limited on behalf of the Company to buy-back Shares at the Offer Price from all Qualifying Shareholders, subject to the Maximum Number;
“Offer Document”	this document (accompanying with the form of proxy for the SGM and the Form of Acceptance);
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the Announcement, being 23 December 2022, and ending on the date at which the Offer closes, lapses or is withdrawn, as the case may be;
“Offer Price”	HK\$5.0 per Share;
“Overseas Shareholder(s)”	Shareholder(s), whose address(es), as shown in the Register, is/are outside Hong Kong;
“PRC”	the People’s Republic of China, but for the purpose of this Offer Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“PRC MGO”	the mandatory unconditional general cash offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by RGB and/or parties acting in concert with it;
“Price Increase Announcement”	the announcement of the Company dated 28 March 2023 issued by the Company in relation to the revision of the Initial Offer Price of HK\$3.8 per Share to the Offer Price of HK\$5.0 per Share;
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s) (if any), whose name(s) appear(s) on the Register on the Record Date;

DEFINITIONS

“Record Date”	the record date for the Offer which will be the 14th day after the date of the SGM, i.e. Friday, 19 May 2023;
“Register”	the register of members of the Company;
“Registrar”	Hong Kong Registrars Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong;
“Relevant Period”	the period from 23 June 2022 (being the date falling six months prior to 23 December 2022, the commencement date of the Offer Period) up to and including the Latest Practicable Date;
“RGB”	Shenzhen Chuangwei-RGB Electronics Co., Ltd., an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 5 May 2023 at 10:00 a.m. (or any adjournment or postponement thereof, as the case may be) for considering and, if thought fit, approving the ordinary resolutions in connection with the Offer and the PRC MGO, and the special resolution in connection with the Whitewash Waiver;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Award Scheme”	the share award scheme of the Company adopted on 21 October 2020;
“Share Buy-backs Code”	the Code on Share Buy-backs of Hong Kong;
“Shareholder(s)”	holder(s) of the Share(s);

DEFINITIONS

“Share Options”	the outstanding share options granted pursuant to the Company’s share option scheme adopted on 20 August 2014, which are vested as at the Latest Practicable Date entitling their holders to subscribe for a total of 24,328,000 new Shares;
“Skyworth Digital”	Skyworth Digital Co., Ltd., an indirect non wholly-owned subsidiary of the Company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000810.SZ);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong;
“Target Success”	Target Success Group (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability, trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong;
“Title Documents”	the relevant Share certificate(s), transfer receipt(s) and/or other document(s) of title with respect to ownership(s) of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof);
“Undertaking Directors”	Mr. Lin, Mr. Liu Tangzhi, Mr. Shi Chi, Mr. Lam Shing Choi, Eric and Mr. Li Weibin, being Directors (other than Ms. Lin) who hold interests in Shares;
“U.S.”	United States of America;
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Mr. Wong to make a mandatory general offer for all the Shares not already owned by the Wong Concert Party Group under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of the completion of the Offer;
“Wong Concert Party Group”	Mr. Wong and parties acting in concert with him (including Target Success, Ms. Lin (the spouse of Mr. Wong) and Mr. Lin (the son of Mr. Wong)); and
“%”	per cent.

* *The English translation of Chinese name(s) in this Offer Document, where indicated, is included for information only, and should not be regarded as the official English translation of such Chinese name(s).*

LETTER FROM THE BOARD

SKYWORTH
SKYWORTH GROUP LIMITED
創維集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00751)

Executive Directors:

Mr. Lin Jin (*Chairman of the Board*)
Mr. Liu Tangzhi (*Vice Chairman of the Board*)
Mr. Shi Chi (*Chief Executive Officer*)
Ms. Lin Wei Ping
Mr. Lam Shing Choi, Eric

Independent non-executive Directors:

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

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

14 April 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL CASH OFFER BY
CLSA LIMITED ON BEHALF OF
SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 100,000,000 SHARES
AT HK\$5.0 PER SHARE
(2) APPLICATION FOR WHITEWASH WAIVER
(3) CONDITIONAL VERY SUBSTANTIAL ACQUISITION
FOR SKYWORTH GROUP LIMITED
AND
(4) NOTICE OF SGM**

INTRODUCTION

On 23 December 2022, the Board announced that the Offer would be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date, at the Initial Offer Price of HK\$3.8 per Share.

LETTER FROM THE BOARD

On 28 March 2023, the Board announced in the Price Increase Announcement that the Initial Offer Price of HK\$3.8 per Share will be increased to the Offer Price of HK\$5.0 per Share, representing an increase of HK\$1.2 per Share.

The purpose of this Offer Document is to provide you with, among other things, (i) information relating to the Offer, the Whitewash Waiver and the PRC MGO; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver; (iii) a letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; and (iv) a notice of the SGM.

The Form of Acceptance accompanying this Offer Document is for use only by the Qualifying Shareholders who wish to accept the Offer.

THE OFFER

The number of Shares to be bought-back for cancellation by CLSA Limited on behalf of the Company at the price of HK\$5.0 per Share will not exceed the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date.

The Offer is not conditional on any minimum number of Shares being tendered for acceptance or any minimum number of Shares to be bought-back under the Offer.

The Offer will be made in full compliance with the Codes.

THE OFFER PRICE

The Offer Price of HK\$5.0 per Share valued the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$12,926.0 million.

The Offer Price represents:

- a premium of approximately 24.07% over the closing price of the Shares of HK\$4.03 as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 58.23% over the closing price of the Shares of HK\$3.16 as quoted on the Stock Exchange on the Last Trading Day before the Announcement;
- a premium of approximately 56.25% over the closing price of the Shares of HK\$3.20 as quoted on the Stock Exchange on the last business day immediately preceding the date of the Announcement;
- a premium of approximately 39.28% over the closing price of the Shares of HK\$3.59 as quoted on the Stock Exchange on the Last Trading Day before the Price Increase Announcement;

LETTER FROM THE BOARD

- a premium of approximately 33.40% over the average closing price of the Shares of approximately HK\$3.75 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day before the Price Increase Announcement;
- a premium of approximately 29.27% over the average closing price of the Shares of approximately HK\$3.87 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day before the Price Increase Announcement;
- a premium of approximately 19.77% over the average closing price of the Shares of approximately HK\$4.17 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day before the Price Increase Announcement; and
- a discount of approximately 35.38% to the Group's net asset value attributable to the Shareholders of approximately HK\$7.74 per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2022, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB17,867 million (based on the exchange rate of HK\$1:RMB0.89327, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purposes) as at 31 December 2022 and Shares in issue as at the Latest Practicable Date.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Company, and the prevailing market conditions and sentiments, and with reference to share buy-back transactions in Hong Kong in recent years.

Under the Companies Act 1981 of Bermuda (as amended), on the date on which the buy-back of Shares by the Company pursuant to the Offer is effected, there should be no reasonable grounds of believing the Company is, or would after the buy-back be, unable to pay its liabilities as they become due. The Directors are of the opinion that, in the event the maximum amount of consideration is payable upon full acceptance and completion of the Offer, the Company will maintain sufficient working capital to pay its liabilities as they become due and to meet the operating requirements of the Group.

CONFIRMATION OF FINANCIAL RESOURCES

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$500 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group.

CITICS, being the financial adviser to the Company, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full in accordance with the terms of the Offer stated in this Offer Document.

LETTER FROM THE BOARD

CONDITIONS OF THE OFFER

The Offer will be conditional upon fulfillment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver;
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn; and
- (d) the Independent Shareholders having passed the resolution at the SGM approving, among other things, the PRC MGO.

None of the above Conditions can be waived, and none of them had been fulfilled as at the Latest Practicable Date.

The Offer is not conditional as to any minimum number of Shares tendered for acceptances.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, Mr. Wong, the controlling Shareholder, is deemed to be interested in 1,247,419,181 Shares, representing approximately 48.25% of the issued Shares as at the Latest Practicable Date. Of those 1,247,419,181 Shares, (i) 37,300,000 Shares are held by Mr. Wong himself, (ii) 1,200,958,799 Shares are held by Target Success (the 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), and (iii) 9,160,382 Shares are held by Ms. Lin (being the spouse of Mr. Wong) herself. As Ms. Lin is the spouse of Mr. Wong and is deemed to be interested in the interests of Mr. Wong, she is also deemed to be interested in those 1,247,419,181 Shares.

As at the Latest Practicable Date, the Undertaking Directors are interested in an aggregate of 20,898,719 Shares (representing approximately 0.81% of the issued Shares as at the Latest Practicable Date).

Each of Mr. Wong and Ms. Lin has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (namely Target Success) not to, accept the Offer. Further, each of the Undertaking Directors has irrevocably undertaken to the Company that he will not, and will procure the holders of Shares whose Shares he is deemed to be interested in by virtue of Part XV of the SFO not to, accept the Offer. The Irrevocable Undertakings will be binding until the closing, lapse or withdrawal of the Offer.

LETTER FROM THE BOARD

Each of the Undertaking Directors (apart from Mr. Lin) has confirmed that he is not acting in concert with Mr. Wong.

As at the Latest Practicable Date, neither the Company nor parties acting in concert with it, nor Mr. Wong or parties acting in concert with him had received any irrevocable commitment to accept the Offer. As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it had received any irrevocable commitment not to accept the Offer.

As at the Latest Practicable Date, the trustee of the Share Award Scheme held 35,716,000 Shares, amongst which 17,000,000 are to be used to satisfy the share awards granted to Mr. Shi Chi, 656,000 are to be used to satisfy the share awards granted to employees of the Group and the remaining 18,060,000 are to be used to satisfy future grants of share awards. Under the scheme rules of the Share Award Scheme, the trustee shall not exercise the voting rights in respect of any Shares held under the Share Award Scheme. Accordingly, such 35,716,000 Shares shall not be voted at the SGM. In accordance with the scheme rules of the Share Award Scheme, the Board has instructed the Trustee not to accept the Offer.

WHITEWASH WAIVER

As at the Latest Practicable Date, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 48.40% of the issued Shares as at the Latest Practicable Date. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of the Wong Concert Party Group may increase to a maximum level of approximately 50.35% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Wong to make a mandatory general offer for all the Shares not already owned by the Wong Concert Party Group. Consequently, an application has been made to the Executive by Mr. Wong for the Whitewash Waiver.

The Executive has agreed, subject to the approval of the Independent Shareholders for the Offer, the Whitewash Waiver and the PRC MGO at the SGM by way of poll, to waive any obligation of Mr. Wong to make a general offer which might result from completion of the Offer.

If the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's existing shareholding structure and the shareholding structure immediately after completion of the Offer, assuming that (i) all the Qualifying Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong, Ms. Lin and the Undertaking Directors has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of completion of the Offer (save as a result of any exercise of the Share Options by their holders):

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Offer (assuming no Share Options will be exercised from the Latest Practicable Date up to and including the date of completion of the Offer)		Immediately after completion of the Offer (assuming all Share Options which are vested as at the Latest Practicable Date have been fully exercised before completion of the Offer)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Wong Concert Party Group						
Target Success (Note 1)	1,200,958,799	46.46	1,200,958,799	48.32	1,200,958,799	47.86
Mr. Wong (Note 2)	37,300,000	1.44	37,300,000	1.50	37,300,000	1.49
Ms. Lin (Note 3)	9,160,382	0.35	9,160,382	0.37	9,160,382	0.37
Mr. Lin (Note 4)	3,898,719	0.15	3,898,719	0.16	3,898,719	0.16
Sub-total	1,251,317,900	48.40	1,251,317,900	50.35	1,251,317,900	49.86
Undertaking Directors (apart from Mr. Lin)						
Mr. Liu Tangzhi (Note 5)	5,000,000	0.19	5,000,000	0.20	5,000,000	0.20
Mr. Shi Chi (Note 6)	9,000,000	0.35	9,000,000	0.36	9,000,000	0.36
Mr. Lam Shing Choi, Eric (Note 7)	2,000,000	0.08	2,000,000	0.08	2,000,000	0.08
Mr. Li Weibin (Note 8)	1,000,000	0.04	1,000,000	0.04	1,000,000	0.04
Sub-total	17,000,000	0.66	17,000,000	0.68	17,000,000	0.68
Company and its concert parties (Note 9)	1,267,317,900	49.02	1,267,317,900	50.99	1,267,317,900	50.50
Other Shareholders						
Trustee of the Share Award Scheme	35,716,000	1.38	35,716,000	1.44	35,716,000	1.42
Other Independent Shareholders/Public Shareholders	1,281,167,520	49.56	1,181,167,520	47.53	1,205,495,520	48.04
Sub-total	1,316,883,520	50.94	1,216,883,520	48.97	1,241,211,520	49.46
Total	2,585,201,420	100.00	2,485,201,420	100.00	2,509,529,420	100.00

LETTER FROM THE BOARD

Notes:

1. 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 those 1,200,958,799 Shares.
2. 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.
3. Ms. Lin is an executive Director of the Company and the spouse of Mr. Wong. Accordingly, Ms. Lin is deemed to be interested in such Shares held by Mr. Wong under the SFO.
4. Mr. Lin is an executive Director of the Company and the son of Mr. Wong and Ms. Lin.
5. Mr. Liu Tangzhi is an executive Director of the Company.
6. Mr. Shi Chi is an executive Director and the Chief Executive Officer of the Company. As at the Latest Practicable Date, Mr. Shi Chi has also been granted share awards in relation to 17,000,000 Shares.
7. Mr. Lam Shing Choi, Eric is an executive Director of the Company.
8. Mr. Li Weibin is an independent non-executive Director of the Company.
9. Concert parties of the Company comprise the Wong Concert Party Group, the Undertaking Directors (other than Mr. Li Weibin) and the CITICS Group (excluding entities of the CITICS Group that are exempt principal traders or exempt fund managers). CITICS is the financial adviser to the Company in respect of the Offer. Accordingly, CITICS and relevant members of the CITICS Group which hold Shares are presumed to be acting in concert with the Company in accordance with class (5) of the definition of “acting in concert” in the Codes (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Codes or Shares held on behalf of non-discretionary investment clients of other parts of the CITICS Group). As at the Latest Practicable Date, CITICS and relevant members of the CITICS Group (excluding entities of the CITICS Group that are exempt principal traders or exempt fund managers) did not hold any Shares on a proprietary basis.
10. Numbers may not add up to 100% due to rounding.

Assuming that (i) the Qualifying Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong, Ms. Lin and the Undertaking Directors has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of completion of the Offer, over 25% of the issued Shares will be held by public Shareholders and accordingly the Company will comply with the public float requirement under Rule 8.08 of the Listing Rules after completion of the Offer.

As at the Latest Practicable Date, save as disclosed above, neither Mr. Wong, the Company nor parties acting in concert with either of them holds, owns, controls or has direction over any Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or has entered into any outstanding derivatives in respect of securities in the Company.

LETTER FROM THE BOARD

REASONS FOR THE OFFER

The price of the Shares has historically been traded at a significant discount to the Group's net asset value per Share. Taking the closing price of the Shares of HK\$3.59 on the Last Trading Day before the Price Increase Announcement as the reference date, the discounts to the Group's net asset value per Share of HK\$7.74 as at 31 December 2022 for the below periods are as follows:

- (a) on the Last Trading Day before the Price Increase Announcement: 53.60%;
- (b) average discount to the Group's net asset value per Share as at 31 December 2022 based on the average closing price of the Shares of approximately HK\$4.46 as quoted on the Stock Exchange for the three months up to and including the Last Trading Day before the Price Increase Announcement: 42.37%;
- (c) average discount to the Group's net asset value per Share as at 31 December 2022 based on the average closing price of the Shares of approximately HK\$3.73 as quoted on the Stock Exchange for the six months up to and including the Last Trading Day before the Price Increase Announcement: 51.84%; and
- (d) average discount to the Group's net asset value per Share as at 31 December 2022 based on the average closing price of the Shares of approximately HK\$3.76 as quoted on the Stock Exchange for the twelve months up to and including the Last Trading Day before the Announcement: 51.42%.

The Directors (other than members of the Independent Board Committee who have expressed their view in the letter from the Independent Board Committee set out in this Offer Document) believe that the Offer provides an opportunity for the Shareholders to realise part of their investments in the Company at a premium over recent market prices, in particular, where a reference is made to the closing price of the Shares on 28 March 2023, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group.

The 35.38% discount to the Group's net asset value per Share as at 31 December 2022 as implied by the Offer Price when compared to the historical discounts to the Group's net asset value per Share of HK\$7.74 as at 31 December 2022 as noted above under items (a) to (d) also represents an opportunity for the Shareholders to monetise their shareholding at a smaller discount to the Group's net asset value per Share as at 31 December 2022.

INFORMATION ON THE GROUP

The Group is 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.

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FUTURE INTENTIONS ON THE GROUP

Completion of the Offer will not result in a change in Mr. Wong remaining as the controlling Shareholder or in the composition of the Board. Mr. Wong intends to continue with the existing businesses of the Group and does not intend to introduce any major changes to the businesses of the Group nor conduct any redeployment of the fixed assets of the Group. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Offer.

Mr. Wong has informed the Company that his irrevocable undertakings are consistent with his belief in, and commitment to, the Group and its businesses. Mr. Wong has also informed the Company that it is his intention that, following completion of the Offer, the Group's businesses, management and the Board will remain unchanged. It is also his intention to maintain the Company's listing on the Stock Exchange.

As at the Latest Practicable Date, the Company does not have any plan on acquisition of new business or disposal of its existing business.

The Company has no intention to rely on sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance (Cap. 622) or any comparable provisions of the company law in Bermuda in relation to the right of compulsory acquisition of Shares held by minority Shareholders after the Offer. The Company intends to continue to meet the public float requirement of Rule 8.08 of the Listing Rules.

CONDITIONAL VERY SUBSTANTIAL ACQUISITION FOR THE COMPANY

The shares of Skyworth Digital, an indirect non wholly-owned subsidiary of the Company established in the PRC, are listed on the Shenzhen Stock Exchange. As at the Latest Practicable Date, Skyworth Digital is held as to approximately 50.82% by RGB, an indirect wholly-owned subsidiary of the Company, and approximately 1.73% by LCD, an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Wong Concert Party Group (comprising Mr. Wong, Target Success, Ms. Lin and Mr. Lin) does not directly hold shares in Skyworth Digital.

In the event that the acceptance level of the Offer results in the Wong Concert Party Group becoming interested in more than 50% of the Shares, the Wong Concert Party Group will be deemed to have actual control of the Company and thereby become the actual controller (實際控制人) of the Company. On this premise, as advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and the securities law of the PRC, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC, and accordingly, Mr. Wong, whether by himself or through entities controlled by him, will be obliged to make a mandatory unconditional general offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by Mr. Wong and/or parties acting in concert with him. As advised by the Company's PRC legal counsel, restricted shares refer to shares of Skyworth Digital that are subject to restrictions on subsequent sale under applicable PRC laws and regulations, and which, pursuant to the rules of the Shenzhen Stock Exchange, may not be tendered into a general

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offer unless the general offer is made for the sole purpose of privatising Skyworth Digital, or an exemption has otherwise been granted by the relevant PRC regulators. As the PRC MGO is not made to privatise Skyworth Digital and it is not contemplated that any exemption be applied for, the restricted shares of Skyworth Digital shall be excluded from the PRC MGO pursuant to the applicable PRC laws and regulations. As at the Latest Practicable Date, the restricted shares represent approximately 2.84% of the total issued share capital of Skyworth Digital, and the treasury shares held by Skyworth Digital represent approximately 0.75% of the total issued share capital of Skyworth Digital.

Taking into consideration that RGB is already the controlling shareholder of Skyworth Digital, directly holding shares in Skyworth Digital, it has been determined by the Board (excluding Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) that upon completion of the Offer, the PRC MGO (if triggered) shall be made by RGB (an indirect wholly-owned subsidiary of the Company, which will be controlled by Mr. Wong upon completion of the Offer if the Offer is accepted in full) in accordance with the Administrative Measures. In the event that the acceptance level of the Offer does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares (and thereby becoming the actual controller of the Company), the PRC MGO will not be made.

As advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and in accordance with customary practice, the offer price under the PRC MGO shall be no less than either (i) the highest price paid by RGB or its concert parties for shares of Skyworth Digital within a six-month period prior to the date of the announcement on the PRC MGO, which was published by Skyworth Digital on the date of the Announcement; or (ii) the mathematical average value of daily weighted average prices for such shares over 30 market days prior to the date of the announcement on the PRC MGO, which was RMB15.02 per share. As RGB and its concert parties did not acquire any shares of Skyworth Digital during the six-month period prior to the date of the announcement on the PRC MGO, the offer price under the PRC MGO will be RMB15.02 per share, which represents:

- a premium of approximately 12.34% over the closing price of the shares of Skyworth Digital on the date of the announcement on the PRC MGO as quoted on the Shenzhen Stock Exchange;
- a discount of approximately 4.31% to the average closing prices of the shares of Skyworth Digital for the three months up to and including the date of the announcement on the PRC MGO as quoted on the Shenzhen Stock Exchange;
- a discount of approximately 13.98% to the average closing prices of the shares of Skyworth Digital for the six months up to and including the date of the announcement on the PRC MGO as quoted on the Shenzhen Stock Exchange;
- a discount of approximately 8.75% to the average closing prices of the shares of Skyworth Digital for the nine months up to and including the date of the announcement on the PRC MGO as quoted on the Shenzhen Stock Exchange;

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- a discount of approximately 2.74% to the average closing prices of the shares of Skyworth Digital for the twelve months up to and including the date of the announcement on the PRC MGO as quoted on the Shenzhen Stock Exchange;
- a discount of approximately 27.23% over the closing price of the shares of Skyworth Digital as quoted on the Shenzhen Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 187.96% over Skyworth Digital's net asset value attributable to the shareholders of approximately RMB5.22 per share pursuant to the latest audited consolidated financial statements of Skyworth Digital as at 31 December 2022, calculated based on the audited consolidated net asset value attributable to the shareholders of RMB5,999.63 million as at 31 December 2022 and shares in issue as at the date of the announcement on the PRC MGO.

As advised by CITIC Securities, the reason for the offer price under the PRC MGO representing a high premium over the net asset value attributable to the shareholders as at 31 December 2022 is that in the A-share market, valuation for companies in emerging industries, in particular in the technology industry (being the industry in which Skyworth Digital is primarily engaged), tends to be much higher compared to other traditional industries as the market typically has more confidence in the development prospects of such companies and accordingly the shares of such companies are typically traded at a higher premium over their net asset value per share. Further, similar to other technology companies, Skyworth Digital has adopted a non-asset-intensive business model, making its net asset value attributable to the shareholders lower than companies in other traditional industries. In view that the offer price of the PRC MGO is determined pursuant to the Administrative Measures (being the mathematical average value of daily weighted average prices for the shares of Skyworth Digital over 30 market days prior to the date of the announcement on the PRC MGO), which generally represents a discount to the past trading prices of the shares of Skyworth Digital, and taking into account the benefits of the PRC MGO as set out below, the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) are of the view that the offer price of the PRC MGO is fair and reasonable.

Based on the offer price of RMB15.02 per share and the total number of shares that are subject to the PRC MGO (being 504,503,558 shares), the maximum consideration payable under the PRC MGO will be approximately RMB7,577.64 million. RGB will fund the maximum consideration payable under the PRC MGO by internal resources of RGB and, if needed, self-raised funds, without pledging the shares of Skyworth Digital. In accordance with relevant PRC laws and regulations, before publication of the announcement on the PRC MGO on 23 December 2022, RGB had already deposited cash in an amount equal to 20% of the maximum consideration payable under the PRC MGO (the “**Deposit**”) into a bank account designated by the relevant PRC regulators. In addition, on 11 April 2023, Mr. Wong gave an irrevocable undertaking to RGB, pursuant to which Mr. Wong has irrevocably undertaken that if the total consideration payable by RGB under the PRC MGO exceeds the Deposit, Mr. Wong will enter into a loan agreement with RGB to extend a loan to RGB for an aggregate amount representing the total consideration payable by RGB under the PRC MGO minus the Deposit. Pursuant to the loan agreement, the loan will be interest-free and

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repayable on the fifth anniversary of the first drawdown date, and will be unsecured. Mr. Wong is the controlling shareholder and therefore a connected person of the Company, and the loan constitutes financial assistance received by the Group from a connected person. However, as the loan is conducted on normal commercial terms or better and is not secured by the assets of the Group, the loan is fully exempt from reporting, announcement and shareholders' approval requirements under Rule 14A.90 of the Listing Rules. Pursuant to the Administrative Measures, CITIC Securities, having done the requisite due diligence on the financial conditions of the Group and RGB, is satisfied that the Group and RGB have sufficient financial resources to enable it to pay the maximum consideration payable by RGB under the PRC MGO.

In the annual report of Skyworth Digital for the year ended 31 December 2022, the board of directors of Skyworth Digital declared a conditional cash dividend of RMB2.00 (tax inclusive) per 10 shares, which was approved by the shareholders of Skyworth Digital at the annual general meeting held on 11 April 2023. As advised by CITIC Securities, if such dividend is paid in full prior to the launch of the PRC MGO, the offer price under the PRC MGO would be adjusted downwards accordingly. For the avoidance of doubt, the offer price under the PRC MGO will not be increased. Further announcement(s) will be made by the Company in connection with the PRC MGO (including the downward adjustment of the offer price, if any) in accordance with the Listing Rules.

The making of the PRC MGO is to ensure compliance with the aforementioned statutory obligations under the Administrative Measures and the securities law of the PRC, and is not intended to delist Skyworth Digital from the Shenzhen Stock Exchange. However, if the acceptance level of the PRC MGO results in the public float of Skyworth Digital falling below 10%, Skyworth Digital shall no longer be qualified to retain its listing status, in which case RGB will use its voting rights or otherwise make other arrangements pursuant to applicable laws and regulations and the articles of association of Skyworth Digital to procure that the listing status of Skyworth Digital be maintained, including, for example, exercising its voting power to procure Skyworth Digital to issue new shares to independent third parties or transferring its shares in Skyworth Digital to independent third parties, thereby restoring the public float of Skyworth Digital. In the unlikely event that Skyworth Digital is required to be delisted as a result of the PRC MGO, RGB will acquire all remaining shares of Skyworth Digital at the offer price under the PRC MGO.

As advised by the Company's PRC legal counsel, the shares to be acquired by RGB under the PRC MGO will be subject to an 18-month lock-up, subject to the carve-out of transferring to affiliates.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, save for Mr. Liu Tangzhi and Mr. Shi Chi (each being an executive Director), who hold shares in both the Company and Skyworth Digital, no other shareholders of Skyworth Digital also hold Shares in the Company. Each of Mr. Liu Tangzhi and Mr. Shi Chi has entered into an irrevocable undertaking not to accept the PRC MGO in respect of their shareholdings in Skyworth Digital.

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, shareholders of Skyworth Digital to which the PRC MGO will be made (save for Mr. Liu Tangzhi and Mr. Shi Chi who have irrevocably undertaken not to accept the PRC MGO) and the ultimate beneficial owner of such shareholders are third parties independent of the Company and connected persons of the Company. For more information on the PRC MGO, please refer to the announcement published by Skyworth Digital on the website of the Shenzhen Stock Exchange on the date of the Announcement.

As advised by the Company's PRC legal counsel, Mr. Wong is permitted to make the PRC MGO by himself or through any entity controlled by him. Although Mr. Wong is permitted and able to make the PRC MGO himself, the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) are of the view that it is in the interests of the Company and the Shareholders as a whole for RGB to launch the PRC MGO for the following reasons:

- (i) although the PRC MGO is triggered as a matter of mandatory requirement under the Administrative Measures, it will potentially provide a good opportunity for the Company to increase its shareholding in Skyworth Digital at a lower cost compared with an on-market purchase of shares, which is likely to drive up the trading price of the shares of Skyworth Digital and thereby increase the cost for the Company to further increase its shareholding in Skyworth Digital. By contrast, the PRC MGO allows the Company to lock in the purchase price for the shares of Skyworth Digital, thereby avoiding the additional costs that would otherwise be incurred through on-market purchase of shares. As disclosed in the 2022 annual report of Skyworth Digital published on 21 March 2023, Skyworth Digital has been profitable in the preceding three financial years. While Skyworth Digital's financial statements have been consolidated in the Company's financial statements, an increase in the Company's shareholding in Skyworth Digital will enable the Company to increase its share in the overall financial performance of Skyworth Digital, which the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) deem to be in the interests of the Company and the Shareholders as a whole. In other words, the Company intends to acquire shares in Skyworth Digital, whether through on-market purchases or through the PRC MGO; and as explained above, compared to on-market purchases, the PRC MGO would enable the Company to acquire shares in Skyworth Digital at a lower cost. In addition, the Company does not expect to incur substantive costs from the PRC MGO as the PRC MGO is procedural in nature and the Company intends to fund its payment obligations thereunder primarily with the Group's internal financial resources;
- (ii) as advised by the Company's PRC legal counsel, under applicable PRC laws and regulations, the actual controller (實際控制人) of a listed company is responsible for, among other things, ensuring that the listed company complies with applicable laws, regulations and listing rules and the articles of association of the listed company. As advised by the Company's PRC legal counsel, most of the listed companies in the PRC have an actual controller, and Skyworth Digital not having an actual controller has caused Skyworth Digital to be subject to more scrutiny from regulators in the PRC and restricts the ability of Skyworth Digital

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to conduct capital markets activities in an efficient manner. After the closing of the Offer, assuming the Offer is accepted in full, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC. The resulting change will reduce Skyworth Digital's ongoing compliance costs associated with the status of having no actual controller and make it easier for Skyworth Digital to conduct capital markets activities, which will be beneficial to the future development of Skyworth Digital and the Company; and

- (iii) as at the Latest Practicable Date, the Company holds approximately 50.82% of the issued shares of Skyworth Digital through its wholly-owned subsidiary, RGB, and as advised by CITIC Securities, the making of the PRC MGO by RGB will be a quicker, easier and more direct way to implement the PRC MGO. As at the Latest Practicable Date, RGB is already a direct shareholder of Skyworth Digital, and implementation of the PRC MGO by RGB will only change the number of shares in Skyworth Digital held by RGB. By contrast, as at the Latest Practicable Date, the Wong Concert Party Group (comprising Mr. Wong, Target Success, Ms. Lin and Mr. Lin) does not directly hold shares in Skyworth Digital, and if the PRC MGO were to be implemented by Mr. Wong, Mr. Wong will become a new direct shareholder of Skyworth Digital, while also simultaneously holding indirect interest in Skyworth Digital through the Company, LCD and RGB. Accordingly, if the PRC MGO is made by Mr. Wong, it will further complicate the shareholding structure of Skyworth Digital, resulting in Skyworth Digital being subject to more regulatory scrutiny, increasing Skyworth Digital's related compliance costs and limiting Skyworth Digital's capability to conduct capital market activities. As the parent company of Skyworth Digital, the Company will also be negatively impacted by such heightened regulatory scrutiny, increased compliance costs as well as Skyworth Digital's inability to conduct capital market activities in an efficient manner. Further, as advised by the Company's PRC legal counsel and CITIC Securities, if the PRC MGO were to be made by Mr. Wong, filing obligations under PRC laws and regulations would be triggered, including but not limited to those under the Implementation Rule for the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) and the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (《外國投資者對上市公司戰略投資管理辦法》), which would be time-consuming and involve rounds of communications with relevant PRC regulators, thereby adding to compliance costs to be incurred by Skyworth Digital. In addition, the relevant PRC regulators have requested that the offeror for the PRC MGO provide a prescribed deposit in RMB before announcing the PRC MGO. As Mr. Wong does not have sufficient readily available cash in RMB, it is anticipated that if Mr. Wong were to make the PRC MGO, he would need to either (i) transfer offshore cash back onshore (which would require governmental approval for foreign exchange and cross-border wire transfer, among other things) or (ii) obtain external financing from a local PRC bank. Both options would be time-consuming and would engender a high risk of information on the PRC MGO, and even potentially information on the Offer, being leaked by persons involved in the relevant discussions or approval process, which would be detrimental to the Company's efforts in making the Offer.

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Based on the reasons set out above, the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) are of the view that the terms of the PRC MGO are fair and reasonable and in the interests of the Shareholders as a whole.

Skyworth Digital is an investment holding company and its subsidiaries are primarily engaged in providing a comprehensive yet systematic portfolio of UHD device development, broadband network connectivity and UHD industrial application integrated solutions to users across the globe.

Set out below are extracts from the annual reports of Skyworth Digital for the two years ended 31 December 2022:

	For the year ended 31 December	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	10,846,559,580.07	12,008,581,541.31
Net profits before taxation	405,437,866.84	883,867,263.57
Net profits after taxation	414,816,519.53	805,849,761.80

As at 31 December 2022, the audited net assets of Skyworth Digital and its subsidiaries attributable to the shareholders were RMB5,999,632,247.08.

As one or more of the applicable percentage ratios in respect of the PRC MGO exceeds 100%, the making of the PRC MGO constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the purposes of considering and, if thought fit, approving the PRC MGO. Independent Shareholders' approval of the PRC MGO at the SGM is one of the Conditions of the Offer, which cannot be waived. Accordingly, in the event that the PRC MGO is not approved at the SGM, the Offer will lapse. If the Offer lapses or if the acceptance level of the Offeror does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares, the PRC MGO will not be triggered or made. For the avoidance of doubt, the PRC MGO, if triggered and made, will not be subject to any conditions.

FINANCIAL EFFECTS OF THE OFFER AND THE PRC MGO

Pursuant to Rule 14.66(5) of the Listing Rules and Schedule III to the Takeovers Code, the financial effects of the Offer and the PRC MGO are set out below, and the unaudited pro forma financial information of the Group upon completion of the Offer and the PRC MGO, illustrating the financial impact of the Offer and the PRC MGO on the earnings per Share, net assets per Share, total liabilities, total assets and working capital (expressed as net current assets) of the Group, is set out in Appendix V to this Offer Document.

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Acceptance of the Maximum Number of Offer and no acceptance of the PRC MGO

Earnings per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming that full acceptance of the Offer and no acceptance of the PRC MGO was completed on 1 January 2022 and the Maximum Number had been bought-back under the Offer, the basic earnings per Share for the year ended 31 December 2022 would, as a result, have increased by approximately 3.7% from RMB31.97 cents per Share to RMB33.14 cents per Share.

Net assets per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming that full acceptance of the Offer and no acceptance of the PRC MGO was completed on 31 December 2022 and the Maximum Number had been bought-back under the Offer, the net assets per Share as at 31 December 2022 would, as a result, have increased by approximately 1.9% from RMB8.61 per Share to RMB8.77 per Share.

Total liabilities and total assets

The Offer and the PRC MGO will be paid in cash and funded by internal resources of the Group and available banking facilities. Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming that full acceptance of the Offer and no acceptance of the PRC MGO was completed on 31 December 2022 and the liabilities of the Group as at 31 December 2022 would remain at RMB42,516 million, and the total assets of the Group as at 31 December 2022 would have decreased by approximately 0.7% from RMB64,410 million to RMB63,951 million following completion of the Offer and the PRC MGO.

Working capital

Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming full acceptance of the Offer and no acceptance of the PRC MGO was completed on 31 December 2022 and the Maximum Number had been bought-back under the Offer, the working capital (expressed as net current assets) of the Group as at 31 December 2022 would decrease by approximately 4.2% from approximately RMB10,899 million to RMB10,440 million.

The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer and the PRC MGO assuming full acceptance of the Offer and no acceptance of the PRC MGO.

LETTER FROM THE BOARD

Acceptance of the Maximum Number of Offer and full acceptance of the PRC MGO

Earnings per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming that full acceptance of the Offer and the PRC MGO was completed on 1 January 2022 and the Maximum Number had been bought-back under the Offer, the basic earnings per Share for the year ended 31 December 2022 would, as a result, have increased by approximately 29.4% from RMB31.97 cents per Share to RMB41.38 cents per Share.

Net assets per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming that full acceptance of the Offer and the PRC MGO was completed on 31 December 2022 and the Maximum Number had been bought-back under the Offer, the net assets per Share as at 31 December 2022 would, as a result, have decreased by approximately 28.3% from RMB8.61 per Share to RMB6.17 per Share.

Total liabilities and total assets

The Offer and the PRC MGO will be paid in cash and funded by internal resources of the Group and available banking facilities. Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming that full acceptance of the Offer and the PRC MGO was completed on 31 December 2022 and the Maximum Number had been bought-back under the Offer, the total liabilities of the Group as at 31 December 2022 would have increased from RMB42,516 million to RMB47,348 million, and the total assets of the Group as at 31 December 2022 would have decreased by approximately 3.1% from RMB64,410 million to RMB62,435 million following completion of the Offer and the PRC MGO.

Working capital

Based on the unaudited pro forma financial information of the Group set out in Appendix V to this Offer Document and assuming full acceptance of the Offer and the PRC MGO was completed on 31 December 2022 and the Maximum Number had been bought-back under the Offer, the working capital (expressed as net current assets) of the Group as at 31 December 2022 would decrease by approximately 18.1% from approximately RMB10,889 million to RMB8,924 million.

Compared to the scenario of full acceptance of the Offer only, the addition of full acceptance of the PRC MGO will lead to decrease in the earnings of the Group by RMB186 million, and will result in the total assets of the Group decreasing by approximately 2.4% from RMB63,951 million to RMB62,435 million.

LETTER FROM THE BOARD

The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer and the PRC MGO assuming full acceptance of the Offer and the PRC MGO.

Based on the above and having considered the manner of funding of the consideration for the Offer and the PRC MGO, the Company considers that completion of the Offer and the PRC MGO will have no material adverse effect on the Group's earnings per Share, net assets per Share, total liabilities or working capital.

SPECIAL GENERAL MEETING

The Offer will be conditional upon, among other things, the passing of an ordinary resolution and a special resolution by way of poll to approve the Offer and the Whitewash Waiver, respectively, by the Independent Shareholders, and the passing of an ordinary resolution to approve the PRC MGO by the Independent Shareholders, in each case either voting in person or by proxy, at the SGM.

The Wong Concert Party Group will abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO to be proposed at the SGM. As the Offer is being made on behalf of the Company, (i) the Undertaking Directors, and (ii) the CITICS Group (other than any member of the CITICS Group which is (1) an exempt fund manager as regards Shares held in that capacity; or (2) an exempt principal trader who holds the Shares as a simple custodian for and on behalf of non-discretionary clients, where such non-discretionary clients (A) control the voting rights attached to such Shares, and (B) give instructions as to how such Shares are to be voted) will also abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO at the SGM. As at the Latest Practicable Date, (i) the Wong Concert Party Group are interested in 1,251,317,900 Shares (representing approximately 48.40% of the total issued Shares of the Company), (ii) the Undertaking Directors (excluding Mr. Lin) are interested in 17,000,000 Shares (representing approximately 0.66% of the total issued Shares of the Company) and (iii) the CITICS Group (other than any member of the CITICS Group which is (1) an exempt fund manager as regards Shares held in that capacity; or (2) an exempt principal trader who holds the Shares as a simple custodian for and on behalf of non-discretionary clients, where such non-discretionary clients (A) control the voting rights attached to such Shares, and (B) give instructions as to how such Shares are to be voted) is not interested in any Shares.

Pursuant to the trust deed of the Share Award Scheme, the trustee of the Share Award Scheme shall not exercise the voting rights attached to the Shares held by it. As at the Latest Practicable Date, the trustee of the Share Award Scheme held 35,716,000 Shares (representing approximately 1.38% of the issued Shares of the Company), which will not be voted on at the SGM.

The SGM will be convened at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Friday, 5 May 2023 for considering and, if thought fit, approving the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO.

LETTER FROM THE BOARD

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this Offer Document and a form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar not later than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof (as the case may be). Such form of proxy for use at the SGM is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://investor.skyworth.com>). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjournment or postponement thereof (as the case may be) in person should you so wish.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer or the Whitewash Waiver other than as a Shareholder, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, whether they are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting.

Independent Shareholders should note that their decisions on how to vote on the resolutions to be proposed at the SGM to approve the Offer, the Whitewash Waiver and the PRC MGO shall not affect their decisions on whether to accept the Offer or not. Even if they vote in favour of or against the resolutions to be proposed at the SGM, they are free nonetheless to accept or not to accept the Offer.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 37 to 38 of this Offer Document and to the letter from Somerley as set out on pages 39 to 114 of this Offer Document. The latter contains, among other things, the advice of Somerley to the Independent Board Committee in respect of the Offer and the Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice.

Taking into account the letter from the Independent Board Committee and all other factors as stated under the sections headed “*Reasons for the Offer*” and “*Conditional Very Substantial Acquisition of the Company*” above as a whole, the Board is of the opinion that although the Offer and the PRC MGO are not in the ordinary and usual course of the business of the Group, the terms of the Offer, the Whitewash Waiver and the PRC MGO are fair and reasonable and in the interest of the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM approving the Offer, the Whitewash Waiver and the PRC MGO.

FURTHER INFORMATION

Your attention is also drawn to the terms of the Offer as set out in the letter from CLSA Limited on pages 28 to 36 and in Appendix I to this Offer Document, the financial information of the Group as set out in Appendix II to this Offer Document, the management

LETTER FROM THE BOARD

discussion and analysis of Skyworth Digital as set out in Appendix III to this Offer Document, financial information of Skyworth Digital as set out in Appendix IV to this Offer Document, the unaudited pro forma financial information of the Group as set out in Appendix V to this Offer Document, the property valuation report as set out in Appendix VI to this Offer Document and the general information as set out in Appendix VII to this Offer Document.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

Yours faithfully,
For and on behalf of the Board
Skyworth Group Limited
Shi Chi
Chief Executive Officer

LETTER FROM CLSA LIMITED



14 April 2023

To the Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
CLSA LIMITED ON BEHALF OF
SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 100,000,000 SHARES
AT HK\$5.0 PER SHARE
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 23 December 2022, the Board announced that the Offer would be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date, at the Initial Offer Price of HK\$3.8 per Share.

On 28 March 2023, the Board announced in the Price Increase Announcement that the Initial Offer Price of HK\$3.8 per Share will be increased to the Offer Price of HK\$5.0 per Share, representing an increase of HK\$1.2 per Share.

The Offer will be made in full compliance with the Codes. The Qualifying Shareholders may accept the Offer by lodging the Form of Acceptance for the sale of their Shares to the Company at the Offer Price of HK\$5.0 per Share.

The Shares to be bought-back by the Company will not exceed the Maximum Number. There is no minimum number of Shares proposed to be bought-back under the Offer.

This letter forms part of this Offer Document and sets out the details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

THE OFFER

The Offer is being made by CLSA Limited on behalf of the Company subject to fulfilment of the Conditions to buy-back the Shares on the following basis up to the Maximum Number, being 100,000,000 Shares:

For every Share HK\$5.0 in cash

LETTER FROM CLSA LIMITED

All Qualifying Shareholders are entitled to accept the Offer by submitting Form of Acceptance for the sale of any number of their Shares to the Company on the basis of which is set out under the section headed “*Other Terms of the Offer*” below.

The salient terms of the Offer are as follows:

- (a) CLSA Limited will make the Offer to the Shareholders on behalf of the Company to buy-back the Shares, up to the Maximum Number, at the Offer Price;
- (b) Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down described under the section headed “*Other Terms of the Offer*” below);
- (c) The Offer is not conditional upon a minimum number of Shares being tendered for buy-back;
- (d) All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details of the procedures for scaling down are described under the section headed “*Other Terms of the Offer*” below;
- (e) A Form of Acceptance duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code;
- (f) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of stamp duty due on the Shares bought-back attributable to the seller will be deducted from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders;
- (g) Shares bought-back will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares bought-back accordingly; and
- (h) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to CLSA Limited and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

LETTER FROM CLSA LIMITED

Under the Share Buy-backs Code, the Offer will need to be approved by the Independent Shareholders in a general meeting by a majority of votes by way of poll and will also be subject to the other Conditions as referred to in the section headed “*Conditions of the Offer*” below.

As at the Latest Practicable Date, save for the outstanding Share Options and the 2,585,201,420 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

THE OFFER PRICE

The Offer Price of HK\$5.0 per Share valued the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$12,926.0 million.

The Offer Price represents:

- a premium of approximately 24.07% over the closing price of the Shares of HK\$4.03 as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 58.23% over the closing price of the Shares of HK\$3.16 as quoted on the Stock Exchange on the Last Trading Day before the Announcement;
- a premium of approximately 56.25% over the closing price of the Shares of HK\$3.20 as quoted on the Stock Exchange on the last business day immediately preceding the date of the Announcement;
- a premium of approximately 39.28% over the closing price of the Shares of HK\$3.59 per Share as quoted on the Stock Exchange on the Last Trading Day before the Price Increase Announcement;
- a premium of approximately 33.40% over the average closing price of the Shares of approximately HK\$3.75 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day before the Price Increase Announcement;
- a premium of approximately 29.27% over the average closing price of the Shares of approximately HK\$3.87 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day before the Price Increase Announcement;
- a premium of approximately 19.77% over the average closing price of the Shares of approximately HK\$4.17 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day before the Price Increase Announcement; and

LETTER FROM CLSA LIMITED

- a discount of approximately 35.38% to the Group's net asset value attributable to the Shareholders of approximately HK\$7.74 per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2022, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB17,867 million (based on the exchange rate of HK\$1:RMB0.89327, the central parity rate published by the People's Bank of China on its website as at 30 December 2022 for illustrative purposes) as at 31 December 2022 and Shares in issue as at the Latest Practicable Date.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Company, and the prevailing market conditions and sentiments, and with reference to share buy-back transactions in Hong Kong in recent years.

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$500 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group. CITICS, being the financial adviser to the Company, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full in accordance with the terms of the Offer stated in this Offer Document.

CONDITIONS OF THE OFFER

The Offer will be conditional upon fulfillment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver;
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn; and
- (d) the Independent Shareholders having passed the resolution at the SGM approving, among other things, the PRC MGO.

None of the above Conditions can be waived.

The Offer is subject to all of the Conditions being fulfilled. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not approved by the Independent Shareholders, the Offer will immediately lapse.

The Offer will not be conditional on any minimum number of acceptances.

LETTER FROM CLSA LIMITED

The Wong Concert Party Group will abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO to be proposed at the SGM. As the Offer is being made on behalf of the Company, (i) the Undertaking Directors, and (ii) the CITICS Group (other than any member of the CITICS Group which is (1) an exempt fund manager as regards Shares held in that capacity; or (2) an exempt principal trader who holds the Shares as a simple custodian for and on behalf of non-discretionary clients, where such non-discretionary clients (A) control the voting rights attached to such Shares, and (B) give instructions as to how such Shares are to be voted) will also abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO at the SGM.

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

Tenders duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code. All Shares bought-back under the Offer will be cancelled.

Shares will be bought-back free of commissions and dealing charges, but the seller's ad valorem stamp duty payable by the Accepting Shareholders, calculated at a rate of 0.13% of the market value of the Shares to be bought-back under the Offer, or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable to the Accepting Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the Accepting Shareholders.

Acceptance of the Offer by any Accepting Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature, and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of their cancellation. All Shares bought-back under the Offer will be cancelled.

OTHER TERMS OF THE OFFER

Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 100,000,000, being the Maximum Number

B = Total number of Shares tendered by all Accepting Shareholders under the Offer

LETTER FROM CLSA LIMITED

C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Accepting Shareholders.

As at the Latest Practicable Date, neither the Company nor parties acting in concert with it, nor Mr. Wong or parties acting in concert with him had received any irrevocable commitment to accept the Offer. As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it had received any irrevocable commitment not to accept the Offer.

OVERSEAS SHAREHOLDERS

Based on the Register, as at the Latest Practicable Date, there were no Overseas Shareholders with registered addresses outside Hong Kong. Accordingly, there were no Excluded Shareholders as at the Latest Practicable Date.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy itself, himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Overseas Shareholder shall be deemed to constitute a representation and warranty from such Overseas Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC will give, or be subject to, any of the above representation and warranty. Overseas Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).

In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "**Skyworth Group Limited – Buy-back Offer**" as soon as possible after receipt of the Form of Acceptance but

LETTER FROM CLSA LIMITED

in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 19 May 2023, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.

If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be accepted from each Qualifying Shareholder by the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.

ODD LOTS

The Shares are currently traded in board lot of 2,000 Shares each. There is no intention to change the board lot size as a result of the Offer. Qualifying Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares. Matching services will be provided with details as set out in “*Appendix I – Terms of the Offer – 7. Odd Lots*”.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the Offer.

WHITEWASH WAIVER

As at the Latest Practicable Date, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 48.40% of the issued Shares as at the Latest Practicable Date. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

LETTER FROM CLSA LIMITED

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of the Wong Concert Party Group may increase to a maximum level of approximately 50.35% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Wong to make a mandatory general offer for all the Shares not already owned by the Wong Concert Party Group. Consequently, an application has been made to the Executive by Mr. Wong for the Whitewash Waiver.

The Executive has agreed, subject to the approval of the Independent Shareholders for the Offer, the Whitewash Waiver and the PRC MGO at the SGM by way of poll, to waive any obligation of Mr. Wong to make a general offer which might result from completion of the Offer. As the maximum potential holding of voting rights in the Company by the Wong Concert Party Group after completion of the Offer will exceed 50% of the voting rights of the Company, the Wong Concert Party Group may increase their holding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

If the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Form of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, CLSA Limited, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction for the seller's ad valorem stamp duty due on the buy-back of the Shares as disclosed in the section headed "*Conditions of the Offer*" above, as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) following the close of the Offer. Settlements will be made by Skyworth TV Holdings Limited (創維電視控股有限公司), a wholly-owned subsidiary of the Company, for and on behalf of the Company.

LETTER FROM CLSA LIMITED

If the Shares of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) following the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, CLSA Limited, the Independent Financial Adviser, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Friday, 5 May 2023 for considering and, if thought fit, approving the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO, is set out on pages SGM-1 to SGM-3 of this Offer Document and a form of proxy for use at the SGM is also enclosed.

GENERAL

Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the advice from Somerley contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices of this Offer Document which form part of this Offer Document.

Yours faithfully,
For and on behalf of
CLSA LIMITED
Edmund Chan
Managing Director, Head of M&A

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer and the Whitewash Waiver for inclusion in this Offer Document.

SKYWORTH
SKYWORTH GROUP LIMITED
創維集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00751)

14 April 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY
CLSA LIMITED ON BEHALF OF
SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 100,000,000 SHARES
AT HK\$5.0 PER SHARE
AND
APPLICATION FOR WHITEWASH WAIVER**

We have been appointed by the Board to form the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver, details of which are set out in the letter from the Board in the document issued by the Company dated 14 April 2023 (the “**Offer Document**”), in which this letter is included. Capitalised terms used in this letter have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from CLSA Limited set out on pages 28 to 36 of the Offer Document and Appendix I to the Offer Document which contain the terms of the Offer, and the letter from Somerley set out on pages 39 to 114 of the Offer Document which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver as well as the principal factors and reasons for its advice and recommendation.

Having taken into account the factors and reasons considered by, and the opinion of, Somerley as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer and the Whitewash Waiver are on balance fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the Whitewash Waiver, the granting of which is one of the conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to approve the Offer and the Whitewash Waiver at the SGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also concur with the advice of Somerley to the Qualifying Shareholders to accept the Offer as realisation of their investments. However, the Qualifying Shareholders are reminded to monitor the market price of the Shares during the Offer Period. If during the Offer Period, it transpires that the market price of the Shares exceeds the Offer Price and the sales proceeds (net of the transaction costs) exceed the net proceeds to be received under the Offer, the Qualifying Shareholders who wish to realise their investments in the Company in whole or in part should, if they are able to do so, seek to sell their Shares in the market instead of accepting the Offer. On the other hand, for those Qualifying Shareholders who, after considering the information contained in the Offer Document, would like to participate in the future prospects of the Group following completion of the Offer, they should consider retaining all or part of their Shares.

Yours faithfully,
the Independent Board Committee

Li Weibin
*Independent Non-executive
Director*

Cheong Ying Chew, Henry
*Independent Non-executive
Director*

Hung Ka Hai, Clement
*Independent Non-executive
Director*

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee regarding the Offer and the Whitewash Waiver for the purpose of incorporation in this Offer Document.



SOMERLEY CAPITAL LIMITED

20th Floor China Building
29 Queen's Road Central
Hong Kong

14 April 2023

To: the Independent Board Committee of Skyworth Group Limited

Dear Sirs,

**CONDITIONAL CASH OFFER BY CLSA LIMITED ON BEHALF OF
SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 100,000,000 SHARES AT HK\$5.0 PER SHARE
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Offer and the Whitewash Waiver. Details of the Offer and the Whitewash Waiver are contained in the Offer Document dated 14 April 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Offer Document unless the context otherwise requires.

On 23 December 2022, the Board announced that the Offer would be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date, at the Initial Offer Price of HK\$3.8 per Share. On 28 March 2023, the Board announced the Price Increase Announcement for the Initial Offer Price of HK\$3.8 per Share be increased to the Offer Price of HK\$5.0 per Share, representing an increase of HK\$1.2 per Share.

As at the Latest Practicable Date, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 48.40% of the issued Shares as at the Latest Practicable Date. Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of the Wong Concert Party Group may increase to a maximum level of approximately 50.35% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Wong to make a mandatory general offer for all the Shares not already owned by the Wong Concert Party Group. Consequently, an application has been made to the Executive by Mr. Wong for the Whitewash Waiver.

LETTER FROM SOMERLEY

The shares of Skyworth Digital, an indirect non wholly-owned subsidiary of the Company established in the PRC, are listed on the Shenzhen Stock Exchange. In the event that the acceptance level of the Offer results in the Wong Concert Party Group becoming interested in more than 50% of the Shares and thereby becoming the actual controller (實際控制人) of the Company, pursuant to the relevant regulatory requirements in the PRC, Mr. Wong, whether by himself or through entities controlled by him, will be obliged to make a mandatory unconditional general offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by Mr. Wong and/or parties acting in concert with him. It has been determined by the Board (excluding Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) that upon completion of the Offer, the PRC MGO (if triggered) shall be made by RGB (an indirect wholly-owned subsidiary of the Company, which will be controlled by Mr. Wong upon completion of the Offer if the Offer is accepted in full). In the event that the acceptance level of the Offer does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares (and thereby becoming the actual controller of the Company), the PRC MGO will not be made.

An Independent Board Committee, which comprises all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, namely Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement, has been formed by the Board to advise the Independent Shareholders in connection with the Offer and the Whitewash Waiver. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise it as regards its recommendation on the Offer and the Whitewash Waiver.

We are not associated with the Company, Mr. Wong or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer and the Whitewash Waiver. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Mr. Wong or any party acting, or presumed to be acting, in concert with any of them. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee in respect of the Offer and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (“**Management**”), which we have assumed to be true, accurate and complete in all material aspects at the Latest Practicable Date. We have also assumed that all representations contained or referred to in the Offer Document were true, accurate and complete at the time they were made and remain so at the Latest Practicable Date.

We have reviewed, among other things, the Announcement, the Price Increase Announcement, the Offer Document, the annual reports of the Company for the years ended 31 December 2020 and 2021 (“**2021 Annual Report**”), the interim report of the Company for the six months ended 30 June 2022, the annual results announcement of the Company

LETTER FROM SOMERLEY

for the year ended 31 December 2022 (“**2022 Annual Results Announcement**”), the annual report of Skyworth Digital for the year ended 31 December 2022, the property valuation report as set out in appendix VI to the Offer Document (“**Property Valuation Report**”) and the information contained in the Offer Document. We have discussed with the Directors their statements set out in appendix II to the Offer Document that there has been no material change in the financial or trading position or outlook of the Group since the date of the last published audited accounts of the Group up to and including the Latest Practicable Date. The Directors have also confirmed that full acceptance of the Offer will leave the Company with sufficient net assets and working capital to support its present and planned business. We have sought and received confirmation from the Directors that no material fact has been omitted from the information supplied and opinions expressed to us by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. The Qualifying Shareholders will be notified of any material changes to such information and representations or any change to our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material fact has been omitted or withheld. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification on the information supplied.

We have not considered the tax implications on the Qualifying Shareholders of acceptance or non-acceptance of the Offer, since these depend on their individual circumstances. Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions. If Shareholders are in any doubt on their tax position, they should consult their own professional advisers.

TERMS OF THE OFFER

1. Background of the Offer

On 23 December 2022, the Board announced that the Offer would be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date, at the Initial Offer Price of HK\$3.8 per Share. On 28 March 2023, the Board announced in the Price Increase Announcement that the Initial Offer Price of HK\$3.8 per Share will be increased to the Offer Price of HK\$5.0 per Share, representing an increase of HK\$1.2 per Share.

The Offer is not conditional on any minimum number of Shares being tendered for acceptance or any minimum number of Shares to be bought-back under the Offer.

The Offer will be made in full compliance with the Codes.

LETTER FROM SOMERLEY

2. Terms of the Offer

The salient terms of the Offer are as follows:

- (a) CLSA Limited will make the Offer to the Shareholders on behalf of the Company to buy-back the Shares, up to the Maximum Number, at the Offer Price;
- (b) Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down described under the section headed “4. Other terms of the Offer” below);
- (c) The Offer is not conditional upon a minimum number of Shares being tendered for buy-back;
- (d) All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details of the procedures for scaling down are described under the section headed “4. Other terms of the Offer” below;
- (e) A Form of Acceptance duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code;
- (f) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of stamp duty due on the Shares bought-back attributable to the seller will be deducted from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders;
- (g) Shares bought-back will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares bought-back accordingly; and
- (h) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to CLSA Limited and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

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Under the Share Buy-backs Code, the Offer will need to be approved by the Independent Shareholders in a general meeting by a majority of votes by way of poll and will also be subject to the other Conditions as referred to in the section headed “3. Conditions of the Offer” below.

The Company does not intend to announce, declare or pay any dividend, distribution or other return of capital before the close of the Offer.

3. Conditions of the Offer

The Offer will be conditional upon fulfillment of all of the following Conditions:

- (i) the approval by more than 50% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Offer;
- (ii) the approval by at least 75% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver;
- (iii) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn; and
- (iv) the Independent Shareholders having passed the resolution at the SGM approving, among other things, the PRC MGO.

None of the above Conditions can be waived.

The Offer is subject to all of the Conditions being fulfilled. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not approved by the Independent Shareholders, the Offer will immediately lapse.

The Offer will not be conditional on any minimum number of acceptances.

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

Tenders duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code. All Shares bought-back under the Offer will be cancelled.

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4. Other terms of the Offer

Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 100,000,000, being the Maximum Number

B = Total number of Shares tendered by all Accepting Shareholders under the Offer

C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Accepting Shareholders.

The detailed terms of the Offer is set out in the Offer Document.

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PRINCIPAL REASONS AND FACTORS CONSIDERED

1. Information of the Group

(a) Business activities of the Group

The Group is 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. The Group has five business segments as follow:

- (i) the multimedia business segment focuses on the manufacture and sale of smart TV systems for the PRC and overseas markets, provision and sales of internet value-added services of Coocaa system, among others;
- (ii) the smart systems technology business focuses on manufacture and sale of home access systems, intelligent manufacturing, automotive electronic systems, lighting products, security system and other electronic products;
- (iii) the new energy business focuses on sale and installation of distributed photovoltaic power stations in the customer-side retail sector in the PRC market for residential uses;
- (iv) the smart appliances business focuses on 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; and
- (v) the modern services business and others, mainly include maintenance and repair for home appliances, macro-logistics services, international trades, construction development, financial lease and property operation for industrial parks, sales of properties, loan financing, leasing of properties and trading of other products, among others.

The Group's operations are in the PRC, Asia (other than the PRC), Americas, Europe, Africa and other regions, and over 50% of the Group's revenue was generated from the PRC for the years ended 31 December 2020, 2021 and 2022.

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(b) *Financial performance of the Group*

Set out below is a summary of the financial performance of the Group for the years ended 31 December 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Results Announcement.

	Year ended 31 December		
	2022	2021	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue			
Sales of goods	52,889	50,439	39,657
Others	<u>602</u>	<u>489</u>	<u>436</u>
 Total revenue	 53,491	 50,928	 40,093
Cost of sales	<u>(45,284)</u>	<u>(42,380)</u>	<u>(32,929)</u>
 Gross profit	 8,207	 8,548	 7,164
<i>Gross profit margin</i>	<i>15.3%</i>	<i>16.8%</i>	<i>17.9%</i>
 Other income	 1,201	 1,284	 1,233
Other gains and losses	44	724	965
Selling and distribution expenses	(3,439)	(3,981)	(3,477)
General and administrative expenses	(1,654)	(1,479)	(1,415)
Research and development expenses	(2,116)	(2,097)	(1,865)
Finance costs	(432)	(461)	(440)
Share of results of associates and joint venture	<u>8</u>	<u>14</u>	<u>15</u>
 Profit before taxation	 1,819	 2,552	 2,180
Income tax expense	<u>(412)</u>	<u>(587)</u>	<u>(345)</u>
 Profit for the year	 1,407	 1,965	 1,835
<i>Net profit margin</i>	<i>2.6%</i>	<i>3.9%</i>	<i>4.6%</i>
 Profit for the year attributable to:			
the Shareholders	827	1,634	1,440
non-controlling interests	<u>580</u>	<u>331</u>	<u>395</u>
	 <u>1,407</u>	 <u>1,965</u>	 <u>1,835</u>

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	Year ended 31 December		
	2022	2021	2020
	<i>RMB</i> <i>million</i> <i>(audited)</i>	<i>RMB</i> <i>million</i> <i>(audited)</i>	<i>RMB</i> <i>million</i> <i>(audited)</i>
Earnings per Share (“EPS”) (expressed in RMB cents)			
Basic	<u>31.97</u>	<u>62.11</u>	<u>49.23</u>
Diluted	<u>31.95</u>	<u>62.03</u>	<u>44.46</u>
Dividends for the year	69	497	–
Per Share (expressed in HK\$)	HK\$ 0.03	HK\$ 0.23	–

(i) Revenue and gross profit margin

Set out below is a summary of the Group’s segmental revenue for the years ended 31 December 2020, 2021 and 2022.

	Year ended 31 December					
	2022		2021		2020	
	<i>RMB</i> <i>million</i>	<i>% to total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% to total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% to total</i> <i>revenue</i>
Revenue						
Multimedia business	23,080	43.2%	27,370	53.7%	24,467	61.0%
Smart systems technology business	11,933	22.3%	10,911	21.4%	8,746	21.8%
New energy business	11,934	22.3%	4,101	8.1%	104	0.3%
Smart appliances business	4,393	8.2%	4,375	8.6%	4,218	10.5%
Modern services business and others	<u>2,151</u>	<u>4.0%</u>	<u>4,171</u>	<u>8.2%</u>	<u>2,558</u>	<u>6.4%</u>
Total revenue	<u>53,491</u>	<u>100%</u>	<u>50,928</u>	<u>100%</u>	<u>40,093</u>	<u>100%</u>

For the years ended 31 December 2021 versus 2020

The Group achieved a revenue of approximately RMB50,928 million for the year ended 31 December 2021, representing a growth of approximately 27.0% from that of approximately RMB40,093 million for the prior year. The multimedia business segment, which was the largest segment of the Group primarily covering, among others, smart TV systems and provision of internet value-added services of Coocaa system, recorded a revenue growth of approximately 11.9% for the year ended 31 December 2021. During the year, the Group adjusted its sales strategy and shifted its

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focus to high-end TV products in the PRC market and strengthened the promotions of high-end products in overseas markets. Although the Group's smart TV systems sales volume in the PRC market dropped by approximately 15.9% year-on-year, the increase in sales of high-end TV products led to an increase in the average unit price, resulting in an increase in revenue for the year ended 31 December 2021. In addition, the rapid growth of the new energy business contributed to a further increase in overall revenue of the Group for the year ended 31 December 2021. The new energy business segment revenue grew by approximately RMB3,997 million or approximately 38.4 times as compared to that for the previous year.

The gross profit margin of the Group decreased from approximately 17.9% for the year ended 31 December 2020 by approximately 1.1 percentage points to approximately 16.8% for the year ended 31 December 2021. As stated in the 2021 Annual Report, due to the impact of the epidemic on global supply chain, the prices of upstream materials for smart TV systems products continued to increase which lowered the gross profit margin of smart TV system products. In addition, the Group's new businesses were in the stage of rapid development, and therefore the gross profit margin was relatively lower than the average level of the Group. Raw materials for other industries had also experienced price increases, affecting the gross profit margin of various smart home appliances. As a result, the overall gross profit margin of the Group had declined in 2021.

For the years ended 31 December 2022 versus 2021

For the year ended 31 December 2022, the Group's multimedia business recorded a revenue of approximately RMB23,080 million, representing a decrease of approximately 15.7% as compared to that of approximately RMB27,370 million for the previous year. Such decrease was mainly due to the drop in the Group's sales of smart TV systems products in the PRC and overseas markets as a result of the ongoing impact of the outbreak of COVID-19 and its variants. Despite the above, the Group recorded a total revenue of approximately RMB53,491 million for the year ended 31 December 2022, representing a growth of approximately 5.0% from that of approximately RMB50,928 million for the year ended 31 December 2021. The increase in total revenue was mainly contributed by the significant growth in the new energy business currently developing by the Group. As stated in the 2022 Annual Results Announcement, more than 140,000 residential photovoltaic power stations have been put into operation and connected to the power grid during the year ended 31 December 2022, with accumulated more than 200,000 residential photovoltaic power stations have been built and under grid-connected operation.

The gross profit margin of the Group narrowed from approximately 16.8% for the year ended 31 December 2021 by approximately 1.5 percentage points to approximately 15.3% for the year ended 31 December 2022. As stated in the 2022 Annual Results Announcement, the gross profit

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margin of the new energy business was lower than that of other business segments of the Group since it was in a period of rapid growth. Given the above and since the proportion of the revenue of the new energy business increased significantly as compared to that for 2021, the overall gross profit margin of the Group had declined slightly.

(ii) Selling and distribution expenses

The Group recorded selling and distribution expenses of approximately RMB3,981 million for the year ended 31 December 2021, representing a growth of approximately 14.5% from that of approximately RMB3,477 million for the year ended 31 December 2020. The selling and distribution expenses to revenue ratio for the year ended 31 December 2021 was approximately 7.8%, which dropped by 0.9 percentage points from that of approximately 8.7% for the year ended 31 December 2020. The increase in selling and distribution expenses was generally in a similar trend with the increase in revenue.

The Group recorded selling and distribution expenses of approximately RMB3,439 million for the year ended 31 December 2022, representing a decline of approximately 13.6% from that of approximately RMB3,981 million for the previous year. The selling and distribution expenses to revenue ratio for the year ended 31 December 2022 was approximately 6.4%, which reduced by approximately 1.4 percentage points from that of approximately 7.8% for the prior year, which was mainly attributable to fewer promotion activities for the Group due to the COVID-19 pandemic.

(iii) General and administrative expenses

The Group recorded general and administrative expenses of approximately RMB1,479 million for the year ended 31 December 2021, representing an increase of approximately 4.5% from that of approximately RMB1,415 million for the year ended 31 December 2020. The general and administrative expenses to revenue ratio for the year ended 31 December 2021 was 2.9%, which has improved by 0.6 percentage points from that of 3.5% recorded for the previous year. The enhanced ratio was mainly attributable to the improvement in operation efficiency during the year ended 31 December 2021.

For the year ended 31 December 2022, the Group's general and administrative expenses were approximately RMB1,654 million, representing an increase of approximately 11.8% as compared to that of approximately RMB1,479 million for the prior year. The general and administrative expenses to revenue ratio for the year ended 31 December 2022 was approximately 3.1%, which increased by 0.2 percentage points from that of approximately 2.9% recorded for the prior year. The increase was mainly attributable to the overall business expansion during the year ended 31 December 2022.

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(iv) Research and development expenses

For the year ended 31 December 2021, the Group recorded research and development expenses of approximately RMB2,097 million, representing an increase of approximately 12.4% from that of approximately RMB1,865 million for the previous year. For the year ended 31 December 2022, research and development expenses of the Group further increased to approximately RMB2,116 million. As stated in the 2021 Annual Report and the 2022 Annual Results Announcement, the Group continued to devote resources to the research and development of premium smart products, to improve its corporate competitiveness during the year, and thus corresponding increases in research and development expenses were recorded.

(v) Profit for the year and net profit margin

The Group's net profit for the year ended 31 December 2021 was approximately RMB1,965 million, representing an improvement of approximately 7.1% as compared with that of approximately RMB1,835 million for the previous year. The improvement was mainly driven by increase in the revenue for the year ended 31 December 2021. However, the net profit margin for the year ended 31 December 2021 was approximately 3.9%, representing a decline of approximately 0.7 percentage points as compared with that of approximately 4.6% for the previous year. The decrease was mainly due to the squeeze of the gross profit margin as mentioned above.

The Group's net profit for the year ended 31 December 2022 was approximately RMB1,407 million, representing a decline of approximately 28.4% as compared to that for the prior year. The drop in the net profit was mainly due to the recognition of a lower unrealised fair value gain resulted from increase in share prices of listed equity securities at fair value through profit or loss held by the Group ("**Unrealised Equity Securities Fair Value Gain**") for the year ended 31 December 2022 as compared with that for the prior year. Excluding the impact of the Unrealised Equity Securities Fair Value Gain, the Group recorded an adjusted net profit for the year ended 31 December 2022 of approximately RMB1,219 million, representing an increase of approximately 16.0% as compared to that for the previous year. The net profit margin for the year ended 31 December 2022 was approximately 2.6%, representing a reduction of approximately 1.3 percentage points as compared with that of approximately 3.9% for the previous year. The decrease was mainly due to the drop in the Unrealised Equity Securities Fair Value Gain as mentioned above.

In overall, the net profit margin of the Group has been declining from approximately 4.6% for the year ended 31 December 2020 to approximately 3.9% for the year ended 31 December 2021 and further drop to approximately 2.6% for the year ended 31 December 2022. The decrease in the net profit margin was mainly due to the squeeze of the gross profit margin and the lower Unrealised Equity Securities Fair Value Gain as mentioned above. Excluding the Unrealised Equity Securities Fair Value Gain, the adjusted net profit margin of the Group for

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the year ended 31 December 2022 was approximately 2.3%, representing a slight improvement of approximately 0.2 percentage points as compared with that of approximately 2.1% for the year ended 31 December 2021. In general, the net profit margin of the Group has been declining since 2020 due to the squeeze of the gross profit margin and became stable for the year ended 31 December 2022.

(vi) Profit for the year attributable to the Shareholders

The Group's profit attributable to the Shareholders increased to approximately RMB1,634 million for the year ended 31 December 2021 by approximately 13.5% from that of approximately RMB1,440 million for the prior year, which was primarily driven by (i) business growth for the multimedia business in both the PRC and overseas markets due to focusing on high-end TV products; (ii) growth of the new energy business, which the Group continued to develop during the year; and (iii) the Unrealised Equity Securities Fair Value Gain, primarily Puya Semiconductor (Shanghai) Co., Ltd. (stock code: 688766) and Shanghai Anlogic Infotech Co., Ltd., (stock code: 688107), the shares of which are listed on the Shanghai Stock Exchange Science and Technology Innovation Board.

The Group's profit attributable to the Shareholders for the year ended 31 December 2022 decreased to approximately RMB827 million by approximately 49.4% from that of approximately RMB1,634 million for the year ended 31 December 2021, which was mainly due to the recognition of the lower Unrealised Equity Securities Fair Value Gain for the year ended 31 December 2022. Excluding the aforementioned impact of the Unrealised Equity Securities Fair Value Gain, the Group recorded an adjusted profit attributable to the Shareholders for the year ended 31 December 2022 of approximately RMB639 million, representing a decrease of approximately 11.5% as compared to that for the year ended 31 December 2021. Although the adjusted net profit of the Group increased for the year ended 31 December 2022 (as discussed in paragraph headed "(v) Profit for the year and net profit margin" above), the amount attributable to the Shareholders however decreased. It was mainly because a higher proportion of the adjusted net profit of the Group was contributed by non wholly-owned subsidiaries of the Company and hence the amount of the adjusted net profit attributable to the Shareholders was reduced by the non-controlling interests to a larger extent.

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(vii) Dividends

Recent interim and final dividends per Share of the Company have been as follow:

Financial year	Interim dividend per Share	Final dividend per Share	Total	Dividend payout ratio
2022	HK\$0.03	–	HK\$0.03	8.5%
2021	–	HK\$0.23	HK\$0.23	30.4%
2020	–	–	–	0.0%
2019	–	–	–	0.0%
2018 (<i>Note</i>)	–	HK\$0.06 and HK\$0.09	HK\$0.15	38.3% and 50.9%

Note: The Company announced final dividend of HK\$0.09, representing a dividend payout ratio of 50.9%, for the year ended 31 March 2018, and further announced final dividend of HK\$0.06, representing a dividend payout ratio of 38.3%, for the nine months ended 31 December 2018, subsequent to its change of financial year end from 31 March to 31 December.

As set out in the table above, the Company paid final dividend of HK\$0.09 per Share, representing a dividend payout ratio of 50.9%, and HK\$0.06 per Share, representing a dividend payout ratio of 38.3%, for the year ended 31 March 2018 and nine months ended 31 December 2018, respectively. No dividend was paid in 2019 and 2020. The Company resumed to pay dividends of HK\$0.23 per Share, representing a dividend payout ratio of 30.4%, and HK\$0.03 per Share, representing a dividend payout ratio of 8.5%, in 2021 and 2022, respectively.

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(c) *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 31 December 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Results Announcement.

	As at 31 December		
	2022	2021	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets			
Property, plant and equipment	7,888	6,619	5,803
Right-of-use assets	2,541	2,539	2,470
Investment properties	1,410	1,487	1,566
Other non-current assets	<u>6,145</u>	<u>5,186</u>	<u>4,237</u>
	<u>17,984</u>	<u>15,831</u>	<u>14,076</u>
Current assets			
Inventories	8,947	7,791	6,004
Stock of properties	7,349	5,612	5,045
Trade and bills receivables	10,056	12,142	13,651
Pledged and restricted bank deposits	3,353	2,128	1,627
Cash and cash equivalents	9,054	10,611	8,214
Other current assets	<u>7,667</u>	<u>6,766</u>	<u>4,867</u>
	<u>46,426</u>	<u>45,050</u>	<u>39,408</u>
Assets classified as held for sale	<u>–</u>	<u>–</u>	<u>200</u>
	<u>46,426</u>	<u>45,050</u>	<u>39,608</u>

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	As at 31 December		
	2022	2021	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Current liabilities			
Trade and bills payables	12,470	11,869	11,899
Contract liabilities	4,928	3,291	3,107
Bank borrowings	9,404	8,892	7,401
Other current liabilities	<u>8,725</u>	<u>7,273</u>	<u>5,600</u>
	<u>35,527</u>	<u>31,325</u>	<u>28,007</u>
Liabilities associated with assets classified as held for sale	<u>–</u>	<u>–</u>	<u>84</u>
	<u>35,527</u>	<u>31,325</u>	<u>28,091</u>
Net current assets	<u>10,899</u>	<u>13,725</u>	<u>11,517</u>
Non-current liabilities			
Bank borrowings	5,853	5,370	3,986
Other non-current liabilities	<u>1,136</u>	<u>3,100</u>	<u>2,616</u>
	<u>6,989</u>	<u>8,470</u>	<u>6,602</u>
Net assets value	<u><u>21,894</u></u>	<u><u>21,086</u></u>	<u><u>18,991</u></u>
Capital and reserves			
Share capital	266	273	273
Reserves	<u>17,601</u>	<u>17,772</u>	<u>16,037</u>
Equity attributable to the Shareholders	17,867	18,045	16,310
Non-controlling interests	<u>4,027</u>	<u>3,041</u>	<u>2,681</u>
	<u><u>21,894</u></u>	<u><u>21,086</u></u>	<u><u>18,991</u></u>

(i) Property, plant and equipment

As at 31 December 2022, the Group's property, plant and equipment ("PP&E") consisted of (i) leasehold land and buildings; (ii) construction in progress; (iii) plant and machinery; and (iv) furniture, equipment, motor vehicles and others. Approximately 51.7% of the Group's PP&E were leasehold land and buildings, majority of which were in the PRC. As at 31 December 2022, the

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Group's PP&E was approximately RMB7,888 million, representing an increase of approximately 19.2% from that of approximately RMB6,619 million as at 31 December 2021. The increase in the PP&E was mainly due to construction development of the new industrial bases.

(ii) Inventories

As at 31 December 2022, inventories of the Group amounted to approximately RMB8,947 million. The balance increased by approximately 14.8% from that of approximately RMB7,791 million as at 31 December 2021 largely due to the growth of the sales in new energy business and increase in price of raw materials.

(iii) Stock of properties

As at 31 December 2022, stock of properties of the Group amounted to approximately RMB7,349 million, majority of which were under development. The balance increased by approximately 31.0% from that of approximately RMB5,612 million as at 31 December 2021, which was primarily attributable to some batches of residential property projects pending delivery to customers and acquisition of residential land ancillary to the Wuhan Industrial Park.

(iv) Cash and cash equivalents

As stated in the 2021 Annual Report, the Group adopted a prudent financial policy to maintain stable financial conditions. The Group had cash and cash equivalents of approximately RMB9,054 million as at 31 December 2022, representing a decrease of approximately 14.7% from that of approximately RMB10,611 million as at 31 December 2021. The decrease was mainly due to (i) the net cash used in investing activities of approximately RMB5,051 million as a result of, among other things, the placement of pledged and restricted bank deposits and payment for property, plant and equipment; and (ii) the net cash used in financing activities of approximately RMB1,657 million mainly as a result of repayment of bank borrowings and payment of dividends. The effects of increase in net cash used in investing and financing activities were partially offset by the net cash generated from operating activities of approximately RMB5,148 million.

(v) Contract liabilities

Contract liabilities of the Group comprised deposits received for sales of the goods and provision of services and sales of properties. Contract liabilities of the Group as at 31 December 2022 were approximately RMB4,928 million, representing an increase of approximately 49.7% from that of approximately RMB3,291 million as at 31 December 2021. The increase was due to the receipt of the guarantee deposits from customers of the Group during the year.

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(vi) Bank borrowings

The current portion of bank borrowings of the Group as at 31 December 2022 was approximately RMB9,404 million, representing an increase of approximately 5.8% from that of approximately RMB8,892 million as at 31 December 2021. The non-current portion of bank borrowings of the Group as at 31 December 2022 was approximately RMB5,853 million, representing an increase of approximately 9.0% from that as at 31 December 2021. As at 31 December 2022, the majority of the Group's bank borrowings were in fixed-rate. The increase in bank borrowings was mainly for the settlement of corporate bonds during the year ended 31 December 2022.

(vii) Gearing ratio

The Group's debt-to-equity or gearing ratio, being total borrowings, convertible bonds and corporate bonds divided by total equity, had reduced from approximately 76.6% as at 31 December 2021 by approximately 6.9 percentage points to approximately 69.7% as at 31 December 2022. The decrease was mainly attributable to the conversion/redemption of the convertible bonds by the bondholders during the year ended 31 December 2022.

(viii) Net asset value

Equity or net asset value ("NAV") of the Group attributable to the Shareholders slightly dropped by approximately RMB178 million or 1.0% from approximately RMB18,045 million as at 31 December 2021 to approximately RMB17,867 million as at 31 December 2022, which was primarily attributable to the repurchase and cancellation of the Shares and recognition of dividends as distribution. The NAV of the Group attributable to the Shareholders as at 31 December 2022, based on the 2,544,201,420 Shares, (being the 2,585,201,420 Shares in issue less 41,000,000 Shares held by the trustee of the Share Award Scheme as at 31 December 2022), was approximately RMB7.02 (equivalent to approximately HK\$7.86) per Share.

(d) *Prospects and future intention of the Group*

As mentioned in the 2022 Annual Results Announcement, in terms of business development, 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 collaborates with hardware and software to meet diverse demands of the market. 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

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to the “Double Carbon” goal, the Group’s new energy business will continue to adhere to technological innovation and long-term sustainability. The Group will continue to build a strong brand image with flexible product solutions, high-quality product quality, and efficient operation and maintenance services, and implement effective scientific and technological management to build a leading digital management platform in the industry, so as to maximise the benefits of photovoltaic power station and empower the healthy development of the photovoltaic industry.

In respect of business strategy, facing the downturn in the global home appliances consumption market, the 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. The Company believes 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.

As stated in the letter from the Board contained in the Offer Document, the business and management of the Group will remain unchanged and the Company’s listing on the Stock Exchange will be maintained upon completion of the Offer. It is intended that no major changes will be introduced to the businesses of the Group and the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer.

While we share the view of the Company in their business development and strategy as stated above, we note that the Group is facing headwinds or uncertainty in some of its businesses, including but not limited to, (i) the multimedia business, being the single largest segment of the Group accounting for almost half of the revenue, has seen slowing growth of or reduction in revenue due to drop in the sales volume of smart TV systems in the PRC and the ongoing impact of the outbreak of the COVID-19 pandemic as mentioned in the sub-section headed “1.(b)(i) Revenue and gross profit margin” above in this letter; and (ii) the margins, e.g., gross profit and net profit margins, have been declining in overall as a result of, among other things, the inflating raw material prices; and (iii) the new energy business, which is the rising star of the Group and has demonstrated exciting growth and prospects since its launch in 2021, has recorded a relatively lower gross margin since it is still in the stage of rapid development.

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2. Reasons for the Offer and future intention of the Group

As stated in the letter from the Board contained in the Offer Document, the price of the Shares has historically been traded at a significant discount to the Group's NAV per Share. Taking the closing price of the Shares of HK\$3.59 on the Last Trading Day before the Price Increase Announcement as the reference date, the discounts to the Group's NAV per Share of HK\$7.85 as at 31 December 2022, being the NAV of the Group attributable to the Shareholders of approximately RMB17,867 million (equivalent to approximately HK\$20,002 million) as at 31 December 2022 divided by 2,549,485,420 Shares ("**Outstanding Shares**") (being the 2,585,201,420 Shares in issue less 35,716,000 Shares held by the trustee of the Share Award Scheme as at the Latest Practicable Date), for the below periods are as follows:

- (a) on the Last Trading Day before the Price Increase Announcement: 54.3%;
- (b) average discount to the Group's NAV per Share as at 31 December 2022 based on the average closing price of the Shares of approximately HK\$4.46 as quoted on the Stock Exchange for the three months up to and including the Last Trading Day before the Price Increase Announcement: 43.2%;
- (c) average discount to the Group's NAV per Share as at 31 December 2022 based on the average closing price of the Shares of approximately HK\$3.73 as quoted on the Stock Exchange for the six months up to and including the Last Trading Day before the Price Increase Announcement: 52.5%; and
- (d) average discount to the Group's NAV per Share as at 31 December 2022 based on the average closing price of the Shares of approximately HK\$3.76 as quoted on the Stock Exchange for the twelve months up to and including the Last Trading Day before the Price Increase Announcement: 52.1%.

The Directors (other than members of the Independent Board Committee who have expressed their view in the letter from the Independent Board Committee set out in the Offer Document) believe that the Offer provides an opportunity for the Shareholders to realise part of their investments in the Company at a premium over recent market prices, in particular, where a reference is made to the closing price of the Shares on 28 March 2023, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group.

The 36.3% discount to the Group's NAV per Share as at 31 December 2022 as implied by the Offer Price when compared to the historical discounts to the Group's NAV per Share of HK\$7.85 as at 31 December 2022 as noted above under items (a) to (d) also represents an opportunity for the Shareholders to monetise their shareholding at a smaller discount to the Group's NAV per Share as at 31 December 2022.

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3. Analysis of the Offer

(a) Comparison to the Offer Price

The Offer Price of HK\$5.0 per Share represents:

	Closing/Average closing price of the Shares (HK\$)	Premium over the Share price
(1) The Last Trading Day before the Price Increase Announcement	3.59	39.3%
(2) Last 5 trading days up to and including the Last Trading Day before the Price Increase Announcement	3.75	33.3%
(3) Last 10 trading days up to and including the Last Trading Day before the Price Increase Announcement	3.87	29.2%
(4) Last 30 trading days up to and including the Last Trading Day before the Price Increase Announcement	4.17	19.9%
(5) The Latest Practicable Date	4.03	24.1%
	NAV of the Group attributable to the Shareholders per Share (HK\$)	Discount to the NAV of the Group attributable to the Shareholders per Share
(6) Audited NAV of the Group attributable to the Shareholders per Share as at 31 December 2022 <i>(Note 1)</i>	7.85	36.3%
(7) Adjusted NAV of the Group attributable to the Shareholders per Share as at 31 December 2022 <i>(Note 2)</i>	8.19	38.9%

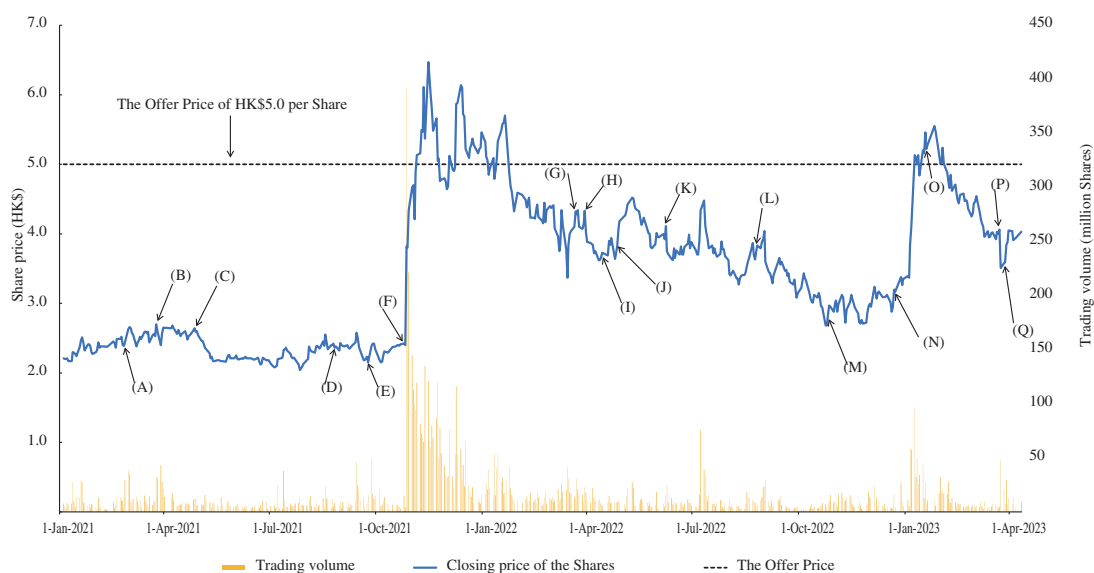
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Notes:

1. Audited NAV of the Group attributable to the Shareholders per Share as at 31 December 2022 is calculated based on the audited NAV of the Group attributable to the Shareholders of RMB17,867 million (based on the exchange rate of HK\$1: RMB0.89327, the central parity rate published by the People’s Bank of China on its website as at 30 December 2022 for illustrative purposes) as at 31 December 2022 and the Outstanding Shares as at the Latest Practicable Date.
2. Adjusted NAV of the Group attributable to the Shareholders per Share as at 31 December 2022 is calculated based on the audited NAV of the Group attributable to the Shareholders of RMB17,867 million (based on the exchange rate of HK\$1: RMB0.89327, the central parity rate published by the People’s Bank of China on its website as at 30 December 2022 for illustrative purposes) as at 31 December 2022, adjusted by (i) revaluation surplus based on the valuation of the property interests of the Group as at 31 January 2023, details of which are set out in the Property Valuation Report; and (ii) potential tax liabilities, and the Outstanding Shares as at the Latest Practicable Date.

(b) Price performance of the Shares

Set out below are the movements of the closing prices of the Shares during the period from 4 January 2021 to the Latest Practicable Date (“**Review Period**”).



Source: The website of the Stock Exchange

As set out in the discussion below, the Company published a number of announcements during the Review Period, which we consider to be crucial in shaping the market price of the Shares.

Date	Details of the announcements
(A) 25 February 2021	Positive profit alert
(B) 25 March 2021	Annual results for the year ended 31 December 2020

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Date	Details of the announcements
(C) 27 April 2021	Unaudited results for the three months ended 31 March 2021
(D) 27 August 2021	Interim results for the six months ended 30 June 2021
(E) 26 September 2021	Discloseable transaction regarding land acquisition in Nanjing City, Jiangsu Province
(F) 26 October 2021	Unaudited results for the nine months ended 30 September 2021
(G) 22 March 2022	Annual results for the year ended 31 December 2021
(H) 30 March 2022	Appointment of Shi Chi as chief executive officer and redesignation of Liu Tangzhi as vice chairman of the Board
(I) 14 April 2022	Profit warning
(J) 27 April 2022	Unaudited results for the three months ended 31 March 2022
(K) 8 June 2022	Retirement of executive director, chairman of the Board and chairman of the executive committee and change of chairman of the Board and chairman of the executive committee
(L) 26 August 2022	Interim results for the six months ended 30 June 2022
(M) 26 October 2022	Unaudited results for the nine months ended 30 September 2022
(N) 23 December 2022	The Announcement
(O) 19 January 2023	Profit warning
(P) 23 March 2023	Annual results for the year ended 31 December 2022
(Q) 28 March 2023	The Price Increase Announcement

During the period from 4 January 2021 to the Last Trading Day before the Price Increase Announcement (“**Pre-Price Increase Announcement Period**”), the closing price of the Shares ranging from HK\$2.04 to HK\$6.47, with an average and a median of approximately HK\$3.45 and approximately HK\$3.39, respectively. Out of a total of 551 trading days during the Pre-Price Increase Announcement Period, there were 493 trading days when the Shares price closed below the Offer Price.

During the first quarter of 2021, the closing price of the Shares was in a general upward trend, which was in line with the stock markets movement in Hong Kong. On 27 April 2021, the Company announced the unaudited results for the first quarter of 2021 and stated the Group recorded a decrease in profit for the period attributable to the Shareholders of approximately RMB33 million or 16.3% as compared to that for the corresponding period in 2020, and the closing price of the Shares showed a downward trend since then and reached its lowest point of HK\$2.04 during the Pre-Price Increase Announcement Period on 27 July 2021.

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On 26 October 2021, the Company announced the unaudited results for the first three quarters of 2021 and stated the Group recorded a growth in profit for the period attributable to the Shareholders of RMB218 million or 40.0% as compared to that for the corresponding period in 2020. In particular, the Group recorded a revenue of RMB2,190 from the new energy business, representing an increase of approximately RMB2,182 million or 273 times compared with that of RMB8 million for the corresponding period in 2020. The closing price of the Shares jumped from HK\$2.40 by approximately 59.2% to HK\$3.82 on the following trading day. Afterwards, the closing price of the Shares continued to surge and reached its peak of HK\$6.47 on 15 November 2021. The trading volume of the Shares during this period was also considerably higher than that in the recent past. Based on our discussion with the Management, we note that the significant increases in the Share price and the trading volume during the last quarter of 2021 may be attributable to growing expectation on the new energy business of the Group, amid the clear policy on environmental protection and new energy set by the PRC government since the “13th Five-Year” Plan and the promising growth in revenue derived from that segment as compared to those for the corresponding period in 2020 and the previous quarter ended 30 June 2021. Nevertheless, the closing price of the Shares went down again in tandem with the weakness of the general stock market. Afterwards, the closing price of the Shares was generally in line with the fluctuation of the stock market in Hong Kong. On 22 December 2022, the day before the Last Trading Day before the Announcement, the closing price of the Share jumped by HK\$0.26 or 8.8% as compared to that on the previous trading day, which, in our view, may be due to, among other things, market speculation on the Offer. The Share price closed at HK\$3.16 on the Last Trading Day before the Announcement.

After the publication of the Announcement, the closing price of the Shares went up by approximately 7.0% to HK\$3.38 on the following trading day. In January 2023, the Shares surged and reached its peak at HK\$5.56 and closed at HK\$5.55 on 26 January 2023, representing an increase of HK\$2.17 or approximately 64.2% as compared to the aforesaid closing Share price of HK\$3.38 on the following trading day after the publication of the Announcement. Such increase in Share price may possibly be due to (i) the general recovery of the stock market in Hong Kong; and (ii) market re-valuation on the new energy sector, as the Hang Seng Shanghai-Shenzhen-Hong Kong Clean Energy Index, which tracks the overall performance of the 30 largest Hong Kong and PRC companies that are engaged in hydropower, biomass energy, solar energy, wind energy and geothermal energy generation, increased by approximately 18.8% from the date of the Announcement to 31 January 2023. Afterwards, the closing price of the Shares went down gradually in line with the general stock market and maintained at around HK\$3.5 to HK\$4.0 after mid-March 2023. The closing price of the Shares between 24 March 2023 (being the first trading day after the publication of the 2022 Annual Results Announcement) and the Last Trading Day before the Price Increase Announcement ranging from HK\$3.51 to HK\$3.59 with an average of HK\$3.56. After the publication of the Price Increase Announcement, the closing price of the Shares increased by approximately 7.0% to HK\$3.84 on the next trading day. As at the Latest Practicable Date, the Share price closed at HK\$4.03. In our view, the Share price performance after the release of the 2022 Annual Results Announcement is more relevant than that prior to the results announcement for assessing the terms of the Offer as it has reflected the latest market valuation of the Shares after taking into account the most recent business and financial performances of the Group.

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(c) *Trading liquidity*

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the Outstanding Shares and the public float of the Company for the Review Period:

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the Outstanding Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the public float of the Company (Note 2)
2021			
January	213,517,587	8.4%	16.7%
February	141,316,415	5.5%	11.0%
March	382,696,045	15.0%	29.9%
April	172,169,953	6.8%	13.4%
May	151,665,532	5.9%	11.8%
June	101,861,893	4.0%	8.0%
July	177,423,419	7.0%	13.8%
August	184,495,549	7.2%	14.4%
September	296,850,334	11.6%	23.2%
October	993,781,663	39.0%	77.6%
November	1,852,654,883	72.7%	144.6%
December	768,013,675	30.1%	59.9%
2022			
January	534,633,074	21.0%	41.7%
February	197,811,422	7.8%	15.4%
March	418,301,737	16.4%	32.7%
April	188,608,997	7.4%	14.7%
May	211,945,739	8.3%	16.5%
June	177,325,935	7.0%	13.8%
July	293,363,518	11.5%	22.9%
August	196,210,496	7.7%	15.3%
September	169,943,674	6.7%	13.3%
October	105,833,030	4.2%	8.3%
November	205,377,322	8.1%	16.0%
December	188,893,256	7.4%	14.7%
2023			
January	540,318,609	21.2%	42.2%
February	201,289,796	7.9%	15.7%
March	218,868,039	8.6%	17.1%
From 1 April 2023 up to the Latest Practicable Date	33,498,550	1.3%	2.6%

Source: Bloomberg

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Notes:

1. The calculation is based on the monthly total trading volume of the Shares divided by the Outstanding Shares at the Latest Practicable Date.
2. The calculation is based on the monthly total trading volume of the Shares divided by the total number of Shares held by the public (i.e. the Shareholders other than the Wong Concert Party Group, the Directors and trustee of the Share Award Scheme) as at the Latest Practicable Date.

As shown in the above table, the monthly trading volumes of the Shares represented approximately 4.0% to 72.7% of the Outstanding Shares and approximately 8.0% to 144.6% of the Shares constituting the public float of the Company (except for the period from 1 April 2023 up to the Latest Practicable Date). From October 2021 to January 2022, monthly trading volumes surged to between approximately 21.0% and approximately 72.7% of the Outstanding Shares, which, as stated the sub-section “3.(b) Price performance of the Shares” in this letter above, may be due to the growing expectation on the new energy business of the Group. The monthly trading volumes to the Outstanding Shares returned to single digits for most of the remaining months in 2022. During January 2023, trading volume has been higher in general, being approximately 21.2% and 42.2% of the Outstanding Shares and the public float of the Company, respectively, which may possibly due to (i) the publication of the Announcement in late December 2022; (ii) the general recovery of the stock market in Hong Kong; and (iii) market re-valuation on the new energy sector as discussed in the sub-section “3.(b) Price performance of the Shares” in this letter above.

Based on the above, we note that the monthly trading volume during the Review Period was higher than the Maximum Number (i.e., 100,000,000 Shares) and we are of the view that the liquidity of the Shares was relatively high during the Review Period. In other words, the Qualifying Shareholders may be able to, without resorting to the Offer, realise their Shares in the market without putting a significant pressure on the Share price.

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(d) Analysis of historical NAV of the Group

We have compared the discount of average closing Share price to consolidated NAV of the Group attributable to the Shareholders per Share during the Review Period as set out in the table below.

	Average closing Share price <i>HK\$</i>	Consolidated NAV of the Group attributable to the Shareholders per Share <i>(Note 1)</i> <i>HK\$</i>	Discount of average closing Share price to consolidated NAV of the Group attributable to the Shareholders per Share
Period (Note 2)			
4 January 2021 to 25 March 2021	2.42	6.57	63.2%
26 March 2021 to 27 April 2021	2.58	7.37	65.0%
28 April 2021 to 27 August 2021	2.26	7.44	69.6%
30 August 2021 to 26 October 2021	2.35	7.80	69.9%
27 October 2021 to 22 March 2022	4.85	7.91	38.7%
23 March 2022 to 27 April 2022	3.89	8.67	55.1%
28 April 2022 to 26 August 2022	3.85	8.47	54.5%
29 August 2022 to 26 October 2022	3.31	8.06	58.9%
27 October 2022 to 23 December 2022 (i.e., the Last Trading Day before the Announcement)	2.98	7.63	60.9%
28 December 2022 to 23 March 2023	4.49	7.60	40.9%
24 March 2023 to 28 March 2023 (i.e., the Last Trading Day before the Price Increase Announcement)	3.56	7.85	54.6%
Average			57.4%
Median			58.9%
Maximum			69.9%
Minimum			38.7%

Source: The website of the Stock Exchange and the Company's respective annual, interim or quarterly results announcements

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Notes:

1. The consolidated NAV of the Group attributable to the Shareholders per Share is calculated based on the published consolidated NAV of the Group attributable to the Shareholders in the then latest annual, interim or quarterly results announcement of the Company and divided by the average number of Shares in issue less the number of Shares (i) held by the trustee of the Share Award Scheme; and (ii) repurchased but not cancelled during the respective period.
2. Except for 4 January 2021 and 28 December 2022, the beginning date of each of the period represents the first trading dates after the Company announced its annual, interim or quarterly results.

As illustrated in the table above, the Shares have been consistently traded at discounts to the NAV of the Group attributable to the Shareholders during the Pre-Price Increase Announcement Period. The discount of average closing Share price to consolidated NAV of the Group attributable to the Shareholders per Share during the Pre-Price Increase Announcement Period (“**Average Discounts Range**”) ranging from 38.7% to 69.9%. As set out in sub-section “3.(a) Comparison to the Offer Price”, the Offer Price represents discounts of approximately 36.3% to NAV of the Group attributable to the Shareholders per Share as at 31 December 2022 and is lower than the low end of the Average Discounts Range.

(e) Property Valuation and Reassessed NAV

In evaluating the Offer, we have also reviewed the adjusted consolidated NAV of the Group attributable to the Shareholders (“**Reassessed NAV**”), based on the 2022 Annual Results Announcement and the adjustment, comprising the surplus arising from property revaluation, the relevant potential PRC tax liabilities and property revaluation surplus attributable to non-controlling interests.

(i) Background of the Property Valuation

The Group is principally engaged in, among other things, property development and property holding. ValQuest Advisory (Hong Kong) Limited (“**Property Valuer**”) was engaged by the Company to derive at an appraised value of the property interests of the Group (“**Property Valuation**”) as at 31 January 2023 (“**Property Valuation Date**”). The valuation of the property interests attributable to the Group (“**Properties**”) as appraised by Property Valuer as at the Property Valuation Date was approximately RMB18,408.8 million. Details of the Property Valuation are set out in the Property Valuation Report enclosed in appendix VI to the Offer Document. The Property Valuation has been prepared in compliance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules. We have reviewed the Property Valuation Report and the relevant valuation workings of the Property Valuer and interviewed the relevant staff of the Property Valuer with particular attention to (i) the Property Valuer’s terms of engagement with the Company; (ii) the Property Valuer’s qualification and experience in relation to the preparation of the Property Valuation; and (iii) the steps and due diligence measures taken by the Property Valuer in performing the Property Valuation.

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From our review of the engagement letter between the Company and the Property Valuer, we are satisfied that the terms of engagement between the Company and the Property Valuer are appropriate to the opinion the Property Valuer is required to give. The Property Valuer has confirmed that it is independent from the Company, Mr. Wong or any party acting, or presumed to be acting, in concert with any of them. We further understand that the Property Valuer is certified with the relevant professional qualifications required to perform the Property Valuation and the person-in-charge of the Property Valuation has over 20 years' experience in conducting property valuation services to clients in Hong Kong, the PRC as well as other overseas countries. We note that the Property Valuer mainly carried out its due diligence through on-site inspections, making enquiries and conducting its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the Management.

(ii) Property Valuation methodologies

In arriving at its opinion of value of the Properties, the Property Valuer valued the Properties by adopting the (a) direct comparison approach by making reference to comparable sale evidences available in the relevant market, with adjustments to reflect the differences between the subject properties and the comparables in terms of various factors such as transaction timing, location, floor level and view etc.; (b) income capitalisation approach, by capitalising the rental income of the property interests and making provisions for the Properties' reversionary income potential, and making reference to comparable sales evidence as available in the market where applicable; and (c) depreciated replacement cost method, in case of no readily identifiable market comparable sale or rental data, based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimisation.

(iii) Property Valuation basis and assumption

We note that the Properties were valued on the basis that assuming all consents, approvals and licences from relevant government authorities have been obtained, and that the design, construction and occupation of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities. For those Properties which their actual use(s) do(es) not comply with those stated in the relevant title certificates (i.e., Property Nos. 1, 12, 16, 21, 24, 31, 39, 48, 53, 56 and 60), the valuation results are based on the Properties' permissible use(s) and without taking into account their existing use(s), and hence the user incompatibilities would not affect the values of these Properties. In addition, for those Properties which were either (partly) under construction or vacant sites as of the Property Valuation Date, the Property Valuer has assumed that these Properties would be developed and constructed in accordance with the approved development schemes by the relevant government authorities and provided by the Group.

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In arriving at the appraised value of the Properties, the Property Valuer generally started the process by collecting and analysing recent transactions of market comparables located in the vicinity of the Properties. In particular, the Property Valuer selected market comparable transactions that (i) were located in the same district or, if not available, nearby districts; (ii) were conducted within one year; and (iii) had the same usage of the Properties. The selected market comparables were then adjusted to reflect the difference between the market comparables and the Properties in terms of, among others, transaction timing, location, floor level and view.

We have discussed with the Property Valuer on their selection criteria (“**Property Valuer Selection Criteria**”), such as location, property type and timing of transaction, to identify at least three market comparables and the adjustments made including location, transaction timing, floor level, view and size etc.. We have selected and reviewed nine Property Valuation working paper, covering each valuation methodology, and we note their basis for adopting the Property Valuer Selection Criteria and we consider the Property Valuer Selection Criteria to be reasonable and relevant to the Properties and at least three market comparable properties identified fulfill the Property Valuer Selection Criteria. Overall, we are of the view the selection criteria of the comparable properties and the adjustments made by the Property Valuer are reasonable, in line with our understanding of the market practices and relevant for the purpose of establishing the appraised value of the Properties. Lastly, we also understand that the Property Valuer had performed cross-checking on the valuation by using the alternative valuation method where applicable. We have obtained and reviewed their income capitalisation method working schedule and we note that the result is generally similar to that derived at by using direct comparison approach. For depreciated replacement cost method, we have obtained and reviewed the average construction cost data published by several cost consultants.

For overseas properties, we understand that the Property Valuer has engaged reputable overseas property valuers to conduct the valuation in South Africa, Denmark, Indonesia and Ukraine. We have reviewed the background of these property valuers and understand that they are all chartered professional valuers and possess the relevant local professional qualifications and valuation experience for similar assets. Also, we have obtained and reviewed the valuation reports prepared by these overseas property valuers.

After taken into account the above, we consider that the valuation methodology, together with the basis and assumptions, of the Property Valuation adopted by the Property Valuer as discussed above are appropriate and in line with the market practices.

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(iv) Reassessed NAV

The total appraised value of the Properties as at 31 January 2023 amounted to approximately RMB19,670.2 million, representing a valuation surplus of approximately RMB2,280.3 million as compared to the book value of the Properties of approximately RMB17,389.9 million as at 31 December 2022. Taken into account (i) the potential tax liabilities in relation to the valuation surplus of approximately RMB231.3 million; and (ii) the valuation surplus shared by non-controlling interests of approximately RMB1,261.4 million, these give rise to a net revaluation surplus of approximately RMB787.6 million (“**Net Revaluation Surplus**”) over the book value of the Properties attributable to the Company as at 31 December 2022.

As discussed with the Property Valuer, we understand that (i) properties numbers 4, 15, 16, 34, 37, 39, 49, 53, 60 and 61 are not entitled to be transferred over the entire term (ranging from 50 to 70 years) of the land use rights of such properties in accordance with the respective title certificates as they are classified as non-commodity properties or economically affordable housing, and will be reclaimed by the government without compensation upon the expiry of the term of the land use rights while the land users may apply for extension before the expiration of term and re-sign a new contract for another lease of the rights of use, when the extension is approved and the new term of period, lease fees and other terms and conditions are determined by the local government authorities; (ii) properties or portion(s) of properties numbers 1, 6, 9, 32, 36, 48 and 69 are not with proper legal titles and they are only transferrable upon obtaining the relevant legal titles, of which (a) the Company is in the course of obtaining relevant legal titles for properties numbers 9, 36 and 69 (“**Legal Title Obtainable Properties**”); and (b) the legal titles for the properties numbers 1, 6, 32 and 48 are not and will not be obtainable due to historical legal defects; and (iii) property number 17 has been resumed by the local government as part of the urban redevelopment scheme, and has been demolished as at 31 January 2023. As disclosed in the Property Valuation Report, all these properties are of no commercial value as of the Valuation Date. For details of the abovementioned properties, please refer to Property Valuation Report as set out in the appendix VI to the Offer Document.

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The table below shows the calculations of the Reassessed NAV, after taking into account the consolidated NAV of the Group attributable to the Shareholders as at 31 December 2022 and the Net Revaluation Surplus, assuming (i) the Title Obtainable Properties are given no commercial values as set out in the Property Valuation Report (“**Base Case Scenario**”); and (ii) Legal Title Obtainable Properties are given commercial values (“**Legal Title Obtainable Scenario**”).

	The Base Case Scenario	The Legal Title Obtainable Scenario
	<i>RMB (million)</i>	<i>RMB (million)</i>
Audited consolidated NAV of the Group attributable to the Shareholders as at 31 December 2022	17,867.0	17,867.0
<i>Adjustments:</i>		
Add: Property Valuation surplus arising from the valuation of the Properties as at 31 January 2023 (<i>Note 1</i>)	2,280.3	2,462.6
Less: Potential tax liabilities	(231.3)	(266.7)
Less: Property Valuation surplus attributable to non-controlling interests	(1,261.4)	(1,287.8)
The Net Revaluation Surplus	787.6	908.1
The Reassessed NAV	18,654.6	18,775.1
The Reassessed NAV per Share		
(<i>Note 2</i>)		
– RMB	RMB7.32	RMB7.36
– HK\$ equivalent	HK\$8.19	HK\$8.24
Offer Price per Share	HK\$5.0	HK\$5.0
– Discount to the Reassessed NAV	38.9%	39.3%

Notes:

1. This represents the revaluation surplus arising from the excess of market value of the property interests held by the Group as valued by the Property Valuer as at 31 January 2023 over their corresponding book values as at 31 December 2022.
2. Based on the Reassessed NAV of approximately RMB18,654.6 million and RMB18,775.1 million divided by the Outstanding Shares as at the Latest Practicable Date under the Base Case Scenario and the Legal Title Obtainable Scenario, respectively.

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As set out in the above table, under the Base Case Scenario, the Offer Price of HK\$5.0 per Share represents a discount of approximately 38.9% to the Reassessed NAV of approximately HK\$8.19 per Share. As compared to the discount of 36.3% to audited consolidated NAV of the Group attributable to the Shareholders as at 31 December 2022 per Share, the difference is not significant. As such, we consider the revaluation of the Properties has no material impact to our assessment.

For reference purpose only, under the Legal Title Obtainable Scenario, the Offer Price of HK\$5.0 per Share represents a discount of approximately 39.3% to the Reassessed NAV of approximately HK\$8.24 per Share. Such discount is not materially different from the discount under the Base Case Scenario and hence we consider the discount under the Legal Title Obtainable Scenario also has no material impact to our assessment.

4. Comparable Companies analysis

The Group is principally engaged in manufacturing 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. For the year ended 31 December 2022, a majority of the Group's revenue and profits were generated from multimedia business, smart systems technology business, new energy business and smart appliances business. We therefore consider that the Group should be primarily assessed on an earnings basis, for example by comparing price-to-earnings multiples as implied by the Offer Price to the comparable companies' multiple on the same basis.

The Group owned a considerable number of properties, which amounted to approximately RMB19,670.2 million as at 31 January 2023 based on the Property Valuation Report and represented less than one-third of the amount of total assets of the Group as at 31 December 2022. While almost half of these properties are held for sale, the majority of the remaining properties are held for self-occupation such as industrial facilities and offices. The industrial facilities and offices are used for carrying out daily operations of the principal activities of the Group and are not intended for sale. Therefore, the properties held for sale only account for a relatively small portion of the overall business of the Group. Having considered above, as opposed to companies that are principally valued based on assets (e.g., property development and/or investment companies), the Group's worth is principally determined by operating performance and ability to generate profit.

Based on the above, in assessing the fairness and reasonableness of the Offer Price, we compared primarily the price-to-earnings multiple (“**P/E Multiple**”) and, for reference purpose only, price-to-book multiple (“**P/B Multiple**”) represented by the Offer Price against those of companies (i) listed on the Main Board of the Stock Exchange; and (ii) principally engaged in manufacturing and sale of television or related display devices (i.e., the multimedia business segment of the Group) to customers in the PRC with approximately 50% or more of revenue derived from such business activities in the latest full financial year. Given the very limited number of companies satisfying the above selection criteria for our analysis, we have therefore expanded our review to companies with principal activities that are manufacturing and sale of home appliances, smart system technology, and sale and installation of distributed photovoltaic power stations (i.e., the new energy business segment of the Group), which are broadly comparable to those of the Group (“**Comparable Companies**”). We consider the Comparable Companies (to be exhaustive based on the

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selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Offer Price. Details of the Comparable Companies are set out as below:

Company name	Stock code	Principal business activities	Market capitalisation (HK\$ million) (Note 1)	P/E Multiple (times) (Note 2)	P/B Multiple (times) (Note 3)
Haier Smart Home Co., Ltd. (“Haier”)	6690	Engaged in smart home business in China and overseas, evolving around a comprehensive portfolio of home appliances established over the years, covering primarily refrigeration appliances, kitchen appliances, air-conditioners, laundry appliances and water appliances, with value-added consumer services	69,812.2 (Note 4)	14.0	2.2
TCL Electronics Holdings Ltd (“TCL”)	1070	Manufacture and sale of television sets, smartphones, smart connective devices, smart commercial display and smart home products and the provision of internet platform operating services	8,349.3	11.9 (Note 5)	0.5
Hisense Home Appliances Group Co., Ltd. (“Hisense”)	921	Principally engaged in the research and development, manufacturing and marketing of electrical appliance products such as refrigerators, central air-conditioners, residential air-conditioners, freezers, washing machines, commercial cold chain and kitchen appliances	6,333.1 (Note 6)	11.7	1.5
Jiu Rong Holdings Ltd (“Jiu Rong”)	2358	Manufacturing and sales of digital television, high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of telecommunication, TV and internet in the digital video industry	328.3	N/A (Note 7)	0.7
Miji International Holdings Ltd (“Miji”)	1715	Develop, manufacture and sell premium kitchen appliances	202.5	N/A (Note 7)	2.3
			Average	12.5	1.4
			Median	11.9	1.5
			Maximum	14.0	2.3
			Minimum	11.7	0.5
The Offer Price			12,747.4 (Note 8)	14.0 (Note 9)	0.6 (Note 10)

Source: The website of the Stock Exchange and annual results announcements of the respective Comparable Companies

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Notes:

1. The market capitalisations of the Comparable Companies are calculated as the closing share price of the Comparable Companies as at the Latest Practicable Date multiplies by the latest number of outstanding shares of the Comparable Companies listed on the Stock Exchange.
2. The P/E Multiples of the Comparable Companies are calculated as the market capitalisation of the Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the consolidated profit attributable to the holders of the shares (listed on the Stock Exchange) of the Comparable Companies for the year ended 31 December 2022 as set out in their respective annual results announcement.
3. The P/B Multiples of the Comparable Companies are calculated as the market capitalisation of the Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the consolidated NAV attributable to the holders of the shares (listed on the Stock Exchange) of the Comparable Companies as set out in their respective latest annual results announcement.
4. The total market capitalisation of Haier, comprises the values of (i) A-Shares listed on the Shanghai Stock Exchange; (ii) D-Shares listed on Frankfurt Stock Exchange; and (iii) H-Shares listed on the Stock Exchange, is approximately HK\$232,861.0 million as at the Latest Practicable Date.
5. The consolidated profit attributable to the shareholders of TCL are adjusted by the non-HKFRS adjustment of HK\$257.4 million from loss from investment companies, gain on disposal and liquidation of subsidiaries, earnings related to call options and put options and disposal of non-current assets losses as set out in TCL's latest annual results announcement.
6. The total market capitalisation of Hisense, comprises the values of (i) A-Shares listed on the Shenzhen Stock Exchange; and (ii) H-Shares listed on the Stock Exchange, is approximately HK\$27,706.6 million as at the Latest Practicable Date.
7. Jiu Rong and Miji were loss-making for the latest financial year and hence their P/E Multiples are not applicable.
8. The implied market capitalisation of the Company is calculated as the Offer Price of HK\$5.0 multiplies by the Outstanding Shares.
9. The implied P/E Multiple of the Offer Price of approximately 14.0 times are calculated based on the Offer Price of HK\$5.0 divided by the basic EPS of approximately RMB0.3197 (equivalent to approximately HK\$0.3579) for the year ended 31 December 2022.
10. The implied P/B Multiple of the Offer Price of approximately 0.6 times is calculated based on the Offer Price of HK\$5.0 divided by the NAV of the Group attributable to the Shareholders per Share as at 31 December 2022 of approximately RMB7.01 (equivalent to approximately HK\$7.85). The implied P/B Multiple calculated based on the Offer Price of HK\$5.0 divided by the Reassessed NAV of approximately RMB7.32 (equivalent to approximately HK\$8.19) is also approximately 0.6 times.

The P/E Multiples of the Comparable Companies ranging from approximately 11.7 times to approximately 14.0 times, with an average and a median of approximately 12.5 times and approximately 11.9 times, respectively. The implied P/E Multiple of the Offer Price of approximately 14.0 times is at the high-end of the range of the P/E Multiples of Comparable Companies.

For reference purpose, the P/B Multiples of the Comparable Companies ranging from approximately 0.5 times to approximately 2.3 times, with an average and a median of approximately 1.4 times and approximately 1.5 times, respectively. The implied P/B Multiple of the Offer Price of approximately 0.6 times is lower than both the average and the median of the P/B Multiples of Comparable Companies.

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In respect of a comparison to the industry peers, the implied P/E Multiple of the Offer Price, being the most recent and relevant parameter given the principal activities of the Group and the value of which is primarily assessed on an earnings basis, of 14.0 times is at the high-end of the range of the P/E Multiples of the Comparable Companies. This indicates the Offer Price is a fair and reasonable exit for the Shareholders from the perspective of investing in the industry that the Group engages in.

5. Comparable Transactions analysis

We have performed an analysis of comparable buy-back transactions made by way of a general offer, excluding buy-back transactions in connection with privatisation, announced on the website of the Stock Exchange since 2020 and up to the Latest Practicable Date (“**Comparable Transactions**”). We consider that a review period covering around three years is appropriate as the Comparable Transactions are considered relevant for the purpose of assessing recent market practices in relation to share buy-back.

It should be noted that the subject companies in the Comparable Transactions can provide a general understanding of the pricing for this type of transaction in Hong Kong, but under different market conditions. The factors and considerations for each transaction affecting the premium over or discounts to the offer prices may vary in each case and could be different to the Offer. Having said that, the Comparable Transactions could still provide a meaningful analysis of the market trend of the transaction of same type over the past three years. As such, we consider that the Comparable Transactions relevant in assessing the fairness and reasonableness of the Offer Price.

For each of the Comparable Transactions identified, we compared the offer price with (a) the closing price on the last trading day prior to the issue of the respective offer announcement; and (b) the average closing price for the last 5, 10, and 30 trading days up to and including the last trading day prior to the issue of the respective announcement. Set out below is a summary of the Comparable Transactions:

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Date of announcement	Company name	Stock code	Principal business activities	Percentage of shares to be purchased	Offer size <i>HK\$ (million)</i>	Premium of offer price over			
						the closing price on last trading day	the average closing price for last 5 trading days up to and including the last trading day	the average closing price for last 10 trading days up to and including the last trading day	the average closing price for last 30 trading days up to and including the last trading day
6 January 2023	SciClone Pharmaceuticals (Holdings) Limited	6600	Developing and commercialising a portfolio of marketed products as well as pipeline with potential in its focused therapeutic areas including oncology and severe infection	11.2%	780	13.9%	14.2%	17.7%	25.1%
6 June 2021	WH Group Limited	288	Production and sale of pork and packaged meat products	13.0%	14,952	17.3%	16.4%	16.3%	15.6%
28 September 2020	Rykadan Capital Limited	2288	Operating and investing in real estate development, real estate investment, distribution of building materials and asset, investment and fund management	21.4%	69	51.1%	50.8%	51.5%	55.6%
14 September 2020	Oriental Watch Holdings Limited	398	Watch trading	14.6%	249	53.9%	55.4%	56.3%	57.9%
20 July 2020	Shougang Fushan Resources Group Limited	639	Coking coal mining, and production and sales of coking coal products	4.7%	500	9.3%	21.5%	22.9%	26.2%
17 June 2020	The Company	751	Manufacturing and sales of smart television systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding and photovoltaic products	12.8%	1,100	37.3%	35.3%	30.8%	41.4%

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Date of announcement	Company name	Stock code	Principal business activities	Percentage of shares to be purchased	Offer size HK\$ (million)	Premium of offer price over			
						the closing price on last trading day	the average closing price for last 5 trading days up to and including the last trading day	the average closing price for last 10 trading days up to and including the last trading day	the average closing price for last 30 trading days up to and including the last trading day
					Average	30.5%	32.3%	32.6%	37.0%
					Median	27.3%	28.4%	26.9%	33.8%
					Maximum	53.9%	55.4%	56.3%	57.9%
					Minimum	9.3%	14.2%	16.3%	15.6%
				3.87%	500	39.3%	33.3%	29.2%	19.9%

The Offer Price

Source: The website of the Stock Exchange

Note: The buy-back transaction made by CK Asset Holdings Limited (stock code: 1113) published on 18 March 2021 involved acquisition of assets by issuing new shares and buy back and cancel the same number of newly issued shares to eliminate the dilution effect. As the nature of this buy-back transaction is different from the Comparable Transactions, this buy-back transaction is excluded from the analysis.

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A total of six Comparable Transactions have been identified which represent an exhaustive and representative list based on our selection criteria and is considered appropriate for our evaluation. As set out in the table above, the Offer Price represents (a) a premium of 39.3% over the closing Share price on the Last Trading Day before the Price Increase Announcement; and (b) premiums of 33.3%, 29.2% and 19.9% over the average closing Share prices for the last 5, 10 and 30 trading days up to and including the Last Trading Day before the Price Increase Announcement, respectively. These premiums over the closing Share price on the Last Trading Day before the Price Increase Announcement and the average closing Share prices for the last 5 and 10 trading days are generally in line with the average and the median of the Comparable Transactions, while the premium over the average closing Share price for the last 30 trading days is close to and above the low-end of those of the Comparable Transactions.

Based on the Comparable Transactions as set out above, we do not see there is any strong correlation between the percentage of shares to be purchased and the premium of offer price over the relevant market prices. Hence, we are of the view that although the percentage to be purchased under the Offer, which represents approximately 3.87% of the issued Shares as at the Latest Practicable Date, is lower than those of the Comparable Transactions ranging from approximately 4.7% to approximately 21.4%, there is no significant impact to our analysis.

6. The PRC MGO

(a) Background on the PRC MGO

The shares of Skyworth Digital, an indirect non wholly-owned subsidiary of the Company established in the PRC, are listed on the Shenzhen Stock Exchange. As at the Latest Practicable Date, Skyworth Digital is held as to approximately 50.82% by RGB, an indirect wholly-owned subsidiary of the Company, and approximately 1.73% by LCD, an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Wong Concert Party Group does not directly hold shares in Skyworth Digital.

In the event that the acceptance level of the Offer results in the Wong Concert Party Group becoming interested in more than 50% of the Shares, the Wong Concert Party Group will be deemed to have actual control of the Company and thereby become the actual controller (實際控制人) of the Company. On this premise, as advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and the securities law of the PRC, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC, and accordingly, Mr. Wong, whether by himself or through entities controlled by him, will be obliged to make a mandatory unconditional general offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by Mr. Wong and/or parties acting in concert with him. As at the Latest Practicable Date, the restricted shares represent approximately 2.84% of the total issued share capital of Skyworth Digital, and the treasury shares held by Skyworth Digital represent approximately 0.75% of the total issued share capital of Skyworth Digital.

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Taking into consideration that RGB is already the controlling shareholder of Skyworth Digital, directly holding shares in Skyworth Digital, it has been determined by the Board (excluding Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) that upon completion of the Offer, the PRC MGO (if triggered) shall be made by RGB (an indirect wholly-owned subsidiary of the Company, which will be controlled by Mr. Wong upon completion of the Offer if the Offer is accepted in full) in accordance with the Administrative Measures. In the event that the acceptance level of the Offer does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares (and thereby becoming the actual controller of the Company), the PRC MGO will not be made.

The making of the PRC MGO is to ensure compliance with the aforementioned statutory obligations under the Administrative Measures and the securities law of the PRC, and is not intended to delist Skyworth Digital from the Shenzhen Stock Exchange.

As disclosed in the letter from the Board contained in the Offer Document, although Mr. Wong is permitted and able to make the PRC MGO himself, the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant Board meeting) are of the view that it is in the interests of the Company and the Shareholders as a whole for RGB to launch the PRC MGO for the reasons summarised below:

- (i) Skyworth Digital has been profitable in the preceding three financial years and an increase in the Company's shareholding in Skyworth Digital would enable the Company to increase its share in the overall financial performance of Skyworth Digital
- (ii) After the closing of the Offer, assuming the Offer is accepted in full, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC. The resulting change will reduce Skyworth Digital's ongoing compliance costs associated with the status of having no actual controller and make it easier for Skyworth Digital to conduct capital markets activities, which will be beneficial to the future development of Skyworth Digital and the Company.
- (iii) The Company holds approximately 50.82% of the issued shares of Skyworth Digital through its wholly-owned subsidiary, RGB. The implementation of the PRC MGO by RGB will only change the number of shares in Skyworth Digital held by RGB. By contrast, the Wong Concert Party Group (comprising Mr. Wong, Target Success, Ms. Lin and Mr. Lin) does not directly hold shares in Skyworth Digital, and if the PRC MGO were to be implemented by Mr. Wong, Mr. Wong will become a new direct shareholder of Skyworth Digital, while also simultaneously holding indirect interest in Skyworth Digital through the Company, LCD and RGB. Accordingly, if the PRC MGO is made by Mr. Wong, it will complicate the shareholding structure of Skyworth Digital, resulting in Skyworth Digital being subject to more regulatory scrutiny, increasing Skyworth Digital's related compliance costs and limiting Skyworth Digital's capability to conduct capital market

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activities. In addition, if the PRC MGO were to be implemented by Mr. Wong, filing obligations under PRC laws and regulations would be triggered, which would be time-consuming and involve rounds of communications with relevant PRC regulators, thereby adding to compliance costs to be incurred by Skyworth Digital. Moreover, the relevant PRC regulators have requested that the offeror for the PRC MGO provide a prescribed deposit in RMB before announcing the PRC MGO. As Mr. Wong does not have sufficient readily available cash in RMB, if he were to make the PRC MGO, he would need to either (i) transfer offshore cash back onshore (which would require governmental approval for foreign exchange and cross-border wire transfer, among other things) or (ii) obtain external financing from a local PRC bank. Both options would be time-consuming and engender a high risk of information on the PRC MGO and the Offer being leaked by persons involved in the relevant discussions or approval process, which would be detrimental to the Company's efforts in making the Offer.

(b) Principal terms of the PRC MGO

As advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and in accordance with customary practice, the offer price under the PRC MGO will be RMB15.02 per share, representing the mathematical average value of daily weighted average prices for such shares over 30 market days prior to the date of the announcement on the PRC MGO, which was published by Skyworth Digital on the date of the Announcement.

Based on the offer price of RMB15.02 per Skyworth Digital share and the total number of Skyworth Digital shares that are subject to the PRC MGO (being 504,503,558 Skyworth Digital shares), the maximum consideration payable under the PRC MGO will be approximately RMB7,577.6 million. RGB will fund the maximum consideration payable under the PRC MGO by internal resources of RGB and, if needed, self-raised funds, without pledging the shares of Skyworth Digital. In accordance with relevant PRC laws and regulations, before publication of the announcement on the PRC MGO on 23 December 2022, RGB had already deposited cash in an amount equal to 20% of the maximum consideration payable under the PRC MGO ("**Deposit**") into a bank account designated by the relevant PRC regulators. In addition on 11 April 2023, Mr. Wong gave an irrevocable undertaking to RGB, pursuant to which Mr. Wong has irrevocably undertaken that if the total consideration payable by RGB under the PRC MGO exceeds the Deposit, Mr. Wong will enter into a loan agreement with RGB to extend a loan to RGB for an aggregate amount representing the total consideration payable by RGB under the PRC MGO minus the Deposit. Pursuant to the loan agreement, the loan will be interest-free and repayable on the fifth anniversary of the first drawdown date, and will be unsecured.

In the annual report of Skyworth Digital for the year ended 31 December 2022, the board of directors of Skyworth Digital declared a conditional cash dividend of RMB2.00 (tax inclusive) per 10 shares, which was approved by the shareholders of Skyworth Digital at the annual general meeting held on 11 April 2023. As advised by CITIC Securities, if such dividend is paid in full prior to the launch of the PRC MGO,

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the offer price under the PRC MGO would be adjusted downwards accordingly. For the avoidance of doubt, the offer price under the PRC MGO will not be increased. Further announcement(s) will be made by the Company in connection with the PRC MGO (including the downward adjustment of the offer price, if any) in accordance with the Listing Rules.

(c) Business activities of Skyworth Digital

Skyworth Digital and its subsidiaries are primarily engaged in providing a comprehensive yet systematic portfolio of ultra high definition (commonly known as UHD) device development, broadband network connectivity and UHD industrial application integrated solutions to users across the globe. The Group has four business segments as follow:

- (i) Digital set-top boxes business: Skyworth Digital engages in the research and development of digital set-top box and provides services to the major domestic communication, radio and television operators;
- (ii) Broadband network business: Skyworth Digital engages in the broadband network business for the major domestic communication operators in the PRC and has established market presence in overseas broadband network markets;
- (iii) VR device business: The VR products of Skyworth Digital have been ordered by and delivered to clients in various overseas markets and Skyworth Digital possesses first-mover advantage in the market of medical examinations in the domestic market and has also been providing services for education industry. Skyworth Digital has also produced around two hundred 8K VR videos for the national 4A scenic spots, which are available on various internet platforms; and
- (iv) Automotive display business: Skyworth Digital has gained advantages in research and development and technology for the automotive display market in terms of high color gamut, high contrast, high integrated black, narrow frame, and ultra-thin designs. Skyworth Digital has been designated as the supplier of the automotive displays for more than 10 domestic and joint venture automotive manufacturers.

For further details of the business of Skyworth Group, please refer to the management discussion and analysis of Skyworth Digital set out in appendix III to the Offer Document.

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(d) *Outlook of Skyworth Digital*

(i) Digital set-top boxes business

The global digital set-top box industry in Asia, Africa, the Middle East, Latin America, Europe and the U.S. is at different stages of development, while evolving towards higher levels of intelligence and multi-function. The markets in the PRC and the U.S. are growing relatively faster compared to other markets.

Based on the development of the global set-top boxes industry for over a decade and the perspective of stock and iterative update, the global set-top boxes industry is in the stage of digital transformation, integration and moving towards a more intelligent and multi-functional direction. In view of the diversity of products and applications, the demand for the global digital set-top boxes market is expected to continue to maintain a steady growth in the future.

(ii) Broadband network business

With the vigorous development of digital economy and the accelerating construction of information high-speed, the needs for home smart gateways, networking and configurations in the PRC are growing rapidly. Moreover, the popularisation of gigabit broadband network in the PRC has promoted the comprehensive upgrade of network communications equipment. According to the 14th Five-Year Plan of the PRC government, there will continue to be growing needs for industrial upgrading in the PRC. The development stage of broadband connection equipment markets in different countries is extremely unbalanced, resulting in vastly different requirements in different regional markets. But with the growing applications of high-definition technologies, VR, cloud games, and the Internet of Things, the overseas broadband network demand is expected to continue to grow in the future.

(iii) VR device business

With the rapid increase in computing power supply, the continuous decline in cloud computing prices, and the upgrading of artificial intelligence, the electronics industry can now provide stable and mature solutions for the key technologies of VR equipment, including chips, displays, optics, storage, positioning and interaction. At the same time, in terms of the combination of software and hardware, a video see-through solution has emerged, which combines cameras and real-time rendering, breaking the restrictions for VR users to experience unknown surroundings. The conditions for the further development of VR devices and industrial applications have been maturing.

Local governments in the PRC continue to support the development of VR industry by issuing industrial promotion policies with the aims of guiding a healthy and orderly development of the VR industry, optimising the “VR+” endogenous capability, strengthening the deep integration of VR with 5G, artificial

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intelligence, big data, cloud computing, blockchain, digital twins and other new generation information technology, superimposing “VR+” enabling capabilities, and promoting a new engine of digital economic growth.

(iv) Automotive display business

The development of automotive display screens has become an important symbol of automotive intelligisation. Large-screen, multi-screen, and integration have become the main theme of automotive cockpits and screens have become the core of smart automotive cockpits.

With the development of the national intelligent network automobile industry, new energy vehicles under the goal of “double carbon” will be further developed in an all-round way, and vehicles show that there is a broad space for development in the future. According to the forecast of vzkoo.com, a service platform for the integration and development of high-end knowledge, information and intellectual resources focusing on the fields of business, finance, investment and management, the global vehicle screen industry will benefit from the accelerated superposition of multi-screen, large screen and other trends in the future, and the proportion of high-end screens will rise, and the industry will show a trend of rapid growth.

In view of the above, the business segments that Skyworth Digital engages in have positive future outlook and promising prospects.

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(e) *Financial performance and financial position of Skyworth Digital*

Set out below is a summary and a discussion of the financial performance for the years ended 31 December 2020, 2021 and 2022 and financial position as at 31 December 2020, 2021 and 2022 of Skyworth Digital prepared based on the HKFRS. Further details of the financial information of Skyworth Digital are set out in appendix IV to the Offer Document.

	Year ended/as at 31 December																						
	2022	2021	2020																				
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>																				
	<i>million</i>	<i>million</i>	<i>million</i>																				
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>																				
Revenue	12,009	10,847	8,508																				
<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 60%;">Net profit for the year</td> <td style="text-align: right;">710</td> <td style="text-align: right;">262</td> <td style="text-align: right;">611</td> </tr> <tr> <td colspan="4">Adjustment for:</td> </tr> <tr> <td style="padding-left: 20px;">fair value loss/(gain) of derivative component of convertible bonds</td> <td style="text-align: right;">96</td> <td style="text-align: right;">153</td> <td style="text-align: right;">(241)</td> </tr> <tr> <td style="padding-left: 20px;">loss on credit impairment</td> <td style="text-align: right; border-top: 1px solid black;">–</td> <td style="text-align: right; border-top: 1px solid black;">258</td> <td style="text-align: right; border-top: 1px solid black;">–</td> </tr> <tr> <td>Adjusted net profit for the year</td> <td style="text-align: right;">806</td> <td style="text-align: right;">673</td> <td style="text-align: right;">370</td> </tr> </tbody> </table>				Net profit for the year	710	262	611	Adjustment for:				fair value loss/(gain) of derivative component of convertible bonds	96	153	(241)	loss on credit impairment	–	258	–	Adjusted net profit for the year	806	673	370
Net profit for the year	710	262	611																				
Adjustment for:																							
fair value loss/(gain) of derivative component of convertible bonds	96	153	(241)																				
loss on credit impairment	–	258	–																				
Adjusted net profit for the year	806	673	370																				
NAV attributable to the shareholders of Skyworth Digital	5,999	4,354	4,183																				

(i) Revenue

Skyworth Digital achieved a revenue of approximately RMB10,847 million for the year ended 31 December 2021, representing a growth of approximately 27.5% from that of approximately RMB8,508 million for the prior year. The growth was mainly attributable to the effective measures and planning adopted by Skyworth Digital in the face of global supply chain and delivery disruptions, increase in raw material prices and de-globalisation, as well as its continuous development and enhancement in capabilities of system planning, research and development, industry chain integration and industrialisation.

For the year ended 31 December 2022, Skyworth Digital recorded a revenue of approximately RMB12,009 million, representing an increase of approximately 10.7% as compared to that of approximately RMB10,847 million for the previous year. Such increase was mainly due to the growth in revenue from the smart devices, broadband internet access and digital set-top box businesses.

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(ii) Net profit for the year

While Skyworth Digital achieved an exciting growth in revenue for the year ended 31 December 2021 as mentioned above, its net profit, however, recorded a decrease of approximately RMB349 million or approximately 57.1% to approximately RMB262 million from that of approximately RMB611 million for the prior year. The decline was partly attributable to the significant escalation in direct material cost, which surged from approximately RMB5,890 million for the year ended 31 December 2020 to approximately RMB7,839 million for the year ended 31 December 2021 and almost wiped out the entire increase of the revenue for the year ended 31 December 2021. In addition to the above, due to the fair value changes in derivative component of Skyworth Digital's convertible bonds, a fair value loss of approximately RMB153 million was recognised for the year ended 31 December 2021, as compared to a fair value gain of approximately RMB241 million for the year ended 31 December 2020. The adjusted net profit for the year ended 31 December 2021 of approximately RMB673 million, which was adjusted for the fair value loss of derivative component of convertible bonds of approximately RMB153 million and the loss on credit impairment of approximately RMB258 million, represented an increase of approximately RMB303 million or approximately 81.9% as compared that for the year ended 31 December 2020 of approximately RMB370 million, which was adjusted for the fair value gain of derivative component of convertible bonds of approximately RMB241 million.

Skyworth Digital's net profit for the year ended 31 December 2022 increased to approximately RMB710 million by approximately 171.0% from that of approximately RMB262 million for the year ended 31 December 2021, which was mainly attributable to the 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. The absence of the loss on credit impairment also contributed to the increase in Skyworth Digital's net profit for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021. The adjusted net profit for the year ended 31 December 2022 of approximately RMB806 million, which was adjusted for the fair value loss of derivative component of convertible bonds of approximately RMB96 million, represented an increase of approximately RMB133 million or approximately 19.8% as compared that for the year ended 31 December 2021 of approximately RMB673 million.

The adjusted net profit for the years ended 2020 to 2022 exhibited an excellent and steady growth, which could be the key driver for the assessment of the investment value of Skyworth Digital, and demonstrated a promising prospect of its business.

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The net profit attributable to the shareholders of Skyworth Digital for the years ended 31 December 2022, 2021 and 2020 are close to and exhibit a similar pattern of the net profit for the respective year.

(iii) NAV attributable to the shareholders of Skyworth Digital

The NAV attributable to the shareholders of Skyworth Digital increased by approximately RMB171 million or approximately 4.1% from approximately RMB4,183 million as at 31 December 2020 to approximately RMB4,354 million as at 31 December 2021. It was further enhanced by approximately RMB1,645 million or approximately 37.8% to approximately RMB5,999 million as at 31 December 2022. The increases were mainly attributable to, among other things, the net profit generated from operations and, for the year ended 31 December 2022, the increase in share capital and reserves as a result of the exercise of conversion right of the convertible bonds. The NAV of Skyworth Digital attributable to its shareholders as at 31 December 2022, based on the 1,150,216,072 shares in issue as at 31 December 2022, was approximately RMB5.22 per share.

(f) *Comparison of the PRC MGO price and the NAV per Skyworth Digital share*

As opposed to capital-intensive companies that are principally valued based on assets (e.g., property development and/or investment companies), valuation for companies in emerging industries, in particular in the technology industry (being the industry in which Skyworth Digital is primarily engaged), is primarily driven by operating performance, earnings capability and prospects of the companies. The NAV of companies in emerging industries, like Skyworth Digital, may not be a relevant indicator of the value of such companies. The offer price for the PRC MGO of RMB15.02 per share was determined with reference to the market price of the Skyworth Digital shares, which, in our view, is principally determined by a multiple applied to the earnings per share of Skyworth Digital. The NAV per Skyworth Digital share, in our opinion, has little influence on the market price of Skyworth Digital shares.

(g) *Analysis of comparable companies of Skyworth Digital*

Skyworth Digital and its subsidiaries (“**Skyworth Digital Group**”) are primarily engaged in providing a comprehensive yet systematic portfolio of UHD device development, broadband network connectivity and UHD industrial application integrated solutions to users across the globe. For the year ended 31 December 2022, a majority of the Skyworth Digital Group’s revenue and profits were generated from set-top box and other smart products business segment which is mainly the production and sale of set-top box products, broadband devices, smart TVs and all-in-one devices, security products, etc., and the provision of technical services. We therefore consider that the Skyworth Digital Group should be primarily assessed on an earnings basis, for example by comparing price-to-earnings multiple as implied by the PRC MGO price to the comparable companies’ multiples on the same basis.

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Based on the above, in assessing the fairness and reasonableness of the PRC MGO price, we compared primarily the historical price-to-earnings multiple (“**SD Historical P/E Multiple**”), trailing twelve-month price-to-earnings multiple (“**SD TTM P/E Multiple**”) and price-to-book multiple (“**SD P/B Multiple**”) represented by the PRC MGO price against those of companies (i) listed on the Shenzhen Stock Exchange or Shanghai Stock Exchange; and (ii) principally engaged in production and sale of set-top box products, broadband devices, smart TVs and all-in-one devices, security products, etc., or the provision of technical services (i.e., the set-top box products and other smart products business of Skyworth Digital) to customers in the PRC with approximately 50% or more of revenue derived from such business activities in the latest full financial year (“**SD Comparable Companies**”). We consider the Comparable Companies (to be exhaustive based on the selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the PRC MGO price. Details of the SD Comparable Companies are set out as below:

Company name	Stock code	Principal business activities	Market capitalisation <i>(RMB million)</i> <i>(Note 1)</i>	SD Historical P/E Multiple <i>(times)</i> <i>(Note 2)</i>	SD TTM P/E Multiple <i>(times)</i> <i>(Note 3)</i>	SD P/B Multiple <i>(times)</i> <i>(Note 4)</i>
Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司)	600060.SH	Manufactures and markets electronic products and household electrical appliances. Produces television sets, refrigerators, freezers, communication products	25,721.5	18.0	18.0	1.5
Shenzhen MTC Co., Ltd. (深圳市兆馳股份有限公司)	002429.SZ	Develops, designs, manufactures and sells consumer electronics. Products include LCD television, digital set-top box, disc player, and multimedia audio system	21,684.0	22.7	22.7	1.6
Sichuan Changhong Electric Co., Ltd. (四川長虹電器股份有限公司)	600839.SH	Manufactures and markets a variety of household electrical appliances. Products include TV sets, air conditioners, digital video disc players, batteries, and other related products	19,434.4	77.2	69.5	1.5

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Company name	Stock code	Principal business activities	Market capitalisation (RMB million) (Note 1)	SD Historical P/E Multiple (times) (Note 2)	SD TTM P/E Multiple (times) (Note 3)	SD P/B Multiple (times) (Note 4)
Fujian Star-net Communication Company Ltd. (福建星網銳捷通訊股份有限公司)	002396.SZ	Manufactures and markets network and communication products, terminal facilities, video application products, and offers system solutions. Products include switchboards, storage products, and internet safety products	14,675.0	28.5	28.5	2.4
Chengdu XGimi Technology Co., Ltd. (成都極米科技股份有限公司)	688696.SH	Manufactures and sells high-performance multi-functional smart projectors, laser televisions, and other products	13,678.7	31.9	31.0	4.6
Hytera Communications Corporation Limited (海能達通信股份有限公司)	002583.SZ	Develops, manufactures and sells radio terminals, cluster systems, professional wireless communication devices	11,532.1	194.4 (Note 5)	194.4 (Note 5)	1.9
Sumavision Technologies Co., Ltd. (北京數碼視訊科技股份有限公司)	300079.SZ	Develops, manufactures, and sells digital TV software and hardware products. Products are digital TV conditional access system and digital TV front-end equipment etc.	9,745.8	102.0 (Note 5)	80.7	2.3
Ningbo Sunrise Elc Technology Co., Ltd. (寧波興瑞電子科技股份有限公司)	002937.SZ	Produces car connectors, communication antennas, car sensors, high frequency connectors, sockets, and other products	7,217.0	70.4	42.3	6.1
Sichuan Jiuzhou Electric Co., Ltd. (四川九洲電器股份有限公司)	000801.SZ	Manufactures and markets electronic audio equipment	7,210.8	68.9	53.3	2.6

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Company name	Stock code	Principal business activities	Market capitalisation (RMB million) (Note 1)	SD Historical P/E Multiple (times) (Note 2)	SD TTM P/E Multiple (times) (Note 3)	SD P/B Multiple (times) (Note 4)
Sichuan Tianyi Comheart Telecom Co., Ltd. (四川天邑康和通信股份有限公司)	300504.SZ	Researches, develops, produces, and sells network connection and protection equipment, mobile communication network optimization systems, and broadband network terminal solutions	5,737.5	35.1	24.2	2.6
Hangzhou Arcvideo Technology Co., Ltd. (杭州當虹科技股份有限公司)	688039.SH	Provides intelligent video solutions and video cloud services. Offers video transcoding, smart portrait recognition, full platform playing, and other services	5,439.8	107.3 (Note 5)	2,108.8 (Note 5)	3.8
Gospell Digital Technology Co., Ltd. (高斯貝爾數碼科技股份有限公司)	002848.SZ	Designs, produces, and sells digital TV terminals, system software, and other related components	1,648.1	N/A (Note 6)	N/A (Note 6)	6.4
			Average	44.1	41.1	3.1
			Median	33.5	31.0	2.5
			Maximum	77.2	80.7	6.4
			Minimum	18.0	18.0	1.5
The PRC MGO price			17,276.2 (Note 7)	23.4 (Note 8)	23.4 (Note 9)	2.9 (Note 10)

Source: The website of Cninfo (www.cninfo.com.cn), Bloomberg and annual or quarterly reports of the respective SD Comparable Companies

Notes:

- The market capitalisations of the SD Comparable Companies are calculated as the closing share price of the SD Comparable Companies as at the Latest Practicable Date multiplies by the latest number of outstanding shares of the Comparable Companies listed on Shenzhen Stock Exchange or Shanghai Stock Exchange.
- The SD Historical P/E Multiples of the SD Comparable Companies are calculated as the market capitalisation of the SD Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the consolidated net profit (adjusted for one-off items) attributable to the holders of the shares (listed on Shenzhen Stock Exchange or Shanghai Stock Exchange) of the SD Comparable Companies for the year ended 31 December 2021 or 2022 (if the later is available) as set out in their respective annual report.
- The SD TTM P/E Multiples of the SD Comparable Companies are calculated as the market capitalisation of the SD Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the consolidated net profit (adjusted for one-off items) attributable to the holders of the

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shares (listed on Shenzhen Stock Exchange or Shanghai Stock Exchange) of the SD Comparable Companies for the latest 12-month period as set out in their respective latest annual or quarterly report.

4. The SD P/B Multiples of the SD Comparable Companies are calculated as the market capitalisation of the SD Comparable Companies as at the Latest Practicable Date as described in note 1 divided by the consolidated NAV attributable to the holders of the shares (listed on Shenzhen Stock Exchange or Shanghai Stock Exchange) of the Comparable Companies as set out in their respective latest annual or quarterly report.
5. The relevant SD Historical P/E Multiple and/or relevant SD TTM P/E Multiple are over 100 times and are considered as outlier and excluded from the analysis.
6. The comparable company was loss-making for the latest financial year and/or the latest 12-month period and hence its SD Historical P/E Multiple and/or SD TTM P/E Multiple are not applicable.
7. The implied market capitalisation of the Skyworth Digital is calculated as the PRC MGO price of RMB15.02 multiplies by the shares in issue.
8. The implied SD Historical P/E Multiple and SD TTM P/E Multiple of the PRC MGO price of approximately 23.4 times are calculated based on the PRC MGO price of RMB15.02 divided by the basic EPS of Skyworth Digital of approximately RMB0.6426 (adjusted for one-off items) for the year ended 31 December 2022.
9. The implied P/B Multiple of the PRC MGO price of approximately 2.9 times is calculated based on the PRC MGO price of RMB15.02 divided by the NAV of Skyworth Digital attributable to its shareholders per share as at 31 December 2022 of approximately RMB5.22.

As set out in the table above, the SD Historical P/E Multiples of the SD Comparable Companies ranging from approximately 18.0 times to approximately 77.2 times, with an average and a median of approximately 44.1 times and approximately 33.5 times, respectively. The implied Historical P/E Multiple of the PRC MGO price of approximately 23.4 times is lower than both the average and the median of the SD Historical P/E Multiples of SD Comparable Companies. The SD TTM P/E Multiples of the SD Comparable Companies ranging from approximately 18.0 times to approximately 80.7 times, with an average and a median of approximately 41.1 times and approximately 31.0 times, respectively. The implied SD TTM P/E Multiple of the PRC MGO price of approximately 23.4 times is lower than both the average and median of the SD TTM P/E Multiples of SD Comparable Companies.

For reference purpose only, the SD P/B Multiples of the SD Comparable Companies ranging from approximately 1.5 times to approximately 6.4 times, with an average and a median of approximately 3.1 times and approximately 2.5 times, respectively. The implied SD P/B Multiple of the PRC MGO price of approximately 2.9 times is lower than the average and but higher than the median of the SD P/B Multiples of SD Comparable Companies.

In respect of a comparison to the industry peers, the implied SD TTM P/E Multiple of the PRC MGO price, being the most recent and relevant parameter given the principal activities of the Skyworth Digital Group and the value of which is primarily assessed on an earnings basis, of 23.4 times is lower than the average and median of the SD TTM P/E

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Multiples of the SD Comparable Companies. This indicates the PRC MGO price is a fair and reasonable for the Company to increase its shareholding in Skyworth Digital, if the PRC MGO is triggered, at a price relatively lower than its comparable companies.

7. Financial effects of the Offer

We set out below the analysis on the financial effects of the Offer, including the PRC MGO, on the Group with reference to the unaudited pro forma financial information of the Group as set out in appendix V to the Offer Document. This information has been prepared in accordance with Rule 4.29 of the Listing Rules and reported on by Deloitte Touche Tohmatsu, the auditor of the Company. Independent Shareholders should note that (i) the analysis below is for illustrative purposes only, is based on past financial information and does not purport to represent what the financial results or position of the Group will be upon completion of the Offer; and (ii) the pro forma financial information has been prepared for illustrative purposes based on the assumptions as set out therein, including the maximum number of 100,000,000 Shares will be repurchased.

Following completion of the Offer, if the acceptance level of the Offer results in the Wong Concert Party Group becoming interested in more than 50% of the Shares, the PRC MGO will be triggered. Accordingly, for the purpose of presenting the pro forma financial information, it is assumed that: (i) full acceptance of the Offer and no acceptance of the PRC MGO (“**PRC MGO No Acceptance Scenario**”); and (ii) full acceptances of both the Offer and the PRC MGO (“**PRC MGO Full Acceptance Scenario**”). For the reasons set out in the section headed “8. Analysis of the likelihood of acceptance of the PRC MGO” below, we consider anything approaching full acceptance of the PRC MGO to be highly unlikely. We therefore present this scenario for illustration only, to demonstrate the most extreme scenario. In evaluating the merits of the PRC MGO, we consider the PRC MGO No Acceptance Scenario more useful for independent Shareholders to form their judgement.

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(a) *Earnings*

We set out below the earnings and pro forma earnings, including on a per Share basis, of the Group for the year ended 31 December 2022.

	The Group	Pro forma of the Group			
		PRC MGO No Acceptance Scenario	PRC MGO Full Acceptance Scenario		
			<i>Market price of the Skyworth Digital shares at</i>		
			RMB5.22 <i>(Note)</i>	RMB15.02 <i>(Note)</i>	RMB20.64 <i>(Note)</i>
Profit for the year attributable to the Shareholders (<i>RMB million</i>)	827	824	1,029	1,029	1,029
Weighted average number of Shares for the purpose of computation of the basic EPS (<i>million</i>)	2,586.6	2,486.6	2,486.6	2,486.6	2,486.6
Basic EPS (<i>RMB cents</i>)	31.97	33.14	41.38	41.38	41.38
Basic EPS accretion (<i>RMB cents</i>) (%)	–	+1.17 (+3.7%)	+9.41 (+29.4%)	+9.41 (+29.4%)	+9.41 (+29.4%)

Note: Assuming the market price of Skyworth Digital shares is (i) RMB5.22, being the amount of the NAV attributable to shareholders of Skyworth Digital as at 31 December 2022; (ii) RMB15.02, being the PRC MGO price; and (iii) RMB20.64, being the closing share price of Skyworth Digital as at the Latest Practicable Date, and the Skyworth Digital shares being acquired under the PRC MGO are “marked to market” in the consolidated financial statements of the Company.

The profit attributable to the Shareholders for the year ended 31 December 2022 was approximately RMB827 million. The basic EPS for the year ended 31 December 2022 was approximately RMB31.97 cents.

Assuming completion of the Offer had taken place at the beginning of 2022, under the PRC MGO No Acceptance Scenario, the profit attributable to the Shareholders for the year ended 31 December 2022 would have slightly decreased after deducting the professional fees and other expenses, while the basic EPS for the year ended 31 December 2022 would have increased because of the reduction in the 100,000,000 Shares in issue as a result of the full acceptance of the Offer.

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On the same basis, under the PRC MGO Full Acceptance Scenario, the profit attributable to the Shareholders for the year ended 31 December 2022 would have increased due to the increase in sharing of profit of Skyworth Digital, which was partially offset by the additional interest expenses on borrowing for financing of the PRC MGO and the professional fees and other expenses. The basic EPS for the year ended 31 December 2022 would have increased, mainly attributable to the reduction in the 100,000,000 Shares in issue as a result of the full acceptance of the Offer. These represent substantial increases in EPS, but since as set out below we regard the full acceptance scenario (or anything approaching it) as highly unlikely, these figures are given for illustration purpose only.

(b) NAV of the Group attributable to the Shareholders

We set out below the NAV and pro forma NAV attributable to the Shareholders, including on a per Share basis, of the Group as at 31 December 2022.

Table 1

	The Group	Pro forma of the Group			
		PRC MGO No Acceptance Scenario	PRC MGO Full Acceptance Scenario		
			<i>Market price of the Skyworth Digital shares at</i>		
			RMB5.22 <i>(Note 1)</i>	RMB15.02 <i>(Note 1)</i>	RMB20.64 <i>(Note 1)</i>
<i>On cost basis (Note 2)</i>					
NAV attributable to the Shareholders <i>(RMB million)</i>	17,867	17,408	13,907	13,907	13,907
Total number of Shares in issue less the Shares held by the trustee of the Share Award Scheme <i>(million)</i>	2,544	2,444	2,444	2,444	2,444
NAV attributable to the Shareholders per Share <i>(RMB)</i>	7.02	7.12	5.69	5.69	5.69
Changes to NAV attributable to the Shareholders per Share <i>(RMB) (%)</i>	–	+0.10 (+1.4%)	-1.33 (-18.9%)	-1.33 (-18.9%)	-1.33 (-18.9%)

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Notes:

- Assuming the market price of Skyworth Digital shares is (i) RMB5.22, being the amount of the NAV attributable to shareholders of Skyworth Digital as at 31 December 2022; (ii) RMB15.02, being the PRC MGO price; and (iii) RMB20.64, being the closing share price of Skyworth Digital as at the Latest Practicable Date, and the Skyworth Digital shares being acquired under the PRC MGO are “marked to market” in the consolidated financial statements of the Company.
- The acquisition of Skyworth Digital shares under the PRC MGO will be accounted for on cost basis in accordance with the existing accounting policy of the Group.

Table 2

	The Group	Pro forma of the Group			
		PRC MGO No Acceptance Scenario	PRC MGO Full Acceptance Scenario		
			<i>Market price of the Skyworth Digital shares at</i>		
			RMB5.22 <i>(Note 1)</i>	RMB15.02 <i>(Note 1)</i>	RMB20.64 <i>(Note 1)</i>
<i>On fair value basis (Note 2)</i>					
NAV attributable to the Shareholders (RMB million)	17,867	17,408	13,694	18,638	21,473
Total number of Shares in issue less the Shares held by the trustee of the Share Award Scheme (million)	2,544	2,444	2,444	2,444	2,444
NAV attributable to the Shareholders per Share (RMB)	7.02	7.12	5.60	7.63	8.79
Changes to NAV attributable to the Shareholders per Share (RMB) (%)	–	+0.10 (+1.4%)	-1.42 (-20.2%)	+0.61 (+8.7%)	+1.77 (+25.2%)

Notes:

- Assuming the market price of Skyworth Digital shares is (i) RMB5.22, being the amount of the NAV attributable to shareholders of Skyworth Digital as at 31 December 2022; (ii) RMB15.02, being the PRC MGO price; and (iii) RMB20.64, being the closing share price of Skyworth Digital as at the Latest Practicable Date, and the Skyworth Digital shares being acquired under the PRC MGO are “marked to market” in the consolidated financial statements of the Company.
- Assuming the acquisition of Skyworth Digital shares under the PRC MGO will be “marked to market” and accounted for on fair value basis.

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As at 31 December 2022, the NAV of the Group attributable to the Shareholders was approximately RMB17,867 million and approximately RMB7.02 per Share.

On the assumption that the Offer had taken place on 31 December 2022 and under PRC MGO No Acceptance Scenario (in tables 1 and 2), the NAV of the Group attributable to the Shareholders would have decreased as a result of the payment of the consideration of the Offer and professional fees and other expenses. Nevertheless, on a per Share basis, the NAV of the Group attributable to the Shareholders would have increased due to the reduced number of Shares in issue upon completion of the Offer.

Under PRC MGO Full Acceptance Scenario and the acquisition of Skyworth Digital shares under the PRC MGO are accounted for on a cost basis (in table 1), the NAV of the Group attributable to the Shareholders would have decreased. As discussed with the Management on the accounting policy of the Group in the acquisition of additional shares of Skyworth Digital, we note that given Skyworth Digital is a subsidiary of the Company, the Company shall recognise in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, and attribute it to the Shareholders. Given that the consideration payable (i.e., approximately RMB7,578 million) under the PRC MGO considerably exceeds the book value of the non-controlling interests (approximately RMB2,847 million), the difference in the amount would result in a significant deficit of approximately RMB4,731 million charged to the reserve account, which contributes to the significant reduction in the NAV of the Group attributable to the Shareholders, as well as on a per Share basis as shown in the table above. The potential decrease in the NAV per Share is substantial, but as we regard the PRC MGO Full Acceptance Scenario as highly unlikely, these figures are principally given for illustration purpose only.

We are of the view that the dilutions of NAV and NAV per Share as a result of the above-mentioned significant deficit by adopting the aforesaid accounting treatment is purely notional since the fair value (e.g., market value) of the non-controlling interest being acquired had not been fully reflected in the books of the Group. In fact, the aforesaid decreases in NAV and NAV per Share are the same regardless of the market value of the Skyworth Digital Shares being acquired under the PRC MGO. Should the PRC MGO offer price of RMB15.02 or the market price of Skyworth Digital as at the Latest Practicable Date of RMB20.64, respectively, be fully reflected in the books of the Group, the pro forma NAV per Share of the Group would be enhanced by RMB0.61 (or approximately 8.7%) or RMB1.77 (or approximately 25.2%) under PRC MGO Full Acceptance Scenario (in table 2), respectively, as compared to a decline of RMB1.33 (or approximately 18.9%) in the case of cost basis (in table 1).

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(c) *Gearing ratio*

We set out below the gearing ratio and pro forma gearing of the Group as at 31 December 2022.

Table 3

	The Group	Pro forma of the Group			
		PRC MGO No Acceptance Scenario	PRC MGO Full Acceptance Scenario		
			<i>Market price of the Skyworth Digital shares at</i>		
			RMB5.22 <i>(Note 1)</i>	RMB15.02 <i>(Note 1)</i>	RMB20.64 <i>(Note 1)</i>
<i>On cost basis (Note 2)</i>					
Bank borrowing (<i>RMB million</i>)	15,257	15,257	15,257	15,257	15,257
Loan from Mr. Wong (<i>RMB million</i>)	–	–	4,832	4,832	4,832
Net asset value of the Group (<i>RMB million</i>)	21,894	21,435	15,087	15,087	15,087
Gearing ratio	69.7%	71.2%	133.2%	133.2%	133.2%
Changes to gearing ratio	–	+1.5%	+63.5%	+63.5%	+63.5%

Notes:

- Assuming the market price of Skyworth Digital shares is (i) RMB5.22, being the amount of the NAV attributable to shareholders of Skyworth Digital as at 31 December 2022; (ii) RMB15.02, being the PRC MGO price; and (iii) RMB20.64, being the closing share price of Skyworth Digital as at the Latest Practicable Date, and the Skyworth Digital shares being acquired under the PRC MGO are “marked to market” in the consolidated financial statements of the Company.
- The acquisition of Skyworth Digital shares under the PRC MGO will be accounted for on cost basis in accordance with the existing accounting policy of the Group.

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Table 4

	The Group	Pro forma of the Group			
		PRC MGO No Acceptance Scenario	PRC MGO Full Acceptance Scenario		
			<i>Market price of the Skyworth Digital shares at</i>		
			RMB5.22 <i>(Note 1)</i>	RMB15.02 <i>(Note 1)</i>	RMB20.64 <i>(Note 1)</i>
<i>On fair value basis (Note 2)</i>					
Bank borrowing (RMB million)	15,257	15,257	15,257	15,257	15,257
Loan from Mr. Wong (RMB million)	–	–	4,832	4,832	4,832
Net asset value of the Group (RMB million)	21,894	21,435	17,721	22,665	25,500
Gearing ratio	69.7%	71.2%	113.4%	88.6%	78.8%
Changes to gearing ratio	–	+1.5%	+43.7%	+18.9%	+9.1%

Notes:

- Assuming the market price of Skyworth Digital shares is (i) RMB5.22, being the amount of the NAV attributable to shareholders of Skyworth Digital as at 31 December 2022; (ii) RMB15.02, being the PRC MGO price; and (iii) RMB20.64, being the closing share price of Skyworth Digital as at the Latest Practicable Date, and the Skyworth Digital shares being acquired under the PRC MGO are “marked to market” in the consolidated financial statements of the Company.
- Assuming the acquisition of Skyworth Digital shares under the PRC MGO will be “marked to market” and accounted for on fair value basis.

As at 31 December 2022, the Group had a gearing ratio of 69.7%, being total borrowings, convertible bonds and corporate bonds (“**Total Debt**”) divided by total equity.

On the assumption that the Offer had taken place on 31 December 2022 and under PRC MGO No Acceptance Scenario (in tables 3 and 4), the Group would have paid the consideration of the Offer and professional fees and the total equity would have become RMB21,435 million. As such, the gearing ratio would have increased to approximately 71.2%.

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Under the PRC MGO Full Acceptance Scenario, in addition to the changes as mentioned in the PRC MGO No Acceptance Scenario, the total equity would have further decreased and the Total Debt would have increased as a result of borrowing a loan from Mr. Wong of RMB4,832 million for financing the consideration for the PRC MGO. In such circumstances, the gearing ratio would have increased to 133.2% (in table 3). As advised by the Management, the increase in gearing will require early repayment of certain outstanding bank loans in aggregate of approximately RMB946 million, which could be financed with the proceeds by drawing down the Group's other available bank facilities.

As mentioned in the previous section, we are of the view that the dilution of NAV is purely notional for the reason set out above. Should the PRC MGO price of RMB15.02 or the market price of Skyworth Digital as at the Latest Practicable Date RMB20.64, respectively, be fully reflected in the books of the Group, the pro forma gearing ratio of the Group would only be increased to 88.6% and 78.8% (in table 4), respectively, as compared to the increase of 133.2% (in table 3) in the case of cost basis.

All else being equal, an increase in gearing is inevitable in the case of a share buy-back. We consider the Group's gearing following completion of the Offer should be viewed in light of the Group's ability to generate strong operating cash flow based on the net cash generated from operating activities, as well as the positive net current asset position of the Group following the close of the Offer as discussed in the sub-section headed "7. (d) Liquidity" below. In case of high acceptance of the PRC MGO, while we are of the view that such scenario is remote as discussed in section headed "8. Analysis of the likelihood of acceptance of the PRC MGO" in this letter, the Company has however arranged funding to cover even in this extreme scenario.

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(d) *Liquidity*

We set out below the current ratio and pro forma current ratio of the Group as at 31 December 2022.

	The Group	Pro forma of the Group			
		PRC MGO No Acceptance Scenario	PRC MGO Full Acceptance Scenario		
			<i>Market price of the Skyworth Digital shares at</i>		
			RMB5.22 <i>(Note)</i>	RMB15.02 <i>(Note)</i>	RMB20.64 <i>(Note)</i>
Current assets (<i>RMB million</i>)	46,426	45,967	44,451	44,451	44,451
Current liabilities (<i>RMB million</i>)	35,527	35,527	35,527	35,527	35,527
Net current assets (<i>RMB million</i>)	10,899	10,440	8,924	8,924	8,924
Current ratio (<i>times</i>)	1.31	1.29	1.25	1.25	1.25
Changes to current ratio	-	-0.02	-0.06	-0.06	-0.06

Note: Assuming the market price of Skyworth Digital shares is (i) RMB5.22, being the amount of the NAV attributable to shareholders of Skyworth Digital as at 31 December 2022; (ii) RMB15.02, being the PRC MGO price; and (iii) RMB20.64, being the closing share price of Skyworth Digital as at the Latest Practicable Date, and the Skyworth Digital shares being acquired under the PRC MGO are “marked to market” in the consolidated financial statements of the Company.

Under the PRC MGO No Acceptance Scenario, the Group would have paid the consideration for the Offer and professional fees, and the cash and cash equivalents would have decreased. As such, the Group’s net current assets as at 31 December 2022 would have decreased to RMB10,440 million. Similarly, the current ratio as at 31 December 2022 would have slightly decreased from 1.31 times to 1.29 times. On this basis, the Offer would have no material impact to the liquidity position of the Group.

Under PRC MGO Full Acceptance Scenario, in addition to the changes as mentioned in the PRC MGO No Acceptance Scenario, the cash and cash equivalents would have further decreased and the current liabilities would have been remain unchanged. As such, the Group’s net current assets as at 31 December 2022 would have decreased to RMB8,924 million. Similarly, the current ratio as at 31 December 2022 would have decreased from 1.31 times to 1.25 times. On this basis, the PRC MGO would reduce the liquidity of the Group slightly. The financial effects on

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liquidity in various scenarios in PRC MGO Full Acceptance Scenario under cost basis and fair value basis illustrated in the analysis in this sub-section are the same as two bases have no impact on either the current assets or the current liabilities.

We have discussed with Management the effects of the Offer on the working capital position of the Group, including the financial effects of the Offer and the PRC MGO on the Group, and reviewed the working capital forecast of the Group for the following twelve months, which included the expected capital expenditure and working capital requirements of the Group. The Directors have confirmed that, following full acceptance of the Offer and the PRC MGO, the Company would have sufficient net assets and working capital to support its present and planned businesses.

In the event that the PRC MGO is carried out by Mr. Wong but not the Group (“**Mr. Wong PRC MGO Scenario**”), the financial effects of the Offer on the Group would be substantially the same as those in the PRC MGO No Acceptance Scenario as detailed below.

(a) Earnings

Assuming completion of the Offer had taken place at the beginning of 2022 and under the Mr. Wong PRC MGO Scenario, the profit attributable to the Shareholders for the year ended 31 December 2022 would have remain unchanged, while the basic EPS for the year ended 31 December 2022 would have increased by approximately 4.0% to approximately RMB33.26 cents because of the reduction in the 100,000,000 Shares in issue as a result of the full acceptance of the Offer.

(b) NAV of the Group attributable to the Shareholders

On the assumption that the Offer had taken place on 31 December 2022 and under the Mr. Wong PRC MGO Scenario, the NAV of the Group attributable to the Shareholders would have decreased by approximately 2.6% to RMB17,411 million, as a result of the payment of the consideration of the Offer of RMB446 million (equivalent to HK\$500 million) and professional fees and other expenses for the Offer of RMB10 million. Nevertheless, on a per Share basis, the NAV of the Group attributable to the Shareholders would have increased by approximately 1.4% to approximately RMB7.12 due to the reduced number of Shares in issue upon completion of the Offer.

(c) Gearing ratio

On the assumption that the Offer had taken place on 31 December 2022 and under the Mr. Wong PRC MGO Scenario, the Group would have paid the consideration of the Offer of RMB446 million (equivalent to HK\$500 million) and professional fees and other expenses for the Offer of RMB10 million, and the total equity would have become RMB21,438 million. As such, the gearing ratio would have increased to approximately 71.2%.

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(d) Liquidity

Under the Mr. Wong PRC MGO Scenario, the Group would have paid the consideration for the Offer of RMB446 million (equivalent to HK\$500 million) and professional fees and other expenses for the Offer of RMB10 million. As such, the Group's net current assets of RMB10,899 million as at 31 December 2022 would have decreased by RMB456 million to RMB10,443 million. Similarly, the current ratio as at 31 December 2022 would have slightly decreased from 1.31 times to 1.29 times. As a result of the aforesaid, the Offer would have no material impact to the liquidity position of the Group.

In summary, the enhancement of the basic EPS in the Mr. Wong PRC MGO Scenario would be slightly higher than that in the PRC MGO No Acceptance Scenario since professional fees and other expenses for the Offer would be lowered by approximately RMB3 million, which would be borne by Mr. Wong. However, the basic EPS in the Mr. Wong PRC MGO Scenario would have been lower than that in the PRC MGO Full Acceptance Scenario due to the profit of Skyworth Digital attributable to the minority shareholders would have been taken up by Mr. Wong but not the Group. The NAV of the Group attributable to the Shareholders would have a slight improvement on a per Share basis in the Mr. Wong PRC MGO Scenario and would have been similar to that in the PRC MGO No Acceptance Scenario while there would have been a considerable reduction in the PRC MGO Full Acceptance Scenario. The gearing and liquidity positions in the Mr. Wong PRC MGO Scenario would have been substantially the same as those in the PRC MGO No Acceptance Scenario and therefore would have been better than those in the PRC MGO Full Acceptance Scenario.

8. Analysis of the likelihood of acceptance of the PRC MGO

To assess the likelihood of the PRC MGO Full Acceptance Scenario, we have reviewed (a) the share price of Skyworth Digital; (b) the liquidity of Skyworth Digital shares; and (c) the acceptance rate of general offers of listed companies in the PRC.

(a) The share price of Skyworth Digital

The share price of Skyworth Digital has shown an upward trend after the publication of the Announcement. Since 20 January 2023 and up to the Latest Practicable Date, the closing price of the Skyworth Digital shares have continued to remain above the PRC MGO price, and ranging from RMB15.02 to RMB21.56. As at the Latest Practicable Date, the price of the Skyworth Digital shares closed at RMB20.64. The premium of the market price of Skyworth Digital shares over the PRC MGO price currently makes the PRC MGO less attractive to the shareholders of Skyworth Digital.

(b) The liquidity of Skyworth Digital shares

The Skyworth Digital shares have been actively traded. From January 2022 and up to March 2023, the monthly trading volumes of the Skyworth Digital shares represented approximately 51.5% to approximately 237.5% of the number of the

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Skyworth Digital shares subject to the PRC MGO, with an average of approximately 123.8%. Given the high liquidity of the Skyworth Digital shares, shareholders of Skyworth Digital could easily liquidate their shareholding in the market, if they so wish, without accepting the PRC MGO.

(c) The acceptance rate of general offers of listed companies in the PRC

We have reviewed the acceptance rate of general offers of listed companies in the PRC, excluding those in connection with privatisation, published on the Cninfo website (www.cninfo.com.cn), being the official information disclosure platform of listed companies in the PRC, completed since 2020 and up to the Latest Practicable Date (“**PRC MGO Comparable Transactions**”). We consider that a review period covering around three years is appropriate for the PRC MGO Comparable Transactions to be relevant for the purpose of assessing recent acceptances in relation to general offers excluding privatisation. A total of ten PRC MGO Comparable Transactions have been identified which represent an exhaustive and representative list based on our selection criteria. The acceptance rates of the PRC MGO Comparable Transactions are very low, ranging from approximately 0.0005% to approximately 9.4%, with an average and a median of approximately 2.6% and approximately 1.0%, respectively.

Date of acceptance result announcement	Company name	Stock code	Principal business activities	Acceptance rate	Premium/ (Discount) of offer price over/(to) the relevant share price <i>(Note 1)</i>	P/B Multiple <i>(times)</i> <i>(Note 2)</i>
18 February 2023	Renrenle Commercial Group Co., Ltd. (人人樂連鎖商業集團股份有限公司)	002336.SZ	Operates shopping outlets, supermarkets and department stores	0.0114%	(2)%	12.8
28 December 2021	Bright Oceans Inter-Telecom Corporation (億陽信通股份有限公司)	600289.SH	Develops computer application software for telecommunication industry, as well as provides system integration services	5.2683%	16%	1.6
28 September 2021	Northeast Pharmaceutical Group Co., Ltd. (東北製藥集團股份有限公司)	000597.SZ	Develops and manufactures biochemical products, pharmaceuticals, and other related products	0.0021%	0%	1.6

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Date of acceptance result announcement	Company name	Stock code	Principal business activities	Acceptance rate	Premium/ (Discount) of offer price over/(to) the relevant share price <i>(Note 1)</i>	P/B Multiple <i>(times)</i> <i>(Note 2)</i>
24 May 2021	Zheshang Development Group Co., Ltd (浙商中拓集團股份有限公司)	000906.SZ	Operates metal products supply chain businesses	0.0026%	(7)%	1.3
6 May 2021	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (天津中新藥業集團股份有限公司)	600329.SH	Produces and sells traditional Chinese medicine, western medicine, health products, and healthcare instruments	0.0006%	4%	2.3
6 May 2021	Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天藥藥業股份有限公司)	600488.SH	Researches, develops, and manufactures corticoid and cardiovascular pharmaceuticals	5.2877%	0%	1.9
4 March 2021	Baida Group Co., Ltd. (百大集團股份有限公司)	600865.SH	Operates department stores, manages the Hangzhou Hotel, and develops real estate	3.5198%	0%	1.4
14 November 2020	Chongqing Gas Group Corporation Limited (重慶燃氣集團股份有限公司)	600917.SH	Supplies gas, installs gas facilities and equipment	2.0687%	9%	2.7
29 September 2020	Shandong Bohui Paper Industrial Co., Ltd. (山東博匯紙業股份有限公司)	600966.SH	Manufactures and markets a variety of paper products	0.0005%	6%	1.3
7 May 2020	Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司)	600729.SH	Operates retail stores in Chongqing	9.3618%	(9)%	1.8
			Average	2.6%	2%	2.9
			Median	1.0%	0%	1.7
			Maximum	9.4%	16%	12.8
			Minimum	0.0005%	(9)%	1.3
	PRC MGO price				0%	2.9

Sources: The website of Cninfo (www.cninfo.com.cn) and Bloomberg.

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Notes:

1. The relevant share price represents the average closing price of the relevant share for last 30 trading days up to and including date of offer announcement.
2. The P/B Multiples of the PRC MGO Comparable Transactions are calculated as the implied market capitalisation as disclosed in the relevant offer documents divided by the consolidated NAV attributable to the holders of the shares (listed on Shenzhen Stock Exchange or Shanghai Stock Exchange) of the companies in the PRC MGO Comparable Transactions as set out in their respective offer documents.

As explained above in this section, the market price of Skyworth Digital shares has been remain at above the PRC MGO offer price in recent times, which means any shareholder of Skyworth Digital who wishes to realise their shares will more likely sell them in the market and not accept the PRC MGO. In addition, the high liquidity of the Skyworth Digital shares should allow shareholders to sell without putting significant downward pressure on the share price.

Very significantly, the PRC MGO Comparable Transactions also provide strong evidence that the acceptance rates of general offers of listed companies in the PRC are generally low.

Based on the above, we consider that the acceptance rate of the PRC MGO based on currently circumstances is likely to be similar to the results of general offers for the last three years in the PRC, which range from virtually nil to approximately 9 per cent and the possibility of the occurrence of the PRC MGO Full Acceptance Scenario is remote.

9. Effect on shareholdings

The table below shows the Company's existing simplified shareholding structure and the simplified shareholding structure immediately after completion of the Offer, assuming that (i) all the Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong, Ms. Lin and the Undertaking Directors has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer) ("**No Share Option Exercise Scenario**"); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of completion of the Offer (save as a result of any exercise of the Share Options by their holders) ("**Share Option Exercise Scenario**");

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Name of Shareholder	Immediately before completion of the Offer		Immediately after completion of the Offer (assuming no Share Options will be exercised from the Latest Practicable Date up to and including the date of completion of the Offer)		Immediately after completion of the Offer (assuming all Share Options which are vested as at the Latest Practicable Date have been fully exercised before completion of the Offer)	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>	<i>Approx. %</i>
The Company and its concert parties						
Wong Concert Party Group	1,251,317,900	48.40	1,251,317,900	50.35	1,251,317,900	49.86
Undertaking Directors (apart from Mr. Lin)	<u>17,000,000</u>	<u>0.66</u>	<u>17,000,000</u>	<u>0.68</u>	<u>17,000,000</u>	<u>0.68</u>
Sub-total of the Company and its concert parties (<i>Note 1</i>)	1,267,317,900	49.02	1,267,317,900	50.99	1,267,317,900	50.50
Other Shareholders						
Trustee of the Share Award Scheme	35,716,000	1.38	35,716,000	1.44	35,716,000	1.42
Other independent Shareholders	<u>1,281,167,520</u>	<u>49.56</u>	<u>1,181,167,520</u>	<u>47.53</u>	<u>1,205,495,520</u>	<u>48.04</u>
Sub-total of other Shareholders	1,316,883,520	50.94	1,216,883,520	48.97	1,241,211,520	49.46
Total	<u><u>2,585,201,420</u></u>	<u><u>100</u></u>	<u><u>2,485,201,420</u></u>	<u><u>100</u></u>	<u><u>2,509,529,420</u></u>	<u><u>100</u></u>

Notes:

- Concert parties of the Company comprise the Wong Concert Party Group, the Undertaking Directors (other than Mr. Li Weibin), and the CLSA Group (excluding entities of the CLSA Group that are exempt principal traders or exempt fund managers).
- Details of the Company's existing shareholding structure and the shareholding structure immediately after completion of the Offer are set out in the letter from the Board contained in the Offer Document.

The Offer will create the opportunity for the other independent Shareholders to sell a portion of their Shares if they wish. Under the No Share Option Exercise Scenario, the other independent Shareholders would be able to sell approximately 7.8% of their shareholdings and, under the Share Option Exercise Scenario, they would be able to sell approximately 7.7%. If not all other independent Shareholders in those scenarios accept the Offer for all their Shares, individual Shareholders who do tender all their Shares would be able to sell a greater percentage.

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10. Whitewash Waiver

As set out in the section headed “Whitewash Waiver” in the letter from the Board contained in the Offer Document, as at the Latest Practicable Date, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 48.40% of the issued Shares as at the Latest Practicable Date. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of the Wong Concert Party Group may increase to a maximum level of approximately 50.35% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Wong to make a mandatory general offer for all the Shares not already owned by the Wong Concert Party Group. Consequently, an application has been made to the Executive by Mr. Wong for the Whitewash Waiver.

The Executive has agreed, subject to the approval of the Independent Shareholders for the Offer, the Whitewash Waiver and the PRC MGO at the SGM by way of poll, to waive any obligation of Mr. Wong to make a general offer which might result from completion of the Offer.

If the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.

As set out above, we note that the Wong Concert Party Group may increase its shareholding to approximately 50.35% upon completion of the Offer. Independent Shareholders should note that in such scenario, the Wong Concert Party Group, going forward, will be permitted to acquire further Shares and thereby potentially further consolidating control without incurring an obligation to make a general offer.

Independent Shareholders should note that the Offer is conditional on a number of conditions precedent as set out in the section headed “Conditions of the Offer” in the letter from the Board contained in the Offer Document, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM of the Offer, the Whitewash Waiver and the PRC MGO, which cannot be waived. Consequently, the Offer may or may not proceed. Assuming the Offer will become unconditional, those Qualifying Shareholders who choose to retain their Shares will be able to enjoy the same increase in proportionate interest in the Company as the Wong Concert Party Group.

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11. Other matters in relation to the Offer

(a) *Odd Lots*

The Shares are currently traded in board lot of 2,000 Shares each. The Company has no intention to change the board lot size as a result of the Offer. Accepting Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares, which cannot be traded efficiently on the Stock Exchange.

The Company has appointed Computershare Hong Kong Investor Services Limited as the designated agent to provide service, on a best effort basis, to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the date of completion of the Offer to enable Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Details of such arrangement are set out in the Offer Document.

(b) *Timing of the Offer*

Assuming the Conditions including the Independent Shareholders' approval of the Offer and the Whitewash Waiver will be fulfilled, and the Offer will become unconditional on 5 May 2023, being the date of the SGM, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended. As such, the closing date of the Offer is 19 May 2023, and it will not be extended.

Qualifying Shareholders who wish to accept the Offer are advised to do so after the announcement of the results of the SGM, keeping in mind that the latest time for lodging the Form of Acceptance is 4:00 p.m. on 19 May 2023.

As the number of Shares to be repurchased from each Shareholder will only be known when the Offer has closed, Shareholders should note that payments pursuant to acceptance of the Offer, subject to deduction of stamp duty due on Shares repurchased attributable to the seller, will be made within 7 business days following the close of the Offer.

DISCUSSION AND ANALYSIS

Subject, *inter alia*, to the Independent Shareholders' approval, the Offer is being made for 100 million Shares, approximately 3.87% of the issued Shares. The Qualifying Shareholders have the opportunity to elect to accept the Offer in respect of any number of Shares up to their entire holding, but will be scaled down if total acceptances exceed 100 million Shares. As set out in the table in section headed "9. Effect on shareholdings", the Qualifying Shareholders could sell approximately 7.7% to 7.8% of their shareholdings, assuming all such Qualifying Shareholders tender all their Shares to the Offer.

LETTER FROM SOMERLEY

(1) As regards the Offer

(a) The Offer is a valuable opportunity for Shareholders

Under a share repurchase by general offer, a company offers its shareholders the opportunity to tender some or all of their shares for repurchase and cancellation so that the number of shares the company has in issue decreases. Consequently, shareholders who do not sell will have an increased percentage interest in the company at the close of a successful repurchase even though the number of shares they hold does not change. This opportunity for Shareholders to sell or retain Shares is, in our view, a valuable one, particularly at a significant premium over the recent market prices.

(b) The Offer is an appropriate method to return capital to Shareholders

A share repurchase by general offer is, in our opinion, an appropriate method for companies with strong cash generating ability, ample cash balances and limited capital expenditure programmes to return capital to shareholders. This applies to the Company given the Company's financial position, the availability of an interest-free loan from Mr. Wong for satisfying the substantial part of the PRC MGO obligation and in view of the remoteness of high acceptance of the PRC MGO. Another method would be a special dividend. Some advantages of the Offer, for example, returning significant capital to the Shareholders, are common to both a share repurchase and a special dividend. However, in our view, the Offer has advantages over a special dividend. It has a beneficial impact on the pro forma EPS and, importantly, it provides greater flexibility for Shareholders. Rather than passively receiving a dividend, Shareholders have the choice of tendering their Shares to the Offer or potentially increasing their percentage holdings in the Company by retaining their Shares.

(c) The Offer, including the PRC MGO, is readily affordable by the Company

As set out in the letter from the Board contained in the Offer Document, the Group's cash and cash equivalents as at 31 December 2022 were approximately RMB9,054 million (equivalent to approximately HK\$10,135.8 million). RGB is required and has to pay the Deposit of approximately RMB1,516 million, representing an amount equal to 20% of the maximum consideration payable under the PRC MGO. The remaining 80%, will be entirely satisfied by drawing down the interest-free loan from Mr. Wong. The Offer, including the PRC MGO, will be easily affordable by the Company.

(d) Pro forma increase in EPS

On a pro forma basis and on the assumptions set out in appendix V to the Offer Document and in the sub-section headed "7. Financial effects of the Offer – (a) Earnings", the basic EPS in 2022 in the PRC MGO No Acceptance Scenario would increase from approximately RMB31.97 cents per Share to RMB33.14 cents per Share (approximately 3.7%).

LETTER FROM SOMERLEY

(e) Effect on net assets

The Offer Price of HK\$5.0 (equivalent to approximately RMB4.46) is below the NAV per Share of approximately RMB7.02 (equivalent to approximately HK\$7.86) as at 31 December 2022. Accordingly, the Offer will have the effect of enhancing NAV per Share, on a pro forma basis, to approximately RMB7.12 in the PRC MGO No Acceptance Scenario.

(2) As regards the PRC MGO

For Independent Shareholders considering the merits of the Offer, which is discussed above, an unusual feature is that it may trigger a further transaction, the PRC MGO, which is many times its size. Under relevant PRC regulations, an increase in the shareholding in the Company by the Wong Concert Party Group from below 50% to over 50% triggers a mandatory general offer for the minority shareholders in the Company's 51% owned 'A' share listed subsidiary, Skyworth Digital. The relevant increase in shareholding will happen if the Offer is accepted in full by the Qualifying Shareholders, which we consider likely, other things being equal. The maximum amount of funds required for full acceptance of the Offer is HK\$500 million, which can be readily financed by the Company from cash in hand. On the other hand, the maximum amount of funds required for full acceptance of the PRC MGO is approximately RMB7.6 billion, which will be financed partly by cash and partly by interest-free loan from Mr. Wong to the Company.

A further consideration which arises is why the Company should make the PRC MGO rather than the Wong Concert Party Group. Under PRC regulations, either is a possible offeror and as set out above, Mr. Wong is supplying the bulk of the financing on favourable terms. At present, all the interests in Skyworth Digital are held by the Company and none by the Wong Concert Party Group (comprising Mr. Wong, Target Success, Ms. Lin and Mr. Lin). This provides clarity of structure and eliminates possible conflicts of interest. In the view of the Board, it will promote compliance and good governance and assist in obtaining necessary PRC consents for example for further equity fund raising by the Group. On this basis, and bearing in mind the favourable financing terms arranged, we consider it is preferable for the Company to make the PRC MGO if it is triggered.

Over the years, studies have suggested that large merger and acquisition transactions, unless well priced and executed, can be destructive of shareholder value for the acquirer. The maximum cost of the PRC MGO is approximately RMB7.6 billion and will be classified as a very substantial acquisition for the Company. This is significant as compared to the present market capitalisation of the Company of approximately HK\$10.4 billion. Potentially triggering the PRC MGO could therefore reasonably be considered a high risk strategy for the Company, requiring a potentially large reward to justify it.

We consider the PRC MGO as potentially high risk, although there are important mitigating factors. Skyworth Digital has been a subsidiary of the Company since it was spun off from the Company. The Company holds a controlling 51% interest, consolidates Skyworth Digital into the Group accounts and appoints the management team. The Company

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is consequently fully familiar with the operations of Skyworth Digital and will face no unfamiliar integration problems or ‘culture shock’ if it increases its shareholding. This is often a major source of problems in large acquisitions.

The fact that the Company has always controlled, and continues to control, Skyworth Digital also acts as a moderating factor on pricing. No premium for control applies in this case nor is there any practical possibility of a rival bid pushing up prices. This is our view a major safeguard against overpaying, another significant risk in large acquisitions.

The price for the PRC MGO, at RMB15.02 per share, was established by historic prices before the potential obligation was triggered. The Company therefore knew the fixed price beforehand and found it acceptable. The Board has stated that it is in any case considering increasing the Group’s stake in Skyworth Digital by purchases in the open market at market price. Actions which trigger a potential PRC MGO which may result in purchases at a price below current market prices are therefore not out of line with this general strategy, although the potential scale is different.

The risk, and with it the opportunity, is also diminished by the likelihood, in our opinion, of a low acceptance level of the PRC MGO. Our opinion is based on two factors. Firstly, the market price of Skyworth Digital has consistently exceeded the PRC MGO price of RMB15.02 since the middle of January 2023. At the Latest Practicable Date the market price closed at RMB20.64. The PRC MGO, if made, is likely to close around June to July 2023 so there is a carry period of some three months which involves a market risk and market conditions may be volatile. Based on the recent good results and prospects of Skyworth Digital, we consider the Company specific risk during this period is relatively low.

The second factor is the observed past acceptance rate for PRC mandatory general offers. We have researched all such offers, not designed as privatisations, over the last 3 years and found 10 cases. The acceptance level has been strikingly low, varying from virtually nil to a maximum acceptance rate of 9.4%. While the reasons for this acceptance rate may vary widely from case to case, there appears to be a common factor in that PRC mandatory offers made primarily to comply with PRC regulations in circumstances are often pitched at prices at or close to market and, absent any weakness in the subject company or in general market conditions, shareholders may see no compelling reason to accept.

On the above bases, we believe that the risks for the Company in making the PRC MGO are lower than might be the case with a large acquisition of an independent company at a price containing a premium for control. However, the opportunity is also less, owing to the lower likelihood of acceptances, as discussed above.

If the Company does succeed in acquiring significant additional shares under the PRC MGO, the benefits to earnings and earnings per share could be substantial. We consider that both the Company and Skyworth Digital are most appropriately valued primarily on the basis of a multiple of earnings. As set out in section headed “6. The PRC MGO” above, the growth in Skyworth Digital’s earnings in 2020-22 has been highly encouraging and superior to the Group as a whole. Based on the pro forma figures set out in appendix V to the Offer Document, the Company’s earnings per share will increase by 29% on full acceptance of the PRC MGO. This is primarily because no new shares will be issued and the costs of interest

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foregone on deposits and (if any) incurred on borrowing (the loan from Mr. Wong is interest-free) are expected to be substantially less than the increase in attributable earnings. Lower acceptance levels would result in lower pro forma gains in earnings per share on an approximately proportionate basis. In any case where there is more than a minimal acceptance, some gain in earnings per share should result and other things being equal can be expected to feed through into an improvement in the market price performance of the Company.

The potential gains mentioned above would be compromised if the market considers the Company may have over-extended itself in financing the consideration which could be up to approximately RMB7.6 billion. The pro forma benefits to earnings per share might in that case be cancelled out by a perceived increase in the level of risk, resulting in a lower price earnings ratio. In terms of financing, the Company has substantial cash balances which have allowed it already to deposit 20% of the maximum consideration (approximately RMB1.5 billion) with its financial adviser in respect of the PRC MGO. Other things being equal, the market may actually prefer to see these cash balances put to use rather than simply retained on deposit. Substantial borrowings would still be needed in the event of heavy, or full, acceptance, but this has been covered by the facility from Mr. Wong.

Just as the pro forma figures in appendix V to the Offer Document show substantial increases in earnings per share on the basis of full acceptance, they also show an increase in gearing from 69.7% to 133.2%. Gearing calculated in this way will tend to increase when an acquisition is made on a valuation based on earnings/cash flow rather than net assets. As stated above, we consider both the Company and Skyworth Digital should primarily be valued on the basis of earnings/cash flow. Consequently, an increase in gearing ratios may be expected by investors and the impact considered to be manageable, provided the maturity and other terms of borrowings are prudent and the Company's cash flow is sufficient to fund both its loan obligations and its capex and working capital needs. In this connection, we note that the Directors have provided a positive working capital statement which has been reported on by the Company's auditors, as set out in appendix II to the Offer Document. This covers a lesser period than the maturity of the debt but serves to give comfort that the Group's immediately foreseeable requirements are covered.

The level of acceptance of the PRC MGO does not materially affect our opinion of the Offer. A high level of acceptance of the PRC MGO comes with a high level of both benefits and risks. However, we do not consider Independent Shareholders should concentrate primarily on the full or high acceptance scenario, as for the reasons set out above we consider it unlikely barring substantial changes in market conditions during the PRC MGO period, likely to end in June or July. It is of course fundamental that the Company should not expose itself to triggering an obligation, even if unlikely, that it may not be able to finance. Based on the 20% cash deposit already made and the other financing arrangements in place, we consider the Company has demonstrated it is able to finance even full acceptance of the PRC MGO.

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(3) As regards the Whitewash Waiver

(a) *Implications for the shareholding structure of the Company*

We consider that it is usual for share buy-backs to be made conditional on a whitewash waiver if a buy-back might result in a shareholder being required to make a mandatory general offer under the Takeovers Code. An application for the Whitewash Waiver for the Wong Concert Party Group has been made. Independent Shareholders should note that if the Whitewash Waiver is granted, the holding of the Wong Concert Party Group could increase from the present level of approximately 48.40% to a maximum of approximately 50.35% without triggering a general offer. Under the Takeovers Code, a holder of 50% or more of voting rights can in due course increase its holding without having to make a general offer to all Shareholders. Qualifying Shareholders who do not accept the Offer would have the same proportionate increase (if any) in their percentage shareholdings as the Wong Concert Party Group.

(b) *The Offer is conditional (inter alia) on the Whitewash Waiver being granted*

The Offer is conditional on the Whitewash Waiver being granted and this condition is not waivable, i.e., if the Whitewash Waiver is not granted, the Offer will not proceed. The benefits to the Independent Shareholders of the Offer are summarised in this section, in particular:

- (i) The Offer creates a flexible opportunity for Qualifying Shareholders either to sell a proportion of their Shares, representing approximately 7.7% to approximately 7.8% of their Shares, or to benefit from a potential increase in their percentage shareholding in the Company;
- (ii) The opportunity is valuable in market terms in that the Offer Price is some 30% above the recent market price of the Shares;
- (iii) The Offer, if successful, will have a beneficial impact on pro forma EPS and pro forma NAV per Share (in the case of low acceptance of the PRC MGO); and
- (iv) This premium over market price is offered at a time when margins are declining and near to medium term future prospects are subject to the uncertainties discussed above.

Independent Shareholders should note that, however, in the event of high or full acceptance of the PRC MGO, the Group may trigger the early repayment of some bank borrowings. Having said the above, the acceptance rate of the PRC MGO, in our view, is likely to be minimal if present conditions continue and based on recent experience of PRC general offers would be in the range of 0.0005% to 9.4% even if the present market price of Skyworth Digital were to decline.

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(4) Whether or not the Offer is fair and reasonable

(a) *Earnings and margins under pressure and uncertain prospects*

The Group's business has been under pressure in the recent times. The net profit attributable to the Shareholders of the Group decreased by approximately 49.4% in 2022, due to a number of factors, including the slowing revenue growth of the major business segment, the diminishing margins as a result of the raising raw material costs and lower margin of developing new energy business, as well as the lower Unrealised Equity Securities Fair Value Gain, as discussed in the section headed "Financial information of the Group – Financial results" above. Excluding the effect of the Unrealised Fair Gain which is non-operating in nature, the adjusted net profit attributable to the Shareholders was decreased by 11.5%.

(b) *Market prices of the Shares*

The market prices of the Shares are discussed in the sub-section headed "3.(b) Price performance of the Shares". The Offer Price of HK\$5.0 is higher than the prices at which the Shares have traded since early February 2023. The Offer Price reflects premiums of 19.9% to 39.3% over the average closing price of approximately HK\$3.99 to approximately HK\$4.17 for up to 30 trading days and including the Last Trading Day before the Price Increase Announcement, which we consider a useful comparison for the Qualifying Shareholders.

The Offer Price represents a discount of approximately 36.3% to NAV of the Group attributable to the Shareholders per Share as at 31 December 2022. However, it compares favourably to the historical substantially larger discounts to the NAV, averaging almost 60% since the beginning of 2021, except for some occasional periods.

(c) *Comparable to industry peers and market precedents*

In respect of a comparison to industry peers, the implied P/E Multiple of the Offer Price, being the most recent and relevant parameter given the principal activities of the Group the value of which is primarily assessed on an earnings basis, of 14.0 times is at the high-end of the range of the P/E Multiples of the Comparable Companies. This indicates the Offer Price is a fair and reasonable exit for the Shareholders from the perspective of investing in the industry that the Group engages in.

The implied P/B Multiple of the Offer Price of approximately 0.6 times is lower than both the average and the median of the P/B Multiples of Comparable Companies. Since the value of the Group, in our view, is primarily assessed on an earnings basis, the implied P/B Multiple of the Offer Price does not have much relevance in our assessment.

The premiums of the Offer Price over the recent market price before the announcement of the Offer are largely comparable to those of the Comparable Transactions.

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(d) A fixed cash price exit opportunity

Although the liquidity of the Shares has been relatively high during the Review Period, for Qualifying Shareholders who wish to realise their Shares, the Offer represents an opportunity to dispose of at least part of their holdings at a fixed cash price at a premium over the recent market prices.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, and having taken into account the implications of the PRC MGO, we consider that the terms of the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of resolutions to be proposed at the SGM to approve the Offer and the Whitewash Waiver.

We consider that if the Offer is approved and implemented, it is very likely that the PRC MGO will be triggered. In our view, the PRC MGO carries substantial risks and opportunities for the Company. The main risks are as follows: Full acceptance would require a consideration of RMB7.6 billion to be paid, substantially higher than the Group's present market capitalisation and representing a very substantial acquisition for the Company. The NAV of the enlarged Group would decline by approximately one fifth and there would be a considerable increase in gearing as calculated on balance sheet ratios. On the other hand, there is the opportunity to acquire additional interests in Skyworth Digital at a price the Directors consider acceptable with a potential increase of up to 29% in the EPS. We consider the Group is valued by the market principally on the basis of EPS, not NAV or balance sheet ratios. In any event, Mr. Wong is supplying most of the finance on favourable terms.

Qualifying Shareholders who are highly risk averse or who do not agree with the analysis set out in this letter, may opt to vote against the resolutions to approve the Offer and the Whitewash Waiver. They should bear in mind that if the resolutions are not passed, they will lose the opportunity to realise all or part of their shareholdings in the Company, representing approximately 7.7% to 7.8% of the Shares held by Qualifying Shareholders, at a substantial premium over the prevailing market price.

While bearing in mind the risks and rewards of the PRC MGO being triggered, we do not consider it should be the dominant factor in decision-making by Independent Shareholders, because in our view: the likelihood of a material level of acceptance of the PRC MGO is remote (as explained in the section headed "8. Analysis of the likelihood of acceptance of the PRC MGO"). In particular, at the Latest Practicable Date, the market price of Skyworth Digital shares exceeded the PRC MGO offer price by 37% and the prospects of Skyworth Digital as of the Latest Practicable Date are encouraging as explained in the sub-section headed "6.(d) Outlook of Skyworth Digital".

Consequently, we consider the risks and rewards of the PRC MGO, substantial though they potentially are, are somewhat academic from a practical commercial viewpoint.

LETTER FROM SOMERLEY

We further advise the Independent Board Committee to recommend Qualifying Shareholders, particularly those who are risk averse, to accept the Offer in respect of the whole or part of their holdings. Qualifying Shareholders should bear in mind that they will be able to sell around approximately 7.7% and 7.8% of their shareholdings. As there are no assured entitlements, Qualifying Shareholders who accept the Offer in respect of less than their whole holding may find their acceptance scaled down to below these levels, depending on the response from other Qualifying Shareholders. Qualifying Shareholders who decide to accept the Offer are urged to read carefully appendix I to the Offer Document – Terms of the Offer and also the instructions on the Form of Acceptance.

Qualifying Shareholders who have confidence in the prospects of the Group, including in the circumstances where the PRC MGO is triggered, may prefer not to accept the Offer and so potentially increase their percentage shareholding. Such Shareholders may note that Mr. Wong, Ms. Lin and each of the Undertaking Directors will not accept the Offer.

Following the 2022 Annual Results Announcement and the Price Increase Announcement, the Shares have traded below the Offer Price, closing at HK\$4.03 as at the Latest Practicable Date. Qualifying Shareholders who intend to realise their investments in the Company in whole or in part by accepting the Offer should monitor the Share price; if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, such Qualifying Shareholders should consider selling their Shares in the market. Such Shareholders should also note that it is likely that they will only be able to dispose of part of their shareholdings in the Company pursuant to the Offer and that the market price of the Shares may drop after the close of the Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, who is licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

CLSA Limited makes the Offer to the Qualifying Shareholders on behalf of the Company to buy-back Shares for cancellation, on the terms and subject to the conditions set out in this Offer Document. The terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1 The Offer

The Company will buy-back Shares up to the Maximum Number, being 100,000,000 Shares, at the Offer Price.

2 Conditions

The Offer will be conditional upon fulfilment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver;
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn; and
- (d) the Independent Shareholders having passed the resolution at the SGM approving, among other things, the PRC MGO.

None of the above Conditions can be waived, and none of them had been fulfilled as at the Latest Practicable Date.

The Executive has agreed, subject to the approval of the Independent Shareholders for the Offer, the Whitewash Waiver and the PRC MGO at the SGM by way of poll, to waive any obligation of Mr. Wong to make a general offer which might result from completion of the Offer.

The Offer is subject to all of the Conditions being fulfilled. If the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.

The Offer is not conditional as to any minimum number of Shares tendered for acceptances.

3 Maximum Number

The Maximum Number which will be bought-back by the Company pursuant to the Offer is 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the Latest Practicable Date.

4 Qualifying Shareholders

The Offer is available to all the Qualifying Shareholders whose names appear on the Register as at the Latest Acceptance Time.

5 Acceptance

- 5.1 Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding at the Offer Price (subject to the procedures for scaling down described under the section headed “*Buy-back of Shares under the Offer*” as set out below) by submitting to the Registrar a duly completed Form of Acceptance, accompanied by the relevant Title Documents, by no later than the Latest Acceptance Time. Each Share may only be accepted for buy-back by the Company once.
- 5.2 The Offer Price will be paid in cash.
- 5.3 Forms of Acceptance which have been duly completed and received by the Registrar will become irrevocable and cannot be withdrawn after the Offer has become, or has been declared, unconditional unless in accordance with Rule 19.2 of the Takeovers Code.
- 5.4 All Shares bought-back by the Company will be free of commissions and dealing charges, but the seller’s ad valorem stamp duty will be payable by the Accepting Shareholders at a rate of 0.13% of the market value of the Shares to be bought-back under the Offer, or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher. The relevant amount of stamp duty payable will be deducted by the Company from the amount payable to the Accepting Shareholders under the Offer. The Company will arrange for payment of the seller’s ad valorem stamp duty on behalf of the Accepting Shareholders to the Stamp Duty Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- 5.5 All Shares bought-back under the Offer will be treated as cancelled in accordance with the bye-laws of the Company and the applicable laws of Bermuda and will not rank for any dividends or other distributions after the cancellation.
- 5.6 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an Accepting Shareholder in the manner described in paragraph 5.1 above will be deemed to constitute a warranty of such Accepting Shareholder to CLSA Limited and the Company that all Shares sold by such Accepting Shareholder under the Offer are fully paid and are held by such Accepting

Shareholders free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled.

6 Buy-back of Shares under the Offer

- 6.1 Qualifying Shareholders may accept the Offer in respect of some or all of the Shares held by them. Subject to the Offer becoming unconditional: (i) if valid acceptances are received for the Maximum Number or fewer Shares, all Shares validly accepted will be bought-back; and (ii) if valid acceptances received exceed the Maximum Number, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 100,000,000, being the Maximum Number

B = Total number of Shares tendered by all Accepting Shareholders under the Offer

C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

- 6.2 As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back.
- 6.3 Fractions of Shares will not be bought-back under the Offer and, accordingly, the number of Shares that the Company will buy-back from each Accepting Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Company.
- 6.4 The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all the Accepting Shareholders.

7 Odd Lots

- 7.1 The Shares are currently traded in board lot of 2,000 Shares each. There is no intention to change the board lot size as a result of the Offer. Accepting Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares.

7.2 For this purpose, Computershare Hong Kong Investor Services Limited whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (telephone number: (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 6:00 p.m.)) has been appointed by the Company as the designated agent to provide service, on a best effort basis, to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the date of completion of the Offer to enable Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of Computershare Hong Kong Investor Services Limited set out above. Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional, as and if appropriate.

8 Acceptance Period

8.1 The Offer is open for acceptance from the date of this Offer Document. If the Conditions are satisfied, the Offer will be open for acceptance for a further 14 days thereafter and will not be extended. In order to be valid, a Form of Acceptance must be duly completed, together with the relevant Title Documents in respect of such number of Shares which represent not less than the number of Shares in respect of which the relevant Qualifying Shareholder intends to tender for acceptance under the Offer, delivered to and received by the Registrar at or before the Latest Acceptance Time, which is currently expected to be 4:00 p.m. (Hong Kong time) on Friday, 19 May 2023, or such later date as the Company may, with the prior consent of the Executive, decide and announce.

8.2 The date when the last one of the Conditions is expected to be satisfied is Friday, 5 May 2023, being the date of the SGM (or any adjournment or postponement thereof, as the case may be). Such date may be deferred by the Company, subject to the prior consent of the Executive.

9 Irrevocable Acceptances

Forms of Acceptance which have been duly completed and received by the Registrar will become irrevocable and cannot be withdrawn after the Offer has become, or has been declared, unconditional unless in accordance with Rule 19.2 of the Takeovers Code.

10 General

10.1 Shares will be bought-back by the Company on the basis that they are fully paid, their legal and beneficial ownership will be transferred to the Company for subsequent cancellation on the Register and that the Shares are free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled.

- 10.2 The Qualifying Shareholders may accept the Offer by completing and returning the Form of Acceptance in accordance with the instructions as set out in this Offer Document and printed on the Form of Acceptance (which constitute part of the terms and conditions of the Offer). A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.
- 10.3 The Offer and all acceptances of it, the Forms of Acceptance, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- 10.4 Failure of any person to receive an Offer Document and/or a Form of Acceptance will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Qualifying Shareholder at the office of the Registrar during office hours from the date of despatch of this Offer Document to the Latest Acceptance Time (both days inclusive), between 9:00 a.m. to 4:30 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at <http://investor.skyworth.com>.
- 10.5 The Company reserves the right, subject to any applicable law or regulatory requirements, to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the Maximum Number), a supplemental document and new Forms of Acceptance will be despatched to the Qualifying Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised offer document is posted. If in the course of the Offer, the Company revises the terms of the Offer, all Qualifying Shareholders, whether they have accepted the Offer or not, will be entitled to the revised terms.
- 10.6 The right of acceptance of the Offer is personal to each Qualifying Shareholder and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.
- 10.7 All questions as to the number of Shares bought-back, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Company in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable law or by the Codes). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment therefor which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right (provided that this is exercised consistently with the requirements of the Codes or otherwise with the Executive's consent) to waive any of the terms of the Offer, except the Conditions, either generally or in a particular case and

any defect or irregularity in the acceptance of any particular Share or any particular holder thereof. An acceptance may be rejected as invalid unless all defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Offer will not be despatched until after the Form of Acceptance is completed in all respects and the Title Documents satisfactory to the Company have been received. None of the Company, CLSA Limited, the Registrar or any of their respective directors or any other person involved in the Offer is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.

- 10.8 All communications, notices, Form(s) of Acceptance, Title Documents and remittances to be delivered or sent by, to or from any Qualifying Shareholder will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Company, CLSA Limited, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- 10.9 Should any Qualifying Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, the Qualifying Shareholder may contact the Registrar at its hotline at (852) 2862 8555 during the period from Friday, 14 April 2023 to Thursday, 18 May 2023 (both days inclusive) between 9:00 a.m. and 6:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays) and on the closing day of the Offer (i.e. Friday, 19 May 2023) between 9:00 a.m. and 4:00 p.m. (Hong Kong time).

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1 General Procedures for Acceptance

- 1.1 In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).
- 1.2 In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "**Skyworth Group Limited – Buy-back Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 19 May 2023, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

- 1.3 Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.
- 1.4 If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.
- 1.5 No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.
- 1.6 The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.
- 1.7 Only one Form of Acceptance may be accepted from each Qualifying Shareholder by the Registrar.

2 Nominee Holdings

- 2.1 If the Title Documents in respect of a Qualifying Shareholder's Shares is/are in the name of a nominee company (including those Shares held in CCASS) or some name other than its/his/her own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of its/his/her holding(s) of Shares), it/he/she must either:
 - (a) lodge the Title Documents with the nominee company, or other nominee, with instructions authorising it to accept the Offer on its/his/her behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar, on or before such deadline (which may be earlier than the deadline specified for the Offer) as may be stipulated by the nominee; or
 - (b) arrange for the Shares to be registered in its/his/her name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or
 - (c) where its/his/her Shares have been maintained with its/his/her licensed securities dealer/custodian bank through CCASS, instruct its/his/her broker/custodian bank to authorise HKSCC to accept the Offer on its/his/her behalf on or before the deadline set by HKSCC. In order to meet the deadline set by HKSCC, that Qualifying Shareholder should check with its/his/her broker/

custodian bank for the timing on processing of its/his/her instruction, and submit such instruction to its/his/her broker/custodian bank as required by them; or

- (d) if that Qualifying Shareholder's Shares have been lodged with its/his/her Investor Participant Account with CCASS, authorise its/his/her instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC.

- 2.2 Qualifying Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3 Recent Transfers

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in its/his/her name and has not yet received the Share certificate(s) and wishes to accept the Offer, it/he/she should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by it/him/her at or before the Latest Acceptance Time. Such action will be deemed to be an irrevocable authority to the Company and/or CLSA Limited and/or their respective agent(s) to collect from the Company or the Registrar on its/his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

4 Lost or Unavailable Share Certificates

- 4.1 If the Title Documents are not readily available and/or are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.
- 4.2 Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the cash consideration due will not be despatched until the relevant Title Documents have been received by the Registrar or in the case of loss of Title Documents, such Title Documents have been cancelled and the Register has been updated.
- 4.3 If a Qualifying Shareholder has lost its/his/her Title Documents, it/he/she should write to the Registrar and request a form of letter of indemnity in respect of the lost Title Documents (as the case may be) which, when completed by it/him/her in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar

either by post or by hand, so as to arrive not later than the Latest Acceptance Time. In such cases, the Qualifying Shareholder will be informed of the fees payable to the Registrar for which it/he/she will be responsible.

5 Additional Form of Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, it/he/she should write to the Registrar or visit the Registrar at its office and request an additional Form of Acceptance for completion by such Qualifying Shareholder. Alternatively, it/he/she could download the Form of Acceptance from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at <http://investor.skyworth.com>.

6 Settlement

- 6.1 Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction pursuant to paragraph 5.4 in the section headed "*Terms and Conditions of the Offer*" above, as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) following the close of the Offer.
- 6.2 If the Shares of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) following the close of the Offer.
- 6.3 If the Offer does not become unconditional, the Title Documents will be returned and/ or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

7 New Qualifying Shareholders

Any new Qualifying Shareholder may collect a copy of this Offer Document, together with the form of proxy and Form of Acceptance from the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong during business hours from Friday, 14 April 2023 to the closing date of the Offer, i.e.

Friday, 19 May 2023 (both days inclusive). Such Shareholder may also contact the Registrar (through the enquiry general telephone line referred to in paragraph 10.9 under the section headed “*Terms and Conditions of the Offer*” above) and request a copy of this Offer Document, the accompanying form of proxy and Form of Acceptance (as appropriate) to be sent to its/his/her registered address as recorded in the Register.

OVERSEAS SHAREHOLDERS

Based on the Register, as at the Latest Practicable Date, there were no Overseas Shareholders with registered addresses outside Hong Kong. Accordingly, there were no Excluded Shareholders as at the Latest Practicable Date.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy itself, himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Overseas Shareholder shall be deemed to constitute a representation and warranty from such Overseas Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC will give, or be subject to, any of the above representation and warranty. Overseas Shareholders should consult their professional advisers if in doubt.

EFFECT OF ACCEPTANCE OF THE OFFER BY QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and CLSA Limited (so as to bind it/him/her, its/his/her personal representatives, heirs, successors and assigns) to the effect:

1 Representations and Warranties

that by delivery to the Registrar a duly completed Form of Acceptance with the Title Documents, the Accepting Shareholder represents and warrants to the Company and CLSA Limited:

- (a) that it/he/she has full power and authority to tender, sell, assign and transfer all the Shares specified in such Form of Acceptance for buy-back and that the Shares are fully paid, free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled; and
- (b) that if it/he/she is an Overseas Shareholder, it/he/she has fully observed any of its/ his/ her applicable legal or regulatory requirements and that the Offer may be accepted by it/him/her lawfully under the laws of the relevant jurisdiction.

2 Appointment and Authority

that the execution of the Form of Acceptance constitutes:

- (a) the irrevocable appointment of any director or officer of the Company or CLSA Limited, or such other person as any of them may direct, as such Accepting Shareholder's agent (the "Agent"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such Accepting Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company buying-back some or all of the Shares (as the Company may in its absolute discretion determine) in respect of such Accepting Shareholder.

3 Undertakings

that by executing the Form of Acceptance, it/he/she:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or its/his/her powers and/or authorities under the terms of the Offer;
- (b) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Offer is accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to the Registrar as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;
- (c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with its/his/her acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which it/he/she has accepted the Offer free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption or third party rights or encumbrances whatsoever and such Shares are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date the Shares are cancelled and/or to perfect any of the authorities expressed to be given hereunder;

- (e) authorises the Company or the Agent to procure the despatch by ordinary post of the consideration to which it/he/she is entitled at its/his/her own risk to the first-named holder at its/his/her registered address in Box 4 of the Form of Acceptance; and
- (f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or the Form of Acceptance.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, CLSA Limited, the Independent Financial Adviser, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer.

ANNOUNCEMENTS

1. Following the SGM (or any adjournment or postponement thereof, as the case may be) at which the Offer, the Whitewash Waiver and the PRC MGO are to be approved by the Independent Shareholders, the Company will announce through the Stock Exchange's website the results of the SGM and whether or not the Offer has become unconditional.
2. By 6:00 p.m. (or such later time as the Executive may permit) on the closing date of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the closing and the results of the Offer and shall publish an announcement through the Stock Exchange by 7:00 p.m. on such date stating that the Offer has been closed. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for clearance and publication through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement shall, among others (except in the case of lapse of the Offer), specify the details as required under Rule 19.1 of the Takeovers Code.
3. In calculating the number of the Shares represented by a Form of Acceptance, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.
2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

This following is a summary of the financial results of the Group for the year ended 31 December 2020, the year ended 31 December 2021 and the year ended 31 December 2022.

	Year ended 31 December		
	2020	2021	2022
	<i>(RMB million)</i>		
RESULTS			
Total revenue	40,093	50,928	53,491
Profit before taxation	2,180	2,552	1,819
Income tax expense	(345)	(587)	(412)
Profit for the year	<u>1,835</u>	<u>1,965</u>	<u>1,407</u>
Profit for the year attributable to:			
Owners of the Company	1,440	1,634	827
Non-controlling interests	<u>395</u>	<u>331</u>	<u>580</u>
	<u>1,835</u>	<u>1,965</u>	<u>1,407</u>
Total comprehensive income for the year attributable to:			
Owners of the Company	1,225	1,936	326
Non-controlling interests	<u>397</u>	<u>348</u>	<u>582</u>
	<u>1,622</u>	<u>2,284</u>	<u>908</u>
Earnings per Share (expressed in RMB cents)			
Basic	49.23	62.11	31.97
Diluted	44.46	62.03	31.95
Equity attributable to:			
Owners of the Company	16,310	18,045	17,867
Non-controlling interests	<u>2,681</u>	<u>3,041</u>	<u>4,027</u>
	<u>18,991</u>	<u>21,086</u>	<u>21,894</u>
Dividends attributable to owners of the Company	Nil	497	69
Dividend per Share (in HK cents)	Nil	23.0	3.0

No modified or qualified opinion or emphasis of matter or material uncertainty related to going concern had been issued by Deloitte in respect of the audited consolidated financial statements of the Group for each of the years ended 31 December 2020, 2021 and 2022.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Offer Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2022 Financial Statements are set out on pages 1 to 8 of the annual results announcement of the Company for the year ended 31 December 2022 (the “**Annual Results 2022**”), which was published on 23 March 2023. The Annual Results 2022 is posted on the Company’s website <http://investor.skyworth.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Results 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0323/2023032301168.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”) are set out on pages 75 to 202 of the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”), which was published on 19 April 2022. The Annual Report 2021 is posted on the Company’s website <http://investor.skyworth.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0419/2022041900851.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) are set out on pages 77 to 215 of the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”), which was published on 19 April 2021. The Annual Report 2020 is posted on the Company’s website <http://investor.skyworth.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041900446.pdf>

The 2022 Financial Statements (but not any other part of the Annual Results 2022), the 2021 Financial Statements (but not any other part of the Annual Report 2021) and the 2020 Financial Statements (but not any other part of the Annual Report 2020) are incorporated by reference into this Offer Document and form part of this Offer Document.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the each of the three years ended 31 December 2020, 2021 and 2022 extracted from the Annual Report 2020, the Annual Report 2021 and the Annual Results 2022, respectively. Unless otherwise defined in this Offer Document or the context otherwise requires, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and annual results announcement (as appropriate) of the Company.

FOR THE YEAR ENDED 31 DECEMBER 2020

Business Review

Multimedia Business

During the financial year ended 31 December 2020, under the impact of COVID-19, the overall performance of the international TV market was sluggish and certain countries maintained varying degrees of closed or semi-closed conditions, which put pressure on the growth of overseas business of the Group. However, the Group adopted relatively stable and conservative sales strategies and optimised its customer agents and channels in overseas, vigorously improved product structure, reduced costs while improving the quality of operation through product upgrading.

For the financial year ended 31 December 2020, the Group's multimedia business recorded revenue of RMB24,571 million, representing an increase of RMB3,066 million or 14.3% compared with RMB21,505 million recorded in the previous year.

Smart Systems Technology Business

During the financial year ended 31 December 2020, as affected by COVID-19, some operator customers delayed their resumption of work, resulting in shrinking demand. The Group kept abreast of the changes in market demand, increased the deployment of 4K set-top boxes, converged smart terminals and products such as PON gateways and home networking, entered the smart broadcasting business by combining with education and VR, and focused on key quality customers in Guangdong and Jiangsu so as to explore the market and increase its market share in key customer regions.

For the financial year ended 31 December 2020, revenue recorded for Smart Systems Technology business in the mainland China market amounted to RMB5,181 million, representing a decrease of RMB518 million or 9.1% from RMB5,699 million recorded in the previous year. For the financial year ended 31 December 2020, revenue recorded for Smart Systems Technology business in overseas markets amounted to RMB3,565 million, representing a decrease of RMB334 million or 8.6% from RMB3,899 million recorded in the previous year.

Smart Appliances Business

During the financial year ended 31 December 2020, the Group launched its “Free-fresh(自由鮮)” series refrigerators, Level 3 frequency conversion air conditioner(三級變頻空調), DD direct-drive front load washing machine (DD直驅滾筒洗衣機)and top load washing machines with rotary waterfall washing technology(漩瀑波輪洗衣機), all of which were highly recognised by the market and well received by customers. Some of the Group’s refrigerator and washing machine products also won several certifications and awards, including the “China Red Star Design Award”.

For the financial year ended 31 December 2020, revenue recorded for smart appliance products in the mainland China market amounted to RMB2,868 million, representing a decrease of RMB209 million or 6.8% compared with RMB3,077 million recorded in the previous year. Revenue in overseas markets amounted to RMB1,350 million, representing an increase of RMB132 million or 10.8% compared with RMB1,218 million recorded in the previous year.

Modern Services business

During the financial year ended 31 December 2020, the Group formulated a special plan for the development of macro-logistics service industry to promote the development of supply chain logistics, factory logistics, sales and after-sales logistics, and business integration has been fully launched. The Group set up branch companies to vigorously develop supply chain business centering on the Group’s internal industrial support, and completed the professional restructuring of the development and operation business of the science and technology park and made full use of the construction opportunities of the three major bases to drive the development of the Group’s intelligent human habitat industry, including green buildings, smart control systems and terminals, and a variety of content services.

For the financial year ended 31 December 2020, revenue recorded for modern services business in the mainland China market amounted to RMB1,961 million, representing an increase of RMB131 million or 7.2% compared with RMB1,830 million recorded in the previous year. Revenue in overseas markets amounted to RMB519 million, representing an increase of RMB497 million or 2,259.1% compared with RMB22 million recorded in the previous year.

Liquidity and Financial Resources

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 2020, net current assets amounted to RMB11,517 million, representing an increase of RMB4,129 million or 55.9% when compared with RMB7,388 million as at 31 December 2019. As at 31 December 2020, bank balances and cash amounted to RMB8,214 million, representing an increase of RMB3,408 million or 70.9% when compared with RMB4,806 million as at 31 December 2019. As at 31 December 2020, pledged bank deposits amounted to RMB1,309 million, representing an increase of RMB424 million or 47.9% when compared with RMB885

million as at 31 December 2019. As at 31 December 2020, restricted bank deposits amounted to RMB318 million, representing a decrease of RMB93 million or 22.6% when compared with RMB411 million as at 31 December 2019.

As at 31 December 2020, total bank loans amounted to RMB11,387 million, corporate bonds (inclusive of interest) amounted to RMB920 million and convertible bonds (inclusive of interest) amounted to RMB917 million. Overall interest-bearing liabilities of the Group were RMB13,224 million, equity attributable to owners of the Company amounted to RMB16,310 million. The debt to equity ratio, being the sum of borrowings, corporate bonds and convertible bonds divided by the total equity, revealed as 69.6%.

Capital Structure

The capital structure of the Group consists of net debt which includes lease liabilities, bank borrowings, convertible bonds and corporate bonds disclosed in notes 38, 41, 43 and 44, in the 2020 Financial Statements respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

Significant Investments and Material Acquisitions and Disposals

During the financial year ended 31 December 2020, the Group did not hold any significant investment, or make any material acquisition or disposal of subsidiaries or associated companies.

Human Resources

As at 31 December 2020, the Group had around 36,000 employees (as at 31 December 2019: 36,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 31 branches and 196 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.

Charge on the Group's Assets

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2020, such secured assets included bank deposits of RMB1,309 million, trade receivables of RMB17 million, bills receivables of RMB720 million, investment properties of RMB1,263 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 RMB2,531 million.

Foreign Exchange Exposure

During the financial year ended 31 December 2020, a number of uncertainties, such as the shock of COVID-19, the sustained international tension, the US-China trade friction, the UK's exit from the EU and unstable interest-rate trend in the US, have added to the difficulty in predicting future changes in exchange rates. For the year ended 31 December 2020, the Group recorded a net exchange gain of RMB73 million associated with general operation.

Contingent Liabilities

During the financial year ended 31 December 2020, there were individual patent disputes which arise in the ordinary course of business of the Group. The Directors were of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

FOR THE YEAR ENDED 31 DECEMBER 2021

Business Review

Multimedia Business

During the financial year ended 31 December 2021, 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 customers' experience and product enhancement to create sustainable competitiveness for the future.

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

Smart Systems Technology Business

During the financial year ended 31 December 2021, benefited from the Group's well-established system, planning and research and development (“R&D”) capabilities, industry chain integration capabilities, supply chain as well as industrialisation capabilities, the Group has overcome a number of challenges such as soaring price of raw material, on-going overseas epidemic, chaotic international logistics and increase in logistics costs, and recorded significant growth in both smart devices and broadband connection businesses.

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

Smart Appliances Business

During the financial year ended 31 December 2021, the Group launched new products such as the American-style three-door smart refrigerator and the sixth-generation i-DD smart drum washing machine, which have been highly recognised by the market and well received by customers.

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

Modern Services business

During the financial year ended 31 December 2021, the Group focused on investing resources to integrate various segments under modern services business with an aim to strengthen the supply chain management and facilitate the strategic cooperation with major suppliers to provide diversified services to customers. In view of this, in 2021, the Group continued to optimise different segments under modern services business and establish dedicated teams for its modern services business such as financial services, macro-logistics services, supply chain operation, foreign trades, as well as park-based property management and construction development.

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

New Energy Business

Due to global climate change, major countries have put forward their own new energy strategies. According to the “13th Five-Year” Plan, the PRC government has set a clear policy on environmental protection and new energy. In the face of such enormous market potentials, the Group has been actively considering entering the clean energy industry. Riding on the general trend of integrated development of modern energy, smart manufacturing and digital technology, the Group started with residential photovoltaic and provided complete solutions for power station development, design, construction, operation, management and consulting services. Based on the energy Internet of Things, the Group also built a development, construction, operation and management platform for full-process assets of smart clean energy.

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

Liquidity and Financial Resources

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

As at 31 December 2021, total bank loans amounted to RMB14,262 million, 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 RMB16,145 million, equity attributable to owners of the Company amounted to RMB18,045 million. The debt to equity ratio, being the sum of borrowings, corporate bonds and convertible bonds divided by the total equity, revealed as 76.6%.

Capital Structure

The capital structure of the Group consists of net debt which includes lease liabilities, bank borrowings, convertible bonds and corporate bonds disclosed in notes 33, 37, 38 and 39 of the 2021 Financial Statements, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

Significant Investments and Material Acquisitions and Disposals

During the financial year ended 31 December 2021, the Group did not hold any significant investment, or make any material acquisition or disposal of subsidiaries or associated companies.

Human Resources

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

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

Charge on the Group's Assets

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2021, such secured and restricted assets included bank deposits of RMB2,128 million, trade receivables of RMB10 million, bills receivables of RMB66 million, investment properties of RMB1,198

million, stock of properties of 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 RMB2,774 million.

Foreign Exchange Exposure

During the financial year ended 31 December 2021, in the face of certain uncertainties including the outbreak of the COVID-19 epidemics, the spread of Omicron variant in various countries, the continued tension in international relations, the increasing uncertainty of the global economic recovery and the unstable trend in U.S. interest rates, it was difficult to predict the exchange rate trend. For the year ended 31 December 2021, the Group recorded a net exchange loss of RMB51 million associated with general operation.

Contingent Liabilities

During the financial year ended 31 December 2021, there were individual patent disputes which arise in the ordinary course of business of the Group. The Directors were of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

FOR THE YEAR ENDED 31 DECEMBER 2022

Business Review

Multimedia Business

During the financial year ended 31 December 2022, the Group focused on developing and applying new technologies such as Mini LED, high refresh rate, VRR and high colour accuracy. Among them, the concept of “No flickering backlight, no harm to your eyes” of the second-generation display technology driven by Mini LED backlight enjoys growing popularity in people’s minds, and the brand concept of health technology of the Group has been continuously strengthened. The Group’s new products launched in 2022 include the Wallpaper TV Series Q53P/Q53/Q53L with “flush wall mounting + independent media hub” design, Home Entertainment TV Series G53/G53L/A33 equipped with the “V3 full-feature AI chip” combined with Skyworth’s self-developed “AI Picture Quality Engine”, and the Group’s first glass-backed professional office monitor B40Q. Moreover, the Group has been promoting the popularisation of 120Hz high refresh rate products in 2022, with high refresh rate display A33, A23 and G53 successively launched. In addition, the Group released the industry-leading Mini LED display product -D80 in the year, which has 4K resolution and 144Hz refresh rate. It supports six-fold eye protection technologies, and its colour gamut covers 99% of the DCI-P3 colour gamut and meets Display HDR 1000 standard certification, achieving breakthroughs in display technology.

For the financial year ended 31 December 2022, the Group's multimedia business recorded revenue of RMB23,080 million, representing a decrease of RMB4,290 million or 15.7% compared with RMB27,370 million recorded in financial year ended 31 December 2021.

Smart Systems Technology Business

During the financial year ended 31 December 2022, despite adverse impact posed by the Russia-Ukraine War, tense Sino-US relations, the international political situation and the economic environment, the Group overcame the obstacles and challenges and actively responded to market changes. While seizing industry needs, the Group continued to strengthen its mature system structure planning and R&D capabilities, leveraging on the advantages in supply chain and industrial competitiveness to implement industrial chain integration and organisational reform and enhance intelligent manufacturing capabilities and systematically controlled business risks, etc. During the financial year ended 31 December 2022, small and medium-sized modules business of the smart systems technology business of the Group experienced a slowdown as compared with the previous year due to the decline in the handset market. Nevertheless, leveraging on its market share in the smart set-top box and broadband connection market, the Group has achieved new breakthroughs in centralised procurement and provincial supply of set-top boxes of the three major domestic telecommunications operators, such as increasing bid-winning shares and order supply. The Company ranks first in the industry among broadcast network operators and the market share of newly added 4K set-top boxes is expanding.

For the financial year ended 31 December 2022, revenue recorded for the Group's smart systems technology business amounted to RMB11,933 million, representing an increase of RMB1,022 million or 9.4% from RMB10,911 million recorded in the financial year ended 31 December 2021. In particular, revenue recorded in the mainland China market amounted to RMB6,705 million, representing a decrease of RMB162 million or 2.4% from RMB6,867 million recorded in the financial year ended 31 December 2021. Revenue recorded in overseas markets amounted to RMB5,228 million, representing an increase of RMB1,184 million or 29.3% from RMB4,044 million recorded in the financial year ended 31 December 2021.

New Energy Business

During the financial year ended 31 December 2022, in addition to building a development, construction, operation and management platform for full-process asset of distributed photovoltaic power stations, the Group launched upgraded products that are more aesthetically pleasing, functional and profitable to meet the diverse needs of users. While adhering to quality, the Group has stepped up technological innovation and R&D, and independently developed the "Photovoltaic Power Station Automation Design System" to customise and design products with higher accuracy and safety for users' roof structures. The Group's self-developed smart operation and maintenance system also effectively integrates photovoltaic information with advanced internet technology and digital information technology, and fully realises real-time digital management of residential photovoltaic power stations.

During the financial year ended 31 December 2022, the Group recorded a revenue of RMB11,934 million from the new energy business, representing a growth of RMB7,833 million or 191.0% as compared to RMB4,101 million recorded in the financial year ended 31 December 2021. During the financial year ended 31 December 2022, the Group's total installed capacity of distributed photovoltaic power stations was still of the top level in the industry. More than 140,000 residential photovoltaic power stations have been put into operation and connected to the power grid, with accumulated more than 200,000 residential photovoltaic power stations have been built and under grid-connected operation.

Smart Appliances Business

During the financial year ended 31 December 2022, the sales in overseas markets declined as compared to the financial year ended 31 December 2021 due to the impact of the pandemic and the weak export market for home appliances. Nevertheless, the Group continued to increase the R&D of smart products and enhance product competitiveness to promote the sales growth of smart appliances business in the domestic market and continued to expand the online e-commerce business. The Group also took various measures to mitigate the impact of the epidemic on the offline channels, including actively expanding online sales platform customers, strengthening channel operations and optimising sales channels of traditional offline dealer, and thus managed to maintain a steady performance despite the volatile environment caused by recurrent epidemic outbreaks..

During the financial year ended 31 December 2022, the Group recorded a revenue of RMB4,393 million from the smart appliance business; representing an increase of RMB18 million or 0.4% as compared to RMB4,375 million recorded in the financial year ended 31 December 2021. Among which, revenue recorded in the mainland China market amounted to RMB3,120 million, representing an increase of RMB227 million or 7.8% as compared to RMB2,893 million recorded in the financial year ended 31 December 2021. Revenue in overseas markets amounted to RMB1,273 million, representing a decrease of RMB209 million or 14.1% as compared to RMB1,482 million recorded in the financial year ended 31 December 2021.

Modern Services Business

During the financial year ended 31 December 2022, modern services business continued to focus on supply chain management and facilitate the strategic cooperation with major suppliers to provide diversified services to customers. Under this concept, various segments under modern services business, including financial services, macro-logistics services, supply chain operation, foreign trades, park-based property management, park construction and development and other professional teams made a significant contribution to the Group's external business as well as the supply chain and operating ecology among various business units within the Group. Among them, the home appliance maintenance and repair business brought consumers a good after-sales service experience, and also provided feedback and improvement suggestions from users on the Group's products to various business units. In addition to providing high-quality services and integrating resources in warehouses in various domestic

regions, the logistics company's comprehensive supply chain logistics, factory logistics, sales and after-sales logistics also provided support for the rapid growth of the new energy business.

During the financial year ended 31 December 2022, the Group recorded a revenue of RMB1,638 million from the modern services business, representing a decrease of RMB2,294 million or 58.3% as compared to RMB3,932 million recorded in the financial year ended 31 December 2021. Among which, revenue recorded in the mainland China market amounted to RMB1,638 million, representing a decrease of RMB1,744 million or 51.6% as compared to RMB3,382 million recorded in the financial year ended 31 December 2021. There was no revenue in overseas markets during the financial year ended 31 December 2022. Affected by the repeated pandemic, the Group's property sales that were originally scheduled to be delivered by the end of 2022 have been delayed. Therefore, the revenue of the modern services business during the financial year ended 31 December 2022 recorded a year-on-year decrease as compared with the financial year ended 31 December 2021.

Liquidity, Financial Resources and Capital Structure

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 2022, net current assets amounted to RMB10,899 million, representing a decrease of RMB2,826 million or 20.6% when compared with RMB13,725 million as at 31 December 2021; as at 31 December 2022, bank balances and cash amounted to RMB9,054 million, representing a decrease of RMB1,557 million or 14.7% when compared with RMB10,611 million as at 31 December 2021; as at 31 December 2022, total pledged and restricted bank deposits amounted to RMB3,353 million, representing an increase of RMB1,125 million or 57.6% when compared with RMB2,128 million as at 31 December 2021.

As at 31 December 2022, total bank loans amounted to RMB15,257 million. Corporate bonds (inclusive of interest) and convertible bonds (inclusive of interest) have been fully returned or converted into shares during the financial year ended 31 December 2022. Overall interest-bearing liabilities of the Group were RMB15,257 million, equity attributable to owners of the Company amounted to RMB17,867 million. The debt to equity ratio revealed as 69.7%.

Significant Investments, Material Acquisitions and Disposals and Future Plans

During the financial year ended 31 December 2022, the Group did not hold any significant investment, or make any material acquisition or disposal of subsidiaries or associated companies.

Human Resources

As at 31 December 2022, the Group had around 31,400 employees in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 24 branches and 187 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, implement information management, optimise the remuneration standards and systems of various business units, 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.

Charge on the Group's Assets

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2022, such secured and restricted assets included bank deposits of RMB3,353 million, trade receivables of RMB3 million, bills receivables of RMB58 million, investment properties of RMB1,135 million, stock of properties of RMB328 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 RMB3,129 million.

Foreign Exchange Exposure

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, U.S. 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. During the financial year ended 31 December 2022, the management of the Group focused on changes in foreign exchange rates and onshore and offshore interest rates to determine the need for foreign exchange hedging. In the face of the COVID-19 pandemic and the strong trend of the U.S. exchange rate, exchange risk management became more important. For the financial year ended 31 December 2022, the net foreign exchange gain generated from general operations was RMB13 million.

Contingent Liabilities

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

4. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 28 February 2023, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this Offer Document, the Group had bank and other borrowings, other financial liabilities, and lease obligations amounting to approximately RMB16,732 million, RMB271 million and RMB96 million, respectively, details of which are as follows:

Bank and other borrowings

- (i) Secured and unguaranteed bank borrowings of approximately RMB779 million secured by the pledge over certain assets of the Group, including right-of-use assets, leasehold land and buildings and construction in progress, trade and bills receivables and pledged bank deposits.
- (ii) Unsecured and guaranteed bank borrowings of approximately RMB7,700 million.
- (iii) Unsecured and unguaranteed bank and other borrowings of approximately RMB3,673 million.
- (iv) Secured and guaranteed bank borrowings of approximately RMB4,580 million secured by the pledge over certain assets of the Group, including right-of-use assets, leasehold land and buildings and construction in progress, investment properties, stock of properties, trade and bills receivables and pledged bank deposits.

Other financial liabilities

As at 28 February 2023, the Group had advances from third parties with amount of approximately RMB271 million which was unsecured and unguaranteed.

Lease obligations

As at 28 February 2023, the Group, as a lessee, had outstanding lease payments for the remainder of the relevant lease terms amounting to approximately RMB96 million in aggregate, among which approximately RMB86 million was secured by rental deposits and unguaranteed, while the remaining approximately RMB10 million was unsecured and unguaranteed.

Contingent liabilities or guarantees

As at 28 February 2023, there was no litigation or arbitration proceeding pending or threatened against the Group or any of the directors of the Company which could have a material adverse effect on the business, financial conditions or result of operations.

Save as disclosed above as at 28 February 2023, the Group did not have any borrowing or any debt securities or other similar indebtedness issued and outstanding or agreed to be issued or otherwise created but unissued, liabilities under acceptance (other than normal trade bills) or acceptance credits, term loans, bank overdrafts debentures, mortgages, charges, hire purchase commitments, guarantees or contingent liabilities for the purpose of the indebtedness statement.

5. MATERIAL CHANGES

The Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up.

6. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Group's present available financial resources, internally generated funds, loan from Mr. Wong and available banking and credit facilities, the Group will have sufficient working capital to satisfy its present requirements for at least 12 months from the date of this Offer Document.

7. MATERIAL ADVERSE CHANGES

Up to and including the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

8. FINANCIAL AND TRADING PROSPECTS

Entering 2023, the gradual relaxation and lifting of epidemic control measures and quarantine restrictions around the world have created favourable conditions for economic recovery and production activities to rebound. The Group will continue to firmly grasp the opportunities of the global economy, such as digitisation, smartisation and low carbonisation. Capitalising on the leading position in the multimedia industry and digital technology industry in the PRC, the Group collaborates with hardware and software to meet diverse demands of the market. Based on the three elements of "connectivity, intelligence and ecology", the Group will facilitate the construction of green buildings which are "healthy, safe, convenient, comfortable and energy-saving", develop and promote smart system control centre (system) products, and expand a full range of smart home content services. With "Green building + Smart systems + Content services" as its core, the Group will achieve the one-stop smart control for home, office and vehicle, providing users with borderless and interactive sharing experience.

The following discussions and analyses relate to the results of operations and financial condition of Skyworth Digital as at and for the financial years ended 31 December 2020 (“FY 2020”), 31 December 2021 (“FY 2021”) and 31 December 2022 (“FY2022”).

Business Review

Skyworth Digital and its subsidiaries are primarily engaged in providing a comprehensive yet systematic portfolio of UHD device development, broadband network connectivity and UHD industrial application integrated solutions to users across the globe.

Digital set-top boxes

The global digital set-top box industry in Asia, Africa, the Middle East, Latin America, Europe and the U.S. is at different stages of development, while evolving towards higher levels of intelligence and multi-function. The markets in the PRC and the U.S. are growing relatively faster compared to other markets. The digital set-top box industry does not have obvious cyclical characteristics.

Skyworth Digital has been engaging in the R&D of digital set-top box since 2002. Based on market research data, Skyworth Digital is a lead player in terms of market share for the services provided to the major domestic communication, radio and television operators and the domestic 2C consumer OTT market. Skyworth Digital is not only a leading enterprise in the domestic digital set-top box industry, but also at the forefront of the global set-top box industry in terms of overall scale, with strong competitiveness, influence and brand reputation.

Broadband network business

With the vigorous development of digital economy and the accelerating construction of information high-speed, the needs for home smart gateways, networking and configurations in the PRC are growing rapidly. Moreover, the popularisation of gigabit broadband network in the PRC has promoted the comprehensive upgrade of network communications equipment. According to the 14th Five-Year Plan of the PRC government, there will continue to be growing needs for industrial upgrading in the PRC. The development stage of broadband connection equipment markets in different countries is extremely unbalanced, resulting in vastly different requirements in different regional markets. But with the growing applications of high-definition technologies, VR, cloud games, and the Internet of Things, the overseas broadband network demand is expected to continue to grow in the future.

Skyworth Digital started to engage in the broadband network business for the major domestic communication operators in the PRC since 2015. In 2021, Skyworth Digital won the bids for several large projects respectively with China Mobile, China Telecom and China Unicom. Meanwhile, Skyworth Digital has also established market presence in overseas broadband network markets, including India, Southeast Asia, Mexico and Europe.

VR device business

With the rapid increase in computing power supply, the continuous decline in cloud computing prices, and the upgrading of artificial intelligence, the electronics industry can now provide stable and mature solutions for the key technologies of VR equipment, including chips, displays, optics, storage, positioning and interaction. At the same time, in terms of the combination of software and hardware, a Video See-through solution has emerged, which combines cameras and real-time rendering, breaking the restrictions for VR users to experience unknown surroundings. The conditions for the further development of VR devices and industrial applications have been maturing.

The VR products of Skyworth Digital have been ordered by and delivered to clients in various markets including the U.S., India, Japan and Korea. In the domestic market, Skyworth Digital possesses first-mover advantage in the market of medical examinations and has also been providing services for education industry. Meanwhile, Skyworth Digital has also produced around two hundred 8K VR videos for the national 4A scenic spots, which are available on various internet platforms.

Automotive display business

The development of automotive display screens has become an important symbol of automotive intelligisation. Large-screen, multi-screen, and integration have become the main theme of automotive cockpits and screens have become the core of smart automotive cockpits.

Utilising the experience in the field of consumer electronics display, Skyworth Digital has gained advantages in R&D and technology for the automotive display market in terms of high colour gamut, high contrast, high integrated black, narrow frame, and ultra-thin designs. As a tier 1 enterprise, Skyworth Digital has been designated as the supplier of the automotive displays for more than 10 domestic and joint venture automotive manufacturers, accumulated strong reputation and brand effect, and entered into a stage of rapid development.

Financial Review

Operating Income

For FY2020, FY2021 and FY2022, operating income of Skyworth Digital was RMB8,507,806,781.17, RMB10,846,559,580.07 and RMB12,008,581,541.31, respectively.

For FY2021, operating income increased by approximately 27.49% compared to FY2020, as a result of the effective measures and planning adopted by Skyworth Digital in the face of global supply chain and delivery disruptions, increase in raw material prices and de-globalisation, as well as its continuous development and enhancement in capabilities of system planning, R&D, industry chain integration and industrialisation.

APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS OF SKYWORTH DIGITAL

For FY2022, operating income increased by approximately 10.71% compared to FY2021, as a result of growth in set-top box business and broadband network business both domestically and overseas.

Selling Expenses

For FY2020, FY2021 and FY2022, selling expenses of Skyworth Digital were RMB504,839,759.40, RMB541,601,456.29 and RMB604,384,413.24, respectively.

For FY2021, selling expenses increased by approximately 7.28% compared to FY2020, mainly due to increase in after-sale maintenance expenses and employee compensation.

For FY2022, selling expenses increased by approximately 11.59% compared to FY2021, as a result of increase in commission rewards for sales staff corresponding to increase in operating income.

General and Administrative Expenses

For FY2020, FY2021 and FY2022, general and administrative expenses of Skyworth Digital were RMB231,275,278, RMB185,261,708.08 and RMB215,056,018.29, respectively.

For FY2021, general and administrative expenses decreased by approximately 19.90% compared to FY2020, mainly due to the adjustment in business operations and the organisational structure.

For FY2022, general and administrative expenses increased by approximately 16.08% compared to FY2021, as a result of increase in employee compensation due to improved performance.

R&D Expenses

For FY2020, FY2021 and FY2022, R&D expenses of Skyworth Digital were RMB509,138,959.06, RMB556,220,532.69 and RMB620,771,134.15, respectively.

For FY2021, R&D expenses increased by approximately 9.25% compared to FY2020, mainly due to increase in investment in R&D and the number of employees in the R&D department.

For FY2022, R&D expenses increased by approximately 11.61% compared to FY2021, as a result of increase in R&D investment for new products and business.

Finance Costs

For FY2020, FY2021, FY2022, finance costs of Skyworth Digital were RMB26,030,986.70, RMB(15,136,019.29) and RMB(70,994,078.15), respectively.

For FY2021, finance costs decreased by approximately 158.15% compared to FY2020, mainly due to the increase in interest income generated by bank deposits denominated in RMB and the decrease in interest expenses generated by loans denominated in U.S. dollar.

For FY2022, finance costs decreased by approximately 369.04% compared to FY2021, as a result of the increase in interest income generated by bank deposits denominated in RMB, the decrease in interest expenses for loans denominated in U.S. dollar and the decrease in exchange losses.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, 31 December 2021 and 31 December 2022, current liabilities of Skyworth Digital were RMB4,864,485,482.37, RMB5,524,811,243.77 and RMB4,641,483,054.34, respectively. As at 31 December 2020, 31 December 2021 and 31 December 2022, non-current liabilities of Skyworth Digital were RMB1,077,831,251.43, RMB1,113,898,960.94 and RMB154,718,358.52, respectively.

As at 31 December 2021, there was no material change in the ratio of current and non-current liabilities over total assets as compared to 31 December 2020.

As at 31 December 2022, the ratio of current liabilities over total assets decreased by approximately 6.40% as compared to 31 December 2021 mainly due to reduction of loans denominated in U.S. dollars, and the ratio of non-current liabilities over total assets has decreased by approximately 8.52% as compared to 31 December 2021 mainly due to conversion and redemption of convertible bonds.

Gearing Ratio

Gearing ratio of Skyworth Digital as at 31 December 2020, 31 December 2021 and 31 December 2022 was 57.97%, 59.29% and 44.37%, respectively. The increase in gearing ratio as at 31 December 2021 compared to 31 December 2020 was mainly due to increase in account payables to suppliers of key materials, which reduced the non-current liabilities. The decrease in gearing ratio as at 31 December 2022 compared to 31 December 2021 was mainly due to the redemption and conversion of convertible bonds, which reduced the non-current liabilities.

Significant Investments, Material Acquisitions and Disposals and Future Plans

During FY2020, FY2021 and FY2022, Skyworth Digital did not hold any significant investment or make any material acquisition or disposal of subsidiaries or associated companies.

In order to further develop its production layout and in accordance with its strategic development plans, Skyworth Digital is planning to invest up to RMB1,338 million in Huizhou Skyworth Digital Industrial Park Phase I Project* (惠州創維數字產業園一期項目), the construction of which is expected to be funded with internal financial resources and self-raised funds.

Human Resources

The total number of employees of Skyworth Digital as at 31 December 2020, 31 December 2021 and 31 December 2022 was 6,658, 7,634 and 5,397, respectively. The remuneration policy of Skyworth Digital is determined in compliance with applicable laws based on the principle of fairness and for the purpose of providing incentives to the employees.

Charge on Assets

As at 31 December 2020, the following assets of Skyworth Digital were subject to charges, security or similar restriction: monetary funds of RMB206,186,590.56, bills receivable of RMB36,327,816.12, accounts receivable of RMB16,505,604.93 and fixed assets of RMB5,512,153.89.

As at 31 December 2021, the following assets of Skyworth Digital were subject to charges, security or similar restriction: monetary funds of RMB111,299,076.43, bills receivable of RMB65,845,876.62, accounts receivable of RMB10,473,564.53 and fixed assets of RMB5,314,664.53.

As at 31 December 2022, the following assets of Skyworth Digital were subject to charges, security or similar restriction: monetary funds of RMB59,056,606.67, bills receivable of RMB12,320,134.56, accounts receivable of RMB3,433,631.22 and fixed assets of RMB6,072,779.91.

Foreign Exchange Exposure

Skyworth Digital's foreign exchange risks are mainly related to U.S. dollars, Hong Kong dollars, Euros, South African rands and Mexican pesos. Except for overseas subsidiaries in Europe, Africa, India and Hong Kong and except for overseas purchases and sales, other major businesses of Skyworth Digital are settled in RMB. Skyworth Digital's overseas business has been continuously growing, for which the daily operations involve foreign exchange and payments. The current international political and economic situations in the U.S., Europe, Russia and Ukraine are unstable. Factors such as sanction policies have caused violent fluctuations in the international foreign exchange market, which has a certain impact on the foreign exchange gains and losses of Skyworth Digital. In response to the abovementioned risks, Skyworth Digital carries out foreign exchange hedging to avoid risks in the foreign exchange market and to prevent the adverse effects of large fluctuations in exchange rates based on the foreign exchange risk early warning system.

Contingent Liabilities

Skyworth Digital did not have any material contingent liabilities respectively as at 31 December 2020, 31 December 2021 and 31 December 2022.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.69(4)(A)(I) OF THE LISTING RULES

The Company has applied for and the Stock Exchange has granted waiver from strict compliance with the accountants' report requirements under Rule 14.69(4)(a)(i) of the Listing Rules on the following grounds:

- (i) the financial results of Skyworth Digital have historically been prepared under CASBE, in accordance with the listing rules of the Shenzhen Stock Exchange;
- (ii) CASBE is an accepted accounting standards for PRC-incorporated listed companies under the Listing Rules and the accounting standards under CASBE and HKFRS are materially consistent;
- (iii) the accounting records of Skyworth Digital were not maintained under HKFRS, therefore, there would be practicable difficulties in changing the accounting standards of Skyworth Digital to conform with HKFRS in order to prepare the financial statements of Skyworth Digital under HKFRS, which will also cause unnecessary delay to the completion timeline of the PRC MGO and the Offer;
- (iv) Skyworth Digital is an indirect non wholly-owned subsidiary of the Company and the financial results of Skyworth Digital have been consolidated into the financial results of the Company. In addition, the financial results of Skyworth Digital prepared under CASBE have been published by the Company on the website of the Stock Exchange as overseas regulatory announcements pursuant to Rules 13.09(2) and 13.10B of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO; and
- (v) the Company has included alternative disclosures in this Offer Document, which will provide the Shareholders with sufficient information to address the differences between HKFRS and CASBE, to assess the impact of the PRC MGO and to evaluate the financial and business performance of Skyworth Digital.

The following information has been included in this Offer Document as alternative disclosures to the accountants' report requirements under Rule 14.69(4)(a)(i) of the Listing Rules:

- (i) the financial statements of Skyworth Digital for the three years ended 31 December 2022 prepared under CASBE and audited by Da Hua;
- (ii) a line-by-line reconciliation of the financials of Skyworth Digital under CASBE and HKFRS in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" ("**HKSAE 3000**") issued by The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") prepared by Deloitte; and

- (iii) unaudited pro forma income statement and cash flow statement of the Group after completion of the Offer and the PRC MGO for the year ended 31 December 2022 and unaudited pro forma balance sheet of the Group after completion of the Offer and the PRC MGO as at 31 December 2022, with the independent reporting accountants' assurance report issued by Deloitte on the compilation of unaudited pro forma financial information conducted under Hong Kong Standard on Assurance Engagements 3420, "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the HKICPA.

The following disclosures in the accountants' report of Skyworth Digital were not disclosed in the published accounts of Skyworth Digital, but are included in this Offer Document pursuant to requirements of Chapter 4 of the Listing Rules:

- (i) a statement of whether or not any audited financial statements have been made up since the end of the last financial period reported on page IV-6 of this Offer Document; and
- (ii) ageing analysis of trade payable on page IV-116 of this Offer Document.



大華會計師事務所

Da Hua Certified Public Accountants (Special General Partnership)
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www.dahua-cpa.com

ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SKYWORTH DIGITAL CO., LTD.

Da Hua Shen Zi [2023] No. 009164

To the Board of Directors of Skyworth Digital Co., Ltd.:

We report on the historical financial information of Skyworth Digital Co., Ltd. (hereinafter referred to as "Skyworth Digital") set out on pages IV-3 to IV-190, which comprises the consolidated and parent company balance sheets as at 31 December 2020, 31 December 2021 and 31 December 2022, the consolidated and parent company income statements, the consolidated and parent company statements of cash flow and the consolidated and parent company statements of changes in owners' equity for the years of 2020, 2021 and 2022 ("Skyworth Digital Track Record Period") and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Skyworth Digital Historical Financial Information"). Skyworth Digital Historical Financial Information was set out on pages IV-3 to IV-190 of the Offer Document, which forms part of the Offer Document and has been prepared for inclusion in the Offer Document of Skyworth Group Limited in relation to the repurchase of shares.

Directors' Responsibility for the Skyworth Digital Historical Financial Information

The directors of Skyworth Digital are responsible for the preparation of Skyworth Digital Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note III to the Skyworth Digital Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Skyworth Digital Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Skyworth Digital Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Skyworth Digital Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Skyworth Digital Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Skyworth Digital Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Skyworth Digital Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note III to the Skyworth Digital Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Skyworth Digital, as well as evaluating the overall presentation of the Skyworth Digital Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Skyworth Digital Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated and parent company financial position of Skyworth Digital as at 31 December 2020, 31 December 2021 and 31 December 2022 and of the consolidated and parent company financial performance and cash flows of Skyworth Digital for the years of 2020, 2021 and 2022, in accordance with the basis of preparation set out in Note III to the Skyworth Digital Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Skyworth Digital Historical Financial Information, no adjustments to the Skyworth Digital Underlying Financial Statements as defined on pages IV-7 to IV-25 have been made.

Dividends

We refer to Note VI.43 to the Skyworth Digital Historical Financial Information, which states the information on dividends paid by Skyworth Digital during Skyworth Digital Track Record Period.

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Shen Zi [2023] No. 009164)

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

China Certified Public
Accountant: _____

(Engagement partner): Zhang Yuanyuan

China Certified Public
Accountant: _____

Chen Zefeng

14 April 2023

Skyworth Digital Historical Financial Information*Preparation of Skyworth Digital Historical Financial Information*

Set out below is the Skyworth Digital Historical Financial Information which forms an integral part of this accountants' report.

The Skyworth Digital Historical Financial Information in this report is prepared by Skyworth Digital in accordance with the Accounting Standards for Business Enterprises, relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Chinese Accounting Standards for Business Enterprises and other relevant regulations (hereinafter referred to as the "Accounting Standards for Business Enterprises") issued by the Ministry of Finance of the People's Republic of China ("Ministry of Finance"), in which the historical financial information for the years of 2020, 2021 and 2022 has been audited by us in accordance with the auditing standards of Chinese certified public accountants. As of the date of this report, the historical financial information subsequent to the year of 2022 has not been audited.

The Skyworth Digital Historical Financial Information is presented in Renminbi ("RMB"). Unless otherwise stated, the amounts included in the Skyworth Digital Historical Financial Information are presented in RMB.

CONSOLIDATED BALANCE SHEET

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Assets	Note VI	31 December 2022	31 December 2021	31 December 2020
Current Assets:				
Bank balances and cash	Note 1	3,997,388,309.68	3,444,739,086.20	3,338,688,547.18
Financial assets at fair value through profit or loss		–	–	–
Financial assets held for trading		–	–	–
Derivative financial assets	Note 2	1,416,008.18	11,479,598.75	5,612,125.21
Bills receivables	Note 3	208,265,291.01	481,112,009.20	508,245,281.29
Trade receivables	Note 4	2,991,459,551.29	3,165,007,189.43	3,163,673,856.59
Financing balance receivables		–	–	–
Prepayments	Note 5	106,971,781.53	100,528,325.26	97,601,614.26
Other receivables	Note 6	147,050,419.76	142,205,377.17	112,763,989.38
Inventories	Note 7	1,738,066,410.15	2,156,709,532.44	1,238,060,541.67
Contract assets		–	–	–
Held-for-sale assets	Note 8	–	–	199,844,394.83
Non-current assets maturing within one year		–	–	–
Other current assets	Note 9	77,956,450.35	80,955,934.73	79,632,402.07
Total Current Assets		<u>9,268,574,221.95</u>	<u>9,582,737,053.18</u>	<u>8,744,122,752.48</u>
Non-current Assets:				
Available-for-sale financial assets		–	–	–
Held-to-maturity investments		–	–	–
Debt investments		–	–	–
Other debt investments		–	–	–
Long-term receivables		–	–	–
Long-term equity investments	Note 10	117,423,629.41	120,357,138.06	121,725,882.68
Other equity instrument investments		–	–	–
Other non-current financial assets	Note 11	50,000,000.00	50,000,000.00	–
Investment properties		–	–	–
Fixed assets	Note 12	681,113,627.59	745,386,909.31	763,482,542.00
Construction-in-progress	Note 13	63,842,184.96	–	–
Right-of-use assets	Note 14	28,665,468.74	43,133,216.08	51,096,115.84
Intangible assets	Note 15	283,230,317.05	253,858,739.60	164,452,004.84
Development costs		–	–	–
Goodwill	Note 16	91,648,800.54	91,648,801.54	91,648,800.54
Long-term deferred expenses	Note 17	36,365,456.04	57,603,074.29	75,650,634.19
Deferred income tax assets	Note 18	165,244,472.86	185,898,384.63	129,338,917.25
Other non-current assets	Note 19	23,981,800.66	66,610,262.87	108,621,718.37
Total Non-current Assets		<u>1,541,515,757.85</u>	<u>1,614,496,526.38</u>	<u>1,506,016,615.71</u>
Total Assets		<u><u>10,810,089,979.80</u></u>	<u><u>11,197,233,579.56</u></u>	<u><u>10,250,139,368.19</u></u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

<u>Liabilities and Shareholders' Equity</u>	<u>Note VI</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Current Liabilities:				
Short-term loan	Note 20	680,816,123.24	1,304,214,905.17	1,150,395,445.79
Financial liabilities at fair value through profit or loss		-	-	-
Financial liabilities held for trading		-	-	-
Derivative financial liabilities	Note 21	9,908,608.33	-	23,392,138.43
Bills payables	Note 22	778,315,471.32	794,785,100.63	882,147,756.41
Trade payables	Note 23	2,314,466,400.89	2,664,621,015.92	2,135,313,051.26
Receipts in advance	Note 24	538,646.69	507,996.85	878,580.99
Contract liabilities	Note 25	93,218,632.76	208,094,476.35	134,519,649.55
Wages and salaries payables	Note 26	250,325,584.44	190,269,534.25	133,808,213.01
Taxes and surcharges payables	Note 27	33,783,162.95	29,657,830.10	21,008,735.35
Other payables	Note 28	385,135,946.73	252,088,467.26	227,567,789.34
Held-for-sale liabilities	Note 8	-	-	83,672,283.93
Non-current liabilities maturing within one year	Note 29	18,017,650.44	23,805,570.20	20,928,004.34
Other current liabilities	Note 30	76,956,826.55	56,766,347.04	50,853,833.97
Total Current Liabilities		<u>4,641,483,054.34</u>	<u>5,524,811,243.77</u>	<u>4,864,485,482.37</u>
Non-current Liabilities:				
Long-term borrowings	Note 31	30,632,030.72	839,565.85	1,183,110.42
Bonds payables	Note 32	-	955,149,428.47	912,523,158.12
Including: Preferred shares		-	-	-
Including: Perpetual bond		-	-	-
Lease liabilities	Note 33	14,232,790.80	28,241,833.45	34,206,387.64
Long-term payables		-	-	-
Long-term wages and salaries payables		-	-	-
Provisions liabilities	Note 34	29,616,102.61	27,360,544.92	17,021,324.86
Deferred income	Note 35	66,557,458.62	75,903,994.54	85,290,664.00
Deferred income tax liabilities	Note 18	1,838,728.45	1,970,247.18	1,024,395.34
Other non-current liabilities	Note 36	11,841,247.32	24,433,346.53	26,582,211.05
Total Non-current Liabilities		<u>154,718,358.52</u>	<u>1,113,898,960.94</u>	<u>1,077,831,251.43</u>
Total Liabilities		<u>4,796,201,412.86</u>	<u>6,638,710,204.71</u>	<u>5,942,316,733.80</u>
Shareholders' Equity:				
Paid-up capital (Share capital)	Note 37	1,150,216,072.00	1,063,237,105.00	1,063,361,320.00
Other equity instruments	Note 38	-	131,882,189.43	131,888,001.90
Including: Preferred shares		-	-	-
Including: Perpetual bond		-	-	-
Capital reserves	Note 39	1,481,036,845.28	521,444,630.98	518,148,458.35
Less: Treasury stock	Note 40	125,230,622.21	-	718,080.00
Other comprehensive income	Note 41	(40,459,249.59)	(7,260,749.58)	(13,347,309.58)
Special reserves		-	-	-
Surplus reserves	Note 42	323,504,115.54	230,776,483.10	190,210,033.75
Undistributed profit	Note 43	3,210,565,086.06	2,586,397,757.20	2,312,588,051.44
Total Owner's Equity Attributable to the Owners of the Company		<u>5,999,632,247.08</u>	<u>4,526,477,416.13</u>	<u>4,202,130,475.86</u>
Minority interests		<u>14,256,319.86</u>	<u>32,045,958.72</u>	<u>105,692,158.53</u>
Total Shareholders' Equity		<u>6,013,888,566.94</u>	<u>4,558,523,374.85</u>	<u>4,307,822,634.39</u>
Total Liabilities and Shareholders' Equity		<u>10,810,089,979.80</u>	<u>11,197,233,579.56</u>	<u>10,250,139,368.19</u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

CONSOLIDATED INCOME STATEMENT

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	Note VI	2022	2021	2020
1. Operating income	<i>Note 44</i>	12,008,581,541.31	10,846,559,580.07	8,507,806,781.17
Less: Cost of sales	<i>Note 44</i>	9,887,184,207.64	9,085,305,918.27	6,960,456,096.40
Taxes and surcharges	<i>Note 45</i>	31,543,733.19	28,973,649.07	25,589,995.26
Selling expenses	<i>Note 46</i>	604,384,413.24	541,601,456.29	504,839,759.40
General and administrative expenses	<i>Note 47</i>	215,056,018.29	185,261,708.08	231,275,278.00
Research and development costs	<i>Note 48</i>	620,771,134.15	556,220,532.69	509,138,959.06
Finance costs	<i>Note 49</i>	(70,994,078.15)	(15,136,019.29)	26,030,986.70
Including: Interest expenses		53,363,796.63	64,872,428.88	77,609,475.89
Including: Interest income		129,573,003.68	103,686,309.61	76,782,342.02
Add: Other income	<i>Note 50</i>	170,350,194.70	148,438,818.11	139,056,507.42
Investment income	<i>Note 51</i>	(6,869,764.03)	90,372,147.25	(14,303,631.62)
Including: Share of profits of associates and joint ventures		3,168,992.12	7,847,401.30	10,493,593.03
Including: Income from derecognition of financial assets at amortised cost		(10,673,164.68)	(10,391,571.76)	(21,916,659.13)
Net exposure hedging gains		–	–	–
Gain on fair values changes	<i>Note 52</i>	6,441,832.89	9,514,716.80	(4,854,653.33)
Loss on credit impairment	<i>Note 53</i>	39,645,384.94	(276,344,781.43)	30,805,794.61
Loss on impairment of assets	<i>Note 54</i>	(33,850,836.08)	(34,844,553.09)	(35,122,736.60)
Gain on disposal of assets	<i>Note 55</i>	(695,933.64)	320,179.44	895,314.32
2. Operating profit		895,656,991.73	401,788,862.04	366,952,301.15
Add: Non-operating income	<i>Note 56</i>	2,549,133.42	8,284,287.62	3,987,604.78
Less: Non-operating expense	<i>Note 57</i>	14,338,861.58	4,635,282.82	6,806,212.73
3. Profit before tax		883,867,263.57	405,437,866.84	364,133,693.20
Less: Income tax expenses	<i>Note 58</i>	78,017,501.77	(9,378,652.69)	10,031,221.54
4. Net profit		805,849,761.80	414,816,519.53	354,102,471.66
Including: Net profit realised by the merged party before the merger involving entities under common control		–	–	(4,677,231.72)
(1) Classified by business continuity				
Net profit from continuing operations		805,849,761.80	414,816,519.53	354,102,471.66
Net profit from discontinued operation		–	–	–
(2) Classified by ownership				
Net profit attributable to owners of the parent company		823,038,116.06	421,783,006.33	383,695,074.99
Gain or loss attributable to non-controlling shareholders		(17,188,354.26)	(6,966,486.80)	(29,592,603.33)
5. Net other comprehensive income after tax		(31,993,544.61)	4,203,435.67	32,747,519.75
Net other comprehensive income after tax attributable to owners of the parent company		(33,198,500.01)	6,086,560.00	30,867,405.82
(1) Other comprehensive income not to be reclassified to profit or loss		–	–	–
1. Re-measurement of net changes in defined benefit plans		–	–	–
2. Other comprehensive income not to be transferred to profit or loss under the equity method		–	–	–
3. Changes in the fair value of other equity instrument investments		–	–	–
4. Changes in fair value of corporate credit risk		–	–	–

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Item	Note VI	2022	2021	2020
(2) Other comprehensive income to be reclassified to profit or loss		(33,198,500.01)	6,086,560.00	30,867,405.82
1. Other comprehensive income to be transferred to profit or loss under the equity method		-	-	-
2. Gain or loss on changes in the fair value of available-for-sale financial assets		-	-	-
3. Gain or loss on reclassification of held-to-maturity investments to available-for-sale financial assets		-	-	-
4. Changes in the fair value of other debt investments		-	-	-
5. Amount of financial assets reclassified and included in other comprehensive income		-	-	-
6. Other debt investment credit impairment reserves		-	-	-
7. Cash flow hedge reserves		-	-	-
8. Exchange differences arising on translation of financial statements denominated in foreign currencies		(33,198,500.01)	6,086,560.00	30,867,405.82
9. Investment income arising from a package disposal of subsidiaries before the loss of control		-	-	-
10. Conversion of other assets to investment property measured by fair value model		-	-	-
Net other comprehensive income after tax attributable to non-controlling shareholders		<u>1,204,955.40</u>	<u>(1,883,124.33)</u>	<u>1,880,113.93</u>
6. Total comprehensive income		<u><u>773,856,217.19</u></u>	<u><u>419,019,955.20</u></u>	<u><u>386,849,991.41</u></u>
Total comprehensive income attributable to owners of the parent company		789,839,616.05	427,869,566.33	414,562,480.81
Total comprehensive income attributable to non-controlling shareholders		(15,983,398.86)	(8,849,611.13)	(27,712,489.40)

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative: Person in charge of accounting: Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CASH FLOW

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	Note VI	2022	2021	2020
1. Cash flows from operating activities:				
Proceeds from sales of commodities and rendering of services		13,313,460,315.83	11,776,301,759.17	10,845,258,105.60
Taxes and surcharges refunded		516,275,360.17	470,761,551.43	385,387,865.72
Cash received from other operating activities	Note 59	268,875,384.02	215,684,639.19	242,274,388.76
Subtotal of cash generated from operating activities		14,098,611,060.02	12,462,747,949.79	11,472,920,360.08
Payments for commodities and services		10,346,582,761.65	10,189,227,406.85	7,121,609,774.97
Cash paid to and for employees		1,112,190,964.01	1,057,522,137.71	995,379,363.80
Taxes and surcharges paid		265,446,259.91	290,311,057.80	268,166,056.04
Cash paid for other operating activities	Note 59	763,986,995.04	735,723,802.52	641,358,018.28
Subtotal of cash used in operating activities		12,488,206,980.61	12,272,784,404.88	9,026,513,213.09
Net cash flows from operating activities		1,610,404,079.41	189,963,544.91	2,446,407,146.99
2. Cash flows from investing activities:				
Proceeds from realisation of investment		4,019,465.94	100,000,001.00	233,000,000.00
Proceeds from returns on investments		33,223,791.57	19,189,637.87	20,727,397.23
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		3,170,367.63	8,766,056.42	2,619,408.20
Net proceeds from disposal of subsidiaries and other operating units	Note 60	–	142,870,627.15	–
Cash received from other investing activities		68,485,000.00	–	–
Subtotal of cash generated from investing activities		108,898,625.14	270,826,322.44	256,346,805.43
Payments for acquisition of fixed assets, intangible assets and other long-term assets		194,054,621.76	266,644,708.26	206,727,671.37
Payments for investments		3,545,279.37	181,224,394.25	242,201,746.59
Payments for acquisition of subsidiaries and other operating units	Note 60	–	1.00	–
Cash used in other investing activities		63,800,000.00	–	–
Subtotal of cash used in investing activities		261,399,901.13	447,869,103.51	448,929,417.96
Net cash flows from investing activities		(152,501,275.99)	(177,042,781.07)	(192,582,612.53)

APPENDIX IV
FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Item	Note VI	2022	2021	2020
3. Cash flows from financing activities:				
Cash received from capital contribution		–	–	–
Including: Cash received by the subsidiary from capital contribution of minority shareholders		–	–	–
Cash received from borrowings		1,294,309,723.45	2,266,211,329.70	2,668,088,892.27
Cash received from other financing activities	Note 59	134,802,555.15	265,077,691.04	654,761,192.62
		-----	-----	-----
Subtotal of cash generated from financing activities		<u>1,429,112,278.60</u>	<u>2,531,289,020.74</u>	<u>3,322,850,084.89</u>
Repayment of borrowings		1,979,925,652.85	2,075,050,457.12	3,027,604,636.30
Distribution of dividends or profits and payments for interest expenses		134,339,975.57	123,343,927.70	144,242,167.34
Including: Dividends or profits paid by subsidiaries to minority shareholders		1,806,240.00	1,507,200.00	1,137,600.00
Cash paid for other financing activities	Note 59	230,496,553.53	192,283,660.14	965,105,575.42
		-----	-----	-----
Subtotal of cash used in financing activities		<u>2,344,762,181.95</u>	<u>2,390,678,044.96</u>	<u>4,136,952,379.06</u>
Net cash flows from financing activities		<u>(915,649,903.35)</u>	<u>140,610,975.78</u>	<u>(814,102,294.17)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>20,365,153.25</u>	<u>(24,047,185.84)</u>	<u>(12,340,716.84)</u>
5. Net increase in cash and cash equivalents		<u>562,618,053.32</u>	<u>129,484,553.78</u>	<u>1,427,381,523.45</u>
Add: Cash and cash equivalents at the beginning of the period		<u>3,325,258,059.57</u>	<u>3,195,773,505.79</u>	<u>1,768,391,982.34</u>
6. Cash and cash equivalents at the end of the period	Note 60	<u>3,887,876,112.89</u>	<u>3,325,258,059.57</u>	<u>3,195,773,505.79</u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	2022									
	Shareholders' equity attributable to the parent company									Total
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Minority interests	Shareholders' Equity
1. Closing balance of the previous year	1,063,237,105.00	131,882,189.43	521,444,630.98	-	(7,260,749.58)	-	230,776,483.10	2,586,397,757.20	32,045,958.72	4,558,523,374.85
Add: Change in accounting policy	-	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
2. Opening balance of the current year	1,063,237,105.00	131,882,189.43	521,444,630.98	-	(7,260,749.58)	-	230,776,483.10	2,586,397,757.20	32,045,958.72	4,558,523,374.85
3. Change in increase or decrease of the current year	86,978,967.00	(131,882,189.43)	959,592,214.30	125,230,622.21	(33,198,500.01)	-	92,727,632.44	624,167,328.86	(17,789,638.86)	1,455,365,192.09
(1) Total comprehensive income	-	-	-	-	(33,198,500.01)	-	-	823,038,116.06	(15,983,398.86)	773,856,217.19
(2) Capital invested and decreased by shareholders	86,978,967.00	(131,882,189.43)	1,014,387,794.88	125,230,622.21	-	-	-	-	-	844,253,950.24
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-
4. Others	86,978,967.00	(131,882,189.43)	1,014,387,794.88	-	-	-	-	-	-	969,484,572.45
(3) Profit distribution	-	-	-	125,230,622.21	-	-	-	-	-	(125,230,622.21)
1. Appropriation to surplus reserves	-	-	-	-	-	-	92,727,632.44	(198,870,787.20)	(1,806,240.00)	(107,949,394.76)
2. Distribution to shareholders	-	-	-	-	-	-	92,727,632.44	(92,727,632.44)	-	-
3. Others	-	-	-	-	-	-	-	(106,143,154.76)	(1,806,240.00)	(107,949,394.76)
(4) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-
2. Use in the current period	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	(54,795,580.58)	-	-	-	-	-	-	(54,795,580.58)
4. Closing balance of the current year	1,150,216,072.00	-	1,481,036,845.28	125,230,622.21	(40,459,249.59)	-	323,504,115.54	3,210,565,086.06	14,256,319.86	6,013,888,566.94

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	Shareholders' equity attributable to the parent company										Total Shareholders' Equity
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Minority interests		
1. Closing balance of the previous year	1,063,361,320.00	131,888,001.90	518,148,458.35	718,080.00	(13,347,309.58)	-	190,210,033.75	2,312,588,051.44	105,692,158.53	4,307,822,634.39	
Add: Change in accounting policy	-	-	-	-	-	-	-	-	-	-	
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	
Business combination under common control	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	
2. Opening balance of the current year	1,063,361,320.00	131,888,001.90	518,148,458.35	718,080.00	(13,347,309.58)	-	190,210,033.75	2,312,588,051.44	105,692,158.53	4,307,822,634.39	
3. Change in increase or decrease of the current year	(124,215.00)	(5,812.47)	3,296,172.63	(718,080.00)	6,086,560.00	-	40,566,449.35	273,809,705.76	(73,646,199.81)	250,700,740.46	
(1) Total comprehensive income	(124,215.00)	(5,812.47)	3,296,172.63	(718,080.00)	6,086,560.00	-	-	421,783,006.33	(8,849,611.13)	419,019,955.20	
(2) Capital invested and decreased by shareholders	(128,000.00)	-	(590,080.00)	(718,080.00)	-	-	-	(1,083,237.82)	(63,289,388.68)	(60,488,401.34)	
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	
2. Capital invested by other equity instrument holders	3,785.00	(5,812.47)	42,721.80	-	-	-	-	-	-	40,694.33	
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	3,843,530.83	-	-	-	-	(1,083,237.82)	(63,289,388.68)	(60,529,095.67)	
(3) Profit distribution	-	-	-	-	-	-	-	(146,890,062.75)	(1,507,200.00)	(107,830,813.40)	
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	(40,566,449.35)	-	-	
2. Distribution to shareholders	-	-	-	-	-	-	-	(106,323,613.40)	(1,507,200.00)	(107,830,813.40)	
3. Others	-	-	-	-	-	-	-	-	-	-	
(4) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	
2. Use in the current period	-	-	-	-	-	-	-	-	-	-	
(6) Others	-	-	-	-	-	-	-	-	-	-	
4. Closing balance of the current year	1,063,237,105.00	131,882,189.43	521,444,630.98	-	(7,260,749.58)	-	230,776,483.10	2,586,397,757.20	32,045,958.72	4,558,523,374.85	

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	Shareholders' equity attributable to the parent company										Total Shareholders' Equity
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Minority interests		
1. Closing balance of the previous year	1,058,283,534.00	140,246,805.35	464,042,408.32	82,157,240.00	(44,214,715.40)	-	147,071,629.42	2,080,699,622.18	144,951,996.80	3,908,924,040.67	
Add: Change in accounting policy	-	-	-	-	-	-	-	-	-	-	
Error correction of previous period	-	-	-	-	-	-	-	-	-	-	
Business combination under common control	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	
2. Opening balance of the current year	1,058,283,534.00	140,246,805.35	464,042,408.32	82,157,240.00	(44,214,715.40)	-	147,071,629.42	2,080,699,622.18	144,951,996.80	3,908,924,040.67	
3. Change in increase or decrease of the current year	5,077,786.00	(8,358,803.45)	54,106,050.03	(81,439,160.00)	30,867,405.82	-	43,138,404.33	231,888,429.26	(39,259,838.27)	398,898,593.72	
(1) Total comprehensive income	-	-	-	-	30,867,405.82	-	-	383,695,074.99	(27,712,489.40)	386,849,991.41	
(2) Capital invested and decreased by shareholders	5,077,786.00	(8,358,803.45)	54,106,050.03	(81,439,160.00)	30,867,405.82	-	-	(10,409,748.87)	(10,409,748.87)	19,473,022.01	
1. Ordinary shares invested by shareholders	(316,500.00)	-	(1,437,690.00)	(81,439,160.00)	-	-	-	(2,381,421.70)	(10,434,242.17)	69,250,727.83	
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	
3. Amount of share-based payment recognised as shareholders' equity	5,394,286.00	(8,358,803.45)	58,214,450.75	-	-	-	-	-	-	55,249,933.30	
4. Others	-	-	2,508,148.98	-	-	-	-	(2,381,421.70)	24,493.30	2,532,642.28	
(3) Profit distribution	-	-	(5,178,859.70)	-	-	-	-	(149,425,224.03)	(1,137,600.00)	(7,560,281.40)	
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	43,138,404.33	(1,137,600.00)	(107,424,419.70)	
2. Distribution to shareholders	-	-	-	-	-	-	-	(43,138,404.33)	-	-	
3. Others	-	-	-	-	-	-	-	(106,286,819.70)	(1,137,600.00)	(107,424,419.70)	
(4) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	
2. Use in the current period	-	-	-	-	-	-	-	-	-	-	
(6) Others	-	-	-	-	-	-	-	-	-	-	
4. Closing balance of the current year	1,063,361,320.00	131,888,001.90	518,148,458.35	718,080.00	(13,347,309.58)	-	190,210,033.75	2,312,588,051.44	105,692,158.53	4,307,822,634.39	

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

PARENT COMPANY BALANCE SHEET

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Assets	Note XVII	31 December 2022	31 December 2021	31 December 2020
Current Assets:				
Bank balances and cash		308,038.56	238,910.42	224,590.23
Financial assets at fair value through profit or loss		–	–	–
Financial assets held for trading		–	–	–
Derivative financial assets		–	–	–
Bills receivables		–	–	–
Trade receivables		–	–	–
Financing balance receivables		–	–	–
Prepayments		–	1,137.92	822.00
Other receivables	<i>Note 1</i>	264,845,051.91	1,318,508,714.37	1,255,871,659.25
Inventories		–	–	–
Contract assets		–	–	–
Held-for-sale assets		–	–	–
Non-current assets maturing within one year		–	–	–
Other current assets		156,679.49	1,772,058.39	2,116,054.87
Total Current Assets		<u>265,309,769.96</u>	<u>1,320,520,821.10</u>	<u>1,258,213,126.35</u>
Non-current Assets:				
Available-for-sale financial assets		–	–	–
Held-to-maturity investments		–	–	–
Debt investments		–	–	–
Other debt investments		–	–	–
Long-term receivables		–	–	–
Long-term equity investments	<i>Note 2</i>	5,118,062,146.69	4,092,059,831.63	4,093,012,309.34
Other equity instrument investments		–	–	–
Other non-current financial assets		–	–	–
Investment properties		–	–	–
Fixed assets		14,520.38	18,373.63	28,852.35
Construction-in-progress		–	–	–
Right-of-use assets		–	–	–
Intangible assets		–	–	–
Development costs		–	–	–
Goodwill		–	–	–
Long-term deferred expenses		–	–	160,373.85
Deferred income tax assets		–	–	–
Other non-current assets		–	–	–
Total Non-current Assets		<u>5,118,076,667.07</u>	<u>4,092,078,205.26</u>	<u>4,093,201,535.54</u>
Total Assets		<u><u>5,383,386,437.03</u></u>	<u><u>5,412,599,026.36</u></u>	<u><u>5,351,414,661.89</u></u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

<u>Liabilities and Shareholders' Equity</u>	<u>Note XVII</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Current Liabilities:				
Short-term loan		-	-	-
Financial liabilities at fair value through profit or loss		-	-	-
Financial liabilities held for trading		-	-	-
Derivative financial liabilities		-	-	-
Bills payables		-	-	-
Trade payables		-	-	-
Receipts in advance		-	-	-
Contract liabilities		-	-	-
Wages and salaries payables		90,000.00	90,000.00	825,166.92
Taxes and surcharges payables		132,080.55	144,246.70	74,188.32
Other payables		5,170.26	5,170.26	753,741.94
Held-for-sale liabilities		-	-	-
Non-current liabilities maturing within one year		-	6,926,934.75	4,156,344.03
Other current liabilities		-	-	-
		-----	-----	-----
Total Current Liabilities		<u>227,250.81</u>	<u>7,166,351.71</u>	<u>5,809,441.21</u>
Non-current Liabilities:				
Long-term borrowings		-	-	-
Bonds payables		-	955,149,428.47	912,523,158.12
Including: Preferred shares		-	-	-
Including: Perpetual bond		-	-	-
Lease liabilities		-	-	-
Long-term payables		-	-	-
Long-term wages and salaries payables		-	-	-
Provisions liabilities		-	-	-
Deferred income		-	-	-
Deferred income tax liabilities		-	-	-
Other non-current liabilities		-	-	-
		-----	-----	-----
Total Non-current Liabilities		<u>-</u>	<u>955,149,428.47</u>	<u>912,523,158.12</u>
		-----	-----	-----
Total Liabilities		<u>227,250.81</u>	<u>962,315,780.18</u>	<u>918,332,599.33</u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Liabilities and Shareholders' Equity	Note XVII	31 December 2022	31 December 2021	31 December 2020
Shareholders' Equity:				
Paid-up capital (Share capital)		1,150,216,072.00	1,063,237,105.00	1,063,361,320.00
Other equity instruments		–	131,882,189.43	131,888,001.90
Including: Preferred shares		–	–	–
Including: Perpetual bond		–	–	–
Capital reserves		4,075,289,925.82	3,060,902,130.94	3,061,449,489.14
Less: Treasury stock		125,230,622.21	–	718,080.00
Other comprehensive income		–	–	–
Special reserves		–	–	–
Surplus reserves		52,787,555.07	52,787,555.07	52,787,555.07
Undistributed profit		230,096,255.54	141,474,265.74	124,313,776.45
		-----	-----	-----
Total Shareholders' Equity		<u>5,383,159,186.22</u>	<u>4,450,283,246.18</u>	<u>4,433,082,062.56</u>
Total Liabilities and Shareholders' Equity		<u><u>5,383,386,437.03</u></u>	<u><u>5,412,599,026.36</u></u>	<u><u>5,351,414,661.89</u></u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative: Person in charge of accounting: Person in charge of the accounting department:

PARENT COMPANY INCOME STATEMENT

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	Note XVII	2022	2021	2020
1. Operating income		-	-	-
Less: Cost of sales		-	-	-
Taxes and surcharges		276,570.38	16,496.40	4,532.57
Selling expenses		-	-	-
General and administrative expenses		3,214,161.64	3,605,152.89	6,621,935.55
Research and development costs		-	-	-
Finance costs		21,814,345.33	51,301,734.18	48,865,904.11
Including: Interest expenses		21,815,423.41	51,305,241.28	48,861,459.43
Including: Interest income		7,421.14	7,983.55	1,671.21
Add: Other income		(277,979.61)	83,614.31	60,370.98
Investment income	Note 3	220,348,201.53	178,297,522.29	135,716,663.35
Including: Share of profits of associates and joint ventures		3,348,201.53	8,325,581.68	10,216,663.35
Including: Income from derecognition of financial assets at amortised cost		-	-	-
Net exposure hedging gains		-	-	-
Gain on fair values changes		-	-	-
Loss on credit impairment		-	-	-
Loss on impairment of assets		-	-	-
Gain on disposal of assets		-	749.56	8,900.77
		-----	-----	-----
2. Operating profit		194,765,144.57	123,458,502.69	80,293,562.87
Add: Non-operating income		-	25,600.00	-
Less: Non-operating expense		0.01	-	-
		-----	-----	-----
3. Profit before tax		194,765,144.56	123,484,102.69	80,293,562.87
Less: Income tax expenses		-	-	-
		-----	-----	-----
4. Net profit		194,765,144.56	123,484,102.69	80,293,562.87
(1) Net profit from continuing operations		194,765,144.56	123,484,102.69	80,293,562.87
(2) Net profit from discontinued operation		-	-	-
		-----	-----	-----

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Item	Note XVII	2022	2021	2020
5. Net other comprehensive income after tax		-	-	-
(1) Other comprehensive income not to be reclassified to profit or loss		-	-	-
1. Re-measurement of net changes in defined benefit plans		-	-	-
2. Other comprehensive income not to be transferred to profit or loss under the equity method		-	-	-
3. Changes in the fair value of other equity instrument investments		-	-	-
4. Changes in fair value of corporate credit risk		-	-	-
(2) Other comprehensive income to be reclassified to profit or loss		-	-	-
1. Other comprehensive income to be transferred to profit or loss under the equity method		-	-	-
2. Gain or loss on changes in the fair value of available-for-sale financial assets		-	-	-
3. Gain or loss on reclassification of held-to-maturity investments to available-for-sale financial assets		-	-	-
4. Changes in the fair value of other debt investments		-	-	-
5. Amount of financial assets reclassified and included in other comprehensive income		-	-	-
6. Other debt investment credit impairment reserves		-	-	-
7. Cash flow hedge reserves		-	-	-
8. Exchange differences arising on translation of financial statements denominated in foreign currencies		-	-	-
9. Investment income arising from a package disposal of subsidiaries before the loss of control		-	-	-
10. Conversion of other assets to investment property measured by fair value model		-	-	-
6. Total comprehensive income		<u>194,765,144.56</u>	<u>123,484,102.69</u>	<u>80,293,562.87</u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative: Person in charge of accounting: Person in charge of the accounting department:

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

PARENT COMPANY STATEMENT OF CASH FLOW

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	Note XVII	2022	2021	2020
1. Cash flows from operating activities:				
Proceeds from sales of commodities and rendering of services		-	-	-
Taxes and surcharges refunded		1,759,952.71	-	-
Cash received from other operating activities		192,653,791.59	86,941,298.02	24,613,817.04
		-----	-----	-----
Subtotal of cash generated from operating activities		<u>194,413,744.30</u>	<u>86,941,298.02</u>	<u>24,613,817.04</u>
Payments for commodities and services		-	-	-
Cash paid to and for employees		1,081,200.00	1,843,761.82	3,533,900.05
Taxes and surcharges paid		275,432.46	16,496.40	921.30
Cash paid for other operating activities		121,540,435.77	106,904,058.81	7,509,578.40
		-----	-----	-----
Subtotal of cash used in operating activities		<u>122,897,068.23</u>	<u>108,764,317.03</u>	<u>11,044,399.75</u>
Net cash flows from operating activities		<u><u>71,516,676.07</u></u>	<u><u>(21,823,019.01)</u></u>	<u><u>13,569,417.29</u></u>
2. Cash flows from investing activities:				
Proceeds from realisation of investment		-	-	-
Proceeds from returns on investments		174,380,000.00	134,750,000.00	99,660,000.00
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		-	2,500.00	-
Net proceeds from disposal of subsidiaries and other operating units		-	-	-
Cash received from other investing activities		-	-	-
		-----	-----	-----
Subtotal of cash generated from investing activities		<u>174,380,000.00</u>	<u>134,752,500.00</u>	<u>99,660,000.00</u>
Payments for acquisition of fixed assets, intangible assets and other long-term assets		-	-	18,178.32
Payments for investments		-	-	-
Payments for acquisition of subsidiaries and other operating units		-	-	-
Cash used in other investing activities		-	-	-
		-----	-----	-----
Subtotal of cash used in investing activities		<u>-</u>	<u>-</u>	<u>18,178.32</u>
Net cash flows from investing activities		<u><u>174,380,000.00</u></u>	<u><u>134,752,500.00</u></u>	<u><u>99,641,821.68</u></u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Item	Note XVII	2022	2021	2020
3. Cash flows from financing activities:				
Cash received from capital contribution		-	-	-
Cash received from borrowings		-	-	-
Cash received from other financing activities		-	-	-
		-----	-----	-----
Subtotal of cash generated from financing activities		-	-	-
Repayment of borrowings		4,592,400.00	-	-
Distribution of dividends or profits and payments for interest expenses		116,004,525.72	112,197,080.80	111,394,752.00
Cash paid for other financing activities		125,230,622.21	718,080.00	1,754,190.00
		-----	-----	-----
Subtotal of cash used in financing activities		245,827,547.93	112,915,160.80	113,148,942.00
Net cash flows from financing activities		<u>(245,827,547.93)</u>	<u>(112,915,160.80)</u>	<u>(113,148,942.00)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents				
		-	-	-
5. Net increase in cash and cash equivalents				
Add: Cash and cash equivalents at the beginning of the period		69,128.14	14,320.19	62,296.97
		-----	-----	-----
		238,910.42	224,590.23	162,293.26
6. Cash and cash equivalents at the end of the period				
		<u>308,038.56</u>	<u>238,910.42</u>	<u>224,590.23</u>

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative: Person in charge of accounting: Person in charge of the accounting department:

PARENT COMPANY STATEMENTS OF CHANGES IN OWNERS' EQUITY

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	2022							Total Shareholders' Equity	
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves		Undistributed profit
1. Closing balance of the previous year	1,063,237,105.00	131,882,189.43	3,060,902,130.94	-	-	-	52,787,555.07	141,474,265.74	4,450,283,246.18
Add: Change in accounting policy	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
2. Opening balance of the current year	1,063,237,105.00	131,882,189.43	3,060,902,130.94	-	-	-	52,787,555.07	141,474,265.74	4,450,283,246.18
3. Change in increase or decrease of the current year	86,978,967.00	(131,882,189.43)	1,014,387,794.88	125,230,622.21	-	-	-	88,621,989.80	932,875,940.04
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-
(2) Capital invested and decreased by shareholders	86,978,967.00	(131,882,189.43)	1,014,387,794.88	125,230,622.21	-	-	-	194,765,144.56	194,765,144.56
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-	-	844,253,950.24
2. Capital invested by other equity instrument holders	86,978,967.00	(131,882,189.43)	1,014,387,794.88	-	-	-	-	-	969,484,572.45
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	125,230,622.21	-	-	-	-	(125,230,622.21)
(3) Profit distribution	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	(106,143,154.76)	(106,143,154.76)
2. Distribution to shareholders	-	-	-	-	-	-	-	(106,143,154.76)	(106,143,154.76)
3. Others	-	-	-	-	-	-	-	-	-
(4) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-
2. Use in the current period	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-
4. Closing balance of the current year	1,150,216,072.00	-	4,075,289,925.82	125,230,622.21	-	-	52,787,555.07	230,096,255.54	5,383,159,186.22

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative: Person in charge of accounting:

Person in charge of the accounting department:

Prepared by: Skyworth Digital Co., Ltd.

(The amounts are presented in RMB, except as otherwise noted)

Item	2021								
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Total Shareholders' Equity
1. Closing balance of the previous year	1,063,361,320.00	131,888,001.90	3,061,449,489.14	718,080.00	-	-	52,787,555.07	124,313,776.45	4,433,082,062.56
Add: Change in accounting policy	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
2. Opening balance of the current year	1,063,361,320.00	131,888,001.90	3,061,449,489.14	718,080.00	-	-	52,787,555.07	124,313,776.45	4,433,082,062.56
3. Change in increase or decrease of the current year	(124,215.00)	(5,812.47)	(547,358.20)	(718,080.00)	-	-	-	17,160,489.29	17,201,183.62
(1) Total comprehensive income	-	-	-	-	-	-	-	123,484,102.69	123,484,102.69
(2) Capital invested and decreased by shareholders	(124,215.00)	(5,812.47)	(547,358.20)	(718,080.00)	-	-	-	-	40,694.33
1. Ordinary shares invested by shareholders	(128,000.00)	-	(590,080.00)	(718,080.00)	-	-	-	-	-
2. Capital invested by other equity instrument holders	3,785.00	(5,812.47)	42,721.80	-	-	-	-	-	40,694.33
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	(106,323,613.40)	(106,323,613.40)
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	(106,323,613.40)	(106,323,613.40)
(4) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-
2. Use in the current period	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-
4. Closing balance of the current year	1,063,237,105.00	131,882,189.43	3,060,902,130.94	-	-	-	52,787,555.07	141,474,265.74	4,450,283,246.18

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

(The amounts are presented in RMB, except as otherwise noted)

Prepared by: Skyworth Digital Co., Ltd.

Item	2020							Total Shareholders' Equity	
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves		Undistributed profit
1. Closing balance of the previous year	1,058,283,534.00	140,246,805.35	3,002,140,086.13	82,157,240.00	-	-	52,787,555.07	150,307,033.28	4,321,607,773.83
Add: Change in accounting policy	-	-	-	-	-	-	-	-	-
Error correction of previous period	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
2. Opening balance of the current year	1,058,283,534.00	140,246,805.35	3,002,140,086.13	82,157,240.00	-	-	52,787,555.07	150,307,033.28	4,321,607,773.83
3. Change in increase or decrease of the current year	5,077,786.00	(8,358,803.45)	59,309,403.01	(81,439,160.00)	-	-	-	(25,993,256.83)	111,474,288.73
(1) Total comprehensive income	-	-	-	-	-	-	-	80,293,562.87	80,293,562.87
(2) Capital invested and decreased by shareholders	5,077,786.00	(8,358,803.45)	59,309,403.01	(81,439,160.00)	-	-	-	-	137,467,545.56
1. Ordinary shares invested by shareholders	(316,500.00)	-	(1,437,690.00)	(81,439,160.00)	-	-	-	-	79,684,970.00
2. Capital invested by other equity instrument holders	5,394,286.00	(8,358,803.45)	58,214,450.75	-	-	-	-	-	55,249,933.30
3. Amount of share-based payment recognised as shareholders' equity	-	-	2,532,642.26	-	-	-	-	-	2,532,642.26
4. Others	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	(106,286,819.70)	(106,286,819.70)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	(106,286,819.70)	(106,286,819.70)
3. Others	-	-	-	-	-	-	-	-	-
(4) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserves	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-
2. Use in the current period	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-
4. Closing balance of the current year	1,063,361,320.00	131,888,001.90	3,061,449,489.14	718,080.00	-	-	52,787,555.07	124,313,776.45	4,433,082,062.56

(The accompanying notes to the financial statements form an integral part of the consolidated financial statements)

Legal representative:

Person in charge of accounting:

Person in charge of the accounting department:

SKYWORTH DIGITAL CO., LTD.
AS OF 31 DECEMBER 2022
AND THE PREVIOUS THREE YEARS

NOTES TO THE FINANCIAL STATEMENTS**1. COMPANY PROFILE****(I) Place of incorporation, form of organization and headquarter address of the Company**

Skyworth Digital Co., Ltd. (hereinafter referred to as the “Company”), formerly known as China Resources Jinhua Co., Ltd.* (華潤錦華股份有限公司) (hereinafter referred to as “CR Jinhua”), was established as a joint-stock pilot enterprise by way of promotion by Sichuan Suining cotton textile factory in 1988 upon approval by the Circular Sui Fu Han (1988) No. 018 issued by the municipal government of Suining, Sichuan Province. The Company obtained its enterprise legal person business licence number of 510000400002304, and issued shares to the public upon approval by the Circular Sui Ren Hang Jin (88) No. 41 issued by the Suining Branch of the People’s Bank of China in the same year. In 1993, the continued implementation of joint-stock pilot was approved by the Circular Ti Gai Sheng Zi (1993) No. 199 issued by the State Economic Restructuring Commission. In February 1998, as approved by the Circular Zheng Jian Fa Zi (1998) No. 20 issued by China Securities Regulatory Commission and the Circular Shen Zhen Fa Zi (1998) No. 122 issued by Shenzhen Stock Exchange, the Company’s shares were listed and traded on Shenzhen Stock Exchange on 2 June 1998. Now it holds the business licence with a unified social credit code of 91510900708989141U.

From November 2000 to March 2002, the total share capital of the Company was changed to RMB129,665,700 by way of issuing bonus shares with distributable profits and capitalization of reserve on three occasions.

On 17 September 2001, Suining Xing Ye Asset Management Co., Ltd.* (遂寧興業資產經營公司), the first majority shareholder of the Company, entered into an equity transfer agreement with China Resources National Corporation* (中國華潤總公司), whereby Suining Xing Ye Asset Management Co., Ltd.* (遂寧興業資產經營公司) transferred its 51% equity interests in the Company (48,980,000 shares) to China Resources National Corporation. The equity transfer agreement was approved by Circular [Chuan Fu Han (2001) No. 284] issued by the People’s Government of Sichuan Province, the Circular [Cai Qi (2001) No. 657] issued by the Ministry of Finance and the Circular [Zheng Jian Han (2001) No. 357] issued by the China Securities Regulatory Commission, and the filing of the transfer with the Shenzhen Stock Exchange was completed in January 2002.

In February 2003, China Resources National Corporation* (中國華潤總公司), the first majority shareholder of the Company, entered into an equity transfer agreement with China Resources Light Industries and Textiles (Holdings) Company Limited* (華潤輕紡(集團)有限公司) (now known as “China Resources Textiles (Holdings) Company Limited”* (華潤紡織(集團)有限公司)), whereby China Resources National Corporation* (中國華潤總公司) transferred all of its equity interests in the Company to China Resources Light Industries and Textiles (Holdings) Company Limited* (華潤輕紡(集團)有限公司). The equity transfer agreement was approved by the Circular Guo Jing Mao Wai Jing [2003] No. 167 issued by the State Economic and Trade Commission, the Circular Cai Qi [2003] No. 133 issued by the Ministry of Finance and the Circular Shang Zi Er Han [2003] No. 187 issued by the Ministry of Commerce, and it has obtained the “*Approval for Exempting China Resources Light Industries and Textiles (Holdings) Company Limited from an Obligation to Make an Offer for Acquiring the Shares of CR Jinhua*”* 《關於同意豁免華潤輕紡(集團)有限公司要約收購“華潤錦華”(股票義務的批覆)》(Zheng Jian Gong Si Zi [2003] No. 19) from China Securities Regulatory Commission. On 11 June 2003, the Company obtained the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese from the Ministry of Commerce, with approval number of Wai Jing Mao Zi Shen A Zi [2003] No. 0050. The registration of equity transfer with Shenzhen branch of China Securities Depository and Clearing Corporation Limited was completed on 14 July 2003, and the registration of such change with the State Administration for Industry and Commerce was completed on 5 September 2003.

In 2006, the equity division reform proposal for the Company's A shares was approved at the Company's 2006 second extraordinary general meeting and the relevant general meetings held on 4 September 2006. The proposal was carried out by way of shareholders of non-circulating shares donating assets to the Company and exempting the Company's debts. The equity division reform proposal was completed on 17 November 2006. After implementation of the proposal, the total share capital, the share capital structure and the number of shares held by shareholders of the Company remained unchanged. On 17 November 2006, the original non-circulating shares held by the shareholders changed to restricted circulating shares.

On 17 November 2007, according to the Company's equity division reform proposal, the lock-up period of 16,411,286.00 restricted circulating shares held by the shareholders of original non-circulating shares of the Company expired.

On 16 December 2008, two shareholders were released from trading restrictions, and the actual number of restricted circulating shares was 10,958,004 shares, among which the number of circulating shares of China Resources Textiles (Holdings) Company Limited* (華潤紡織(集團)有限公司) was 6,483,286 shares, and the number of circulating shares of Suining Xing Ye Asset Management Co., Ltd was 4,474,718 shares.

On 2 December 2009, one shareholder of China Resources Textiles (Holdings) Company Limited* (華潤紡織(集團)有限公司) was released from trading restrictions, and its actual number of restricted circulating shares was 53,156,428 shares. At this point, all the shares of the Company were non-restricted circulating shares.

In 2014, China Resources Textiles (Holdings) Company Limited* (華潤紡織(集團)有限公司), the shareholder of the Company, transferred its 48 million shares in the Company to Shenzhen Chuangwei-RGB Electronics Co., Ltd.* (深圳創維-RGB(電子)有限公司) by way of agreement. At the same time, the Company acquired 100% equity interest in Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司) (hereinafter referred to as "Shenzhen Skyworth Digital") by making a non-public offer of shares to all shareholders of Shenzhen Skyworth Digital. The Company obtained the approvals and completed the change of registration in accordance with the law. On 26 September 2014, with the approval of Shenzhen Stock Exchange, the Company issued 369,585,915 RMB ordinary shares (A shares) for listing and trading. After this change, the total share capital of the Company changed to 499,251,633 shares.

Pursuant to the Company's *Plan for Profit Distribution and Capitalization of Capital Reserve for 2014** (《公司2014年度利潤分配和資本公積金轉增股本預案》) which was considered and approved at the 2014 annual general meeting held on 16 April 2015, a cash dividend of RMB2 was paid to all shareholders for every 10 shares on the basis of the Company's existing total share capital of 499,251,633 shares, and 10 shares of capital reserve were issued to all shareholders for every 10 shares. On 21 April 2015, the Company issued the Announcement on the *Implementation of Annual Equity Distribution for 2014** (《2014年年度權益分派實施公告》). The equity registration date for this equity distribution was 24 April 2015, and the ex-right and ex-dividend date was 27 April 2015. The total number of shares of the Company changed from 499,251,633 shares to 998,503,266 shares.

On 30 September 2015, 132,997,500 shares under the non-public issuance in September 2014 were released from trading restriction.

On 28 September 2016, 30,627,437 shares under the non-public issuance in September 2014 were released from trading restriction.

On 9 October 2017, 86,998,385 shares under the non-public issuance in September 2014 were released from trading restriction.

On 30 April 2016, the Company received the Circular "Zheng Jian Xu Ke [2016] No. 929" from the China Securities Regulatory Commission, which approved the non-public issuance of shares. The Company issued 36,055,014 shares to Skyworth LCD Technology Limited* (創維液晶科技有限公司) with a par value of RMB1 per share at an issue price of RMB12.22 per share by the directed non-public issuance. The above

shares under the directed non-public issuance were listed on Shenzhen Stock Exchange on 3 November 2016. After the directed non-public additional issuance, the total number of shares of the Company was 1,034,558,280 shares.

On 28 September 2017, the Company issued the 2017 Restricted Shares to the serving directors, senior executives, research and development technicians, marketing staff and operation managers, the number of participants who were granted incentives was 570, and the actual number of restricted shares granted in the first grant was 36,373,000 shares.

On 11 June 2018, the Company convened the 3rd meeting of the 10th board of directors to consider and approve the “*Resolution on the Grant of the Reserved Restricted Shares under the 2017 Restricted Share Incentive Scheme to the Participants*”* (《關於向激勵對象授予2017年限制性股票激勵計劃預留限制性股票的議案》). The actual number of participants who were granted incentives by the Company was 77, and the actual number of reserved restricted shares granted was 4,608,000 shares.

According to the provisions of the “*Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees*”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》) which was considered and approved at the 28th meeting of the 9th board of directors held on 21 March 2018 and the 2017 annual general meeting held on 13 April 2018, a total of 21 participants who were previously the operation managers and marketing staff of the Company had resigned due to personal reasons and were no longer qualified as participants, and all the restricted shares totaling 1,035,000 shares that had been granted to them yet still locked up were repurchased and cancelled.

In accordance with the announcement of the 4th meeting of the 10th board of directors held on 3 August 2018, the Company considered and approved the “*Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees*”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》), a total of 13 participants who were previously employees of the Company had resigned due to personal reasons and were no longer qualified as participants, and all the restricted shares totaling 401,000 shares that had been granted to them yet still locked up were repurchased and cancelled.

On 22 March 2019, the Company convened the 12th meeting of the 10th board of directors and the 12th meeting of the 9th board of supervisors to consider and approve the “*Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees*”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》), which was also considered and approved at the 2018 annual general meeting held on 23 April 2019. A total of 40 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased and cancelled by the Company was 1,084,000 shares, and the number of certain restricted shares reserved to be granted that were repurchased and cancelled was 110,000 shares.

On 22 August 2019, the Company convened the 18th meeting of the 10th board of directors and the 17th meeting of the 9th board of supervisors to consider and approve the “*Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees*”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》). A total of 12 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased and cancelled by the Company was 659,400 shares.

For Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司) which was previously acquired under a business combination under the common control of the Company, according to the *Profit Forecast Compensation Agreement** (《盈利預測補償協議》) and the *Supplement Agreement to the Profit Forecast Compensation Agreement** (《盈利預測補償之協議補充協議》) entered into with the original shareholders, as the financial performance of the acquisition target fell short of expectation, 13,971,152 shares which would have been compensated by the original shareholders were repurchased and canceled by the Company at a consideration of RMB1 in the current period.

On 24 March 2020, the Company convened the 21st meeting of the 10th board of directors and the 20th meeting of the 9th board of supervisors to consider and approve the “*Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees*”* (《關於

回購註銷公司離職員工股權激勵限制性股票的議案》)。A total of 21 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased and cancelled by the Company was 294,000 shares, and the number of certain restricted shares reserved to be granted that were repurchased and cancelled was 22,500 shares.

On 19 March 2021, the Company convened the 27th meeting of the 10th board of directors and the 25th meeting of the 9th board of supervisors to consider and approve the “*Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees*”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》)。A total of 8 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased and cancelled by the Company was 128,000 shares.

As approved in the Circular “Zheng Jian Xu Ke [2018] No. 1913” from the China Securities Regulatory Commission, the Company issued 10.40 million convertible corporate bonds publicly with par value of RMB100 each totaling RMB1.04 billion on 15 April 2019. As approved in the Circular “Shen Zheng Shang [2019] No. 272” from the Shenzhen Stock Exchange, trading in the Company’s convertible corporate bonds on the Shenzhen Stock Exchange commenced on 16 May 2019, while conversion into shares of the Company commenced on 21 October 2019. Throughout the conversion period, the bonds were converted into a total of 92,381,844 shares of Skyworth Digital.

After years of issuing bonus shares, placing new shares, increasing share capital and issuing new shares, as of 31 December 2022, the Company had issued an aggregate of 1,150,216,072 shares, with a registered capital of RMB1,150,216,072. The registered address: Taiwan Industrial Park, Xining District, Suining Economic and Technological Development Zone, Sichuan Province. The address of the headquarters: Unit A 16/F, Skyworth Mansion., Gaoxin Ave. 1.S., Hi-tech Park, Nanshan District, Shenzhen. Its parent company is Shenzhen Chuangwei-RGB Electronics Co., Ltd.* (深圳創維-RGB電子有限公司), and the ultimate corporate controlling shareholder of the Company is Skyworth Group Limited* (創維集團有限公司).

(II) Nature of the business and main operating activities of the Company

Domestic trade (excluding monopolized or franchised commodities and commodities under special government control); import and export business (except for those prohibited by laws, administrative regulations and decisions of the State Council and subject to the obtaining of relevant permits for restricted projects). Development, research, production and operation of digital video broadcasting system products; research and development, production and sales of multimedia information system products and services; software research and development, production, sales and services; integrated circuit research and development, sales and services; research and development, production and sales of telecommunication terminal equipment, communication terminal equipment, access equipment and transmission systems; research and development, production and sales of digital electronic products, automotive electronic products, computers, tablet computers, mobile communication products; software and electronic technology information consulting (excluding restricted projects); technology services. (Projects subject to approval according to laws can be carried out only after obtaining the approval by relevant authorities).

The Company is in the computer, communication and other electronic equipment manufacturing industry. The principal business of the Company is research, development, production, marketing, operations and services of the digital smart terminals and front-end systems.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2022, a total of 26 subsidiaries were consolidated into the scope of consolidated financial statements (in which the subsidiaries of Strong Media Group Limited were not presented separately), including:

Name of subsidiary	Type of subsidiary	Level	Shareholding Percentage	Percentage of voting rights
Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司)	Wholly-owned subsidiary	Level I	100%	100%
– Shenzhen Skyworth Software Co., Ltd.* (深圳市創維軟件有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通數字技術有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Shenzhen Fengchi Information Service Co., Ltd.* (深圳蜂馳信息服務有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司)	Holding subsidiary	Level II	70%	70%
– Shandong Skyworth Smart Technology Co., Ltd.* (山東創維智慧科技有限公司)	Wholly-owned subsidiary	Level III	100%	100%
– Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Beijing Skyworth Automobile Smart Technology Co., Ltd.* (北京創維汽車智能科技有限公司)	Holding subsidiary	Level III	51%	51%
– Shenzhen Fengchi Electronics Technology Company Limited* (深圳蜂馳電子科技有限公司)	Holding subsidiary	Level II	84%	84%
– IDIGITAL ELECTRONICS SDN.BHD	Wholly-owned subsidiary	Level III	100%	100%
– KAIRVAM ELECTRONICS INDIA PRIVATE LIMITED	Wholly-owned subsidiary	Level II	100%	100%
– Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Shenzhen Skyworth Optical Technology Co., Ltd.* (深圳創維光學科技有限公司)	Wholly-owned subsidiary	Level III	100%	100%
– Suining Skyworth Optoelectronics Technology Co., Ltd.* (遂寧創維光電科技有限公司)	Wholly-owned subsidiary	Level III	100%	100%
– Huizhou Skyworth Smart Display Technology Co., Ltd.* (惠州創維智顯科技有限公司)	Wholly-owned subsidiary	Level III	100%	100%
– Smart Choice Store Company Limited	Wholly-owned subsidiary	Level II	100%	100%
– SKYBLU TECHNOLOGIES (PTY) LTD	Holding subsidiary	Level III	51%	51%
– Strong Media Group Limited	Holding subsidiary	Level III	80%	80%
– SKW Digital Technology MX	Wholly-owned subsidiary	Level III	100%	100%
– Caldero Holdings Limited	Wholly-owned subsidiary	Level III	100%	100%
– Caldero Limited	Wholly-owned subsidiary	Level III	100%	100%

Name of subsidiary	Type of subsidiary	Level	Shareholding Percentage	Percentage of voting rights
– The (Zhu) Korean Research Institute of Skyworth Automobile Smart* ((株)創維智能汽車韓國研究院)	Holding subsidiary	Level III	70%	70%
– Guangzhou Skyworth Automobile Smart Co., Ltd.* (廣州創維汽車智能有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司)	Holding subsidiary	Level II	66%	66%
– Huizhou Skyworth Digital Technology Co., Ltd.* (惠州創維數字技術有限公司)	Wholly-owned subsidiary	Level II	100%	100%
– Shenzhen Chuangzhi Weixing Technology Co., Ltd.* (深圳創智維興科技有限公司)	Wholly-owned subsidiary	Level II	100%	100%

As compared with those outside the reporting period, there were 8 new entities included in and 7 entities excluded from the scope of the consolidated financial statements during the reporting period, including:

1. Subsidiaries newly included in the scope of consolidation during the Reporting Period

Name	Reason for change
Shenzhen Baolong Qunxin Technology Co., Ltd.* (深圳寶龍群欣科技有限公司) (formerly known as Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.)	Business combination under common control
Skyworth Qunxin Intelligence Control Technology (Zhongshan) Co., Ltd.	Business combination under common control
Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司)	Business combination under common control
Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	Business combination not under common control
Huizhou Skyworth Smart Display Technology Co., Ltd.* (惠州創維智顯科技有限公司)	Newly established
Huizhou Skyworth Digital Technology Co., Ltd.* (惠州創維數字技術有限公司)	Newly established
Shenzhen Chuangzhi Weixing Technology Co., Ltd.* (深圳創智維興科技有限公司)	Newly established
Shandong Skyworth Smart Technology Co., Ltd.* (山東創維智慧科技有限公司)	Newly established

2. Subsidiaries excluded from the scope of consolidation during the Reporting Period

Name	Reason for change
Huizhou Skyworth Technology Company Limited* (惠州創維科技有限公司)	Deregistration
Jiangxi Cable Cloud Technology Co., Ltd.* (江西有線盤雲科技有限公司)	Deregistration
Shanxi Panyun Network Technology Co., Ltd.* (山西盤雲網絡科技有限公司)	Deregistration
Caldero Malaysia SDN.BHD.	Deregistration
Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	Deregistration
Shenzhen Baolong Qunxin Technology Co., Ltd.* (深圳寶龍群欣科技有限公司) (formerly known as Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.)	Disposal
Skyworth Qunxin Intelligence Control Technology (Zhongshan) Co., Ltd.* (創維群欣智控科技(中山)有限公司)	Disposal

Please refer to “Note VII. Changes in consolidation scope” for details of the change of entities in the scope of consolidation.

III. BASIS OF PREPARATION OF FINANCIAL STATEMENT**(I) Basis of Preparation of Financial Statement**

The Company carried out recognition and measurement based on actual transaction and event in accordance with the Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則-基本準則》), specific accounting standards for business enterprises, Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter referred to as the “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and prepared the financial statements in combination with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC).

(II) Going Concern

The Company has assessed the ability to continue as a going concern for a 12-month period since the end of the Reporting Period and is not aware of any events or conditions that may cast significant doubt upon the ability to continue as a going concern. So the financial statements have been prepared on a going concern basis.

(III) Accounting Basis and Pricing Principles

The Group has adopted accrual basis for accounting measurement. Except for some financial instruments are measured at fair value, the financial statements are based on historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(I) Statement of Compliance with Accounting Standards for Business Enterprises**

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position of the Company as at 31 December 2022, 31 December 2021 and 31 December 2020, as well as the results of operations, cash flows and other relevant information of the Company for 2022, 2021 and 2020.

(II) Accounting Period

The accounting period is from 1 January to 31 December in a calendar year. The Reporting Period is from 1 January 2020 to 31 December 2022.

(III) Operating Cycle

Operating cycle refers to the period from the purchase of assets used for processing to the realization of cash or cash equivalents. The Company regards 12 months as an operating cycle and uses it as the standard for dividing the liquidity of assets and liabilities.

(IV) Functional Currency

The functional currency of the Company is RMB. The functional currency of overseas subsidiaries is the currency in the main economic environment where they operate. It is converted into RMB at the time of preparing the financial statements.

(V) Accounting for Business Combinations under Common Control and not under Common Control**1. Step-by-step performance of the terms and conditions of each transaction in the business combination process and economic impact satisfying one or more of the following cases, accounting for multiple transactions as a package transaction**

- (1) The transactions are simultaneously made or with consideration of each other's influence;
- (2) The transactions as a whole can achieve a complete business outcome;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) A transaction is uneconomic alone, but it is economic when considered together with other transactions.

2. Business combinations under common control

The assets and liabilities acquired by the Company in the business combination are measured at the carrying amount of the assets and liabilities (including goodwill resulting from the acquisition of the merged party by the ultimate controlling party) of the merged party in the combined financial statements of the ultimate controlling party at the combination date. If there is a difference between the carrying amount of the net assets acquired in the combination and the carrying amount of the consideration paid for the combination (or the total par value of the shares issued), adjustment is made to the share premium in the capital reserve, and if the share premium in the capital reserve is insufficient to offset, adjustment will be made to the retained earnings.

If there is a contingent consideration that requires to recognise estimated liabilities or assets, the difference between the amount of the estimated liabilities or assets and the settlement amount of subsequent contingent consideration is adjusted for the capital reserve (capital premium or share premium), if the capital reserve is insufficient, the retained earnings will be adjusted.

For those which finally reach business combination through multiple transactions, if they belong to a package transaction, the transactions shall be treated as a transaction for obtaining control; if they are not a package transaction, the capital reserve is adjusted on the date of obtaining the control for the difference between the initial investment cost of the long-term equity investment and the sum of the carrying amount of the long-term equity investment before the merger and the carrying amount of the newly paid consideration for the shares on the date of merger; if the capital reserve is insufficient to offset, the retained earnings will be adjusted. For the equity investment held before the date of merger, other comprehensive income recognised by using equity method or financial instrument recognition and measurement criteria will not be accounted for until the disposal of the investment is accounted for based on the same basis as the investee directly disposes of the relevant assets or liabilities. Other changes in the owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee's net assets recognised by the equity method are not accounted for until the disposal of the investment is transferred to the current profit or loss.

3. Business combinations not under common control

The purchase date refers to the date when the Company actually obtains the control over the acquiree, that is, the date when the control over the acquiree's net assets or production and operation decisions is transferred to the Company. When the following conditions are met at the same time, the Company generally believes that the transfer of control is realized.

- ① The contract or agreement of business combination has been approved by the internal authority of the Company.

- ② Where a business combination needs to be examined and approved by the relevant competent department of the state, it has been approved.
- ③ The necessary formalities for the transfer of property rights have been completed.
- ④ The Company has paid most of the combination price and has the ability and plan to pay the remaining amount.
- ⑤ The company has actually controlled the financial and operating policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

The Company's assets and liabilities incurred or assumed to be paid as a consideration for the business combination are measured at fair value on the date of purchase. The difference between the fair value and the carrying amount is recognised in the current profit or loss.

The difference between the combination cost over the fair value of the identifiable net assets of the acquiree obtained in the combination is recognised as goodwill; the difference between the combination cost less than the fair value of the identifiable net assets of the acquiree obtained in the combination is included in the current profit or loss upon review.

For a business combination not under common control realised by multiple exchange transactions on a step-by-step basis, if it is a package transaction, each transaction is treated as a transaction for obtaining control; if it is not a package transaction, and the equity investment held before the date of merger is accounted for using the equity method, the sum of the carrying amount of the equity investment held in the acquiree before the purchase date and the new investment cost on the purchase date is taken as the initial investment cost of the investment; other comprehensive income recognised by using the equity method for equity investment held before the purchase date is accounted for on the same basis as the investee directly disposes of related assets or liabilities. If the equity investment held before the merger date is accounted for using the financial instrument recognition and measurement criteria, the sum of the fair value of the equity investment on the combination date plus the new investment cost is taken as the initial investment cost on the merger date. The difference between the fair value of the original equity interest held and the carrying amount as well as the accumulative changes in fair value originally included in other comprehensive income shall be transferred, in full, to the current investment income on the combination date.

4. Relevant expenses incurred for combination

The audit fee, legal service fee, assessment, consulting and other intermediary fees as well as other directly related expenses incurred for the business combination are recognized in the current profit or loss as incurred; transaction costs of issuing equity securities for the business combination, which can be directly attributable to the equity transaction, are deducted from equity.

(VI) Preparation Method of Consolidated Financial Statements

1. Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

2. Consolidation procedure

The Company prepares consolidated financial statements based on the financial statements of the Company and each of its subsidiaries and other relevant information. The Company prepares consolidated financial statements in accordance with the unified accounting policies and the requirements for recognition, measurement and presentation of relevant Accounting Standards for Business Enterprises and regards the entire enterprise group as an accounting entity, which reflects the overall financial position, operating results and cash flows of the enterprise group.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, the Company will make necessary adjustments to the accounting policies and accounting periods of subsidiaries in preparing the consolidated financial statements.

When the financial statements are consolidated, the impact of internal transactions between the Company and its subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity is offset. If the judgment of the consolidated financial statements of the enterprise group is different from the recognition of the same transaction by the Company or the subsidiary as the accounting entity, the transaction is adjusted from the perspective of the enterprise group.

The share of owners' equity, net current profit and loss and comprehensive income for the period belonging to minority shareholders of a subsidiary is separately listed under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income under the consolidated income statement. The difference between the current loss shared by the minority shareholders of the subsidiary and the minority shareholders' share of the owners' equity of the subsidiary at the beginning of the period writes down the minority shareholders' equity.

For a subsidiary acquired under a business combination under common control, the financial statements are adjusted based on the carrying amount of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

For subsidiaries acquired from business combinations not under common control, the financial statements are adjusted based on the fair value of the identifiable net assets at the purchase date.

(1) Add subsidiaries or businesses

During the reporting period, if a subsidiary or business is acquired due to the business combination under common control, the opening balance of the consolidated balance sheet is adjusted; the income, expenses and profits of the subsidiary or business from the beginning of the combination period to the end of the reporting period are included in the consolidated income statement; and the cash flows of the subsidiary or business from the beginning of the combination period to the end of the reporting period are included in the consolidated statement of cash flow, and the relevant items of the comparative statements are adjusted, as if the reporting entity after the combination has been in existence since the ultimate controlling party began to control.

If the investee is controlled under common control due to additional investment, the parties participating in the merger will be deemed to exist in the current status when the ultimate controlling party begins to control. Profit or loss, other comprehensive income and other changes in net assets of equity investment held prior to the acquisition of the control of the combined party are recognised during the period from later of the date on acquiring the original equity and the date when the combining party and the combined party are under common control to the date of combination, which are offset against the opening retained earnings of the comparative statement period or the current profit or loss, respectively.

During the reporting period, if a subsidiary or business is added due to a business combination not under common control, the opening balance of the consolidated balance sheet is not adjusted; the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated income statement; the cash flows of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated statement of cash flow.

If it is possible to control the investee not under common control due to additional investment, etc., the Company remeasures the equity of the acquiree held before the purchase date according to the fair value of the equity on the purchase date, and the difference between fair value and its carrying amount is included in the current investment income. If the equity of the acquiree held before the purchase date involves other comprehensive income and other changes in owners' equity other than net profit or loss, other comprehensive income, and profit distribution under the equity method, other comprehensive income and other changes in owners' equity related thereto are transferred to the current investment income at the date of purchase, except for other comprehensive income arising from the re-measurement of the changes in net liabilities or net assets of the defined benefit plan by the investee.

(2) *Disposal of subsidiaries or businesses*

1) General treatment method

During the reporting period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated statement of cash flow.

When the control of the investee is lost due to the disposal of part of the equity investment or otherwise, the Company remeasures the remaining equity investment after disposal based on its fair value on the date of loss of control. The difference between sum of the consideration obtained for the disposal of the equity and the fair value of the remaining equity, less the sum of the share of the net assets that the original subsidiary has continued to calculate from the date of purchase or the merger on the basis of the original shareholding ratio and the goodwill, is included in investment income in the period of loss of control. Other comprehensive income related to the original subsidiary's equity investment or other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, are converted into current investment income when the control is lost, except for other comprehensive income arising from the re-measurement of changes in net liabilities or net assets of the defined benefit plan by the investee.

2) Disposal of subsidiaries step by step

If the equity investment in a subsidiary is disposed step by step through multiple transactions until the loss of control, and the terms, conditions, and economic impact of each transaction for disposal of the subsidiary's equity investment meet one or more of the following conditions, it is usually indicated that the multiple transactions shall be accounted for as a package transaction:

- A. The transactions are made simultaneously or with consideration of each other's influence;
- B. The transactions as a whole can achieve a complete business outcome;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction is uneconomic alone, but it is economic when considered together with other transactions.

If each transaction on disposal of the equity investment in a subsidiary until the loss of control is a package transaction, the Company treats each transaction as a transaction that disposes of the subsidiary and loses control; however, before losing control, the difference between the each disposal price and the share of the net assets of

the subsidiary corresponding to the disposal of investment is recognised as other comprehensive income in the consolidated financial statements, and is transferred to the profit and loss for the period of loss of control when the control is lost.

If each transaction on disposal of the equity investment in a subsidiary until the loss of control is not a package transaction, it shall be treated according to the relevant policies on partial disposal of the equity investment in the subsidiary without losing control before loss of control; when the control is lost, it shall be treated according to the general treatment on disposal of a subsidiary.

(3) Purchase of minority interests in subsidiaries

The difference between the long-term equity investment newly acquired by the Company for the purchase of the minority interest and the share of the net assets that should be continuously calculated from the date of purchase (or the combination date) of the subsidiary in accordance with the new shareholding ratio is adjusted for the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings will be adjusted.

(4) Partial disposal of equity investment in a subsidiary without loss of control

The difference between the disposal price obtained by partial disposal of the long-term equity investment in a subsidiary without loss of control and the share of the net assets of the subsidiary continuously calculated from the date of purchase or the date of combination is adjusted for the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings will be adjusted.

(VII) Classification of Joint Venture Arrangements and Accounting Methods for Joint Operations

1. *Classification of joint venture arrangements*

The Company divides the joint venture arrangements into joint operations and joint ventures according to the structure, legal form of the joint venture arrangements, and the terms agreed in the joint venture arrangements, and other relevant facts and circumstances.

Joint venture arrangements reached not through separate entities are classified as joint operations; joint venture arrangements reached through separate entities are usually classified as joint ventures; however, if there is conclusive evidence that joint venture arrangements meet any of the following conditions and comply with relevant laws and regulations, they are classified as joint operations:

- (1) The legal form of the joint venture arrangement indicates that the joint venture has rights and obligations for the relevant assets and liabilities in the arrangement.
- (2) The contractual terms of the joint venture arrangement stipulate that the joint venture shall have rights and obligations for the relevant assets and liabilities in the arrangement.
- (3) Other relevant facts and circumstances indicate that the joint venture has rights and obligations for the relevant assets and liabilities in the arrangement, for example, the joint venture enjoys almost all of the outputs related to the joint arrangement, and the settlement of the liabilities in the arrangement continues to rely on the support of the joint venture.

2. *Accounting methods for joint operations*

The Company recognises the following items related to the Company in the share of interest in the joint operations, and performs accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises:

- (1) recognition of assets held separately and recognition of assets held jointly by their shares;
- (2) recognition of liabilities assumed separately and recognition of liabilities jointly assumed by their shares;
- (3) recognition of the proceeds from the sales of their share of the outputs of the joint operations;
- (4) recognition of the income generated by the joint operations as a result of the sales of the outputs based on their shares;
- (5) recognition of the expenses incurred separately and recognition of the expenses incurred in the joint operations according to their shares.

The Company invests or sells assets to the joint operations (other than assets forming a business), and only recognises the portion of profit or loss arising from the transaction attributable to other participants in the joint operations before the assets are sold to a third party by joint operations. If the assets invested or sold are subject to asset impairment losses in accordance with the “Accounting Standards for Business Enterprises No. 8 – Impairment of Assets”, the Company shall fully recognise such losses.

The Company purchases assets from joint operations (other than assets forming a business), and only recognises the portion of the profit or loss arising from the transaction attributable to other participants in the joint operations before selling the assets to a third party. If the purchased assets meet the asset impairment losses stipulated in the “Accounting Standards for Business Enterprises No. 8 – Impairment of Assets”, the Company shall recognise the losses according to the share of the commitments.

The Company does not have joint control over joint operations. If the Company enjoys related assets of the joint operations and assumes the liabilities related to the joint operations, they will still be accounted for according to the above principles. Otherwise, they shall be accounted for in accordance with the relevant Accounting Standards for Business Enterprises.

(VIII) Criteria for Determining Cash and Cash Equivalents

In preparing the statement of cash flow, the Company’s cash on hand and deposits that are readily available for payment are recognised as cash. Cash equivalents are defined as investments that simultaneously meet the four criteria of short maturity (generally due within three months from the date of purchase), high liquidity, easy conversion to known amounts of cash, and low risk of changes in value.

(IX) Foreign Currency Business and Translation of Foreign Currency Financial Statements

1. *Foreign currency businesses*

When the foreign currency business transaction is initially recognised, it is converted into RMB at the spot exchange rate on the transaction date.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The resulting exchange differences, except for those from foreign currency special borrowings related to the acquisition and construction of assets eligible for capitalisation that are treated based on the principle of capitalisation of borrowing costs, are included

in the current profit or loss. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date without changing the amount of the recording currency.

Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate at the date when the fair value is determined. The resulting exchange differences are recognised in the current profit or loss as changes in fair value. In the case of non-monetary items that are available for sale in foreign currencies, the resulting exchange differences are included in other comprehensive income.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for the “undistributed profits” under owners’ equity, other items are converted at the spot exchange rate at the time of occurrence. Income and expense in the income statement are translated at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statements arising from the above conversion is included in other comprehensive income.

When disposing of an overseas operation, the translation difference of the foreign currency financial statements related to the overseas operation listed in other comprehensive income in the balance sheet is transferred from the other comprehensive income to the profit or loss for the period of disposal. When disposing of part of the equity investment or other reasons, resulting in a decrease in the proportion of overseas business interests held but not losing control over the overseas operation, the translation difference of foreign currency statements related to the disposal part of the overseas operation will be attributed to minority shareholders’ equity and will not be transferred to the current profit or loss. When disposing of part of the equity of an overseas operation which is an associate or a joint venture, the translation difference of the foreign currency statements related to the overseas operation is transferred to the current profit or loss according to the proportion of disposal of the overseas operation.

(X) Financial Instruments

A financial asset or financial liability is recognised when the Company becomes a party to the financial instrument contract.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The actual interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the balance of carrying amount of the financial asset or the amortized cost of financial liability. When calculating the actual interest rate, the Company estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering expected credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative the provision of loss allowance (only applicable to financial assets).

1. Classification and measurement of financial assets

The Company classifies financial assets into the following 3 categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

- (1) Financial assets measured at amortised cost.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Financial assets measured at fair value through current profit or loss.

Financial assets are measured at fair value at initial recognition, but if the accounts receivable or bills receivable due to the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, the transaction price will be used for initial measurement.

For financial assets measured at fair value through current profit or loss, the related transaction costs are directly included in the current profit or loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified when and only when the Company changes its business model for managing financial assets.

(1) Financial assets classified as measured at amortised cost

The contractual provisions of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the goal of the business model for managing the financial asset is to collect contractual cash flow. The Company classifies the financial assets as financial assets measured at amortized cost. The Company classifies financial assets measured at amortized cost including monetary funds, bills receivables, accounts receivable, other receivables, long-term receivables, debt investment, among others.

The Company uses the actual interest rate method to recognise interest income for such financial assets, and then performs subsequent measurement based on amortised cost. The gains or losses arising from the impairment or termination of recognition and modification are included in the current profit or loss. Except for the following circumstances, the Company calculates and determines interest income based on the financial asset book balance multiplied by the actual interest rate:

- 1) For financial assets purchased or originated that have suffered credit impairment, the Company has calculated and determined its interest income based on the amortised cost of the financial asset and the credit-adjusted actual interest rate since initial recognition.
- 2) For the financial assets purchased or originated without credit impairment, but become credit impairment in the subsequent period, the Company will calculate and determine the interest according to the amortised cost of the financial asset and the actual interest rate in the subsequent period. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the Company will use the actual interest rate multiplied by the financial asset book balance to calculate and determine the interest income.

(2) *Financial assets classified as measured at fair value through other comprehensive income*

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of the outstanding principal, and the business model for managing the financial asset is to both target the contractual cash flow and sell the financial asset, the Company classifies the financial asset as a financial asset that is measured at fair value through other comprehensive income.

The Company uses the actual interest rate method to recognise interest income for such financial assets. Except for interest income, impairment losses and exchange differences recognised as current profit or loss, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit or loss.

Bills receivables and accounts receivables that are measured at fair value through other comprehensive income are reported as receivables financing, and other such financial assets are reported as other debt investments, including: other debt investments due within one year from the balance sheet date are reported as non-current assets due within one year, and other debt investments with original maturity within one year are reported as other current assets.

(3) *Financial assets designated as measured at fair value through other comprehensive income*

For initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income on the basis of individual financial asset.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognised, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the Company holds the equity instrument investment, the Company's right to receive dividends has been established, and the economic benefits related to the dividends are likely to flow into the Company, and when the amount of dividends can be reliably measured, the dividend income is recognised and included in the current profit or loss. The Company reports the following investment items of such financial assets in other equity instruments.

Equity instrument investment that meets one of the following conditions is a financial asset measured at fair value through current profit or loss: the purpose of obtaining the financial asset is mainly for the recent sale; the initial recognition is part of the centralised management of the identifiable financial asset instrument combination, and there is objective evidence that the short-term gain actually exists in the near future; being a derivative instrument (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments).

(4) *Financial assets classified as measured at fair value through current profit or loss*

Financial assets that do not meet the requirements for classification as a financial asset measured at amortised cost or measured at fair value through other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through current profit or loss.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit or loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

(5) *Financial assets designated as measured at fair value through current profit or loss*

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, financial assets can be irrevocably designated as financial assets measured at fair value through current profit or loss on the basis of individual financial asset.

If the hybrid contract includes one or more embedded derivatives and the main contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument that is measured at fair value through current profit or loss. Except in the following cases:

- 1) Embedded derivatives do not materially change the cash flow of a hybrid contract.
- 2) When it is first determined whether a similar hybrid contract needs to be split, there is little need for analysis to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance with an amount close to the amortised cost, the prepayment right does not need to be split.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit or loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

2. *Classification and measurement of financial liabilities*

The Company classifies a financial instrument or its components as a financial liability or equity instrument at the time of initial recognition, based on the contractual terms of the financial instrument issued and the economic substance it reflects, not just in legal form, combined with the definition of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value through current profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities that are measured at fair value through current profit or loss, the related transaction costs are directly included in the current profit or loss; for other types of financial liabilities, the related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) *Financial liabilities measured at fair value through current profit or loss*

Such financial liabilities include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through current profit or loss at initial recognition.

Financial liability that meets one of the following conditions is transactional: the purpose of assuming related financial liabilities is mainly to sell or repurchase in the near future; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the Company recently adopted short-term profit model; belongs to derivatives, except for derivatives designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value.

Except for hedge accounting, all changes in fair value are included in the current profit or loss. At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designate a financial liability as measured at fair value through current profit or loss if it meets one of the following conditions:

- 1) It can eliminate or significantly reduce accounting mismatches.
- 2) According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities based on fair value, and report to key management personnel on the basis of this.

The Company uses fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the Company's own credit risk, other changes in fair value are included in the current profit or loss. Unless the fair value changes caused by the Company's own credit risk changes are included in other comprehensive income, or the accounting mismatch in profit or loss will be caused or expanded, the Company will include all fair value changes (including the amount of its own credit risk changes) into the current profit or loss.

(2) *Other financial liabilities*

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortised cost, actual interest rate method is adopted for such financial liabilities, and subsequent measurement is made according to the amortised cost, and the gains or losses arising from the termination of recognition or amortisation are included in the current profit or loss:

- 1) Financial liabilities measured at fair value through current profit or loss.
- 2) Financial assets transfer does not meet the conditions for derecognition or financial liabilities arising from the transfer of transferred financial assets.
- 3) Financial guarantee contracts that are not in the first two categories of this article, and loan commitments that do not fall under 1) as above at a lower market interest rate for loans.

A financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities measured at fair value through current profit or loss, and after the initial recognition, they are measured according to the higher of the loss provision amount and the initial recognition amount after deducting the accumulated amortization amount during the guarantee period.

3. *Derecognition of financial assets and financial liabilities*

(1) Financial assets that meet one of the following conditions shall be derecognised, which means financial assets are written off from their accounts and balance sheets:

- 1) The contractual right to receive the cash flow of the financial asset is terminated.
- 2) The financial assets have been transferred, and the transfer meets the requirements regarding the derecognition of financial assets.

(2) *Conditions for derecognition of financial liabilities*

If the current obligation of a financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognised.

When the Company and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the contract terms of the new financial liabilities and the original financial liabilities are substantially different, or if substantial change is made to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognised and a new financial liability is recognised; and the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognised in the current profit or loss.

If the Company repurchases part of the financial liabilities, the carrying amount of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognition portion on the repurchase date. The difference between the carrying amount assigned to the derecognition portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit or loss.

4. Basis of recognition and methods of measurement for transfer of financial assets

In the event of a financial asset transfer, the Company assesses the extent to which it retains the risks and rewards of ownership of financial assets and treats them in the following cases:

- (1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognised and the rights and obligations arising from or retained in the transfer are separately recognised as assets or liabilities.
- (2) If almost all the risks and rewards of ownership of financial assets are retained, the financial assets will continue to be recognised.
- (3) There is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e. other than (1), (2) of this article), depending on whether they retain control over financial assets, the situations are handled as follows:
 - 1) If the control over financial assets is not retained, the financial assets are derecognised and the rights and obligations arising from or retained in the transfer are separately recognised as assets or liabilities.
 - 2) If the control over the financial assets is retained, the relevant financial assets shall continue to be recognised according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognised accordingly. The extent of continuing involvement in the transferred financial assets refers to the extent to which the Company assumes the risk or reward of changes in the value of the transferred financial assets.

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following amounts is included in the current profit or loss:
 - 1) The carrying amount of the transferred financial assets on the date of derecognition.
 - 2) The sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognised portion of the accumulated changes in fair value that is originally and directly

recognised in other comprehensive income (the financial assets involved in the transfer are measured at fair value through other comprehensive income).

- (2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the carrying amount of the financial assets as a whole before the transfer will be apportioned between the derecognition part and the continuation confirmation part (in this case, the retained service assets should be regarded as continuation recognition part of the financial assets) depending on the relative fair value of each on the transfer dates, the difference between the following two amounts is included in the current profit or loss:
 - 1) The carrying amount of the derecognition part on the date of derecognition.
 - 2) The sum of the amount of the consideration received and the amount corresponding to the derecognised portion of the accumulated changes in the fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognised and the consideration received is recognised as a financial liability.

5. *Determination of the fair value of financial assets and financial liabilities*

For financial assets and financial liabilities for which an actively traded market exists, their fair values are determined based on the prices quoted on the actively traded market, unless such financial assets have a restricted period. For financial assets which have restricted period, their fair values are determined by the quoted prices in active markets less the compensation amount requested by market players for assuming the risk of not able to sell such financial assets in the public market during the designated period. Quotations in active markets include quotes for related assets or liabilities, which can be easily and regularly obtained from exchanges, traders, brokers, industry groups, pricing institutions or regulators, and which represent the actual and frequently fair trade transaction occurring in the market.

For financial assets initially obtained or derived or financial liabilities assumed, fair value is determined based on market transaction prices.

For financial assets and financial liabilities for which no actively traded market exists, their fair values are determined using valuation techniques; for valuation, the Company adopts those adequate data available and suitable for current situation and valuation techniques supported by other information, and choose input value with same features used by market players for transactions of relevant assets or liabilities, and managed to preferentially use relevant observable input value. Under the circumstance that is unable to obtain observable input value or infeasible, use unobservable input value.

6. *Impairment of financial instrument*

The Company made the impairment accounting for financial assets classified as measured at amortised cost, financial assets classified as measured at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts based on the expected credit loss, and recognised the provision for such losses.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the

Company at the original actual interest rate, and the present value of all cash shortages. Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

For the receivables and contract assets and lease receivables formed by the transactions regulated by the income standard, the Company uses a simplified measurement method to measure the loss provision based on the amount equivalent to the expected credit loss throughout the useful life.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses throughout the useful life since initial recognition are recognised as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the useful life is included in the current profit or loss as an impairment loss or gain. Even if the expected credit loss throughout the useful life determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognised as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets that have been purchased or originated from credit impairment, the Company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and according to the following circumstances measures their loss provision and confirms expected credit losses and their changes:

- (1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, the financial instrument is in the first stage. Its loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and its interest income is calculated according to the book balance and the actual interest rate.
- (2) If the credit risk of the financial instrument has increased significantly but the credit impairment has not occurred since the initial recognition, the financial instrument is in the second stage. Its loss provision is measured at the amount equivalent to the expected credit loss throughout the useful life of the financial instrument, and its interest income is calculated according to the book balance and the actual interest rate.
- (3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures its loss provision at an amount equivalent to the expected credit loss throughout the useful life of the financial instrument, and calculates its interest income based on the amortised cost and the actual interest rate.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit or loss as an impairment loss or gain. Except for financial assets that are classified as measured at fair value through other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognises its credit loss provisions in other comprehensive income and does not reduce the carrying amount of the financial asset listed in the balance sheet.

In the previous accounting period, the Company has measured the loss provision according to the amount of expected credit losses throughout the useful life of the financial instrument, but on the balance sheet date of the current period, the financial instrument is no longer a significant increase in credit risk since initial recognition. In the case of the current situation, the Company measures the loss provision of the financial instrument on the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting reversal amount of the loss provision is included in the current profit or loss as an impairment gain.

(1) *Significant increase in credit risk*

The Company determines whether the credit risk of financial instruments has increased significantly by using reasonable and evidence-based forward-looking information available to it to compare the default risk of financial instruments on the balance sheet date with that on the initial recognition date. For financial guarantee contracts, when the Company applies the financial instrument impairment provisions, the date when the Company becomes the party making the irrevocable commitment is used as the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;
- 3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behaviour have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company judges that a financial instrument has only a low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of the financial instrument is low, the borrower has a strong ability to fulfil its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfil its contractual cash flow obligations, the financial instrument is considered to have lower credit risk.

(2) *Credit-impaired financial asset*

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

- 1) significant financial difficulty of the issuer or debtor;
- 2) breach of contract by the debtor, such as delinquency or default in interest and principal payments;
- 3) the creditor, for debtor in financial difficulties contractual consideration or legal reasons, granting concession to the debtor that would not be made under other circumstances;
- 4) it becoming probable that the debtor will enter bankruptcy or financial reorganisation;
- 5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;

- 6) a substantial discount during acquisition or sourcing of a financial asset reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separately identifiable events.

(3) *Determination of expected credit losses*

The Company assesses the expected credit losses of financial instruments based on individual items and portfolios. When evaluating expected credit losses, it considers reasonable and evidence-based information about past events, current circumstances, and future economic situations.

The Company divides financial instruments into different combinations based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria of the relevant financial instruments and the characteristics of the combined credit risk, please refer to the accounting policies of the relevant financial instruments.

The Company determines the expected credit losses of related financial instruments according to the following methods:

- 1) For financial assets, the credit loss is the present value of the difference between the contractual cash flows to be received by the Company and the expected cash flows to be received.
- 2) For lease receivables, the credit loss is the present value of the difference between the contractual cash flows to be received by the Company and the expected cash flows to be received.
- 3) For a financial guarantee contract, the credit loss is the present value of the difference between the amount of the Company's estimated payment to the contract holder for the credit loss incurred by the contract, less the amount that the Company expects to charge the contract holder, the debtor or any other party.
- 4) For financial assets that have suffered credit impairment on the balance sheet date but are not purchased or have been originated credit-impaired, the credit loss is the difference between the financial asset's book balance and the present value of the estimated future cash flow discounted at the original actual interest rate.

The Company's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; the availability of reasonable and evidence-based information on the balance sheet date about past events, current conditions, and future economic conditions without spending unnecessary additional costs or efforts.

(4) *Write-down of financial assets*

When the Company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the carrying amount of the financial asset is directly written down. Such write-down constitutes the derecognition of related financial assets.

7. *Offset of financial assets and financial liabilities*

Financial assets and financial liabilities are presented in the balance sheet respectively and are not offset with each other. However, the net value after offset is presented in the balance sheet when the following conditions are satisfied:

- (1) The Company has the legal right to offset the recognised amount and such right is exercisable;
- (2) The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.

(XI) Receivables

For receivables which do not contain significant financing components and contract assets, the Group uses a simplified measurement method to provide loss provision based on the amount of expected credit losses throughout the useful life.

For lease receivables, receivables with significant financing components and contract assets, the Group chooses to use a simplified measurement method to provide loss provision based on the amount of expected credit losses throughout the useful life.

In addition to the mentioned financial assets other than applying the simplified measurement method, the Group assesses on each balance sheet date whether the credit risk of financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since the initial recognition, it is in the first stage. The Group measures its loss provision at an amount equivalent to the expected credit loss in the next 12 months, and calculates its interest income at the book balance and the actual interest rate; if the credit risk has increased significantly but the credit impairment has not occurred since the initial recognition, it is in the second stage. The Group measures its loss provision at an amount equivalent to the expected credit loss throughout the useful life, and calculates its interest income at the book balance and the actual interest rate; if it has suffered credit impairment since its initial recognition, it is in the third stage. The Group measures its loss provision at an amount equivalent to the expected credit loss throughout the useful life, and calculates its interest income based on the amortised cost and the actual interest rate. For financial instruments with low credit risk on balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition.

The Company divides the receivables into several portfolios based on the characteristics of credit risk, and calculates expected credit losses on a portfolio basis. The basis for determining the portfolios is as follows:

Dividend receivables	Dividend receivables from related parties
Interest receivables	Bank deposit interest and other interest receivables
Bills receivables	Bank acceptance bills and commercial acceptance bills receivables
Portfolio of companies and other related parties in the scope of consolidation	Receivables from companies and other related parties in the scope of consolidation
Enterprises with good credit records	Customers with good credit records and customers whose credit insurance is within the reimbursement ratio
Enterprises with a higher credit risk level	Customers with special bad debt risks and customers with overdue claim for credit insurance
Risk free portfolio	Amounts of government sectors such as reserve funds for internal employees and tax refunds receivables
Portfolio of other amounts	Other amounts other than dividend receivables, interest receivables, bills receivables, portfolio of companies and other related parties in the scope of consolidation, enterprises with good credit records, enterprises with a higher credit risk level and risk-free portfolio

For receivables that are classified into portfolios, basing on factors such as the customer's credit status, historical operating collaborations between the customer and the Company, the customer's past repayment timing and scale of operation, the Company evaluates the credit risk level for each customer, estimates the default rate and recoverability rate corresponding to each rating, and multiplies it by the customer's receivables, so as to obtain the provision amount of expected credit losses.

The Company recognises provision for or reversal of losses in current profit or loss.

(XII) Inventories

1. *Classification of inventories*

Inventories represent finished goods or merchandise held by the Company for sale in the ordinary course of business, work-in-progress in the process of production, materials or supplies etc. to be consumed in the process of production or rendering of services. Inventories mainly include raw materials, turnover materials, materials for further processing by external parties, work-in-progress, in house semi-finished products, finished goods (goods on hand), delivered goods, contract performance costs, etc.

2. *Measurement for inventories*

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs and other costs. When the inventory is issued, it is measured on a month-end-of-month weighted average basis.

3. *Basis for determining the net realisable value of inventory and provisions for inventory write-down*

After the stocktaking at the end of the period, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventory of goods directly used for sale, such as finished goods, goods on hand and materials for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventory held for the purpose of executing a sales contract or labor contract is calculated on the basis of the contract price, and if the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventory is calculated on the basis of the general sales price.

Provisions for inventory write-down is made at the end of the period on the basis of individual inventory items; for inventories with massive quantities and lower unit prices, however, provisions for inventory write-down are made in accordance with inventory categories; for inventories related to a series of products produced and sold in the same region, with the same or similar end-use or purpose, and which are difficult to measure separately from other items, provisions for inventory write-down are made as a whole.

Where the factors affecting the value of the previous write-down of the inventory have disappeared, the amount of the write-down shall be restored and reversed within the amount of the original provisions for inventory write-down, and the amount of the reversal shall be included in the current profit or loss.

4. *Stock inventory system*

Perpetual inventory system is adopted.

5. Amortisation method for low-value consumables and packaging materials

- (1) One-off write-off method is adopted for low-value consumables;
- (2) One-off write-off method is adopted for packaging materials;
- (3) Other turnover materials are amortised using one-off write-off method.

(XIII) Contract Assets

A contract asset is recognized when the right to consideration in exchange for goods or services that the Company has transferred to a customer, and the right to consideration is conditional on something other than the passage of time. A receivable is presented in the statement of financial position when the Company's right to consideration is unconditional except for the passage of time.

For details of the determination method and accounting treatment method of the expected credit losses of the contract assets of the Company, please refer to Note IV/(X) 6. Impairment of financial instruments.

(XIV) Held for Sale

1. Confirmation criteria for classified as held for sale

The Company determines non-current assets or disposal groups that simultaneously meet the following requirements as components classified as held for sale:

- (1) the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups;
- (2) its sales must be highly probable, i.e., the Company has made a decision on the sale plan which has been approved by the regulatory authorities (if applicable) and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

Purchase commitment is determined which means a legally binding purchase agreement signed by the Company with other parties. The agreement contains important terms such as transaction price, time and severe penalties for breach of contract that major adjustments or revocations to agreements is unlikely to happen.

2. Accounting method for held for sale

For non-current assets or disposal groups as held for sale, the Company does not accrue depreciation or amortization, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in current profits or losses as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell.

The above principles apply to all non-current assets, but exclude investment property measured subsequently using the fair value model, biological assets measured net at fair value less the cost of sale, assets resulting from employee compensation, deferred tax assets, financial assets regulated by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts.

(XV) Other Debt Investments

For details of the determination method and accounting treatment method of the expected credit losses of other debt investments of the Company, please refer to Note IV/(X) 6. Impairment of financial instruments.

(XVI) Long-term Equity Investment**1. Determination of initial investment cost**

(1) For the long-term equity investment formed by business combination, the specific accounting policies are detailed in Note IV/(V) Accounting for Business Combinations under Common Control and not under Common Control.

(2) *Long-term equity investments acquired by other means*

The initial investment cost of the long-term equity investment acquired by cash payment is the actual purchase price. The initial investment cost includes expenses directly related to the acquisition of long-term equity investments, taxes and other necessary expenses.

The initial investment cost of the long-term equity investment acquired by issuing equity securities is the fair value of the issued equity securities; the transaction cost incurred in the issuance or acquisition of its own equity instruments is deducted from equity if it is directly attributable to equity transactions.

Under the premise that the non-monetary asset exchange has the commercial substance and the fair value of the assets received or surrendered can be reliably measured, the initial investment cost of the long-term equity investment exchanged for non-monetary assets is determined based on the fair value of the assets exchanged, unless there is conclusive evidence that the fair value of the assets transferred is more reliable; for the exchange of non-monetary asset that does not meet the above premise, the initial investment cost of long-term equity investment is the carrying amount of the assets exchanged and the related taxes payable.

The initial investment costs of a long-term equity investment acquired through debt restructuring is determined based on the fair value.

2. Subsequent measurement and profit or loss recognition

(1) *Cost method*

The long-term equity investment that the Company can control over the investee is accounted for using the cost method, and the cost of the long-term equity investment is adjusted by adding or recovering the investment according to the initial investment cost.

Except for the actual payment or the cash dividends or profits included in the consideration that have been announced but not yet paid at the time of acquiring the investment, the Company recognises the current investment income according to its share of cash dividends or profits declared to be distributed by the investee.

(2) *Equity method*

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method, and some of the equity investments in associates that are indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds are measured at fair value through profit or loss.

When the initial investment cost of a long-term equity investment is greater than the investment, the initial investment cost of the long-term equity investment shall not be adjusted by the difference between the fair value of the identifiable net assets of the investee; if the initial investment cost is less than the investment, the difference between the fair value of the identifiable net assets of the investee should be included in the current profit or loss.

After obtaining the long-term equity investment, the Company shall recognise the investment income and other comprehensive income according to the share of net profit and loss and other comprehensive income realised by the investee that is entitled or should be shared respectively, and adjust the carrying amount of the long-term equity investment; and reduces the carrying amount of the long-term equity investment based on portion of the profit or cash dividend declared to be distributed by the investee; and for other changes in the owners' equity other than the net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of the long-term equity investment is adjusted and included in the owners' equity.

When recognising the share of the net profit or loss of the investee, the Company shall adjust and recognise the net profit of the investee based on the fair value of the identifiable assets of the investee at the time of obtaining the investment. The unrealized internal transaction gains and losses between the Company and the associates and joint ventures shall be offset against the portion attributable to the Company in accordance with the proportion to be enjoyed, on the basis of which the investment gains and losses are recognised.

When the Company recognises the losses incurred by the investee that it should bear, it shall deal with it in the following order: Firstly, offset the carrying amount of the long-term equity investment. Secondly, if the carrying amount of the long-term equity investment is not enough to be offset, the investment loss will continue to be recognized to the extent of carrying amount of other long-term equity that virtually constitutes a net investment in the investee, and the carrying amount of the long-term receivables is offset. Finally, after the above-mentioned treatment, if the enterprise still bears additional obligations in accordance with the investment contract or agreement, the estimated liabilities are recognised according to the estimated obligations and included in the current investment losses.

If the investee realises profit in the future period, after deducting the unrecognized loss share, and the reduction of book balance of the recognised estimated liabilities and recovery of other long-term equity that virtually constitutes a net investment in the investee and carrying amount of long-term equity investment as opposite to the order above, the Company shall restore the investment income.

3. Conversion of accounting methods for long-term equity investment

(1) Fair value measurement to equity method accounting

If the equity investment originally held by the Company that does not have control, joint control or significant influence on the investee, which is accounted for according to the recognition and measurement criteria of financial instruments, can exert significant influence on the investee or jointly control but does not constitute control over it due to additional investment and otherwise, its initial investment cost shall be the sum of the fair value of the equity investment originally held in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" and new investment cost after being accounted for under the equity method.

If the previously held equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the carrying amount, and the accumulated fair value changes previously recognised in other comprehensive income are transferred to the current gain or loss after being accounted for under the equity method.

If the initial investment cost accounted for under the equity method is less than the fair value share of the identifiable net assets of the investee on the additional investment date determined by the new shareholding ratio after the additional investment, the carrying amount of the long-term equity investment is adjusted and included in the current non-operating income.

(2) *Fair value measurement or equity method accounting to cost method accounting*

If the equity investment originally held by the Company, that does not have control, joint control or significant influence on the investee and which is accounted for in accordance with the standards for recognition and measurement of financial instruments, or the long-term equity investment originally held in associates or joint venture, can exercise control over the investee not under common control due to additional investment or otherwise, in the preparation of individual financial statements, the sum of the carrying amount of the equity investment originally held plus the new investment cost shall be regarded as the initial investment cost after being accounted for under the cost method.

The other comprehensive income recognised by the equity method in respect of the equity investment originally held before the purchase date is accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed.

If the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the cumulative fair value changes originally included in other comprehensive income are transferred to current profit or loss when the cost method is adopted.

(3) *Equity method accounting to fair value measurement*

If the Company loses joint control or significant influence on the investee due to the disposal of part of the equity investment or otherwise, the remaining equity after disposal shall be accounted for according to the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. The difference between the fair value and the carrying amount on the date of losing joint control or significant impact is recognised in current profit or loss.

The other comprehensive income recognised in respect of the original equity investment using the equity method is accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the equity method is terminated.

(4) *Cost method to equity method*

Where the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal can exercise joint control or significant influence on the investee, the equity method is adopted for accounting, and the remaining equity is deemed to be adjusted under the equity method when it is acquired.

(5) *Cost method to fair value measurement*

Where the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal cannot jointly control or exert significant influence on the investee, the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” are adopted. The difference between the fair value and the carrying amount on the date of loss of control is recognised in current profit or loss.

4. *Disposal of long-term equity investment*

For the disposal of long-term equity investment, the difference between the carrying amount and the actual purchase price shall be included in the current profit or loss. For the long-term equity investment accounted for using the equity method, when the investment is disposed, the part that is originally included in the other comprehensive income is accounted for in the same proportion based on the same basis as the investee directly disposes of the relevant assets or liabilities.

If the terms, conditions and economic impact of each transaction on disposal of the equity investment in a subsidiary satisfy one or more of the following cases, the multiple transactions are treated as a package transaction:

- (1) The transactions are made simultaneously or with consideration of each other's influence;
- (2) The transactions as a whole can achieve a complete business outcome;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) A transaction is uneconomic alone, but it is economic when considered together with other transactions.

Where the loss of control over the original subsidiary due to disposal of part of the equity investment or otherwise which is not a package transaction, the individual financial statements and consolidated financial statements shall be classified for relevant accounting treatment:

- (1) In the individual financial statements, the difference between the carrying amount of the disposed equity and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exert joint control or significant influence on the investee, it shall be accounted for under the equity method, and the residual equity shall be deemed to be adjusted by equity method when it is acquired; if the remaining equity after disposal cannot exert joint control or significant influence over the investee, it shall be accounted for by the relevant provisions of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between the fair value and the carrying amount on the date of loss of control is included in the current profit or loss.
- (2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, capital reserve (share capital premium) is adjusted for the difference between the disposal price and the share of the net assets corresponding to the disposed long-term equity investment that the subsidiary has continuously calculated from the date of purchase or consolidation, and if the capital reserve is insufficient to offset, the retained earnings will be adjusted; when the control of the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of loss of control. The sum of the consideration for the disposal of the equity and the fair value of the remaining equity, less the share of the net assets that the original subsidiary has continuously calculated from the date of purchase calculated based on the original shareholding, is included in the investment income for the period of loss of control, while reducing goodwill. Other comprehensive income related to the original subsidiary's equity investment will be converted into current investment income when control is lost.

If each transaction on disposal of the equity investment in a subsidiary until the loss of control is a package transaction, each transaction is accounted for as a transaction to dispose of the equity investment in the subsidiary with loss of control, which is distinguished between individual financial statements and consolidated financial statements:

- (1) In the individual financial statements, the difference between each disposal price and the carrying amount of the long-term equity investment corresponding to the disposed equity before the loss of control is recognised as other comprehensive income, and when the control is lost, it is transferred to profit or loss for the period of the loss of control.
- (2) In the consolidated financial statements, the difference between each disposal price and the disposal investment that has the share of the net assets of the subsidiary before the loss of control is recognised as other comprehensive income, and transferred to profit or loss for the period of the loss of control.

5. *Criteria for determination of common control and significant impact*

If the Company collectively controls an arrangement with other parties in accordance with the relevant agreement, and the activity decision that has a significant impact on the return of the arrangement needs to be unanimously agreed upon by the parties sharing the control, it is considered that the Company and other parties jointly control an arrangement, which is a joint arrangement.

If the joint arrangement is reached through a separate entity and it determines that the Company has rights to the net assets of the separate entity in accordance with the relevant agreement, the separate entity is regarded as a joint venture and is accounted for using the equity method. If it is judged according to the relevant agreement that the Company does not have rights to the net assets of the separate entity, the separate entity acts as a joint operation, and the Company recognises the items related to the share of the interests of the joint operation and conducts accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the investee, but it cannot control or jointly control the formulation of these policies with other parties. The Company considers one or more of the following situations may have significant influence on the investee by taking into account all facts and circumstances: (1) it is represented on the board of directors or similar authorities of the investee; (2) it involves in the formulation of financial and operating policy of the investee; (3) it has important transactions with the investee; (4) it dispatches management personnel to the investee; (5) it provides key technical information to the investee.

(XVII) Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings. In addition, for the vacant buildings that the Company holds for operating leases, if the board of directors makes a written decision which explicitly states that it is used for operating leases and that the holdings will not change in the short term, they are also presented as investment property.

The Company's investment property is recorded at its cost, and the cost of an purchased investment property includes the purchase price, related taxes, and other expenses directly attributable to the asset; the cost of self-constructed investment property includes the necessary expenses incurred before the asset is ready for expected use.

The Company adopts the cost model for subsequent measurement of investment property, and depreciates or amortises buildings and land use rights according to their estimated service life and net residual value.

When the use of investment property is changed to self-use, the Company converts the investment property into fixed assets or intangible assets from the date of change. When the use of self-use property changes to rental earning or capital appreciation, the Company converts fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the carrying amount before conversion is used as the converted value.

The investment property is derecognised when the investment property is disposed, or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal. The amount of disposal income from the sale, transfer, retirement or damage of the investment property after deducting its carrying amount and related taxes and expenses is recognised in the current profit or loss.

(XVIII) Fixed Assets

1. Recognition conditions of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing goods, providing labour services, renting or operating management, and having a useful life of more than one fiscal year. Fixed assets are recognised when they meet all of the following conditions:

- (1) the economic benefits associated with the fixed assets are likely to flow into the enterprise;
- (2) the cost of the fixed assets can be reliably measured.

2. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

- (1) The cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the assets before they reach their intended usable state.
- (2) The cost of a self-constructed fixed asset consists of all necessary expenses incurred from the construction for enabling the asset to be available for its intended use.
- (3) The cost invested to a fixed asset by the investor is carried at the value agreed upon in the investment contract or agreement. Where the value agreed upon in the said investment contract or agreement is unfair, the said asset will be carried at its fair value.
- (4) Where the price for purchase of the fixed assets exceeds the deferred payment on normal credit terms with substantial financing nature, the cost of the fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price, besides being capitalised, shall be included in the current profit or loss during the credit period.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is accrued over the estimated useful life based on its recorded value less the estimated net residual value. The fixed assets that have been provided for impairment losses are depreciated in the future period based on the carrying amount after deducting the impairment provision and the remaining useful life. No depreciation is provided for still in use but fully depreciated fixed assets.

The Company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life, the estimated net residual value and the depreciation method of the fixed assets are reviewed. If there is a difference from the original estimate, corresponding adjustments will be made.

The method of depreciation, year of depreciation and annual depreciation rate of different categories of fixed assets are as follows:

Category	Method of depreciation	Year of depreciation (year)	Residual rate (%)	Annual depreciation rate (%)
Building structures	Straight-line basis	20-25	0-5	4-4.75
Machinery equipment	Straight-line basis	5-10	0-5	9.5-20
Transportation equipment	Straight-line basis	4-5	0-5	19-25
Office and electronic equipment	Straight-line basis	3-5	0-5	19-33.33
Other equipment	Straight-line basis	3-5	0-5	19-33.33

(2) *Subsequent expenditures on fixed assets*

Subsequent expenditures related to fixed assets that meet the conditions for recognition of fixed assets are included in the cost of fixed assets; those that do not meet the conditions for recognition of fixed assets are included in the current profit or loss when they occur.

(3) *Disposal of fixed assets*

When a fixed asset is disposed or no economic benefit is expected to result from its use or disposal, the fixed asset is derecognised. The amount of disposal income from sale, transfer, retirement or damage of the fixed asset after deducting its carrying amount and related taxes is included into the current profit or loss.

(XIX) Constructions in Progress

1. Initial measurement of constructions in progress

The self-built construction in progress of the Company is measured at the actual cost, which is determined by the necessary expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labour costs and relevant taxes payable, capitalised borrowing costs and indirect costs that should be apportioned.

2. Criteria for and time point of construction in progress to convert into fixed asset

The total expenditure incurred before the construction in progress project is constructed to reach the intended usable condition shall be recorded as the book value of the fixed assets. For the construction in progress built which has reached the intended usable condition, but has not yet completed the final accounts, since the date of reaching intended usable condition, according to the project budget, cost or actual project costs, it shall be converted into fixed assets at the estimated value, and fixed assets shall be depreciated in accordance with the depreciation policy of the Company for fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

(XX) Borrowing Costs

1. Recognition principle for capitalisation of borrowing costs

The borrowing expenses of the Company directly attributable to the construction or production of an asset eligible for capitalisation are capitalised and recognised in relevant asset costs; other borrowing expenses are recognised as expenses based on the amount incurred and recognised in the current profit or loss.

Assets that are eligible for capitalisation are assets that require a long period of time to purchase or produce activities to achieve fixed assets, investment property and inventory that are available for intended use or sale.

Borrowing expenses are capitalised when all of the following conditions are met:

- (1) Assets expenditure has occurred, including expenditure incurred in the form of cash payment, transfer of non-cash assets or assuming of interest-bearing debt for the acquisition and construction or production of assets eligible for capitalisation;
- (2) Borrowing costs have already occurred;
- (3) The purchase and construction or production activities necessary for the assets to reach the intended use or saleable status have started.

2. *Capitalisation period of borrowing costs*

The period of capitalisation refers to the period from the point of time when the borrowing costs are capitalised to the point of time where the capitalisation is stopped, excluding the period during which the borrowing costs are suspended from capitalisation.

The borrowing costs shall cease to be capitalised when the assets acquired or produced that meet the conditions for capitalisation are ready for intended use or sale.

When a part of the assets purchased or produced that meet the capitalisation conditions are completed and can be used alone, such part of the assets shall stop capitalisation of borrowing costs.

Where each part of the assets purchased or produced is completed separately, but must wait until the whole is completed or can be sold externally, the capitalisation of the borrowing costs shall be stopped when the assets are completed as a whole.

3. *Suspension of capitalisation period*

If the assets that meet the capitalisation conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the capitalisation of borrowing costs shall be suspended; the borrowing costs shall continue to be capitalised if the acquisition or production of assets eligible for capitalisation is necessary to meet the required usable status or the availability of sales. The borrowing costs incurred during the interruption are recognised as current profit or loss and the borrowing costs continue to be capitalised until the acquisition or production of assets is resumed.

4. *Calculation of capitalised amount of borrowing costs*

Interest charges on special borrowings (excluding interest income on unused borrowings deposited in the bank, or investment income on temporary investment) and their ancillary expenses shall be capitalised before the assets purchased or produced that meet the capitalisation conditions are ready for intended use or sale.

The amount of capitalised interest on general borrowings is calculated by the weighted average of the excess portion of the accumulative asset expenditures over the special borrowings multiplied by the capitalisation rate of general borrowings. The capitalisation rate is determined based on the weighted average interest rate of general borrowings.

Where there is a discount or premium in the borrowings, the interest amount shall be adjusted in accordance with the effective interest method to determine the discount or premium amount that shall be amortised during each accounting period.

(XXI) Right-of-use Assets

The Company initially measures the right-of-use assets at cost, which includes:

- 1) initial measurement amount of lease liabilities;
- 2) lease payments made on or before the lease commencement date, and deduction of the relevant amount of rental incentives if any;
- 3) initial direct expenses incurred by the Company;
- 4) expected costs to be incurred by the Company for dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the state agreed in the lease terms (excluding costs incurred for the production of inventory).

The Company adopts a cost model for subsequent measurement of right-of-use assets after the lease commencement date.

If it is reasonably certain to obtain the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the remaining useful life of the leased assets. If it is not reasonably certain to obtain the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the shorter of the lease term and the remaining useful life of the leased assets. For the right-of-use assets with impairment provision, depreciation shall be calculated based on the book value after deduction of impairment provision in according with the above principles in future periods.

(XXII) Intangible Assets and Development Expenses

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the Company which have no physical form, including land use rights, externally purchased software and patents, self-developed software and patents and trademark rights, etc.

1. Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the book value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognised in the current profit or loss.

The book value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognised.

For intangible asset obtained through business absorption or combination under common control, its book value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or combination not under common control, its book value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labour costs, registration fees, amortisation of other patented rights and licensed rights used during the development process, interest expenses meeting capitalisation conditions, and other direct costs for bringing the intangible asset to expected usage.

2. *Subsequent measurement of intangible assets*

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible assets with limited useful life and indefinite useful life.

(1) *Intangible assets with a limited useful life*

Intangible assets with a limited useful life are amortised using straight-line method over the term during which they bring economic benefits to the Company. The estimated life and basis for the intangible assets with a limited useful life are as follows:

Item	Estimated useful life	Basis
Land use rights	50 years	Land use certificate
Self-developed software and patents	5-10 years	Estimated useful life
Externally purchased software and patents	3-10 years	Estimated useful life
Trademark rights	5-10 years	Certificate of trademark rights

The useful life and amortisation method of intangible assets with a limited useful life are reassessed at the end of each period. If there is a difference from the original estimate, corresponding adjustments will be made.

Upon re-assessment, there was no difference in the useful life and amortisation method of intangible assets from the previous estimates at the end of the period.

(2) *Intangible assets with an indefinite useful life*

If the term of economic benefit the intangible asset can bring to the Company cannot be estimated, it is deemed to be an intangible asset with an indefinite useful life.

For intangible assets with an indefinite useful life, they will not be amortised during the holding period, and the life of intangible assets will be re-assessed at the end of each period. If the final re-assessment remains uncertain, the impairment test will continue during each accounting period.

Upon re-assessment, the useful life of such intangible assets remains uncertain.

3. *Specific basis for determining the research stage and development stage of internal research and development projects of the Company*

Research stage: a stage of scheduled innovative investigations and research activities for the acquisition and understanding of new scientific or technical knowledge.

Development stage: before the commercial production or use, the research results or other knowledge will be applied to a plan or design to produce new or substantial improvements in materials, devices, products and other activities.

The expenditure of the research stage of the internal research and development project is included in the current profit or loss at the time of occurrence.

4. *Specific standard for capitalisation of expenditure in the development stage*

The expenditure of an internal research and development project in the development stage is recognised as an intangible asset when meeting all of the following conditions:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) With an intention to complete the intangible asset and to use or sell it;
- (3) The way the intangible asset generates economic benefits can prove the existence of a market for the products produced using the intangible asset or a market for the intangible asset itself, and if the intangible asset will be used internally, its usefulness can be proven;
- (4) Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset, and having the ability to use or sell the intangible asset;
- (5) Expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit or loss at the time of occurrence. The development expenditures which have been included in the profit or loss in the previous periods will not be recognized as an asset in the future period. The capitalised expenditures in the development phase are shown in the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

(XXIII) Impairment of Long-term Assets

On the balance sheet date, the Company determines whether there may be a sign of impairment on long-term assets. If there is a sign of impairment on long-term assets, the recoverable amount is estimated on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, then determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs.

The estimated recoverable amount of an asset is the higher of its fair value less the cost of disposal and the present value of the expected future cash flow of the asset.

When the measurement results of recoverable amount show that the recoverable amount of a long-term asset is lower than its book value, the book value of the long-term asset is reduced to its recoverable amount. The reduced amount is recognised as an impairment loss on the asset and included in the current profit or loss, at the same time, asset impairment provision will be made accordingly. Asset impairment loss shall not be reversed during the subsequent accounting period once recognised.

After the asset impairment loss is recognised, the depreciation or amortisation expenses of the impaired assets will be adjusted accordingly in the future period, so that the assets' book value after adjustment (deducting the estimated net residual value) will be systematically apportioned over the remaining useful life of the assets.

No matter whether there is any sign of impairment or not, the impairment test is carried out every year for goodwill and intangible assets with an indefinite useful life arising from an enterprise merger.

In the impairment test of goodwill, the carrying amount of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the Company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related carrying amount

to recognise the corresponding impairment loss. Next, the Company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the carrying amount of the related asset group or portfolio of asset group (including the carrying amount of the goodwill apportioned thereto) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the carrying amount, the Company will recognise the impairment loss of goodwill.

(XXIV) Long-term Deferred Expenses

1. *Amortisation method*

Long-term deferred expenses refer to expenses that have been incurred by the Company but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortised using the straight-line method in its benefit period.

2. *Amortisation year*

Type	Amortisation year
Renovation fees	5 years
Platform maintenance fee and others	Subject to the benefit period of the contract

(XXV) Contract Liabilities

The Company recognises the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contract liability.

(XXVI) Employee Remuneration

Employee remuneration refers to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labour relationship. Employee remuneration includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

1. *Short-term remuneration*

Short-term remuneration refers to the employee compensation other than post-employment benefits and termination benefits required to be fully paid by the Company within 12 months after the end of the annual reporting period in which the employees render relevant services. During the accounting period in which the employees render services, the Company recognises the short-term remuneration payable as liabilities and includes the same in related asset costs or expenses according to the object which benefits from the services rendered by employees.

2. *Post-employment benefits*

Post-employment benefits refer to various forms of remuneration and benefits other than short-term remuneration and termination benefits provided by the Company after the retirement of employees or termination of labour relationship with the Company in exchange for the services rendered by employees.

The Company's post-employment benefits are categorised as defined contribution plans and defined benefit plans.

Defined contribution plan of the post-employment benefits mainly refers to the social basic endowment insurance, unemployment insurance, etc. organised and implemented by local labour and social security institutions. During the accounting period when employees render services to the Company, amount payable calculated by the defined contribution plan is recognised as a liability and included in the current profit or loss or related asset costs.

The Company will no longer have any other payment obligations after making the abovementioned payments on a regular basis in accordance with the standards and annuity plans prescribed by the State.

3. Termination benefits

Termination benefits refer to the compensation paid to an employee when the Company terminates the employment relationship with the employee before the expiry of the employment contract or provides compensation as an offer to encourage the employee to accept voluntary redundancy. The Company recognises the liabilities arising from the compensation paid to terminate the employment relationship with employees and includes the same in the current profit or loss at the following time, whichever is earlier: the Company cannot unilaterally withdraw the plan to terminate the employment relationship or the redundancy proposal; and the Company recognises the cost or expense for the restructuring relative to the payment of termination benefits.

(XXVII) Estimated Liabilities

1. Basis for recognition of estimated liabilities

The Company will recognise estimated liabilities if the obligation relating to contingent matters meets all of the following conditions:

The obligation is a present obligation assumed by the Company;

The fulfillment of this obligation will probably cause the outflow of economic benefits from the Company;

The amount of the obligation can be measured reliably.

2. Measurement method of estimated liabilities

The initial measurement of estimated liabilities of the Company is based on the best estimate of the expenditure required for the performance of the related present obligations.

When determining the best estimate, the Company comprehensively considers the risks, uncertainties relating to the contingent matters and time value of currency. If the time value of currency has a great influence, the Company determines the best estimate by discounting the related future cash outflows.

The best estimate is determined in different situations as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.

Where there is not a continuous range (or interval) of the required expenditure, or there is a continuous range, but the probability of the occurrence of all the results in the range is different, if the contingencies involve a single project, the best estimate is determined by the amount which is most likely to occur; if the contingencies involve a number of projects, the best estimate is determined based on various possible results and related probability calculation.

If all or part of the expenses of the Company required to settle estimated liabilities are expected to be compensated by a third party and it is basically certain to receive the amount of compensation, it is independently recognised as an asset. The amount of compensation recognised will not exceed the book value of the estimated liabilities.

(XXVIII) Lease Liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments on the lease commencement date. In calculating the present value of lease payments, the Company adopts the interest rate implicit in the lease as the discount rate. If it is impossible to determine the interest rate implicit in the lease, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of purchase option;
- 4) Where the lease term reflects that the Company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
- 5) Expected payments based on the guaranteed residual value provided by the Company.

The Company calculates the interest expenses of the lease liabilities for each period of the lease term at a fixed discount rate and includes the same in the current profit or loss or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the related asset costs when they actually occur.

(XXIX) Share-based Payment**1. *Category of share-based payment***

The Company's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

2. *Determination of the fair value of equity instruments*

For options and other equity instruments granted by the Company with an active market, the fair value is determined at the active market quotations. For options and other equity instruments granted by the Company with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: (1) the exercise price of the option; (2) the validity of the option; (3) the current price of the target share; (4) the expected volatility of the share price; (5) the predicted dividend of the share; (6) risk-free rate of the option within the validity period.

In determining the fair value of the equity instruments at the date of grant, the Company shall consider the impact of market conditions in the vesting conditions and non-vesting conditions stated in the share-based payment agreement. If there are non-vesting conditions in the share-based payments, as long as the employees or other parties satisfy the non-market conditions in all of the vesting conditions (such as term of service), the Company shall recognise the services rendered as an expense accordingly.

3. *Recognition basis for the best estimate of exercisable equity instruments*

On each balance sheet date within the vesting period, the estimated number of exercisable equity instruments is amended based on the best estimate made by the Company according to the latest available subsequent information as to changes in the number of employees with exercisable rights. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

4. *Accounting treatment*

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of equity instruments at the grant date with an increase in capital reserve accordingly. For those exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognise the services received in the current period in related costs or expenses and capital reserves at the fair value of equity instruments on the grant date based on the best estimate of the number of exercisable equity instruments. After the exercisable date, relevant costs or expenses and total owners' equity which have been recognised will not be adjusted.

Cash-settled share-based payments are measured at the fair value of liabilities calculated and determined based on the shares or other equity instruments assumed by the Company. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of the liabilities assumed by the Company at the grant date with an increase in liabilities accordingly. For cash-settled share-based payments exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognise the services received in the current period in costs or expenses and corresponding liabilities at the amount of fair value of the liabilities assumed by the Company based on the best estimate of the number of exercisable equity instruments. At each balance sheet date and the settlement date prior to the settlement of relevant liabilities, the fair value of the liabilities is re-measured through current profit or loss.

During the vesting period, if the equity instruments granted are cancelled, the Company will treat the cancelled equity instruments granted as accelerated vesting, and the amount within the remaining period should be recognised immediately in current profit or loss while recognising the capital reverse. If employees or other parties can meet non-vesting conditions but do not meet within the vesting period, the Company will treat it as a cancellation of equity instruments granted.

(XXX) Preference Shares, Perpetual Bonds and Other Financial Instruments

In accordance with the provisions of the Financial Instruments Standards, the financial instruments or their components are classified into financial liabilities or equity instruments on initial recognition on the basis of the contractual terms of preference shares, perpetual bonds and other financial instruments issued by the Company and their economic nature instead of only the legal form, together with the definition of financial liabilities and equity instruments:

1. *The Company classifies the financial instruments issued as financial liabilities when one of the following conditions is satisfied:*
 - (1) The contractual obligation to pay cash or deliver other financial assets to other parties;
 - (2) The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
 - (3) The non-derivative instrument contract which must or may be settled through the enterprise's own equity instruments and based on which the enterprise will deliver a variable quantity of its own equity instruments;
 - (4) The derivative instrument contract which must or may be settled through the enterprise's own equity instruments, except for the derivative instrument contract based on which the enterprise will exchange a fixed amount of its own equity instruments for a fixed amount cash or other financial assets.

2. *The Company classifies the financial instruments issued as equity instruments when all of the following conditions are satisfied:*
- (1) The financial instruments have no contractual obligations to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
 - (2) If the financial instruments will or may be settled through the enterprise's own equity instruments, they are non-derivative instruments that include no contractual obligations to deliver a variable number of its own equity instruments; or derivative instruments that will be settled only by enterprise's exchanging a fixed amount of its own equity instruments for a fixed number of cash or other financial assets.

3. *Accounting treatment*

Regarding financial instruments classified as equity instruments, their interest expense or dividend payout should be used for enterprises' profit distribution, and their repurchase and cancellation should be taken as equity change, while fees, commissions and other transaction fees shall be deducted from equity;

Regarding financial instruments classified as financial liabilities, their interest expense or dividend payout should be taken as borrowing costs in principle, and the gains or losses resulting from their repurchase or redemption should be stated as current profits or losses, while fees, commissions and other transaction fees are stated in the initial measurement amount of the issued instruments.

(XXXI) Revenue

The Company's revenue is mainly derived from the following business types:

- (1) Set-top boxes and other products sales business;
- (2) Revenue from technical services.

1. *General principles of revenue recognition*

The Company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognised at the transaction price allocated to the performance obligation.

The performance obligation refers to the commitment of the Company to transfer the goods or services that can be clearly distinguished to the customer in the contract.

Obtaining control of related commodities means being able to lead the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the contract on the contract start date, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time, and the Company recognises revenue within a period of time according to the progress of the performance: (1) the customer obtains and consumes the economic benefits brought by the Company's ongoing performance of the contract; (2) the customer can control the goods under construction of the Company during the performance of the contract; (3) the goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to receiving money for the accumulated performance part that has been completed so far. Otherwise, the Company recognises revenue at a point in time when the customer obtains control of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company uses the input method to determine the appropriate performance progress based on the nature of the goods and services. The input method is to determine the performance progress based on the Company's investment to fulfil the performance obligation. When the performance progress cannot be reasonably determined, if the Company's already incurred costs are expected to be compensated, revenue is recognised according to the amount of costs incurred until the performance progress is reasonably determined.

2. *Specific methods for revenue recognition*

(1) Sales contracts of set-top boxes and other products

For the sales of set-top boxes and other products that meet the conditions of performing obligations at a certain point in time according to the terms of the contract, the Company recognises the realisation of sales revenue at a point in time when the customer obtains the control of the relevant goods or services according to the delivery conditions that obtain the receipt from the customer after delivery and fulfill the agreement in the sales contract.

(2) Technical services contracts

If a technical service contract is qualified to recognise revenue within a certain period of time, revenue shall be recognised according to the progress of performance.

3. *Revenue treatment principles for specific transactions*

(1) Contracts with sales return provisions

When the customer obtains control of the relevant goods, revenue is recognised based on the amount of consideration expected to be received due to the transfer of goods to the customers (exclusive of the amount expected to be refunded due to the return of sales), while liability is recognised based on the amount expected to be refunded due to the return of sales.

The carrying amount of goods expected to be returned at sales of goods, after deduction of costs expected to incur for recovery of such goods (including impairment of value of the returned goods), will be accounted for under the item of "Cost of returned goods receivable".

(2) Contracts with quality assurance provisions

The Company assesses whether a separate service is rendered in respect of the quality assurance besides guaranteeing the sales of goods to customers are in line with the designated standards. When additional service is provided by the Company, it is considered as a single performance obligation and under accounting treatment according to the standards on revenue; otherwise, quality assurance obligations will be under accounting treatment according to the accounting standards on contingent matters.

(3) Sales contracts with additional purchase option of customers

The Company assesses whether customers will enjoy a significant right with this option. If customers enjoy a significant right, it is considered as a single performance obligation and the transaction price is apportioned to this performance obligation, and corresponding revenue is recognised when the customers obtain control of the relevant goods after exercising the purchase option in the future or the option elapses. Where the single sales price of additional purchase option of customers is not observable directly, it will be reasonably estimated by considering the difference between the discounts available under the circumstances where the option is exercised and not exercised by the customers, respectively, the possibility of exercising of the option by the customers, and other relevant information.

(4) *Contracts on grant of intellectual property license to customers*

The Company assesses whether the intellectual property license constitutes a single performance obligation. If so, the Company will then further determine whether it is fulfilled during a certain period of time or at a certain point in time. Where intellectual property license is granted to the customers with agreed terms on charging royalties based on the actual sales of or use by them, the revenue will be recognised at the following time, whichever is later: actual occurrence of subsequent sales of or use by customers; the fulfillment of relevant performance obligation by the Company.

(5) *After-sale repurchase*

- 1) Contracts with repurchase obligation due to forward arrangement with customers: In this case, the customers do not obtain control of the relevant goods at the time of sales, thus it is taken as a leasing transaction or financing transaction for corresponding accounting treatment. In particular, contract whose repurchase price is lower than its original sales price is regarded as a leasing transaction for accounting treatment according to the provisions on leasing of the Accounting Standards for Business Enterprises; contract whose repurchase price is no lower than its original sales price is regarded as a financing transaction, and will be recognised as a financial liability upon receipt of the amount due from customers, and the difference between such amount and the repurchase price is recognised as interest expense, etc. during the repurchase period. Where the repurchase right is not exercised by the Company on the maturity date, the financial liability will be derecognised and a revenue will be recognised at the same time when the repurchase right falls due.
- 2) Contracts with repurchase obligation as required by customers: Where customers have significant economic factors upon assessment, after-sale repurchase will be regarded as a leasing transaction or financing transaction for accounting treatment according to the provisions set out in item 1) above; otherwise, it will be treated as a sales transaction with sales return provisions.

(6) *Contracts with collection of initial fees from customers with no need for return*

The initial fees charged from customers with no need for return on the commencement (or close to the commencement) date of the contract shall be included in the transaction price. Upon assessment by the Company, where the initial fees are associated with the transfer of promised goods to customers, and such goods constitute a single performance obligation, the revenue will be recognised based on the transaction price apportioned to such goods at the transfer of the goods; where the initial fees are associated with the transfer of promised goods to customers, but such goods do not constitute a single performance obligation, the revenue will be recognised based on the transaction price apportioned to the single performance obligation at the fulfillment of the single performance obligation including such goods; where the initial fees are not associated with the transfer of promised goods to customers, the initial fees will be treated as advances for transfer of goods in the future, and will be recognised as revenue at the time of the transfer in the future.

(XXXII) Contract Costs

1. Contract performance cost

The Company's costs incurred for the performance of the contract that are not within the scope of other Accounting Standards for Business Enterprises other than income standards and meet the following conditions at the same time are recognised as an asset as contract performance costs:

- (1) The cost is directly related to a current or expected contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), costs clearly to be borne by the customer, and other costs incurred solely for the contract;

- (2) This cost increases the resources that the company will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortisation period at the time of initial recognition exceeds a normal business cycle.

2. Contract obtainment cost

If the incremental cost for obtaining a contract for the Company is expected to be recovered, it is taken as contract obtainment cost and recognised as an asset. Incremental cost refers to the cost that the Company will not occur without obtaining a contract, such as sales commission. For the amortisation period not exceeding one year, it is included in the current profit or loss when it occurs.

3. Amortisation of contract costs

The Company recognises the above assets related to contract costs on the same basis as the goods or service income related to the asset, and amortises it at the time when the performance obligation is performed or in accordance with the fulfilment of the performance obligation, and is included in the current profit or loss.

4. Contract cost impairment

For the above assets related to contract costs, if the carrying amount is higher than the difference between the remaining consideration expected to be received by the Company for transfer of the goods related to the assets and the estimated cost of transferring the relevant goods, an impairment provision shall be made for the excess and recognised as an asset impairment loss.

After the impairment provision is made, if the factors of impairment in the previous period change, so that the difference between the two items mentioned above is higher than the carrying amount of the asset, the asset impairment provision previously made is reversed and included in the current profit or loss, but the reversed carrying amount of the asset does not exceed the carrying amount of the asset on the date of the reverse under the assumption that no impairment provision is made.

(XXXIII) Government Grants

1. Classification

Government grants refer to monetary and non-monetary assets received from the government without compensation. According to the grant object stipulated in the relevant documents of government, government grants are divided into government grants related to assets and government grants related to income.

Government grants related to assets are obtained by the Company for the purposes of purchasing, constructing or otherwise forming long-term assets. Government grants related to income refer to the government grants other than those related to assets.

2. Recognition of government grants

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and is expected to receive financial support funds at the end of the period, the amount receivable is recognised as the government grants. Otherwise, the government grants are recognised upon actual receipt.

Government grants in the form of monetary assets are stated at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably obtained, a nominal amount (RMB1) is used. Government grants that are measured at nominal amount shall be included in the current profit or loss directly.

3. Accounting treatment

According to the essence of economic business, the Company determines that a certain type of operation with government grants should be accounted for using the gross method or net method. In general, the Company uses only one method for similar or comparable operation with government grants and applies that method consistently to that operation.

Government grants related to assets are recognised as deferred income. If the government grants related to assets are recognised as deferred income, they shall be recognised, under reasonable and systematic approach, in profit and loss in each period over the useful life of the constructed or purchased assets.

Government grants related to income aiming at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognised as deferred income, and are recognised in current profit or loss when such expenses or losses are recognised. Government grants aiming at compensating for relevant expenses or losses of the enterprise that are already incurred are directly charged to current profit or loss once received.

Government grants related to daily activities of enterprises are included in other income; government grants that are not related to daily activities of enterprises are included in non-operating income and expenditure.

Government grants related to the discount interest received from policy-related preferential loans offset the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated according to the loan principal and the policy-based preferential interest rate.

When it is required to return recognised government grants, if such grants are used to write down the carrying amount of relevant assets on initial recognition, the carrying amount of the assets shall be adjusted; if there is balance of relevant deferred income, it shall be written down to the book balance of relevant deferred income, and the excess is included in the current profit or loss; where there is no relevant deferred income, it shall be directly included in the current profit or loss.

(XXXIV) Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognised based on the difference (temporary difference) between the taxable base of assets and liabilities and their carrying amounts. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when it is expected to recover such assets or settle such liabilities.

1. Criteria for recognition of deferred income tax assets

The Company recognises deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable income will be available against which the deductible temporary difference can be utilised, and deductible losses and taxes can be carried forward to subsequent years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in a transaction with the following features are not recognised: (1) the transaction is not a business combination; (2) neither the accounting profit nor the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognised if the following conditions are met: the temporary difference is likely to be reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

2. *Criteria for recognition of deferred income tax liabilities*

The Company recognises deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

- (1) temporary difference arising from the initial recognition of goodwill;
- (2) transactions or events arising from non-business combination, and neither the accounting profit nor the taxable income (or deductible losses) is affected when the transaction or event occurs;
- (3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the temporary difference can be controlled and the temporary difference is not likely to be reversed in a foreseeable future.

3. *Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met*

- (1) The enterprise has the statutory right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) The deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the related taxable entities or different taxable entities which intend either to settle current income tax assets and current income tax liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(XXXV) Lease

On the commencement date of the contract, the Company evaluates whether the contract is a lease or contains a lease. If one party to a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1. *Split of lease contracts*

When the contract contains a number of separate leases, the Company will split the contract into separate leases for accounting individually.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the lease standards, and the non-leasing part shall be accounted for in accordance with other applicable Accounting Standards for Business Enterprises.

2. *Consolidation of lease contracts*

When two or more lease-containing contracts concluded by the Company with the same counterparty or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall consolidate them into one contract for accounting:

- (1) Such two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognised.

- (2) The amount of consideration for a contract in such two or more contracts depends on the pricing or performance of other contracts.
- (3) The right-of-use assets transferred by such two or more contracts together constitute a separate lease.

3. *Accounting treatment for the Company as a lessee*

On the commencement date of leases, the Company recognises right-of-use assets and lease liabilities for leases, except for short-term leases and low-value asset leases with simplified treatment.

(1) *Short-term lease and low-value asset lease*

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease is a lease that has a lower value of a single leased asset when it is a new asset.

The Company does not recognise right-of-use assets and lease liabilities for the short-term leases and low-value asset leases below. Relevant lease payments are included in the cost of related assets or current profits or losses based on the straight-line method or other systematic and reasonable methods over each period of the lease term.

Item	Type of leased assets with simplified treatment
Short-term lease	Leases of houses with a lease term within one year (including one year)
Low-value asset lease	Leases of office and machinery equipment with a low unit value

The Company recognises right-of-use assets and lease liabilities for short-term leases and low-value assets other than those mentioned above.

- (2) The accounting policies for right-of-use assets and lease liabilities are detailed in this Note IV/(XXI) Right-of-use Assets and this Note IV/(XXVIII) Lease Liabilities.

4. *Accounting treatment for the Company as a lessor*

(1) *Classification of leases*

The Company divides leases into financial leases and operating leases on the lease commencement date. Financial lease refers to a lease that essentially transfers almost all of the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operating leases refer to leases other than financial leases.

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the expiry of the lease term, the ownership of the leased assets is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets, and the purchase price set is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease commencement date that the lessee will exercise the option.
- 3) Although the ownership of the assets is not transferred, the lease term accounts for the majority of the useful life of the leased assets.

- 4) On the lease commencement date, the present value of the lease receipts is almost equal to the fair value of the leased assets.
- 5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, it may also be classified as a financial lease:

- 1) If the lessee terminates the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- 2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- 3) The lessee can continue to lease at a rent far below the market level for the next period.

(2) *Accounting treatment of financial lease*

On the lease commencement date, the Company confirms the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets.

In the initial measurement of finance lease receivables, the sum of the unguaranteed residual value and the current value of the lease receipts that have not been received at the beginning of the lease period discounted at the interest rate included in the lease is taken as the Carrying amount of the finance lease receivables. Lease receipts include:

- 1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;
- 2) Variable lease payments depending on index or ratio;
- 3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;
- 4) The lease term reflects the situation where the lessee will exercise the option to terminate the lease, and the lease receipt includes the amount that the lessee needs to pay to exercise the option to terminate the lease;
- 5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party who is financially capable of performing the guarantee obligation.

The Company calculates and confirms the interest income in each period of the lease period according to the fixed lease interest rate. The variable lease payments obtained that are not included in the net measurement of the lease investment are included in the current profit and loss when they actually occur.

(3) *Accounting treatment of operating lease*

The Company uses the straight-line method or other systematic and reasonable methods in each period of the lease period to confirm the lease receipts of operating leases as rental income; the initial direct expenses related to operating leases that are capitalized; during the lease period the rental income is recognised on the same basis and is allocated and included in the current profit and loss in installments; the variable lease payments obtained that are not included in the lease receipts and related to operating leases are included in the current gain and loss when they actually occur.

The specific accounting policies related to the Company's major leasing activities for which revenue was obtained are described below:

1) Leasing contract for set-top boxes and other products

For leasing contracts for set-top boxes and other products that satisfy the performance obligation conditions over a period under the terms of contract, the Company recognises revenue over the period according to the progress of performance.

2) Property lease contract

The Company recognises revenue using straight-line method over the lease term under the lease contract.

(XXXVI) Discontinued operation

When the Company satisfies one of the following conditions, and the component has been disposed of or classified as held for sale, and can be separately recognised as a component of discontinued operation:

- (1) the component represents an independent main business or a separate major business area.
- (2) this component is proposed disposal plan on an independent main business or proposed disposal in a separate major business area.
- (3) this component is a subsidiary that is specifically acquired for resale.

Gains or losses on operation and disposal such as impairment losses from discontinued operation and reversal are presented in the income statement as operating profit or loss in discontinued operation.

(XXXVII) Changes in significant accounting policies and accounting estimates

1. Changes in accounting policies

Details of and reasons for changes in accounting policies

Approval process

Remark

From 1 January 2022, the Company adopted “accounting treatment in relation to sales of product or by-product produced before an enterprise brings a fixed asset to its working condition for its intended use or otherwise during the research and development process” and “judgement in relation to onerous contracts” under Interpretation No. 15 of Accounting Standards for Business Enterprises, which was issued by the Ministry of Finance in 2021.

From 13 December 2022, the Company adopted “accounting treatment in relation to income tax implications from dividends related to any financial instrument classified as equity instrument by the issuer” and “accounting treatment in relation to an enterprise switching from cash-settled share-based payments to equity-settled share-based payments” under Interpretation No. 16 of Accounting Standards for Business Enterprises, which was issued by the Ministry of Finance in 2022.

On 19 August 2022, the Company convened the 13th meeting of the 11th board of directors, at which it reviewed and approved the “Proposal in Relation to Changes in Accounting Policies”

On 17 March 2023, the Company convened the 16th meeting of the 11th board of directors, at which it reviewed and approved the “Proposal in Relation to Changes in Accounting Policies”

(1)

(2)

*Notes to changes in accounting policies:***(1) The effects of adopting Interpretation No. 15 of Accounting Standards for Business Enterprises on the Company**

On 31 December 2021, the Ministry of Finance issued Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35, hereinafter referred to as “Interpretation No.15”). The “accounting treatment in relation to sales of product or by-product produced before an enterprise brings a fixed asset to its working condition for its intended use or otherwise during the research and development process (hereinafter referred to as “Trial Operation Sales”)” and “judgement in relation to onerous contracts” under Interpretation No.15 both took effect from 1 January 2022. The Company’s adoption of the above standard had no significant effect on its financial statements during the reporting period.

(2) The effects of adopting Interpretation No. 16 of Accounting Standards for Business Enterprises on the Company

On 13 December 2022, the Ministry of Finance issued Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”). Regarding accounting treatments for the 3 items under Interpretation No. 16: “accounting treatment in relation to deferred income tax related to assets and liabilities arisen from single transactions to which initial recognition exemption does not apply” took effect from 1 January 2023, early adoption was permitted for enterprises from the year of issuance, and the Company had not early adopted the accounting treatment for this item; “accounting treatment in relation to income tax implications from dividends related to any financial instrument classified as equity instrument by the issuer” and “accounting treatment in relation to an enterprise switching from cash-settled share-based payments to equity-settled share-based payments” took effect from the date of issuance.

- 1) For “accounting treatment in relation to income tax implications from dividends related to any financial instrument classified as equity instrument by the issuer” and “accounting treatment in relation to an enterprise switching from cash-settled share-based payments to equity-settled share-based payments”, the Company’s adoption of Interpretation No. 16 had no significant effect on its financial statements during the reporting period

2. Changes in accounting estimates

Changes in accounting estimates made by the Company during the reporting period

Content and reasons for changes in accounting estimates	Approval process	Point of commencement of application for changes in accounting estimates
Changes in provision method for expected credit losses of receivable	On 29 March 2022, the eighth meeting of the eleventh session of the Board of Directors was held, and the “Proposal on Changes in Accounting Estimates” was considered and approved	1 January 2022

(1) The reasons for changes in accounting estimates

The Company's downstream customers are mainly domestic communication operators and radio and television operators, overseas telecommunication and integrated operators, automobile front-loading brand automakers, mobile phone ODM solution companies, etc., and the credit of such customers is generally good. At the same time, the Company's business scale has been growing rapidly in recent years, and the customer base and customer scale have been expanding continuously. For the purpose of further ensuring that receivables related to daily operations are collected in full and in a timely manner, the Company assesses the credit qualifications of customers and sets corresponding credit ratings, credit periods and corresponding risk control measures based on their business development, financial conditions, third-party guarantees, credit records and other factors, and strengthens the implementation of relevant measures. To give a more objective and fair view of the credit status of the Company's customers, as well as the Company's current actual operation, business conditions and control models, and to present the Company's financial conditions and operating results more reasonably and objectively, and provide more reliable, relevant and comparable accounting information, the Company has improved the provision method for expected credit losses of receivable. In accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Correction, the Company changed its accounting estimates for the measurement of allowance for losses on receivables, with effect from 1 January 2022.

(2) The content for changes in accounting estimates

A. Accounting estimates adopted before the changes

The Company groups the receivables based on shared risk characteristics, and measures the ECL based on each group. The grouping is conducted on the following basis:

Dividend receivables	Dividend receivables from related parties
Interest receivables	Bank deposit interest and other interest receivables
Bills receivables	Bank acceptance and trade acceptance receivables
Combination of companies and other related parties within the scope of consolidation	Amounts receivable from companies and other related parties within the scope of consolidation
Companies with good credit records	Customers with good credit records and those whose credit insurance is within the reimbursement ratio
Companies with higher credit risk ratings	Customers with special bad debt risks and customers involved in overdue loss reports for credit insurance
Risk-free portfolio	Amounts of government departments such as internal employees' reserve funds, tax refunds receivable
Combination of other receivables	Other funds except dividends receivables, interest receivables, bills receivables, combination of companies and other related parties within the scope of consolidation, companies with good credit records, companies with higher credit risk ratings and Risk-free portfolio

On the basis of dividing the above combinations, the Company divides the customers with different credit risk rating combinations into the following categories with reference to the customer's historical credit loss experience and with the combination of the current situation and considers the forward-looking information:

① Companies with good status in terms of credit risks

The Company mainly uses the ageing analysis method to measure expected credit losses, and the details are as follows:

Ageing	Accrual percentage
Within 6 months (inclusive)	1%
6 to 12 months (inclusive)	5%
1 to 2 years (inclusive)	10%
2 to 3 years (inclusive)	20%
3 to 4 years (inclusive)	50%
4 to 5 years (inclusive)	80%
Over 5 years	100%

② Companies with higher credit risk ratings

For companies with higher credit risk ratings, the Company provides a higher accrual percentage for expected credit impairment losses based on the transaction records with customers, payment records of customers, overdue repayment time of customers, financial conditions of customers and so on.

③ Combination of related parties

For related parties, no expected credit losses shall be accrued and provided.

B. Accounting estimates adopted after the changes

The Company still divides customer receivables into different groups based on common risk characteristics. On the basis of division of groups in respect of “(1) Accounting estimates adopted before the changes”, “① Companies with good credit risk conditions” and the method of accruing and providing expected credit impairment losses for “② Companies with higher credit risk ratings” has been optimized and improved. The Company evaluates the credit risk ratings of each customer based on the customer's credit status, the history of business cooperation between the customer and the Company, the punctuality and completeness of the customer's historical repayment, and the size of the customer, and divides the Company's customers into six ratings, namely P1-P6 ratings. The Company estimates the default rate and recoverability rate corresponding to each rating, and multiply it by the customer's receivables, so as to obtain the provision amount of expected credit losses, that is, expected credit loss = \sum the balance of receivables of each credit risk rating x default rate x (1- recoverability rate).

The classification criteria for the Company's receivables on P1-P6:

Name of combination	Rating	The definitions of classification
Companies with good credit risk conditions	P1	<ol style="list-style-type: none"> 1. Companies listed on Chinese exchanges and their subsidiaries within the scope of consolidation, excluding ST companies; 2. Domestic large-scale communication operators and their subsidiaries within the system, without distinction as to whether they are listed or not; 3. If the company has insured the customer's receivables with an insurance company, the insurance company's compensation ratio is greater than or equal to 90% and the company is uninsured; 4. Other companies with very low credit risk and are qualified for this rating.
	P2	<ol style="list-style-type: none"> 1. Provincial and above radio and television network companies and their subsidiaries within the scope of consolidation (excluding those listed on domestic exchanges), provincial and above institutions; 2. If the company has insured the customer's receivables with an insurance company, the insurance company's compensation ratio is greater than or equal to 80% but less than 90% and the company is uninsured; 3. Large conglomerates that are not publicly listed on domestic exchanges but still publicly disclose their regular financial reports; 4. Other companies with very low credit risk and are qualified for this rating.
	P3	<ol style="list-style-type: none"> 1. Companies with good credit risk ratings that do not meet the P1/P2 categories, such as agents, retailers, etc. 2. If the company has insured the customer's receivables with an insurance company, the insurance company's compensation ratio is less than 80% and the company is uninsured; 3. Other companies with very low credit risk and are qualified for this rating.

Name of combination	Rating	The definitions of classification
Companies with higher credit risk ratings	P4	Customers who have no transactions or repayments in the past 6 months and have been overdue for more than 6 months.
	P5	<ol style="list-style-type: none"> 1. Customers who have no transactions or repayments in the past 12 months and have been overdue for more than 12 months; 2. The company has collected the receivables through legal means such as litigation or arbitration, but the judgment result has not been issued yet; or the customer is in the process of repayment according to the judgment result after it was issued.
	P6	<ol style="list-style-type: none"> 1. Companies that have been filed for liquidation, bankruptcy, reorganization or receivership (subject to actual commencement, not to formal court acceptance); 2. Receivables in excess of the compensation ratio for customers insured with an insurance company who have been insured; 3. The company has collected the receivables through legal means such as litigation or arbitration, and the judgment result has been issued but the amount has not been enforced; 4. The following circumstances occur and may seriously affect the production and operation of the company: <ol style="list-style-type: none"> (1) Suspended or revoked administrative licenses/qualities/qualifications related to the main business; (2) Be held criminally responsible; (3) Being subject to administrative penalties that may lead to the suspension of production, suspension of business consolidation.

C. The impact on the changes in accounting estimates

In accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Correction, the changes in accounting estimates are accounted for using the prospective method without retrospective adjustment to the disclosed financial reports of the Company, and will not affect the financial position and operating results for the Company of the previous years.

V. TAXATION

(I) Main Types of Taxes and Corresponding Rates

The turnover tax of the Company includes value-added tax (“VAT”) (exports are qualified for relieving, offset and refund, with refund rate of 10%, 13%, 16%, etc., for taxes on software products, the portion exceeding 3% are taxed and refunded), city maintenance and construction tax, education surcharge, local education surcharge, etc. The breakdown of tax rates is as follows (excluding foreign subsidiaries):

Tax type	Basis of taxation	Tax rate
VAT	Sales of goods, taxable sales of services, intangible assets or real estate	5%, 6%, 9%, 13% (taxes on software products exceeding 3% are taxed and refunded)
City maintenance and construction tax	Amount of turnover tax paid	7%
Enterprise income tax	Amount of taxable income	10%, 15%, 16.5%, 20%, 25% etc.
Education surcharge	Amount of turnover tax paid	3%
Local education surcharge	Amount of turnover tax paid	2%

Foreign subsidiaries shall be subject to applicable tax types and tax rates in accordance with the requirements of the local tax laws.

Income tax rates of different tax-paying entities:

Name of tax-paying entities	2022	2021	2020
The Company	25%	25%	25%
Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司) (Note 1)	15%	15%	15%
Shenzhen Skyworth Software Co., Ltd.* (深圳市創維軟件有限公司) (Note 2)	10%	10%	10%
Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通數字技術有限公司) (Note 3)	15%	15%	15%
Smart Choice Store Company Limited (Note 14)	16.5%	16.5%	16.5%
Shenzhen Fengchi Information Service Co., Ltd.* (深圳蜂馳信息服務有限公司) (Note 4)	20%	20%	20%
Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司) (Note 18)	15%	25%	25%
Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司) (Note 5)	15%	15%	15%
Beijing Skyworth Automobile Smart Technology Co., Ltd.* (北京創維汽車智能科技有限公司) (Note 4)	20%	20%	20%
Shenzhen Fengchi Electronics Technology Company Limited* (深圳蜂馳電子科技有限公司)	25%	25%	25%
SKYBLU TECHNOLOGIES (PTY) LTD (Note 15)	28%	28%	28%
Strong Media Group Limited (Note 6)	–	–	–
Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司) (Note 7)	15%	15%	15%
KAIRVAM ELECTRONICS INDIA PRIVATE LIMITED (formerly Shenzhen Skyworth Digital India Private Limited) (Note 8)	25%	25%	25%

APPENDIX IV

FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Name of tax-paying entities	2022	2021	2020
SKW Digital Technology MX (Note 16)	30%	30%	30%
Caldero Holdings Limited (Note 9)	19%	19%	19%
Caldero Limited (Note 9)	19%	19%	19%
Idigital Electronics SDN.BHD (Note 10)	24%	24%	A progressive tax regime is applied on the basis of 17%
Shenzhen Skyworth Optical Technology Co., Ltd.* (深圳創維光學科技有限公司) (Note 12)	15%	15%	15%
Guangzhou Skyworth Automobile Smart Co., Ltd.* (廣州創維汽車智能有限公司) (Note 4)	20%	20%	20%
The (Zhu) Korean Research Institute of Skyworth Automobile Smart* (株)創維智能汽車韓國研究院 (Note 11)	A progressive tax regime is applied on the basis of 10%	A progressive tax regime is applied on the basis of 10%	A progressive tax regime is applied on the basis of 10%
Suining Skyworth Optoelectronics Technology Co., Ltd.* (遂寧創維光電科技有限公司) (Note 4)	20%	20%	20%
Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司) (Note 13)	15%	15%	15%
Huizhou Skyworth Digital Technology Co., Ltd.* (惠州創維數字技術有限公司)	25%	25%	/
Huizhou Skyworth Smart Display Technology Co., Ltd.* (惠州創維智顯科技有限公司)	25%	25%	/
Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	/	25%	/
Shenzhen Chuangzhi Weixing Technology Co., Ltd.* (深圳創智維興科技有限公司)	25%	25%	/
Jiangxi Cable Cloud Technology Co., Ltd* (江西有線盤雲科技有限公司) (Note 4)	/	20%	20%
Shanxi Panyun Network Technology Co., Ltd.* (山西盤雲網絡科技有限公司) (Note 4)	/	20%	20%
Shenzhen Baolong Qunxin Technology Co., Ltd.* (深圳寶龍群欣科技有限公司) (formerly Shenzhen Skyworth Qun Xin Security Technology Company Limited* (深圳市創維群欣安防科技股份有限公司)) (Note 17)	/	15%	15%
Skyworth Qunxin Intelligence Control Technology (Zhongshan) Co., Ltd.	/	15%	25%
Caldero Malaysia SDN.BHD. (Note 10)	/	/	A progressive tax regime is applied on the basis of 17%
Shandong Skyworth Smart Technology Co., Ltd.* (山 東創維智慧科技有限公司) (Note 4)	20%	/	/

(II) Preferential Tax Policies and Basis

Note 1: Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司) (hereinafter referred to as Shenzhen Skyworth Digital), a subsidiary of the Company, passed the High and New Technology Enterprise Certificate Review in 2020. The certificate number is GR202044202817 and such qualification is valid for three years. Shenzhen Skyworth Digital enjoyed a preferential tax rate of 15% in 2020, 2021 and 2022.

Note 2: Shenzhen Skyworth Software Co., Ltd.* (深圳市創維軟件有限公司) (hereinafter referred to as Skyworth Software), a subsidiary of the Company, complied with the provisions of Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Enterprise Income Tax Policies for Promoting the High-Quality Development of the Integrated Circuit Industry and the Software Industry (Announcement No. 45 [2020] of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology)* (《財政部稅務總局發展改革委工業和信息化部關於促進集成電路產業和軟件產業質量發展企業所得稅政策的公告》(財政部稅務總局發展改革委工業和信息化部公告2020年第45號)), the Notice of the MOF, STA, NDRC and MIIT on Issues concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai shui [2016] No. 49)* (《財政部、國家稅務總局、發展改革委、工業和信息化部關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49號)) in 2020, 2021 and 2022, enjoyed a 10% preferential income tax rate, and Skyworth Software continued to enjoy a 10% preferential income tax rate in 2020, 2021 and 2022.

Note 3: Beijing Skyworth Haitong Digital Technology Co., Ltd. (hereinafter referred to as Skyworth Haitong), a subsidiary of the Company, passed the High and New Technology Enterprise Certificate Review in 2019. The certificate number is GR201911003861 and such qualification is valid for three years. Skyworth Haitong enjoyed a preferential tax rate of 15% in 2020 and 2021. In 2022, the company passed the High and New Technology Enterprise Certificate Review, with a 3-year certificate numbered GR202211004338, and it continued to enjoy the preferential tax rate of 15% in 2022.

Note 4: The Company's subsidiaries Shenzhen Fengchi Information Service Co., Ltd.* (深圳蜂馳信息服務有限公司), Beijing Skyworth Automobile Smart Technology Co., Ltd.* (北京創維汽車智能科技有限公司), Suining Skyworth Optoelectronics Technology Co., Ltd.* (遂寧創維光電科技有限公司), Jiangxi Cable Cloud Technology Co., Ltd.* (江西有線盤雲科技有限公司) (deregistered in 2021), Shanxi Panyun Network Technology Co., Ltd.* (山西盤雲網絡科技有限公司) (deregistered in 2021), the subsidiaries of the Company, were in line with the preferential income tax policies for small profit-making enterprises in 2020, 2021 and 2022. For the portion of taxable income less than RMB1.00 million, a lower percentage of 12.5% of the amount will be included as taxable income; for the portion of taxable income exceeding RMB1.00 million but not exceeding RMB3.00 million, a lower percentage of 50% of the amount will be included as taxable income, and the EIT will be 20%.

Guangzhou Skyworth Automobile Smart Co., Ltd.* (廣州創維汽車智能有限公司), a subsidiary of the Company, was qualified under the preferential income tax policies for small profit-making enterprises in 2020, 2021 and 2022. For the portion of taxable income less than RMB1.00 million, a lower percentage of 25% of the amount will be included as taxable income; for the portion of taxable income exceeding RMB1.00 million but not exceeding RMB3.00 million, a lower percentage of 50% of the amount will be included as taxable income, and the EIT will be at the tax rate of 20%.

Shandong Skyworth Smart Technology Co., Ltd.* (山東創維智慧科技有限公司), a subsidiary of the Company, was qualified under the preferential income tax policies for small profit-making enterprises in 2022. For the portion of taxable income less than RMB1.00 million, a lower percentage of 12.5% of the amount will be included as taxable income; for

the portion of taxable income exceeding RMB1.00 million but not exceeding RMB3.00 million, a lower percentage of 50% of the amount will be included as taxable income, and the EIT will be at the tax rate of 20%.

Note 5: Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司) (hereinafter referred to as Automobile Electronics (Shenzhen)), a subsidiary of the Company, passed the High and New Technology Enterprise Certificate Review on 9 November 2018. The certificate number is GR201844204227 and such qualification is valid for three years. Automobile Electronics (Shenzhen) enjoyed a preferential tax rate of 15% in 2020. Automobile Electronics (Shenzhen) passed the Qualification Review of High and New Technology Enterprise Certificate in 2021. The certificate number is GR202144204474 and such qualification is valid for three years. Automobile Electronics (Shenzhen) enjoyed a preferential tax rate of 15% in 2021 and 2022.

Note 6: Strong Media Group Limited (hereinafter referred to as Strong Group), a subsidiary of the Company, is a company registered in the British Virgin Islands. Rather than carrying out physical operations itself, it conducts business activities through its subsidiaries. All subsidiaries are subject to applicable income tax rates in accordance with the requirements of the local tax laws.

Note 7: Skyworth LCD Modules (Shenzhen) Co., Ltd. (hereinafter referred to as Skyworth LCD), a subsidiary of the Company, passed the High and New Technology Enterprise Certificate Review on 9 November 2018. The certificate number is GR201844202295 and such qualification is valid for three years. Skyworth LCD enjoyed a preferential tax rate of 15% in 2020. Skyworth LCD passed the Qualification Review of High and New Technology Enterprise Certificate in 2021. The certificate number is GR202144205049 and such qualification is valid for three years. Skyworth LCD enjoyed a preferential tax rate of 15% in 2021 and 2022.

Note 8: KAIRVAM ELECTRONICS INDIA PRIVATE LIMITED (formerly Shenzhen Skyworth Digital India Private Limited, hereinafter referred to as the India Subsidiary), a subsidiary of the Company, is subject to the progressive tax regime in India: the Indian fiscal year is from 1 April to 31 March of the following year. If the company's sales revenue in the fiscal year of 2016-2017 did not exceed 2.5 billion rupees, the basic income tax rate for the fiscal year of 2019-2020 was 25%, otherwise the basic income tax rate was 30%. As the sales revenue of the India Subsidiary in the fiscal year of 2016-2017 did not exceed 2.5 billion rupees, the applicable basic income tax rate for the fiscal year of 2019-2020 was 25%.

The India Subsidiary is subject to the progressive tax regime in India: the Indian fiscal year is from 1 April to 31 March of the following year. If the company's sales revenue in the fiscal year of 2017-2018 did not exceed 4 billion rupees, the basic income tax rate for the fiscal year of 2020-2021 was 25%, otherwise the basic income tax rate was 30%. As the sales revenue of the India Subsidiary in the fiscal year of 2017-2018 not exceeded 4 billion rupees, the applicable basic income tax rate for the fiscal year of 2020-2021 was 25%.

The India Subsidiary is subject to the progressive tax regime in India: the Indian fiscal year is from 1 April to 31 March of the following year. If the company's sales revenue in the fiscal year of 2018-2019 did not exceed 4 billion rupees, the basic income tax rate for the fiscal year of 2021-2022 was 25%, otherwise the basic income tax rate was 30%. As the sales revenue of the India Subsidiary in the fiscal year of 2018-2019 did not exceed 4 billion rupees, the applicable basic income tax rate for the fiscal year of 2021-2022 was 25%.

Note 9: Caldero Holdings Limited, a subsidiary of the Company, is a subsidiary newly established in the UK on 31 January 2017, and Caldero Limited is a subsidiary formed on 31 March 2017 through business combination not involving enterprises under common control, and its registered place is the UK. According to the regulations of local taxation policies in the UK, the EIT rate in 2020, 2021 and 2022 was 19%.

Note 10: Idigital Electronics SDN.BHD and Caldero Malaysia SDN.BHD., the subsidiaries of the Company, are located in Malaysia, and is subject to local income tax rate. If the company's paid-in capital less than RM2.5 million, for the portion of taxable income less than RM500,000, the income tax rate is 17%, and for the excess portion, the income tax rate is 24%; if the company's paid-in capital is greater than RM2.5 million, the applicable income tax rate is 24%. As the paid-in capital of the Malaysian subsidiary in 2020 did not exceed RM2.5 million, a progressive tax regime based on a 17% tax rate was applicable.

Idigital Electronics SDN.BHD is located in Malaysia and is subject to the local income tax rate. If the paid-in capital of the company and an affiliated company directly holding more than 50% of its shares less than RMB2.5 million, they can enjoy preferential treatment for small, medium and micro enterprises. For the portion of taxable income less than RMB600,000, the income tax rate is 17%, and for the excess portion, the income tax rate is 24%; if the paid-in capital of the company or an affiliated company directly holding more than 50% of its shares is greater than RMB2.5 million, they cannot enjoy preferential treatment for small, medium and micro enterprises, the applicable income tax rate is 24%. The paid-in capital of Idigital Electronics SDN.BHD less than RMB2.5 million, but the paid-in capital of its parent company Shenzhen Fengchi Electronics Technology Company Limited* (深圳蜂馳電子科技有限公司) is greater than RMB2.5 million and 100% holding of the subsidiary, therefore, the applicable income tax rate in 2021 and 2022 was 24%.

Note 11: The (Zhu) Korean Research Institute of Skyworth Automobile Smart* ((株)創維智能汽車韓國研究院), a subsidiary of the Company, is subject to the Korean progressive tax regime: for the portion of taxable profit less than 200 million won, the income tax rate is 10%; for the portion of taxable profit exceeding 200 million won but not exceeding 20 billion won, the income tax rate is 20%; for the portion of taxable profit exceeding 20 billion won but not exceeding 300 billion won, the income tax rate is 22%; for the portion of taxable profit exceeds 300 billion won, the income tax rate is 25%.

Note 12: Shenzhen Skyworth Optical Technology Co., Ltd., a subsidiary of the Company, was recognised as a High and New Technology Enterprise on 11 December 2020, with a certificate number of GR202044202719 and such qualification is valid for three years. Shenzhen Skyworth Optical Technology Co., Ltd. enjoyed a preferential tax rate of 15% in 2020, 2021 and 2022.

Note 13: Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司), a subsidiary of the Company, was recognised as a High and New Technology Enterprise on 11 December 2020 with a certificate number of GR202044202155 (such qualification is valid for three years), and enjoys a preferential tax rate of 15% in 2020, 2021 and 2022.

Note 14: Smart Choice Store Company Limited, a subsidiary of the Company, was newly established in Hong Kong in May 2008, and the income tax rate was 16.5% in 2020, 2021 and 2022 in accordance with the local tax policies in Hong Kong.

Note 15: SKYBLU TECHNOLOGIES (PTY) LTD, a subsidiary of the Company, is a subsidiary formed through business combination not involving enterprises under common control in May 2014, and the income tax rate was 28% in 2020, 2021 and 2022 in accordance with the local tax policies in South Africa.

Note 16: SKW Digital Technology MX, a subsidiary of the Company, was newly established in Mexico in 2016, and the income tax rate was 30% in 2020, 2021 and 2022 in accordance with the local tax policies in Mexico.

Note 17: Shenzhen Baolong Qunxin Technology Co., Ltd.* (深圳寶龍群欣科技有限公司) (formerly Shenzhen Skyworth Qun Xin Security Technology Company Limited* (深圳市創維群欣安防科技股份有限公司)) (hereinafter referred to as the Baolong Qunxin, disposed in 2021), a subsidiary of the Company, passed the High and New Technology Enterprise Certificate

Review on 11 December 2020 with a certificate number of GR202044204632 and such qualification is valid for three years. Baolong Qunxin enjoyed a preferential tax rate of 15% in 2020, 2021.

Note 18: Shenzhen Skyworth Smart Technology Co., Ltd. * (深圳創維智慧科技有限公司), a subsidiary of the Company, passed the High and New Technology Enterprise Certificate Review in 2022 and enjoyed a preferential tax rate of 15% in 2022.

During the reporting period, other subsidiaries paid taxes at the statutory tax rate.

VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS

(The following amounts are in RMB if not otherwise specified)

Note 1. Bank balances and cash

Item	31 December 2022	31 December 2021	31 December 2020
Cash on hand	4,295.88	3,420.52	7,026.15
Bank deposits	3,887,861,971.21	3,325,221,683.94	3,125,612,545.51
Other bank balances and cash	59,066,452.47	111,332,031.54	206,219,610.17
Outstanding interest receivable	50,455,590.12	8,181,950.20	6,849,365.35
Total	3,997,388,309.68	3,444,739,086.20	3,338,688,547.18

At the end of each reporting period, the balances of outstanding interest receivable were RMB6,849,365.35, RMB8,181,950.20 and RMB50,455,590.12 respectively, and this part of interest does not belong to cash and cash equivalents.

Other bank balances and cash are mainly bank acceptance deposits, bank guarantee deposits, bank loan margin, factoring deposits, etc. At the end of each reporting period, among the other bank balances and cash of the Company, the balances deposited in Alipay, a third-party payment platform, were RMB33,019.61, RMB32,955.11 and RMB9,696.54 respectively, while the balance of investment amount deposited was RMB149.26, being unrestricted bank balances and cash.

Breakdown of the restricted bank balances and cash are as follows:

Item	31 December 2022	31 December 2021	31 December 2020
Bank acceptance deposits	30,180,675.55	96,921,427.20	180,161,102.57
Guarantee deposits	4,104,675.88	4,815,298.82	4,218,104.91
Loans and factoring deposits	24,611,139.20	7,060,219.07	19,125,621.86
Other restricted monetary	90,007.32	116,185.72	4,068.51
Restricted financial special account funds	70,108.72	2,385,945.62	2,677,692.71
Total	59,056,606.67	111,299,076.43	206,186,590.56

Note 2. Derivative financial assets

Item	31 December 2022	31 December 2021	31 December 2020
Forward foreign exchange	1,416,008.18	11,479,598.75	5,612,125.21
Total	1,416,008.18	11,479,598.75	5,612,125.21

Note 3. Bills receivables

1. Classification of bills receivables

Item	31 December 2022	31 December 2021	31 December 2020
Bank acceptance	168,906,141.56	293,034,555.58	410,657,453.50
Trade acceptance	39,359,149.45	188,077,453.62	97,587,827.79
Total	208,265,291.01	481,112,009.20	508,245,281.29

2. Classification of ECL on bills receivables

Category	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Bills receivables for which expected credit losses are accrued individually	-	-	-	-	-
Bills receivables for which ECLs are accrued by portfolio	208,278,552.28	100.00%	13,261.27	0.01%	208,265,291.01
Of which: Bank acceptance	168,906,141.56	81.10%	-	-	168,906,141.56
Trade acceptance	39,372,410.72	18.90%	13,261.27	0.03%	39,359,149.45
Total	208,278,552.28	100.00%	13,261.27	0.01%	208,265,291.01

Continued:

Category	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Bills receivables for which ECLs are accrued individually	-	-	-	-	-
Bills receivables for which ECLs are accrued by portfolio	483,362,259.00	100.00%	2,250,249.80	0.47%	481,112,009.20
Of which: Bank acceptance	293,034,555.58	60.62%	-	-	293,034,555.58
Trade acceptance	190,327,703.42	39.38%	2,250,249.80	1.18%	188,077,453.62
Total	483,362,259.00	100.00%	2,250,249.80	0.47%	481,112,009.20

Continued:

Category	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Bills receivables for which ECLs are accrued individually	-	-	-	-	-
Bills receivables for which ECLs are accrued by portfolio	529,606,284.74	100.00%	21,361,003.45	4.03%	508,245,281.29
Of which: Banker's acceptance	410,657,453.50	77.54%	-	-	410,657,453.50
Trade acceptance	118,948,831.24	22.46%	21,361,003.45	17.96%	97,587,827.79
Total	529,606,284.74	100.00%	21,361,003.45	4.03%	508,245,281.29

3. There were no bills receivables for which ECLs were accrued individually as at the end of the period.

4. *Changes in provision for bad debts in current period*

During the current period, there were other bills receivables for which bad-debt provision had been provided in full amount or in large proportion in previous periods but were collected or reversed in full amount or in large proportion in the current period.

5. *Pledged notes as at the end of the period*

Item	31 December 2022	31 December 2021	31 December 2020
Bank acceptance	–	243,985.25	6,806,230.36
Total	–	243,985.25	6,806,230.36

The Company pledged part of the received bank acceptance to the bank for issuing bank acceptance to pay the amount of suppliers.

6. *Notes endorsed as at the end of the period but undue as at the balance sheet date*

Item	31 December 2022		31 December 2021		31 December 2020	
	Balance derecognised	Balance not yet derecognised	Balance derecognised	Balance not yet derecognised	Balance derecognised	Balance not yet derecognised
Bank acceptance	42,976,032.70	–	127,278,759.22	–	30,341,792.13	–
Trade acceptance	–	12,320,134.56	–	65,601,891.37	–	29,521,585.76
Total	42,976,032.70	12,320,134.56	127,278,759.22	65,601,891.37	30,341,792.13	29,521,585.76

7. *Notes discounted as at the end of the period but undue as at the balance sheet date*

Item	31 December 2022		31 December 2021		31 December 2020	
	Balance derecognised	Balance not yet derecognised	Balance derecognised	Balance not yet derecognised	Balance derecognised	Balance not yet derecognised
Bank acceptance	245,137,508.70	–	556,417,454.53	–	153,653,752.86	–
Trade acceptance	–	–	–	–	67,234,921.14	–
Total	245,137,508.70	–	556,417,454.53	–	220,888,674.00	–

8. *Notes transfer to accounts receivable as at the end of the period due to non-performance of the drawer*

Item	31 December 2022	31 December 2021	31 December 2020
Trade acceptance	–	66,290,346.64	–
Total	–	66,290,346.64	–

Note 4. Trade receivables**1. Disclosure of trade receivables based on ageing**

Ageing	31 December 2022	31 December 2021	31 December 2020
Within half year (inclusive)	2,717,645,273.53	2,974,743,696.82	2,506,085,053.05
Half year to 1 year (inclusive)	163,020,402.96	134,250,904.90	327,017,533.87
1 to 2 years (inclusive)	98,362,495.60	74,845,750.59	127,099,077.49
2 to 3 years (inclusive)	21,089,622.48	44,190,330.86	260,005,161.97
3 to 4 years (inclusive)	25,268,221.14	230,171,664.18	141,690,061.16
4 to 5 years (inclusive)	226,195,977.89	200,133,984.72	21,006,291.77
Over 5 years	222,756,022.24	25,766,854.67	9,384,546.67
Subtotal	3,474,338,015.84	3,684,103,186.74	3,392,287,725.98
Less: Provision for bad debts	482,878,464.55	519,095,997.31	228,613,869.39
Total	2,991,459,551.29	3,165,007,189.43	3,163,673,856.59

2. Disclosure based on classification of provision method for bad debts

Category	31 December 2022		Bad-debt provision		Carrying amount
	Carrying balance		Amount	Accrual percentage	
	Amount	Percentage	Amount	percentage	
Trade receivables for which ECLs are accrued individually	–	–	–	–	–
Trade receivables for which ECLs are accrued by portfolio	3,474,338,015.84	100.00%	482,878,464.55	13.90%	2,991,459,551.29
Of which: Companies with good credit risk conditions	2,941,608,845.07	84.67%	12,494,423.11	0.42%	2,929,114,421.96
Companies with higher credit risk ratings	489,393,248.03	14.09%	470,384,041.44	96.12%	19,009,206.59
Related party portfolio	43,335,922.74	1.24%	–	–	43,335,922.74
Total	3,474,338,015.84	100.00%	482,878,464.55	13.90%	2,991,459,551.29

Continued:

Category	31 December 2021		Bad-debt provision		Carrying amount
	Carrying balance		Amount	Accrual percentage	
	Amount	Percentage	Amount	percentage	
Trade receivables for which ECLs are accrued individually	–	–	–	–	–
Trade receivables for which ECLs are accrued by portfolio	3,684,103,186.74	100.00%	519,095,997.31	14.09%	3,165,007,189.43
Of which: Companies with good credit risk conditions	3,142,505,210.60	85.30%	46,307,801.39	1.47%	3,096,197,409.21
Companies with higher credit risk ratings	480,270,571.43	13.04%	472,788,195.92	98.44%	7,482,375.51
Related party portfolio	61,327,404.71	1.66%	–	0.00%	61,327,404.71
Total	3,684,103,186.74	100.00%	519,095,997.31	14.09%	3,165,007,189.43

Continued:

Category	Carrying balance		31 December 2020 Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual	
				percentage	
Trade receivables for which ECLs are accrued individually	-	-	-	-	-
Trade receivables for which ECLs are accrued by portfolio	3,392,287,725.98	100.00%	228,613,869.39	6.74%	3,163,673,856.59
Of which: Companies with good credit risk conditions	2,977,292,858.16	87.77%	65,106,115.35	2.19%	2,912,186,742.81
Companies with higher credit risk ratings	387,009,486.17	11.41%	163,507,754.04	42.25%	223,501,732.13
Related party portfolio	27,985,381.65	0.82%	-	-	27,985,381.65
Total	3,392,287,725.98	100.00%	228,613,869.39	6.74%	3,163,673,856.59

3. There were no trade receivables for which ECLs were accrued individually at the end of the period.

4. *Changes in provision for bad debts in current period*

During the current period, there were trade receivables for which bad-debt provision had been provided in full amount or in large proportion in previous periods but were collected or reversed in full amount or in large proportion in the current period.

5. *Actual write-off of trade receivables during the reporting period*

Item	31 December 2022	31 December 2021	31 December 2020
Actual write-off of trade receivables	7,418,275.20	2,052,996.94	1,844,421.36

6. *Trade receivables derecognized due to transfer of financial assets*

Item	Transfer method for financial assets	31 December 2022	
		Amount derecognized	Derecognition-related gain or loss
Electronic vouchers for trade receivables transferred yet not due	Transfer using proofs of debt for trade receivables	75,857,908.83	(1,738,404.36)
Total		75,857,908.83	(1,738,404.36)

7. *Amount of assets and liabilities formed with the transfer of trade receivables and continued involvement*

Item of Assets	31 December 2022	Item of liabilities	31 December 2022
Trade receivable pledge	3,433,631.22	Short-term loan	3,433,631.22
Total	3,433,631.22		3,433,631.22

Continued:

Item of Assets	31 December 2021	Item of liabilities	31 December 2021
Trade receivable pledge	10,473,564.53	Short-term loan	10,473,564.53
Total	10,473,564.53		10,473,564.53

Continued:

Item of Assets	31 December 2020	Item of liabilities	31 December 2020
Trade receivable pledge	16,505,604.93	Short-term loan	16,505,604.93
Total	16,505,604.93		16,505,604.93

Note 5. Prepayments

1. *Prepayments by ageing*

Ageing	31 December 2022		31 December 2021		31 December 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Within 1 year	105,103,712.91	98.26%	99,425,742.79	98.90%	93,946,872.54	96.26%
1 to 2 years	1,736,490.75	1.62%	813,376.31	0.81%	2,451,675.03	2.51%
2 to 3 years	3,678.40	0.00%	289,206.16	0.29%	1,203,066.69	1.23%
Over 3 years	127,899.47	0.12%	-	-	-	-
Total	106,971,781.53	100.00%	100,528,325.26	100.00%	97,601,614.26	100.00%

2. No delay in settlement of significant prepayments ageing over 1 year as at the end of the period.

Note 6. Other receivables

Item	31 December 2022	31 December 2021	31 December 2020
Other receivables	147,050,419.76	142,205,377.17	112,763,989.38
Total	147,050,419.76	142,205,377.17	112,763,989.38

Note: Other receivables in the above table refer to other receivables after deducting interest receivables and dividend receivables.

(I) Other receivables*1. Disclosure based on ageing*

Ageing	31 December 2022	31 December 2021	31 December 2020
Within half year (inclusive)	90,480,151.87	88,054,605.19	61,749,282.93
Half year to 1 year (inclusive)	32,998,088.74	16,341,647.55	23,155,267.35
1 to 2 years (inclusive)	7,192,663.42	31,079,130.93	21,733,927.37
2 to 3 years (inclusive)	13,385,314.93	11,278,806.75	9,865,024.68
3 to 4 years (inclusive)	2,249,495.40	5,424,961.08	2,184,806.49
4 to 5 years (inclusive)	2,520,912.19	464,110.32	919,548.43
Over 5 years	1,277,383.20	1,305,288.69	3,466,246.96
Subtotal	150,104,009.75	153,948,550.51	123,074,104.21
Less: bad debt provision	3,053,589.99	11,743,173.34	10,310,114.83
Total	147,050,419.76	142,205,377.17	112,763,989.38

2. Classification of the receivables by nature

Nature of the amount	31 December 2022	31 December 2021	31 December 2020
Deposit and assurance	88,368,686.87	86,731,096.84	67,748,881.62
Loans of employee	14,614,506.05	10,282,588.85	11,669,398.09
Current account payment and other	29,559,424.40	20,074,490.43	15,192,662.39
Export tax refundable	17,561,392.43	36,860,374.39	28,463,162.11
Total	150,104,009.75	153,948,550.51	123,074,104.21

3. Disclosure by category of bad debt provisions

Category	31 December 2022				Carrying amount
	Carrying balance		Bad-debt provision		
	Amount	Percentage	Amount	Accrual percentage	
Other receivables for which ECLs are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	150,104,009.75	100.00%	3,053,589.99	2.03%	147,050,419.76
Of which: Expected credit risk portfolio	108,224,277.57	72.10%	3,053,589.99	2.82%	105,170,687.58
Risk-free portfolio	32,175,898.48	21.44%	-	-	32,175,898.48
Related party portfolio	9,703,833.70	6.46%	-	-	9,703,833.70
Total	150,104,009.75	100.00%	3,053,589.99	2.03%	147,050,419.76

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Continued:

Category	31 December 2021				
	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Other receivables for which ECLs are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	153,948,550.51	100.00%	11,743,173.34	7.63%	142,205,377.17
Of which: Expected credit risk portfolio	105,464,358.55	68.51%	11,743,173.34	11.13%	93,721,185.21
Risk-free portfolio	47,340,786.27	30.75%	-	-	47,340,786.27
Related party portfolio	1,143,405.69	0.74%	-	-	1,143,405.69
Total	153,948,550.51	100.00%	11,743,173.34	7.63%	142,205,377.17

Continued:

Category	31 December 2020				
	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Other receivables for which ECLs are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	123,074,104.21	100.00%	10,310,114.83	8.38%	112,763,989.38
Of which: Expected credit risk portfolio	80,847,784.17	65.69%	10,310,114.83	12.75%	70,537,669.34
Risk-free portfolio	40,330,469.32	32.77%	-	-	40,330,469.32
Related party portfolio	1,895,850.72	1.54%	-	-	1,895,850.72
Total	123,074,104.21	100.00%	10,310,114.83	8.38%	112,763,989.38

4. There were no other receivables for which ECLs were accrued individually at the end of the period.
5. *Bad-debt provision for other receivables*

Bad-debt provision	Stage I	Stage II	Stage III	Total
	ECLs over the next 12 months	Lifetime ECLs (not credit impaired)	Lifetime ECLs (credit impaired)	
1 January 2020	8,146,875.49	-	-	8,146,875.49
Provision for current period	3,358,615.50	-	-	3,358,615.50
Reversal in current period	619,240.87	-	-	619,240.87
Charge-off in current period	(37,442.21)	-	-	(37,442.21)
Transferred to held-for-sale assets	619,112.30	-	-	619,112.30
Impact of exchange translation	5,534.80	-	-	5,534.80
31 December 2020	10,310,114.83	-	-	10,310,114.83

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Continued:

Bad-debt provision	Stage I	Stage II	Stage III	Total
	ECLs over the next 12 months	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
31 December 2020	10,310,114.83	–	–	10,310,114.83
Provision in current period	2,612,239.95	–	–	2,612,239.95
Reversal in current period	1,008,246.52	–	–	1,008,246.52
Charge-off in current period	130,263.99	–	–	130,263.99
Impact of exchange translation	40,670.93	–	–	40,670.93
31 December 2021	11,743,173.34	–	–	11,743,173.34

Continued:

Bad-debt provision	Stage I	Stage II	Stage III	Total
	ECLs over the next 12 months	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
31 December 2021	11,743,173.34	–	–	11,743,173.34
Provision in current period	1,006,920.53	–	–	1,006,920.53
Reversal in current period	9,782,328.66	–	–	9,782,328.66
Charge-off in current period	–	–	–	–
Impact of exchange translation	(85,824.78)	–	–	(85,824.78)
31 December 2022	3,053,589.99	–	–	3,053,589.99

During the current period, there were other receivables for which bad-debt provision had been provided in full amount or in large proportion in previous periods but were collected or reversed in full amount or in large proportion in the current period.

6. There were no other receivables that were actually written off during the current period.
7. There were no other receivables related to government grant as at the end of the period.
8. There were no other receivables that were derecognised due to transfer of financial assets at the end of the period.
9. There were no assets or liabilities for which other receivables were transferred but involvement continued at the end of the period.

Note 7. Inventories

1. Classification of inventories

Item	31 December 2022		
	Carrying balance	Depreciation reserve	Carrying amount
Raw materials	541,990,026.05	18,530,109.81	523,459,916.24
Work in process	206,088,672.59	2,626,860.17	203,461,812.42
Goods on hand	496,052,398.97	25,065,729.76	470,986,669.21
Delivered goods	538,468,543.34	–	538,468,543.34
Contract performance costs	1,689,468.94	–	1,689,468.94
Total	1,784,289,109.89	46,222,699.74	1,738,066,410.15

Continued:

Item	31 December 2021		
	Carrying balance	Depreciation reserve	Carrying amount
Raw materials	545,699,033.23	12,169,263.35	533,529,769.88
Work in process	183,905,982.63	3,446,654.78	180,459,327.85
Goods on hand	514,140,782.86	23,237,288.54	490,903,494.32
Delivered goods	948,158,373.71	–	948,158,373.71
Contract performance costs	3,658,566.68	–	3,658,566.68
Total	2,195,562,739.11	38,853,206.67	2,156,709,532.44

Continued:

Item	31 December 2020		
	Carrying balance	Depreciation reserve	Carrying amount
Raw materials	456,875,862.46	9,896,991.09	446,978,871.37
Work in process	113,972,844.44	1,141,010.60	112,831,833.84
Goods on hand	265,192,454.92	12,440,735.12	252,751,719.80
Delivered goods	425,498,116.66	–	425,498,116.66
Total	1,261,539,278.48	23,478,736.81	1,238,060,541.67

2. Provision for depreciation of inventories

Item	Increase in current period			Decrease in current period			31 December 2020
	1 January 2020	Provision	Others	Impact of exchange translation	Charge-off	Transferred to held-for-sale assets	
Raw materials	20,573,785.92	15,041,327.93	–	–	14,864,271.29	10,853,851.47	9,896,991.09
Work in process	2,189,288.95	2,789,058.55	–	–	1,935,354.13	1,901,982.77	1,141,010.60
Goods on hand	34,414,822.19	17,292,350.12	–	52,294.48	27,704,810.83	11,509,331.88	12,440,735.12
Total	57,177,897.06	35,122,736.60	–	52,294.48	44,504,436.25	24,265,166.12	23,478,736.81

Continued:

Item	Increase in current period			Decrease in current period			31 December 2021
	31 December 2020	Provision	Others	Impact of exchange translation	Charge-off	31 December 2020	
Raw materials	9,896,991.09	9,518,409.49	–	–	7,246,137.23	12,169,263.35	12,169,263.35
Work in process	1,141,010.60	3,044,818.93	–	–	739,174.75	3,446,654.78	3,446,654.78
Goods on hand	12,440,735.12	22,281,324.67	–	126,686.33	11,358,084.92	23,237,288.54	23,237,288.54
Total	23,478,736.81	34,844,553.09	–	126,686.33	19,343,396.90	38,853,206.67	38,853,206.67

Continued:

Item	31 December 2021	Increase in current period		Decrease in current period		31 December 2022
		Provision	Others	Impact of exchange translation	Charge-off	
Raw materials	12,169,263.35	14,774,938.85	–	–	8,414,092.39	18,530,109.81
Work in process	3,446,654.78	2,598,119.71	–	–	3,417,914.32	2,626,860.17
Goods on hand	23,237,288.54	16,477,777.52	–	(53,190.12)	14,702,526.42	25,065,729.76
Total	38,853,206.67	33,850,836.08	–	(53,190.12)	26,534,533.13	46,222,699.74

Note 8. Held-for-sale assets and held-for-sale liabilities

Item		31 December 2020		
		Closing balance	Impairment provision	Carrying amount
Held-for-sale assets	Bank balances and cash	73,589,677.32	–	73,589,677.32
	Bills receivables	1,910,223.78	–	1,910,223.78
	Trade receivables (<i>Note 1</i>)	35,344,864.21	–	35,344,864.21
	Prepayments	3,607,371.06	–	3,607,371.06
	Other receivables	3,928,076.62	–	3,928,076.62
	Inventories	12,566,350.63	–	12,566,350.63
	Other current assets	2,550.32	–	2,550.32
	Fixed assets	55,247,549.91	–	55,247,549.91
	Intangible assets	5,764,784.34	–	5,764,784.34
	Long-term deferred expenses	542,813.45	–	542,813.45
	Deferred income tax assets	6,434,475.13	–	6,434,475.13
	Other non-current assets	905,658.06	–	905,658.06
Total assets of disposal groups		199,844,394.83	–	199,844,394.83
Held-for-sale liabilities	Bills payables	3,468,762.80	–	3,468,762.80
	Trade payables	14,378,108.17	–	14,378,108.17
	Contract liabilities	13,457,400.43	–	13,457,400.43
	Wages and salaries payables	30,118,251.68	–	30,118,251.68
	Taxes and surcharges payables	2,260,971.63	–	2,260,971.63
	Other payables	6,515,216.69	–	6,515,216.69
	Deferred income	13,389,478.80	–	13,389,478.80
	Deferred income tax liabilities	84,093.73	–	84,093.73
Total liabilities of disposal groups		83,672,283.93	–	83,672,283.93
Net value of disposal groups		116,172,110.90	–	116,172,110.90

Note 1: The trade receivables as shown in the above table are presented on net basis after offsetting at the consolidated level of the Company.

On 29 December 2020, Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司) (hereinafter referred to as “Shenzhen Skyworth Digital”), a wholly-owned subsidiary of the Company, signed the Share Transfer Agreement with Shenzhen Yaxinwan Technology Co., Ltd.* (深圳亞新灣科技有限公司) (hereinafter referred to as “Yaxinwan Company”), whereby Shenzhen Skyworth Digital transferred its 55% equity interest in Shenzhen Skyworth Qun Xin Security Technology Company Limited* (深圳市創維群欣安防科技股份有限公司) (now known as Shenzhen Baolong Qunxin Technology Co., Ltd.* (深圳寶龍群欣科技股份有限公司)) (hereinafter referred to as “Skyworth Qun Xin Security”) to Yaxinwan Company, at a consideration determined based on the appraised value of the total shareholders’ equity interest of Skyworth Qun Xin Security as at 30 September 2020. It was agreed by the parties that the transaction price of 55% equity interest in Skyworth Qun Xin Security was RMB165,581,600. On 29 December 2020, the Company held the 26th meeting of the 10th board of directors to consider and approve the “Proposal on the disposal of 55% equity interest in the subsidiary Skyworth Qun Xin Security Technology Company Limited”* (《關於公司子公司出售深圳市創維群欣安防科技股份有限公司55%股份的議案》).

According to the relevant provisions of the Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Group and Termination of Operations, the Company classified Skyworth Qun Xin Security as held-for-sale assets and held-for-sale liabilities as a disposal group at the end of the previous period. The fair value of the disposal group (based on the equity transfer price of the transaction) was RMB165,581,600; the disposal took place in January 2021, and no provision for impairment was required.

As of 31 December 2021, Shenzhen Skyworth Digital, a subsidiary of the Company, had received the equity transfer consideration from the counterparty Yaxinwan Company, and the above-mentioned equity disposal had been completed. At the end of the period, Shenzhen Baolong Qunxin Technology Co., Ltd.* (深圳寶龍群欣科技有限公司) and its subsidiaries were no longer included in the consolidation scope of the Company, and the balance of held-for-sale assets and held-for-sale liabilities as at 31 December 2021 was nil.

Note 9. Other Current Assets

1. Presentation of other current assets by item

Item	31 December 2022	31 December 2021	31 December 2020
VAT allowance	76,059,165.10	79,934,468.85	78,283,453.60
Prepaid income tax, net of eliminations	1,897,285.25	1,021,465.88	1,348,948.47
Total	77,956,450.35	80,955,934.73	79,632,402.07

Note 10. Long-term Equity Investments

1. Changes in long-term equity investments in 2020

Investee	1 January 2020	Increase in investments	Increase/decrease in current period		Adjustment to other comprehensive income
			Decrease in investments	Gain or loss on investments recognised using equity method	
I. Joint ventures					
Idigital Electronics Private Limited	1,447,807.03	-	-	234,953.90	-
Shenzhen Tianchen Semiconductor Technology Partnership (Limited Partnership)* (深圳 天辰半導體技術合夥 企業(有限合夥))	4,021,498.66	-	-	5,164.53	-
Sub-total	5,469,305.69	-	-	240,118.43	-

Investee	1 January 2020	Increase in investments	Increase/decrease in current period		Adjustment to other comprehensive income
			Decrease in investments	Gain or loss on investments recognised using equity method	
II. Associates					
Jiangxi Dianguang Technology Co., Ltd.* (江西電廣科技有限公司)	7,507,005.34	–	–	6,214.44	–
Skyworth Group Finance Company Limited* (創維集團財務有限公司)	102,915,977.62	–	–	10,216,663.35	–
Guangdong Bohua UHD Innovation Center Co., Ltd.* (廣東博華超高清創新中心有限公司)	–	5,000,001.00	–	30,596.81	–
Sub-total	110,422,982.96	5,000,001.00	–	10,253,474.60	–
Total	115,892,288.65	5,000,001.00	–	10,493,593.03	–

Continued:

Investee	Other equity movement	Increase/decrease in current period			31 December 2020	Closing balance of impairment provision
		Cash dividend or profit declared	Impairment provision	Others		
I. Joint ventures						
Idigital Electronics Private Limited	–	–	–	–	1,682,760.93	–
Shenzhen Tianchen Semiconductor Technology Partnership (Limited Partnership)* (深圳天辰半導體技術合夥企業有限合夥))	–	–	–	–	4,026,663.19	–
Sub-total	–	–	–	–	5,709,424.12	–
II. Associates						
Jiangxi Dianguang Technology Co., Ltd.* (江西電廣科技有限公司)	–	–	–	–	7,513,219.78	–
Skyworth Group Finance Company Limited* (創維集團財務有限公司)	–	9,660,000.00	–	–	103,472,640.97	–
Guangdong Bohua UHD Innovation Center Co., Ltd.* (廣東博華超高清創新中心有限公司)	–	–	–	–	5,030,597.81	–
Sub-total	–	9,660,000.00	–	–	116,016,458.56	–
Total	–	9,660,000.00	–	–	121,725,882.68	–

2. *Changes in long-term equity investments in 2021*

Investee	31 December 2020	Increase in investments	Increase/decrease in current period		Adjustment to other comprehensive income
			Decrease in investments	Gain or loss on investments recognised using equity method	
I. Joint ventures					
Idigital Electronics Private Limited	1,682,760.93	–	–	215,530.40	–
Shenzhen Tianchen Semiconductor Technology Partnership (Limited Partnership)* (深圳 天辰半導體技術合夥 企業(有限合夥))	4,026,663.19	–	–	5,167.63	–
Sub-total	5,709,424.12	–	–	220,698.03	–
II. Associates					
Jiangxi Dianguang Technology Co., Ltd.* (江西電廣科技 有限公司)	7,513,219.78	–	–	(921,913.46)	–
Skyworth Group Finance Company Limited* (創維集團 財務有限公司)	103,472,640.97	–	–	8,325,581.68	–
Guangdong Bohua UHD Innovation Center Co., Ltd.* (廣東博華超高清創新 中心有限公司)	5,030,597.81	–	–	256,889.13	–
Sub-total	116,016,458.56	–	–	7,660,557.35	–
Total	121,725,882.68	--	–	7,881,255.38	–

Continued:

Investee	Increase/decrease in current period				31 December 2021	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Others		
I. Joint ventures						
Idigital Electronics Private Limited	–	–	–	–	1,898,291.33	–
Shenzhen Tianchen Semiconductor Technology Partnership (Limited Partnership)* (深圳天辰半導體技 術合夥企業有限合 夥))	–	–	–	–	4,031,830.82	–
Sub-total	–	–	–	–	5,930,122.15	–

Investee	Increase/decrease in current period				31 December 2021	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Others		
II. Associates						
Jiangxi Dianguang Technology Co., Ltd.* (江西電廣科 技有限公司)	-	-	-	-	6,591,306.32	-
Skyworth Group Finance Company Limited* (創維集 團財務有限公司)	-	9,250,000.00	-	-	102,548,222.65	-
Guangdong Bohua UHD Innovation Center Co., Ltd.* (廣東博華超 高清創新中心有限 公司)	-	-	-	-	5,287,486.94	-
Sub-total	-	9,250,000.00	-	-	114,427,015.91	-
Total	-	9,250,000.00	-	-	120,357,138.06	-

3. Changes in long-term equity investments in 2022

Investee	31 December 2021	Increase/decrease in current period			Adjustment to other comprehensive income
		Increase in investments	Decrease in investments	Gain or loss on investments recognised using equity method	
I. Joint ventures					
Idigital Electronics Private Limited	1,898,291.33	-	-	161,292.89	-
Shenzhen Tianchen Semiconductor Technology Partnership (Limited Partnership)* (深圳 天辰半導體技術合夥 企業(有限合夥))	4,031,830.82	-	4,000,000.00	(13,397.40)	-
Gansu Skyworth Smart Digital Technology Co., Ltd.* (甘肅創維智慧 數字科技有限公司)	-	1,600,000.00	-	(177,845.64)	-
Sub-total	5,930,122.15	1,600,000.00	4,000,000.00	(29,950.15)	-

Investee	31 December 2021	Increase in investments	Increase/decrease in current period		Adjustment to other comprehensive income
			Decrease in investments	Gain or loss on investments recognised using equity method	
II. Associates					
Jiangxi Dianguang Technology Co., Ltd.* (江西電廣科技 有限公司)	6,591,306.32	–	–	(338,623.60)	–
Skyworth Group Finance Company Limited* (創維集團 財務有限公司)	102,548,222.65	–	–	3,348,201.53	–
Guangdong Bohua UHD Innovation Center Co., Ltd* (廣東博華超高清創新 中心有限公司)	5,287,486.94	–	–	551,087.85	–
Huizhou Skyworth Construction Development Co., Ltd.* (惠州創維建設 發展有限公司)	–	600,000.00	–	(365,790.86)	–
Wei'er Space Metaverse Industrial Park Development (Harbin) Ltd.* (威 爾空間元宇宙產業園 發展(哈爾濱)有限公 司)	–	100,000.00	–	–	–
Sub-total	114,427,015.91	700,000.00	–	3,194,874.92	–
Total	120,357,138.06	2,300,000.00	4,000,000.00	3,164,924.77	–

Continued:

Investee	Increase/decrease in current period				31 December 2022	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Other		
I. Joint ventures						
Idigital Electronics Private Limited	–	–	–	–	2,059,584.22	–
Shenzhen Tianchen Semiconductor Technology Partnership (Limited Partnership)* (深圳天 辰半導體技術合夥企業 (有限合夥))	–	18,433.42	–	–	–	–
Gansu Skyworth Smart Digital Technology Co., Ltd.* (甘肅創維 智慧數字科技有限公司)	–	–	–	–	1,422,154.36	–
Sub-total	–	18,433.42	–	–	3,481,738.58	–

Investee	Increase/decrease in current period				31 December 2022	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Other		
II. Associates						
Jiangxi Dianguang Technology Co., Ltd.* (江西電廣科技有 限公司)	-	-	-	-	6,252,682.72	-
Skyworth Group Finance Company Limited* (創維集團財務有限公司)	-	4,380,000.00	-	-	101,516,424.18	-
Guangdong Bohua UHD Innovation Center Co., Ltd* (廣東博華超高清創新中 心有限公司)	-	-	-	-	5,838,574.79	-
Huizhou Skyworth Construction Development Co., Ltd.* (惠州創維建設發 展有限公司)	-	-	-	-	234,209.14	-
Wei'er Space Metaverse Industrial Park Development (Harbin) Ltd.* (威爾 空間元宇宙產業園發展(哈 爾濱)有限公司)	-	-	-	-	100,000.00	-
Sub-total	-	4,380,000.00	-	-	113,941,890.83	-
Total	-	4,398,433.42	-	-	117,423,629.41	-

Note 11. Other Non-current Financial Assets

Item	31 December 2022	31 December 2021	31 December 2020
Zhuhai Hengqin Skyworth Qiangke No. 1 Equity Investment Partnership (Limited Partnership)* (珠海橫 琴創維強科一號股權投資合夥企業(有限合夥))	50,000,000.00	50,000,000.00	-
Total	50,000,000.00	50,000,000.00	-

On 22 November 2021, Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司) (hereinafter referred to as “Shenzhen Skyworth Digital”), a wholly-owned subsidiary of the Company, signed the Property Share Transfer Agreement with Shenzhen Skyworth Venture Capital Co., Ltd.* (深圳創維創業投資有限公司) (hereinafter referred to as “Skyworth Venture Capital”), whereby Shenzhen Skyworth Digital accepted the capital contribution of RMB50 million subscribed by Zhuhai Hengqin Skyworth Qiangke No. 1 Equity Investment Partnership (Limited Partnership)* (珠海橫琴創維強科一號股權投資合夥企業(有限合夥)) (hereinafter referred to as “Zhuhai Skyworth Qiangke” or “Target Fund”) held by Skyworth Venture Capital (hereinafter referred to as the “Target Share”), and the remaining limited partners of the Target Fund had given up their preemptive right. After receiving the Target Share, Shenzhen Skyworth Digital, a wholly-owned subsidiary of the Company, would hold the share of Zhuhai Skyworth Qiangke of RMB50 million, accounting for 13.89% of the total subscription scale of the Target Fund, and, in accordance with the partnership agreement signed by Zhuhai Skyworth Qiangke on the same day, invest in Zhuhai Skyworth Qiangke with its own capital of RMB50 million, accounting for 15.97% of the actual total scale and paid-in capital contribution of the Target Fund.

Note 12. Fixed Assets

Item	31 December 2022	31 December 2021	31 December 2020
Fixed assets	681,113,627.59	745,386,909.31	763,482,542.00
Total	681,113,627.59	745,386,909.31	763,482,542.00

Note: The fixed assets in the above table refer to the fixed assets after deducting the liquidation of fixed assets.

(I) Fixed Assets

1. Particulars of fixed assets

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
I. Original carrying amount						
1. 1 January 2020	428,990,617.75	14,549,901.23	573,962,100.87	139,461,085.55	129,149,488.59	1,286,113,193.99
2. Increase in current period	–	308,065.22	131,953,157.00	20,915,827.37	13,485,153.71	166,662,203.30
Acquisition	–	308,065.22	131,953,157.00	19,986,179.35	13,485,153.71	165,732,555.28
Transfer from construction in progress	–	–	–	929,648.02	–	929,648.02
3. Decrease in current period	80,616,453.69	6,415,125.18	25,768,990.57	29,096,265.93	10,604,948.67	152,501,784.04
Disposal or retirement	–	2,887,474.25	14,774,213.22	16,440,901.19	3,250,406.37	37,352,995.03
Transfer to held-for-sale assets	80,298,696.25	3,457,832.17	9,576,501.37	12,423,153.46	7,354,489.48	113,110,672.73
Impact of exchange translation	317,757.44	69,818.76	1,418,275.98	232,211.28	52.82	2,038,116.28
4. 31 December 2020	348,374,164.06	8,442,841.27	680,146,267.30	131,280,646.99	132,029,693.63	1,300,273,613.25
II. Accumulated depreciation						
1. 1 January 2020	98,092,043.42	10,298,700.70	224,474,901.75	93,299,643.81	76,869,730.05	503,035,019.73
2. Increase in current period	19,060,515.21	1,231,973.35	58,681,287.45	18,970,470.88	16,474,389.72	114,418,636.61
Provision in current period	19,060,515.21	1,231,973.35	58,681,287.45	18,970,470.88	16,474,389.72	114,418,636.61
3. Decrease in current period	34,357,867.99	5,367,423.98	7,714,473.96	23,629,044.07	9,593,775.09	80,662,585.09
Disposal or retirement	–	2,743,100.54	2,151,264.24	14,649,224.04	3,032,786.59	22,576,375.41
Transfer to held-for-sale assets	34,379,612.25	2,585,919.85	5,452,602.93	8,883,723.90	6,561,263.89	57,863,122.82
Impact of exchange translation	(21,744.26)	38,403.59	110,606.79	96,096.13	(275.39)	223,086.86
4. 31 December 2020	82,794,690.64	6,163,250.07	275,441,715.24	88,641,070.62	83,750,344.68	536,791,071.25
III. Impairment provision						
1. 1 January 2020	–	–	–	–	–	–
2. Increase in current period	–	–	–	–	–	–
3. Decrease in current period	–	–	–	–	–	–
4. 31 December 2020	–	–	–	–	–	–
IV. Carrying amount						
1. 31 December 2020	265,579,473.42	2,279,591.20	404,704,552.06	42,639,576.37	48,279,348.95	763,482,542.00
2. 1 January 2020	330,898,574.33	4,251,200.53	349,487,199.12	46,161,441.74	52,279,758.54	783,078,174.26

Continued:

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
I. Original carrying amount						
1. 31 December 2020	348,374,164.06	8,442,841.27	680,146,267.30	131,280,646.99	132,029,693.63	1,300,273,613.25
2. Increase in current period	1,035,938.63	4,557,939.01	65,408,359.02	7,301,603.64	26,464,172.84	104,768,013.14
Acquisition	1,035,938.63	4,557,939.01	65,408,359.02	7,301,603.64	26,464,172.84	104,768,013.14
3. Decrease in current period	1,184,184.72	720,662.68	21,154,885.72	6,696,262.69	5,622,100.21	35,378,096.02
Disposal or retirement	311,946.43	671,235.45	19,631,872.95	6,063,897.29	5,615,175.79	32,294,127.91
Impact of exchange translation	872,238.29	49,427.23	1,523,012.77	632,365.40	6,924.42	3,083,968.11
4. 31 December 2021	348,225,917.97	12,280,117.60	724,399,740.60	131,885,987.94	152,871,766.26	1,369,663,530.37
II. Accumulated depreciation						
1. 31 December 2020	82,794,690.64	6,163,250.07	275,441,715.24	88,641,070.62	83,750,344.68	536,791,071.25
2. Increase in current period	15,563,593.60	1,044,051.12	62,647,837.36	17,619,785.78	17,914,385.87	114,789,653.73
Provision in current period	15,563,593.60	1,044,051.12	62,647,837.36	17,619,785.78	17,914,385.87	114,789,653.73
3. Decrease in current period	324,668.73	388,197.44	15,736,881.55	5,862,983.52	4,991,372.68	27,304,103.92
Disposal or retirement	–	341,564.76	15,163,265.24	5,372,953.49	4,989,229.97	25,867,013.46
Impact of exchange translation	324,668.73	46,632.68	573,616.31	490,030.03	2,142.71	1,437,090.46
4. 31 December 2021	98,033,615.51	6,819,103.75	322,352,671.05	100,397,872.88	96,673,357.87	624,276,621.06
III. Impairment provision						
1. 31 December 2020	–	–	–	–	–	–
2. Increase in current period	–	–	–	–	–	–
3. Decrease in current period	–	–	–	–	–	–
4. 31 December 2021	–	–	–	–	–	–
IV. Carrying amount						
1. 31 December 2021	250,192,302.46	5,461,013.85	402,047,069.55	31,488,115.06	56,198,408.39	745,386,909.31
2. 31 December 2020	265,579,473.42	2,279,591.20	404,704,552.06	42,639,576.37	48,279,348.95	763,482,542.00

Continued:

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
I. Original carrying amount						
1. 31 December 2021	348,225,917.97	12,280,117.60	724,399,740.60	131,885,987.94	152,871,766.26	1,369,663,530.37
2. Increase in current period	669,203.40	613,903.94	33,425,506.24	10,323,253.24	13,324,010.63	58,355,877.45
Acquisition	669,203.40	613,903.94	33,425,506.24	10,323,253.24	13,324,010.63	58,355,877.45
3. Decrease in current period	144,300.40	332,389.19	36,033,628.75	17,340,245.54	4,406,361.42	58,256,925.30
Disposal or retirement	–	328,418.96	36,022,826.31	17,319,595.97	4,406,361.42	58,077,202.66
Impact of exchange translation	144,300.40	3,970.23	10,802.44	20,649.57	–	179,722.64
4. 31 December 2022	348,750,820.97	12,561,632.35	721,791,618.09	124,868,995.64	161,789,415.47	1,369,762,482.52

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
II. Accumulated depreciation						
1. 31 December 2021	98,033,615.51	6,819,103.75	322,352,671.05	100,397,872.88	96,673,357.87	624,276,621.06
2. Increase in current period	15,588,301.20	1,303,114.44	66,308,552.82	15,908,685.08	18,274,018.48	117,382,672.02
Provision in current period	15,588,301.20	1,303,114.44	66,308,552.82	15,908,685.08	18,274,018.48	117,382,672.02
3. Decrease in current period	(6,635.22)	182,425.14	33,809,111.42	15,554,065.39	3,471,471.42	53,010,438.15
Disposal or retirement	-	171,899.42	33,944,242.07	15,531,485.37	3,471,471.42	53,119,098.28
Impact of exchange translation	(6,635.22)	10,525.72	(135,130.65)	22,580.02	-	(108,660.13)
4. 31 December 2022	113,628,551.93	7,939,793.05	354,852,112.45	100,752,492.57	111,475,904.93	688,648,854.93
III. Impairment provision						
1. 31 December 2021	-	-	-	-	-	-
2. Increase in current period	-	-	-	-	-	-
3. Decrease in current period	-	-	-	-	-	-
4. 31 December 2022	-	-	-	-	-	-
IV. Carrying amount						
1. 31 December 2022	235,122,269.04	4,621,839.30	366,939,505.64	24,116,503.07	50,313,510.54	681,113,627.59
2. 31 December 2021	250,192,302.46	5,461,013.85	402,047,069.55	31,488,115.06	56,198,408.39	745,386,909.31

- There were no temporarily-idle fixed assets at the end of the period.
- There were no fixed assets leased out under operating leases at the end of the period.
- Fixed assets which have not obtained ownership certificates at the end of the period

Item	Carrying amount			Reason for failure to obtain ownership certificate
	31 December 2022	31 December 2021	31 December 2020	
Factory of Shenzhen LCD Device Company* (深圳液晶器件公司) (originally with two floors, and subsequently with an additional floor built)	2,189,250.00	2,360,250.00	2,531,250.00	Not applicable, no need to re-register
Temporary duty room of Shenzhen LCD Device Company* (深圳液晶器件公司)	157,254.58	169,699.58	182,144.58	Temporary support facilities
Transformer room, chemical storage room, garbage room and guard room of Shenzhen LCD Device Company* (深圳液晶器件公司)	126,329.96	136,884.46	147,438.96	Temporary support facilities

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Note 13. Construction in progress

Item	31 December 2022	31 December 2021	31 December 2020
Construction in progress	63,842,184.96	–	–
Total	63,842,184.96	–	–

Note: The construction in progress in the above table refers to the construction in progress after deducting engineering materials.

(I) Construction in progress

1. *Particulars of construction in progress*

Item	31 December 2022	31 December 2021	31 December 2020
Huizhou Skyworth Digital Industrial Park Project (Phase I)	63,842,184.96	–	–
Total	63,842,184.96	–	–

2. *Movements in key construction in progress during the current Reporting Period*

(1) Key construction in progress in 2022

Project name	31 December 2021	Increase in current period	Transfer to fixed assets in current period	Other decrease in current period	31 December 2022
Huizhou Skyworth Digital Industrial Park Project (Phase I)	–	63,842,184.96	–	–	63,842,184.96
Total	–	63,842,184.96	–	–	63,842,184.96

Continued:

Project name	Budget (ten thousand yuan)	Investment percentage to budget	Project progress	Accumulated amount of interest capitalised	Of which:		Source of fund
					amount of interest capitalised in current period	Interest capitalisation rate of current period (%)	
Huizhou Skyworth Digital Industrial Park Project (Phase I)	115,906.09	5.51%	5.51%	–	–	–	Internal capital and raised funds
Total	115,906.09	5.51%	5.51%	–	–	–	

Note 14. Right-of-use Assets

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
I. Original carrying amount						
1. 1 January 2020	57,276,937.49	2,936,785.34	–	157,219.37	243,653.85	60,614,596.05
2. Increase in current period	19,303,039.68	390,479.53	2,891,241.15	–	–	22,584,760.36
Lease	19,303,039.68	390,479.53	2,891,241.15	–	–	22,584,760.36
3. Decrease in current period	6,410,146.71	66,231.88	118,086.76	(4,214.38)	–	6,590,250.97
Lease maturity or disposal	6,057,687.65	151,200.85	–	–	–	6,208,888.50
Impact of exchange translation	352,459.06	(84,968.97)	118,086.76	(4,214.38)	–	381,362.47
4. 31 December 2020	70,169,830.46	3,261,032.99	2,773,154.39	161,433.75	243,653.85	76,609,105.44
II. Accumulated depreciation						
1. 1 January 2020	12,258,186.45	1,107,543.21	–	48,373.26	192,892.68	13,606,995.60
2. Increase in current period	15,817,472.29	850,695.40	393,011.85	40,901.63	38,578.50	17,140,659.67
Provision in current period	15,817,472.29	850,695.40	393,011.85	40,901.63	38,578.50	17,140,659.67
3. Decrease in current period	5,134,801.17	94,516.85	7,851.52	(2,503.87)	–	5,234,665.67
Lease maturity or disposal	4,610,327.36	136,076.01	–	–	–	4,746,403.37
Impact of exchange translation	524,473.81	(41,559.16)	7,851.52	(2,503.87)	–	488,262.30
4. 31 December 2020	22,940,857.57	1,863,721.76	385,160.33	91,778.76	231,471.18	25,512,989.60
III. Impairment provision						
1. 1 January 2020	–	–	–	–	–	–
2. Increase in current period	–	–	–	–	–	–
3. Decrease in current period	–	–	–	–	–	–
4. 31 December 2020	–	–	–	–	–	–
IV. Carrying amount						
1. 31 December 2020	47,228,972.89	1,397,311.23	2,387,994.06	69,654.99	12,182.67	51,096,115.84
2. 1 January 2020	45,018,751.04	1,829,242.13	–	108,846.11	50,761.17	47,007,600.45

Continued:

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
I. Original carrying amount						
1. 31 December 2020	70,169,830.46	3,261,032.99	2,773,154.39	161,433.75	243,653.85	76,609,105.44
2. Increase in current period	13,354,732.19	1,470,227.74	–	–	–	14,824,959.93
Lease	13,354,732.19	1,470,227.74	–	–	–	14,824,959.93
3. Decrease in current period	13,267,752.13	769,890.08	100,499.37	16,199.70	–	14,154,341.28
Lease maturity or disposal	11,093,176.47	374,642.38	–	–	–	11,467,818.85
Impact of exchange translation	2,174,575.66	395,247.70	100,499.37	16,199.70	–	2,686,522.43
4. 31 December 2021	70,256,810.52	3,961,370.65	2,672,655.02	145,234.05	243,653.85	77,279,724.09

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Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
II. Accumulated depreciation						
1. 31 December 2020	22,940,857.57	1,863,721.76	385,160.33	91,778.76	231,471.18	25,512,989.60
2. Increase in current period	16,721,603.30	1,022,832.31	908,934.76	54,509.17	–	18,707,879.54
Provision in current period	16,721,603.30	1,022,832.31	908,934.76	54,509.17	–	18,707,879.54
3. Decrease in current period	9,433,442.84	596,684.56	32,008.00	12,225.73	–	10,074,361.13
Lease maturity or disposal	8,485,186.80	374,642.38	–	–	–	8,859,829.18
Impact of exchange translation	948,256.04	222,042.18	32,008.00	12,225.73	–	1,214,531.95
4. 31 December 2021	30,229,018.03	2,289,869.51	1,262,087.09	134,062.20	231,471.18	34,146,508.01
III. Impairment provision						
1. 31 December 2020	–	–	–	–	–	–
2. Increase in current period	–	–	–	–	–	–
3. Decrease in current period	–	–	–	–	–	–
4. 31 December 2021	–	–	–	–	–	–
IV. Carrying amount						
1. 31 December 2021	40,027,792.49	1,671,501.14	1,410,567.93	11,171.85	12,182.67	43,133,216.08
2. 31 December 2020	47,228,972.89	1,397,311.23	2,387,994.06	69,654.99	12,182.67	51,096,115.84

Continued:

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
I. Original carrying amount						
1. 31 December 2021	70,256,810.52	3,961,370.65	2,672,655.02	145,234.05	243,653.85	77,279,724.09
2. Increase in current period	15,380,867.42	384,821.75	6,775,041.15	154,245.75	–	22,694,976.07
Lease	15,380,867.42	384,821.75	6,775,041.15	154,245.75	–	22,694,976.07
3. Decrease in current period	39,825,507.42	(128,061.10)	47,109.08	(4,087.64)	–	39,740,467.76
Lease maturity or disposal	40,065,774.07	–	–	–	–	40,065,774.07
Impact of exchange translation	(240,266.65)	(128,061.10)	47,109.08	(4,087.64)	–	(325,306.31)
4. 31 December 2022	45,812,170.52	4,474,253.50	9,400,587.09	303,567.44	243,653.85	60,234,232.40
II. Accumulated depreciation						
1. 31 December 2021	30,229,018.03	2,289,869.51	1,262,087.09	134,062.20	231,471.18	34,146,508.01
2. Increase in current period	15,837,351.87	1,066,894.00	3,662,580.03	63,845.80	–	20,630,671.70
Provision in current period	15,837,351.87	1,066,894.00	3,662,580.03	63,845.80	–	20,630,671.70
3. Decrease in current period	23,293,415.76	(118,703.32)	38,036.22	(4,332.61)	–	23,208,416.05
Lease maturity or disposal	23,463,044.18	–	–	–	–	23,463,044.18
Impact of exchange translation	(169,628.42)	(118,703.32)	38,036.22	(4,332.61)	–	(254,628.13)
4. 31 December 2022	22,772,954.14	3,475,466.83	4,886,630.90	202,240.61	231,471.18	31,568,763.66

Item	Building structures	Transportation equipment	Machinery equipment	Office and electronic equipment	Other equipment	Total
III. Impairment provision						
1. 31 December 2021	-	-	-	-	-	-
2. Increase in current period	-	-	-	-	-	-
3. Decrease in current period	-	-	-	-	-	-
4. 31 December 2022	-	-	-	-	-	-
IV. Carrying amount						
1. 31 December 2022	23,039,216.38	998,786.67	4,513,956.19	101,326.83	12,182.67	28,665,468.74
2. 31 December 2021	40,027,792.49	1,671,501.14	1,410,567.93	11,171.85	12,182.67	43,133,216.08

Note 15. Intangible assets

1. Particulars of intangible assets

Item	Land use right	Self-developed software and patent	Externally purchased software and patent	Trademark right	Total
I. Original carrying amount					
1. 1 January 2020	41,391,774.10	62,558,751.11	121,653,655.12	90,634,144.43	316,238,324.76
2. Increase in current period	-	7,962,394.21	6,322,283.40	12,056.04	14,296,733.65
Acquisition	-	-	6,322,283.40	12,056.04	6,334,339.44
Internal research and development	-	7,962,394.21	-	-	7,962,394.21
3. Decrease in current period	4,855,293.86	-	5,378,598.75	-	10,233,892.61
Disposal	-	-	781,502.60	-	781,502.60
Transfer to held-for-sale assets	4,855,293.86	-	4,720,066.15	-	9,575,360.01
Impact of exchange translation	-	-	(122,970.00)	-	(122,970.00)
4. 31 December 2020	36,536,480.24	70,521,145.32	122,597,339.77	90,646,200.47	320,301,165.80
II. Accumulated amortisation					
1. 1 January 2020	9,155,659.73	29,822,888.74	100,095,231.55	48,460.83	139,122,240.85
2. Increase in current period	892,436.61	11,416,398.64	8,864,061.72	21,862.87	21,194,759.84
Provision in current period	892,436.61	11,416,398.64	8,864,061.72	21,862.87	21,194,759.84
3. Decrease in current period	1,666,984.90	-	2,800,854.83	-	4,467,839.73
Disposal	-	-	775,403.29	-	775,403.29
Transfer to held-for-sale assets	1,666,984.90	-	2,143,590.77	-	3,810,575.67
Impact of exchange translation	-	-	(118,139.23)	-	(118,139.23)
4. 31 December 2020	8,381,111.44	41,239,287.38	106,158,438.44	70,323.70	155,849,160.96
III. Impairment provision					
1. 1 January 2020	-	-	-	-	-
2. Increase in current period	-	-	-	-	-
3. Decrease in current period	-	-	-	-	-
4. 31 December 2020	-	-	-	-	-
IV. Carrying amount					
1. 31 December 2020	28,155,368.80	29,281,857.94	16,438,901.33	90,575,876.77	164,452,004.84
2. 1 January 2020	32,236,114.37	32,735,862.37	21,558,423.57	90,585,683.60	177,116,083.91

Continued:

Item	Land use rights	Self-developed software and patent	Externally purchased software and patent	Trademark right	Total
I. Original carrying amount					
1. 31 December 2020	36,536,480.24	70,521,145.32	122,597,339.77	90,646,200.47	320,301,165.80
2. Increase in current period	94,760,263.50	7,078,377.35	7,465,638.62	476,054.50	109,780,333.97
Acquisition	94,760,263.50	–	7,465,638.62	476,054.50	102,701,956.62
Internal research and development	–	7,078,377.35	–	–	7,078,377.35
3. Decrease in current period	–	–	511,525.64	51,795.30	563,320.94
Disposal	–	–	298.95	51,795.30	52,094.25
Impact of exchange translation	–	–	511,226.69	–	511,226.69
4. 31 December 2021	131,296,743.74	77,599,522.67	129,551,452.75	91,070,459.67	429,518,178.83
II. Accumulated amortisation					
1. 31 December 2020	8,381,111.44	41,239,287.38	106,158,438.44	70,323.70	155,849,160.96
2. Increase in current period	1,900,867.17	11,385,327.60	6,982,522.76	39,850.95	20,308,568.48
Provision in current period	1,900,867.17	11,385,327.60	6,982,522.76	39,850.95	20,308,568.48
3. Decrease in current period	–	–	488,931.38	9,358.83	498,290.21
Disposal	–	–	–	9,358.83	9,358.83
Impact of exchange translation	–	–	488,931.38	–	488,931.38
4. 31 December 2021	10,281,978.61	52,624,614.98	112,652,029.82	100,815.82	175,659,439.23
III. Impairment provision					
1. 31 December 2020	–	–	–	–	–
2. Increase in current period	–	–	–	–	–
3. Decrease in current period	–	–	–	–	–
4. 31 December 2021	–	–	–	–	–
IV. Carrying amount					
1. 31 December 2021	121,014,765.13	24,974,907.69	16,899,422.93	90,969,643.85	253,858,739.60
2. 31 December 2020	28,155,368.80	29,281,857.94	16,438,901.33	90,575,876.77	164,452,004.84

Continued:

Item	Land use rights	Self-developed software and patent	Externally purchased software and patent	Trademark right	Total
I. Original carrying amount					
1. 31 December 2021	131,296,743.74	77,599,522.67	129,551,452.75	91,070,459.67	429,518,178.83
2. Increase in current period	40,498,650.00	2,074,460.09	7,649,732.03	52,200.66	50,275,042.78
Acquisition	40,498,650.00	–	7,649,732.03	52,200.66	48,200,582.69
Internal research and development	–	2,074,460.09	–	–	2,074,460.09
3. Decrease in current period	–	54,742.74	303,841.43	–	358,584.17
Disposal	–	54,742.74	440,654.73	–	495,397.47
Impact of exchange translation	–	–	(136,813.30)	–	(136,813.30)
4. 31 December 2022	171,795,393.74	79,619,240.02	136,897,343.35	91,122,660.33	479,434,637.44

Item	Land use rights	Self-developed software and patent	Externally purchased software and patent	Trademark right	Total
II. Accumulated amortisation					
1. 31 December 2021	10,281,978.61	52,624,614.98	112,652,029.82	100,815.82	175,659,439.23
2. Increase in current period	3,433,011.27	10,042,767.46	7,326,938.54	108,155.33	20,910,872.60
Provision in current period	3,433,011.27	10,042,767.46	7,326,938.54	108,155.33	20,910,872.60
3. Decrease in current period	–	54,742.74	311,248.70	–	365,991.44
Disposal	–	54,742.74	440,654.73	–	495,397.47
Impact of exchange translation	–	–	(129,406.03)	–	(129,406.03)
4. 31 December 2022	13,714,989.88	62,612,639.70	119,667,719.66	208,971.15	196,204,320.39
III. Impairment provision					
1. 31 December 2021	–	–	–	–	–
2. Increase in current period	–	–	–	–	–
3. Decrease in current period	–	–	–	–	–
4. 31 December 2022	–	–	–	–	–
IV. Carrying amount					
1. 31 December 2022	158,080,403.86	17,006,600.32	17,229,623.69	90,913,689.18	283,230,317.05
2. 31 December 2021	121,014,765.13	24,974,907.69	16,899,422.93	90,969,643.85	253,858,739.60

- No intangible assets of the Company were used for collateral or guarantee at the end of the period.
- No provision for impairment was required as no obvious signs of impairment were observed in the intangible assets of the Company at the end of the period.

Note 16. Goodwill

1. Original carrying amount of goodwill

Name of investee or matters resulting in goodwill	1 January 2020	Increase in current period		Decrease in current period		31 December 2020
		Arising from business combination	Others	Disposal	Transfer to held-for-sale assets	
Acquisition of Strong Group	78,179,759.18	–	–	–	–	78,179,759.18
Acquisition of Caldero Limited	13,469,041.36	–	–	–	–	13,469,041.36
Acquisition of Qunxin Intelligence Control (Zhongshan)	265,069.98	–	–	–	265,069.98	–
Total	91,913,870.52	–	–	–	265,069.98	91,648,800.54

Continued:

Name of investee or matters resulting in goodwill	31 December 2020	Increase in current period		Decrease in current period		31 December 2021
		Arising from business combination	Others	Disposal	Others	
Acquisition of Strong Group	78,179,759.18	-	-	-	-	78,179,759.18
Acquisition of Caldero Limited	13,469,041.36	-	-	-	-	13,469,041.36
Acquisition of Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	-	1.00	-	-	-	1.00
Total	91,648,800.54	1.00	-	-	-	91,648,801.54

Continued:

Name of investee or matters resulting in goodwill	31 December 2021	Increase in current period		Decrease in current period		31 December 2022
		Arising from business combination	Others	Disposal	Others	
Acquisition of Strong Group	78,179,759.18	-	-	-	-	78,179,759.18
Acquisition of Caldero Limited	13,469,041.36	-	-	-	-	13,469,041.36
Acquisition of Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	1.00	-	-	-	1.00	-
Total	91,648,801.54	-	-	-	1.00	91,648,800.54

2. Impairment provision of goodwill

Name of investee or matters resulting in goodwill	1 January 2020	Increase in the current period		Decrease in the current period		31 December 2020
		Provision	Others	Disposal	Transfer to held-for-sale assets	
Acquisition of Strong Group	-	-	-	-	-	-
Acquisition of Caldero Limited	-	-	-	-	-	-
Acquisition of Qunxin Intelligence Control (Zhongshan)	265,069.98	-	-	-	265,069.98	-
Total	265,069.98	-	-	-	265,069.98	-

Continued:

Name of investee or matters resulting in goodwill	31 December 2020	Increase in the current period		Decrease in the current period		31 December 2021
		Provision	Others	Disposal	Others	
Acquisition of Strong Group	-	-	-	-	-	-
Acquisition of Caldero Limited	-	-	-	-	-	-
Acquisition of Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	-	-	-	-	-	-
Total	-	-	-	-	-	-

Continued:

Name of investee or matters resulting in goodwill	31 December 2021	Increase in the current period		Decrease in the current period		31 December 2022
		Provision	Others	Disposal	Others	
Acquisition of Strong Group	-	-	-	-	-	-
Acquisition of Caldero Limited	-	-	-	-	-	-
Acquisition of Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	-	-	-	-	-	-
Total	-	-	-	-	-	-

Note 17. Long-term deferred expenses

Item	1 January 2020	Amortisation		Transfer to held-for-sale assets	Impact of exchange translation	31 December 2020
		Increase in the current period	in the current period			
Renovation fee	43,452,201.77	28,928,552.67	17,613,867.43	542,813.45	29,748.28	54,194,325.28
Platform maintenance fee and others	31,610,098.01	11,815,404.94	21,971,533.88	-	(2,339.84)	21,456,308.91
Total	75,062,299.78	40,743,957.61	39,585,401.31	542,813.45	27,408.44	75,650,634.19

Continued:

Item	31 December 2020	Increase in the current period	Amortisation in the current period	Impact of exchange translation	31 December 2021
Platform maintenance fee and others	21,456,308.91	6,799,356.45	15,041,052.22	3,466.52	13,211,146.62
Total	75,650,634.19	20,176,622.10	38,211,329.79	12,852.21	57,603,074.29

Continued:

Item	31 December 2021	Increase in the current period	Amortisation in the current period	Impact of exchange translation	31 December 2022
Renovation fee	44,391,927.67	8,378,646.84	21,484,058.87	(3,709.32)	31,290,224.96
Platform maintenance fee and others	13,211,146.62	–	8,135,915.54	–	5,075,231.08
Total	57,603,074.29	8,378,646.84	29,619,974.41	(3,709.32)	36,365,456.04

Note 18. Deferred income tax assets and deferred income tax liabilities**1. Deferred income tax assets before offsetting**

Item	31 December 2022		31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for bad debts	482,648,859.28	72,502,881.10	522,478,575.95	78,414,285.70	255,040,733.85	38,317,231.38
Provision for loss on accrued inventory value	43,533,653.27	6,576,985.19	36,660,707.51	5,499,106.13	21,935,770.59	3,290,365.60
Derivative financial liabilities	9,908,608.33	1,486,291.25	–	–	22,994,513.00	3,449,176.95
Accruals	87,719,597.70	13,393,532.05	84,933,433.22	12,822,306.64	69,651,856.65	10,524,207.95
Depreciation of fixed assets	1,797,354.49	280,263.13	2,326,421.00	348,963.15	3,567,011.69	535,051.77
Amortisation of intangible assets	1,542,240.80	212,541.97	1,659,808.67	248,971.30	1,687,379.71	253,106.97
Product quality guarantee	101,303,486.74	14,825,553.28	79,747,737.55	11,464,967.92	64,229,585.69	8,873,982.78
Wages and salaries payables	193,811,990.50	25,968,450.96	91,212,781.00	12,687,993.33	68,405,322.79	9,565,968.74
Offsetable losses	108,993,387.21	19,361,973.72	330,739,530.28	50,718,196.68	264,181,676.16	40,847,372.13
Government subsidies	65,450,800.88	9,790,120.12	74,802,579.11	11,220,386.87	83,504,918.07	12,521,571.04
Unrealised gains or losses from internal transactions	845,092.35	357,154.26	7,801,047.43	2,121,773.12	4,250,380.98	972,993.45
Book-tax differences of right-of-use assets	1,937,141.08	386,696.95	1,810,186.87	351,433.79	892,518.52	178,924.37
Book-tax differences of other foreign subsidiaries' items	364,388.86	102,028.88	–	–	26,308.38	8,964.12
Total	1,099,856,601.49	165,244,472.86	1,234,172,808.59	185,898,384.63	860,367,976.08	129,338,917.25

2. Deferred income tax liabilities before offsetting

Item	31 December 2022		31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of derivative financial assets	1,416,008.18	212,401.23	10,787,107.00	1,618,066.05	5,612,125.21	841,818.78
Book-tax differences of fixed assets	3,917,002.15	1,117,025.10	1,185,040.99	331,811.48	600,870.39	168,243.71
Book-tax differences of other foreign subsidiaries' items	1,818,936.13	509,302.12	84,025.93	20,369.65	41,358.92	14,332.85
Total	7,151,946.46	1,838,728.45	12,056,173.92	1,970,247.18	6,254,354.52	1,024,395.34

3. Breakdown of deductible temporary differences not recognised as deferred income tax assets

Item	31 December 2022	31 December 2021	31 December 2020
Provision for bad debts	3,296,456.53	10,610,844.50	5,244,253.82
Provision for loss on accrued inventory value	2,689,046.47	2,192,499.16	1,542,966.22
Wages and salaries payables	55,409,217.53	97,988,950.12	63,891,280.86
Product quality guarantee	5,269,442.42	4,345,300.33	3,645,573.14
Deductible losses	665,355,116.02	526,450,750.73	511,251,095.50
Unrealised internal gains and losses	14,933,671.85	33,081,528.99	18,083,290.51
Government subsidies	1,106,657.74	1,101,415.43	1,785,745.93
Changes in fair value of derivative financial liabilities	–	–	397,625.43
Total	748,059,608.56	675,771,289.26	605,841,831.41

Deductible temporary differences not recognised as deferred income tax assets mainly refer to deductible temporary differences and deductible losses in respect of losses of the parent company and certain subsidiaries, who may or may not generate sufficient taxable income in the future, hence the deductible temporary differences and deductible losses have not been recognised as deferred income tax assets.

Note 19. Other non-current assets

Item	31 December 2022	31 December 2021	31 December 2020
Prepayment of project and equipment fees	16,034,997.57	21,099,948.10	19,101,944.61
Contract fulfilment cost	7,946,803.09	45,510,314.77	89,519,773.76
Total	23,981,800.66	66,610,262.87	108,621,718.37

Note 20. Short-term borrowings

1. Classification of short-term borrowings

Item	31 December 2022	31 December 2021	31 December 2020
Credit borrowings	666,624,959.62	1,291,820,062.50	1,096,384,363.08
Collateralised borrowings (Note 1)	3,433,631.22	10,473,564.53	16,505,604.93
Guaranteed borrowings (Note 2)	10,000,000.00	–	35,000,000.00
Undue interest payable	757,532.40	1,921,278.14	2,505,477.78
Total	680,816,123.24	1,304,214,905.17	1,150,395,445.79

Note 1: Collateralised borrowings represent borrowings secured by trade receivables of foreign subsidiaries, for details, please refer to 7. Assets and liabilities derived from continuing involvement in receivables transferred in the current period of Note 4 Trade receivables under Note VI.

Note 2: Guaranteed borrowings represent borrowings obtained by Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司), a subsidiary of the Company, from Skyworth Group Finance Company Limited* (創維集團財務有限公司), which are guaranteed by Skyworth Group Limited and Shenzhen Zhongzhi Chuangxing Technology Partnership (Limited Partnership)* (深圳眾智創興科技合夥企業(有限合夥)).

2. There are no overdue and outstanding short-term borrowings as at the end of the Period.

Note 21. Derivative financial liabilities

Item	31 December 2022	31 December 2021	31 December 2020
Forward foreign exchange	9,908,608.33	–	23,392,138.43
Total	9,908,608.33	–	23,392,138.43

Note 22. Bills payables

Type	31 December 2022	31 December 2021	31 December 2020
Bank acceptance bills	778,315,471.32	794,505,411.07	877,719,229.05
Commercial acceptance bills	–	279,689.56	4,428,527.36
Total	778,315,471.32	794,785,100.63	882,147,756.41

Note 23. Trade payables

Item	31 December 2022	31 December 2021	31 December 2020
Trade payables	2,314,466,400.89	2,664,621,015.92	2,135,313,051.26
Total	2,314,466,400.89	2,664,621,015.92	2,135,313,051.26

Continued: Aging of trade payables

Item	31 December 2022	31 December 2021	31 December 2020
Within 1 year	2,276,539,829.83	2,633,530,814.12	2,104,532,158.44
1-2 years	10,335,900.53	3,934,546.36	8,121,950.23
2-3 years	3,193,089.44	5,181,195.95	2,003,807.60
Over 3 years	24,397,581.09	21,974,459.49	20,655,134.99
Total	2,314,466,400.89	2,664,621,015.92	2,135,313,051.26

Note 24. Receipts in advance

1. Breakdown of receipts in advance

Item	31 December 2022	31 December 2021	31 December 2020
Rental receipts in advance	538,646.69	507,996.85	878,580.99
Total	538,646.69	507,996.85	878,580.99

2. There are no significant receipts in advance aged over one year as at the end of the Period.

Note 25. Contract liabilities

Item	31 December 2022	31 December 2021	31 December 2020
Advances from customers	93,218,632.76	208,094,476.35	134,519,649.55
Total	93,218,632.76	208,094,476.35	134,519,649.55

Note 26. Wages and salaries payables

1. Breakdown of wages and salaries payables

Item	1 January 2020	Increase in current period	Decrease in current period	Transfer to held-for-sale liabilities	Impact of exchange translation	31 December 2020
Short-term wages and salaries	145,898,879.10	952,594,782.14	955,506,288.27	9,370,163.68	741,938.56	132,875,270.73
Post-employment benefits – defined contribution plan	597,883.68	33,790,383.30	33,937,202.23	–	13,214.14	437,850.61
Termination benefits	–	38,521,139.44	17,277,959.77	20,748,088.00	–	495,091.67
Total	146,496,762.78	1,024,906,304.88	1,006,721,450.27	30,118,251.68	755,152.70	133,808,213.01

Continued:

Item	31 December 2020	Increase in current period	Decrease in current period	Impact of exchange translation	31 December 2021
Short-term wages and salaries	132,875,270.73	1,054,009,626.02	995,220,027.61	(1,901,878.80)	189,762,990.34
Post-employment benefits – defined contribution plan	437,850.61	69,262,669.57	69,167,149.66	(26,826.61)	506,543.91
Termination benefits	495,091.67	6,390,615.23	6,875,633.79	(10,073.11)	–
Total	133,808,213.01	1,129,662,910.82	1,071,262,811.06	(1,938,778.52)	190,269,534.25

Continued:

Item	31 December 2021	Increase in current period	Decrease in current period	Impact of exchange translation	31 December 2022
Short-term wages and salaries	189,762,990.34	1,090,436,840.80	1,030,656,794.32	297,832.93	249,840,869.75
Post-employment benefits – defined contribution plan	506,543.91	68,660,133.77	68,679,201.03	(2,761.96)	484,714.69
Termination benefits	–	9,216,843.72	9,216,843.72	–	–
Total	190,269,534.25	1,168,313,818.29	1,108,552,839.07	295,070.97	250,325,584.44

2. Breakdown of short-term wages and salaries

Item	1 January 2020	Increase in current period	Decrease in current period	Transfer to held-for-sale liabilities	Impact of exchange translation	31 December 2020
Salaries, bonus, allowances and subsidies	145,289,278.13	893,755,863.47	896,645,093.85	9,370,163.68	733,280.42	132,296,603.65
Employee welfare	–	16,681,569.04	16,681,317.11	–	251.93	–
Social insurance premiums	103,182.95	15,959,481.76	15,989,911.19	–	8,406.21	64,347.31
Including: Medical						
insurance premiums	99,513.80	14,449,391.66	14,476,151.94	–	8,406.21	64,347.31
Work-related injury insurance premiums	997.84	220,975.77	221,973.61	–	–	–
Maternity insurance premiums	2,671.31	1,289,114.33	1,291,785.64	–	–	–
Housing provident funds	1,598.00	19,725,054.45	19,724,852.45	–	–	1,800.00
Trade union funds and employee education funds	504,820.02	6,281,757.26	6,274,057.51	–	–	512,519.77
Supplementary commercial insurance	–	191,056.16	191,056.16	–	–	–
Total	145,898,879.10	952,594,782.14	955,506,288.27	9,370,163.68	741,938.56	132,875,270.73

Continued:

Item	31 December 2020	Increase in current period	Decrease in current period	Impact of exchange translation	31 December 2021
Salaries, bonus, allowances and subsidies	132,296,603.65	989,310,341.22	930,509,011.29	(1,896,202.46)	189,201,731.12
Employee welfare	–	18,870,146.63	18,868,573.04	(1,573.59)	–
Social insurance premiums	64,347.31	19,655,038.90	19,635,465.75	(4,103.90)	79,816.56
Including: Medical					
insurance premiums	64,347.31	17,939,680.28	17,920,894.76	(4,103.90)	79,028.93
Work-related injury insurance premiums	–	433,532.27	432,744.64	–	787.63
Maternity insurance premiums	–	1,281,826.35	1,281,826.35	–	–
Housing provident funds	1,800.00	19,082,166.75	19,082,590.44	1.15	1,377.46
Trade union funds and employee education funds	512,519.77	7,033,904.83	7,066,359.40	–	480,065.20
Supplementary commercial insurance	–	58,027.69	58,027.69	–	–
Total	132,875,270.73	1,054,009,626.02	995,220,027.61	(1,901,878.80)	189,762,990.34

Continued:

Item	31 December 2021	Increase in current period	Decrease in current period	Impact of exchange translation	31 December 2022
Salaries, bonus, allowances and subsidies	189,201,731.12	1,017,843,412.33	958,118,525.09	294,589.67	249,221,208.03
Employee welfare	–	17,730,741.96	17,730,879.78	137.82	–
Social insurance premiums	79,816.56	25,759,296.87	25,738,241.48	2,492.05	103,364.00
Including: Medical insurance premiums	79,028.93	23,540,656.24	23,519,600.85	2,492.05	102,576.37
Work-related injury insurance premiums	787.63	687,292.72	687,292.72	–	787.63
Maternity insurance premiums	–	1,531,347.91	1,531,347.91	–	–
Housing provident funds	1,377.46	21,984,773.01	21,975,340.86	613.39	11,423.00
Trade union funds and employee education funds	480,065.20	7,073,300.91	7,048,491.39	–	504,874.72
Supplementary commercial insurance	–	45,315.72	45,315.72	–	–
Total	189,762,990.34	1,090,436,840.80	1,030,656,794.32	297,832.93	249,840,869.75

3. Breakdown of defined contribution plan

Item	1 January 2020	Increase in current period	Decrease in current period	Transfer to held-for-sale liabilities	Impact of exchange translation	31 December 2020
Basic pension insurance	595,358.48	33,361,737.17	33,506,070.50	–	13,214.14	437,811.01
Unemployment insurance premiums	2,525.20	428,646.13	431,131.73	–	–	39.60
Total	597,883.68	33,790,383.30	33,937,202.23	–	13,214.14	437,850.61

Continued:

Item	31 December 2020	Increase in current period	Decrease in current period	Impact of exchange translation	31 December 2021
Basic pension insurance	437,811.01	68,468,998.19	68,374,751.43	(26,826.61)	505,231.16
Unemployment insurance premiums	39.60	793,671.38	792,398.23	–	1,312.75
Total	437,850.61	69,262,669.57	69,167,149.66	(26,826.61)	506,543.91

Continued:

Item	31 December 2021	Increase in current period	Decrease in current period	Impact of exchange translation	31 December 2022
Basic pension insurance	505,231.16	67,753,901.61	67,772,968.87	(2,761.96)	483,401.94
Unemployment insurance premiums	1,312.75	906,232.16	906,232.16	–	1,312.75
Total	506,543.91	68,660,133.77	68,679,201.03	(2,761.96)	484,714.69

4. *Other explanations for wages and salaries payables*

None of the wages and salaries payables are overdue in nature.

Arrangements in respect of release time and amount for wages and salaries payables: bonus and allowances will be released in the subsequent accounting period; salaries payable and social insurance premiums payable will be paid in the subsequent month.

Note 27. Taxes and surcharges payables

Tax and surcharge item	31 December 2022	31 December 2021	31 December 2020
VAT	5,162,980.38	5,631,274.55	4,067,490.56
City maintenance and construction tax	1,691,037.25	777,736.24	612,763.51
Education surcharge	776,946.98	387,998.53	314,829.71
Local education surcharge	430,936.66	171,226.60	122,858.43
Corporate income tax	19,553,927.52	10,813,903.69	9,357,708.47
Individual income tax	5,613,466.68	10,833,112.14	4,030,628.44
Stamp duty and others	553,867.48	1,042,578.35	2,502,456.23
Total	33,783,162.95	29,657,830.10	21,008,735.35

Note 28. Other payables

Item	31 December 2022	31 December 2021	31 December 2020
Other payables	385,135,946.73	252,088,467.26	227,567,789.34
Total	385,135,946.73	252,088,467.26	227,567,789.34

Note: The other payables in the table above refer to other payables after deducting interest payables and dividend payables.

(I) *Other payables*

1. *Breakdown of other payables by nature*

Item	31 December 2022	31 December 2021	31 December 2020
Deposits and guarantees	25,098,040.48	15,346,080.77	22,909,377.86
Current accounts and others	162,004,210.02	80,163,758.75	62,553,004.31
Accruals	143,238,115.65	156,578,627.74	141,387,327.17
Repurchase obligations under equity incentive scheme	–	–	718,080.00
Repurchase obligations of minority interests in subsidiaries (<i>Note 1</i>)	54,795,580.58	–	–
Total	385,135,946.73	252,088,467.26	227,567,789.34

Note 1: The Company bore the obligation to acquire 20% of minority interests in its subsidiary, Strong Media Group Limited, it recognised relevant financial liabilities of RMB54,795,580.58 in consolidated statements. For details, please refer to Note 39 Capital reserve under Note VI.

Continued: Aging of other payables

Item	31 December 2022	31 December 2021	31 December 2020
Within 1 year	367,855,434.32	226,568,565.53	210,194,037.74
1-2 years	6,587,237.77	13,121,715.79	6,518,961.65
2-3 years	2,181,806.33	3,714,131.17	3,871,639.61
Over 3 years	8,511,468.31	8,684,054.77	6,983,150.34
Total	385,135,946.73	252,088,467.26	227,567,789.34

Note 29. Non-current liabilities maturing within one year

Item	31 December 2022	31 December 2021	31 December 2020
Long-term borrowings maturing within one year	280,387.55	236,285.12	265,324.64
Bonds payables maturing within one year – interests	–	6,926,934.75	4,156,344.03
Lease liabilities maturing within one year	17,737,262.89	16,642,350.33	16,506,335.67
Total	18,017,650.44	23,805,570.20	20,928,004.34

Note 30. Other current liabilities

Item	31 December 2022	31 December 2021	31 December 2020
Provisions liabilities – product quality guarantee	76,956,826.55	56,732,492.96	50,853,833.97
Provisions liabilities – others	–	33,854.08	–
Total	76,956,826.55	56,766,347.04	50,853,833.97

Note 31. Long-term borrowings

Type of borrowings	31 December 2022	31 December 2021	31 December 2020
Collateralised borrowings (<i>Note 1</i>)	632,030.72	839,565.85	1,183,110.42
Guaranteed borrowings (<i>Note 2</i>)	30,000,000.00	–	–
Total	30,632,030.72	839,565.85	1,183,110.42

Note 1: The collaterals are houses with a book value of RMB6,072,779.91 as at the end of the Period.

Note 2: Guaranteed borrowings represent borrowings obtained by Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司), a subsidiary of the Company, from Skyworth Group Finance Company Limited* (創維集團財務有限公司), which are guaranteed by Skyworth Group Limited and Shenzhen Zhongzhi Chuangxing Technology Partnership (Limited Partnership)* (深圳眾智創興科技合夥企業 (有限合夥)).

Note 32. Bonds payables**1. Type of bonds payables**

Item	31 December 2022	31 December 2021	31 December 2020
Convertible corporate bonds	–	962,076,363.22	916,679,502.15
Less: Bonds payables maturing within one year	–	6,926,934.75	4,156,344.03
Total	–	955,149,428.47	912,523,158.12

2. Changes in bonds payables (excluding other financial instruments classified as financial liabilities, such as preferred shares and perpetual bonds)**(1) Changes in bonds payables in 2020**

Name of bonds	Nominal value	Date of issuance	Term of bonds	Issuance amount	1 January 2020
Skyworth convertible bond 127013	100	2019-4-15	6 years	1,040,000,000.00	926,982,288.76

Continued:

Name of bonds	Issuance in current period	Interest accrued at nominal value	Amortisation of premium/ discount	Repayment in current period	Conversion in current period	31 December 2020
Skyworth convertible bond 127013	–	5,122,134.03	50,468,779.36	3,912,300.00	61,981,400.00	916,679,502.15

(2) Changes in bonds payables in 2021

Name of bonds	Nominal value	Date of issuance	Term of bonds	Issuance amount	31 December 2020
Skyworth convertible bond 127013	100	2019-4-15	6 years	1,040,000,000.00	916,679,502.15

Continued:

Name of bonds	Issued in current period	Interest accrued at nominal value	Amortisation of premium/ discount	Repayment in current period	Conversion in current period	31 December 2021
Skyworth convertible bond 127013	–	8,638,190.52	42,669,370.35	5,867,599.80	43,100.00	962,076,363.22

(3) Changes in bonds payables in 2022

Name of bonds	Nominal value	Date of issuance	Term of bonds	Issuance amount	31 December 2021
Skyworth convertible bond 127013	100	2019-4-15	6 years	1,040,000,000.00	962,076,363.22

Continued:

Name of bonds	Issuance in current period	Interest accrued at nominal value	Amortisation of premium/ discount	Repayment in current period	Conversion in current period	Redemption in current period	31 December 2022
Skyworth convertible bond 127013	-	4,641,170.11	20,989,875.11	9,772,972.00	973,327,800.00	4,606,636.44	-

3. *Conditions and timing of conversion for convertible corporate bonds*

- (1) The initial conversion price of “Skyworth convertible bond” was RMB11.56 per share. Due to resignation of certain participants of the Restricted Share Incentive Scheme of the Company, the Company repurchased and cancelled some of the restricted shares granted but not yet unlocked. In addition, as a result of the Company’s implementation of the 2019 Half Year Equity Distribution Plan, the Company adjusted the conversion price of Skyworth convertible bond in accordance with relevant provisions and the repurchase and cancellation of restricted shares, to RMB11.49 per share from RMB11.57 per share, with the adjusted conversion price taking effect from 26 September 2019.

As a result of the Company’s implementation of the 2019 Annual Equity Distribution Plan, the Company adjusted the conversion price of “Skyworth convertible bond” in accordance with relevant provisions, to RMB11.39 per share from RMB11.49 per share, with the adjusted conversion price taking effect from 11 June 2020. Due to resignation of certain participants of the Restricted Share Incentive Scheme of the Company during the current period, the Company repurchased and cancelled a total of 316,500 restricted shares granted but not yet unlocked. According to relevant provisions and the repurchase and cancellation of restricted shares, the conversion price of Skyworth convertible bond remained unchanged after calculation as the said amount accounted for a relatively insignificant proportion of the total share capital of the Company, hence no need for adjustment.

As a result of the Company’s implementation of the 2020 Annual Equity Distribution Plan, the Company ought to adjust the conversion price of “Skyworth convertible bond” according to relevant provisions, which was then adjusted to RMB11.29 per share from RMB11.39 per share, with the adjusted conversion price taking effect from 10 June 2021. Due to resignation of certain participants of the Restricted Share Incentive Scheme of the Company during the current period, the Company repurchased and cancelled a total of 128,000 restricted shares granted but not yet unlocked. According to relevant provisions and the repurchase and cancellation of restricted shares, the conversion price of Skyworth convertible bond remained unchanged after calculation as the said amount accounted for a relatively insignificant proportion of the total share capital of the Company, hence no need for adjustment.

According to the profit distribution plan considered and adopted at 2021 Annual General Meeting, the Company proceeded with the equity distribution, through which the conversion price of “Skyworth convertible bond” was adjusted to RMB11.19 per share from RMB11.29 per share, with the adjusted conversion price taking effect from 6 May 2022 (the ex-rights and ex-dividend date).

- (2) Conversion period: The conversion period for convertible bonds in the current issuance shall commence from the first trading day immediately after the expiry of six months from the date of issuance of the convertible bond (19 April 2019, the day on which the proceeds were transferred to the issuer’s account) and end on the maturity date (i.e. between 19 October 2019 and 15 April 2025).

The closing prices of the Company’s shares remained no lower than 130% (inclusive of 130%) of the conversion price of RMB11.19 per share at the time (RMB14.55 per share) for at least 15 trading days in a consecutive period of 30 trading days between 20 April 2022 and 6 June 2022, which triggered the conditional redemption clause stipulated in the prospectus. On 6

June 2022, the Company convened the 11th meeting of the 11th board of directors and the 10th meeting of the 10th board of supervisors to consider and approve the “Resolution on Early Redemption of Skyworth Convertible Bonds”* (《關於提前贖回“創維轉債”的議案》), and decided to exercise the conditional redemption right of Skyworth Convertible Bonds to redeem Skyworth Convertible Bonds held by all bondholders registered after the close of the market on the redemption registration date at the price of their par values plus the current accrued interest. The redemption date of “Skyworth convertible bond” was 29 June 2022. The Company has fully redeemed “Skyworth convertible bond” appeared on the register of bonds after market close on the redemption record date (one trading day prior to the redemption date: 28 June 2022). The trading and conversion of “Skyworth convertible bond” have been halted with effect from 29 June 2022.

Note 33. Lease liabilities

Item	31 December 2022	31 December 2021	31 December 2020
Lease liabilities – principal	15,028,398.50	30,168,867.85	37,073,113.44
Less: Lease liabilities – interest adjustment	795,607.70	1,927,034.40	2,866,725.80
Total	14,232,790.80	28,241,833.45	34,206,387.64

Note 34. Provisions liabilities

Item	31 December 2022	31 December 2021	31 December 2020
Product quality guarantee	29,616,102.61	27,360,544.92	17,021,324.86
Total	29,616,102.61	27,360,544.92	17,021,324.86

Note 35. Deferred income

Item	1 January 2020	Increase in current period	Decrease in current period	Transfer to held-for-sale liabilities	31 December 2020
Assets-related government subsidies	103,381,875.01	20,730,000.00	25,612,070.17	13,389,478.80	85,110,326.04
VAT additional deduction	71,436.41	119,853.31	10,951.76	–	180,337.96
Total	103,453,311.42	20,849,853.31	25,623,021.93	13,389,478.80	85,290,664.00

Continued:

Item	31 December 2020	Increase in current period	Decrease in current period	31 December 2021
Assets-related government subsidies	85,110,326.04	23,966,500.00	34,246,886.42	74,829,939.62
Income-related government subsidies	–	800,000.00	–	800,000.00
VAT additional deduction	180,337.96	99,290.21	5,573.25	274,054.92
Total	85,290,664.00	24,865,790.21	34,252,459.67	75,903,994.54

Continued:

Item	31 December 2021	Increase in current period	Decrease in current period	31 December 2022
Assets-related government subsidies	74,829,939.62	10,916,560.00	22,489,593.83	63,256,905.79
Income-related government subsidies	800,000.00	2,500,000.00	–	3,300,000.00
VAT additional deduction	274,054.92	186,290.69	459,792.78	552.83
Total	75,903,994.54	13,602,850.69	22,949,386.61	66,557,458.62

Note 36. Other non-current liabilities

Item	31 December 2022	31 December 2021	31 December 2020
Contract liabilities	11,841,247.32	24,433,346.53	26,582,211.05
Total	11,841,247.32	24,433,346.53	26,582,211.05

Note 37. Share capital*1. Changes in share capital in 2020*

Item	1 January 2020	Increase (+) and decrease (-) for current period			31 December 2020
		Shares converted from convertible bonds	Shares repurchased	Subtotal	
Total number of shares	1,058,283,534.00	5,394,286.00	(316,500.00)	5,077,786.00	1,063,361,320.00

Explanations for changes in share capital:

For the increase of RMB5,394,286.00 during the current period, as mentioned in Note 32. Bonds payable under Note VI, the conversion period for the convertible bond issued by the Company shall commence from the first trading day immediately after the expiry of six months from the date of issuance of the convertible bond (19 April 2019, the day on which the proceeds were transferred to the issuer's account) and end on the maturity date (i.e. between 19 October 2019 and 15 April 2025). As of 31 December 2020, holders of the convertible bonds converted the convertible bonds into 5,399,092 shares of the Company in aggregate, among which, 4,806 shares were converted in 2019, 5,394,286 shares were converted in 2020, hence the increase of RMB5,394,286.00 in share capital of the Company during the current period.

The decrease of RMB316,500.00 during the current period was attributable to: On 24 March 2020, the Company convened the 21st meeting of the 10th board of directors and the 20th meeting of the 9th board of supervisors to consider and approve the "Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company's Departing Employees"* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》). A total of 21 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased by the Company at a repurchase price of RMB5.61 per share for cancellation was 294,000 shares, and the number of certain restricted shares reserved to be granted that were repurchased at a repurchase price of RMB4.66 per share for cancellation was 22,500 shares. Such change in share capital has been verified by the capital verification report (Da Hua Yan Zi [2020] No. 000276) issued by Da Hua Certified Public Accountants (Special General Partnership).

2. *Changes in share capital in 2021*

Item	31 December 2020	Increase (+) and decrease (-) for the current period			31 December 2021
		Shares converted from convertible bonds	Shares repurchased	Subtotal	
Total number of shares	1,063,361,320.00	3,785.00	(128,000.00)	(124,215.00)	1,063,237,105.00

Explanations for changes in share capital:

For the increase of RMB3,785.00 during the current period, as mentioned in Note 32. Bonds payables under Note VI, the conversion period for the convertible bonds issued by the Company shall commence from the first trading day immediately after the expiry of six months from the date of issuance of the convertible bond (19 April 2019, the day on which the proceeds were transferred to the issuer's account) and end on the maturity date (i.e. between 19 October 2019 and 15 April 2025). As of 31 December 2021, holders of the convertible bonds converted the convertible bonds into 5,402,877 shares of the Company in aggregate, among which, 4,806 shares were converted in 2019, 5,394,286 shares were converted in 2020, 3,785 shares were converted in 2021, hence the increase of RMB3,785.00 in share capital of the Company during the period.

The decrease of RMB128,000.00 during the current period was attributable to: On 19 March 2021, the Company convened the 27th meeting of the 10th board of directors and the 25th meeting of the 9th board of supervisors to consider and approve the "Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company's Departing Employees"* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》). A total of 8 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased by the Company at a repurchase price of RMB5.61 per share for cancellation was 128,000 shares. Such change in share capital has been verified by the capital verification report (Da Hua Yan Zi [2021] No. 000389) issued by Da Hua Certified Public Accountants (Special General Partnership).

3. *Changes in share capital in 2022*

Item	31 December 2021	Increase (+) and decrease (-) for current period			31 December 2022
		Shares converted from convertible bonds	Shares repurchased	Subtotal	
Total number of shares	1,063,237,105.00	86,978,967.00	-	86,978,967.00	1,150,216,072.00

Explanations for changes in share capital:

The increase of RMB86,978,967.00 during the current period was attributable to: On 6 June 2022, the Company convened the 11th meeting of the 11th board of directors and the 10th meeting of the 10th board of supervisors to consider and approve the "Resolution on Early Redemption of Skyworth Convertible Bonds"* (《關於提前贖回“創維轉債”的議案》), and decided to exercise the conditional redemption right of Skyworth Convertible Bonds to redeem Skyworth Convertible Bonds held by all bondholders registered after the close of the market on the redemption registration date at the price of their par values plus the current accrued interest. The Skyworth convertible bonds were reduced by RMB973,327,800.00 (i.e. 9,733,278 bonds) as a result of the conversion into a total of 86,978,967 shares of Skyworth Digital.

Such change in share capital has been verified by the capital verification report (Da Hua Yan Zi [2022] No. 000826) issued by Da Hua Certified Public Accountants (Special General Partnership).

Note 38. Other equity instruments**1. Table of convertible corporate bonds outstanding as at the end of the period**

Outstanding financial instruments	1 January 2020		Increase in current period		Decrease in current period		31 December 2020	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Skyworth convertible bond 127013	10,399,447	140,246,805.35	-	-	619,814	8,358,803.45	9,779,633	131,888,001.90
Outstanding financial instruments	31 December 2020		Increase in current period		Decrease in current period		31 December 2021	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Skyworth convertible bond 127013	9,779,633	131,888,001.90	-	-	431.00	5,812.47	9,779,202	131,882,189.43
Outstanding financial instruments	31 December 2021		Increase in current period		Decrease in current period		31 December 2022	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Skyworth convertible bond 127013	9,779,202	131,882,189.43	-	-	9,779,202	131,882,189.43	-	-

2. Explanations for other equity instruments

On 15 April 2019, the Company publicly issued RMB1.040 billion convertible corporate bonds on Shenzhen Stock Exchange, whose coupon interest rates were: 0.40% for the first year, 0.60% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. After deducting the issuance costs, the actual net proceeds amounted to RMB1,031,286,400.00. The Company adopted the yield of maturity bonds without conversion rights in the secondary market with the same rating and term as the convertible bonds it issued as their effective interest rate, and applied the discounted future cash flow method to separate the liability component and the equity component contained in these convertible corporate bonds. In particular, the liability component amounted to RMB891,525,359.55 was included in “bonds payables” and the equity component amounted to RMB140,254,263.10 (after taking into account the input tax of issuance costs) was included in “other equity instruments”. The difference of RMB148,474,640.45 between the amount and book value of these bonds payables was included in “bonds payables – convertible corporate bonds (interest adjustment)”, and amortised until the maturity date of the bonds using the effective interest method.

As mentioned in Note 32. Bonds payables under Note VI, the share prices of the Company during the current period triggered the conditional redemption clause stipulated in the prospectus, and the Company exercised the conditional redemption right of “Skyworth convertible bond”. During the current period, due to the share conversion by holders of “Skyworth convertible bonds” and the exercise of redemption right of bonds that had not been converted into shares as at the redemption date by the Company, the balance of other equity instruments at the end of the period turned to nil.

Note 39. Capital reserves**1. Changes in capital reserves in 2020**

Item	1 January 2020	Increase in current period	Decrease in current period	31 December 2020
Share capital premium	455,689,944.28	69,099,557.07	6,641,043.00	518,148,458.35
Other capital reserves	8,352,464.04	2,532,642.28	10,885,106.32	-
Total	464,042,408.32	71,632,199.35	17,526,149.32	518,148,458.35

Explanations for capital reserves:

Increase in the current period amounted to RMB71,632,199.35, among which, share capital premium increased RMB69,099,557.07, and other capital reserves increased RMB2,532,642.28.

The increase in share capital premium was attributable to:

- (1) As mentioned in Note 37. Share capital under Note VI, during the year of 2020, holders of the convertible bonds converted the convertible bonds into 5,394,286 shares of the Company, and as a result of such conversion, share capital premium increased RMB58,214,450.75.
- (2) According to the unlocking arrangement under the equity incentive scheme of the Company, for the current period, the number of shares unlocked during the third release period of the first grant of equity incentives was 12,572,000 shares, and the number of shares unlocked during the second release period of the reserved equity incentives was 2,226,500 shares. In compliance with the Accounting Standards for Enterprises, the Company transferred the equity incentive expenses that were recognised during the lock-up period in respect of the unlocked shares mentioned above, from other capital reserves to share capital premium, totalling RMB10,885,106.32.

The increase in other capital reserves was attributable to: The Company had in place the employee equity incentive scheme to issue restricted shares. In compliance with the Accounting Standards for Enterprises, the parent company recognised equity incentive expenses and other capital reserves of RMB22,726.60, while its subsidiaries recognised equity incentive expenses and other capital reserves of RMB2,509,915.68 in aggregate, hence other capital reserves of the Company increased by RMB2,532,642.28 in total during the current period.

Capital reserves decreased RMB17,526,149.32 in the current period, among which, share capital premium decreased RMB6,641,043.00, and other capital reserves decreased RMB10,885,106.32.

The decrease in share capital premium was attributable to:

- (1) As mentioned in Note 37. Share capital under Note VI, the Company repurchased in aggregate 316,500 shares that ceased to meet the conditions for equity incentives due to (among others) resignation of employees during the current period. Among which, the Company repurchased and cancelled the first grant portion of 294,000 restricted shares granted but not yet unlocked, at a repurchase price of RMB5.61 per share; and repurchased and cancelled the reserved portion of 22,500 restricted shares, at a repurchase price of RMB4.66 per share. The aforementioned shares repurchased led to an aggregate reduction of RMB316,500 in share capital of the Company, and the original premium portion of RMB1,437,690.00 was deducted from share capital premium.
- (2) RMB24,493.30, being the portion attributable to non-controlling shareholders in the equity incentive amount of subsidiaries, was deducted from share capital premium.
- (3) On 30 September 2020, Shenzhen Skyworth Digital Technology Co., Ltd. (a wholly-owned subsidiary of the Company) acquired 99% equity interest of Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司), (a company under common control). The excess of the merger consideration paid by the Company for the acquisition over the net assets of the subsidiary calculated on an ongoing basis from the date of acquisition attributable to the Company on the date of merger, amounting to RMB4,760,000.00, was deducted from share capital premium.

- (4) In June and September 2020, Shenzhen Skyworth Digital Technology Co., Ltd. (a wholly-owned subsidiary of the Company) acquired 49% of the shares as minority equity interest in Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通數字技術有限公司) (a subsidiary held by minority shareholders) in batches. The excess of the consideration paid by the Company for the acquisition over the net assets of the subsidiary attributable to the Company calculated for the shareholding newly increased, amounting to RMB418,859.70, was deducted from share capital premium.

The decrease in other capital reserves was attributable to: According to the unlocking arrangement under the equity incentive scheme of the Company, for the current period, the number of shares unlocked during the third release period of the first grant of equity incentives was 12,572,000 shares, and the number of shares unlocked during the second release period of the reserved equity incentives was 2,226,500 shares. In compliance with the Accounting Standards for Enterprises, the Company transferred the equity incentive expenses that were recognised during the lock-up period in respect of the unlocked shares mentioned above, from other capital reserves to share capital premium, totalling RMB10,885,106.32.

2. Changes in capital reserves in 2021

Item	31 December 2020	Increase in current period	Decrease in current period	31 December 2021
Share capital premium	518,148,458.35	3,886,252.63	590,080.00	521,444,630.98
Other capital reserves	–	–	–	–
Total	518,148,458.35	3,886,252.63	590,080.00	521,444,630.98

Explanations for capital reserves:

The increase of RMB3,886,252.63 in share capital premium during the current period was attributable to:

- (1) As mentioned in Note 37. Share capital under Note VI, during the year of 2021, holders of the convertible bonds converted the convertible bonds into 3,785 shares of the Company, and as a result of such conversion, share capital premium increased RMB42,721.80.
- (2) The Company disposed of 30% equity interests in a subsidiary Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司) during the current period. The excess of the consideration received from the disposal of the equity interests over the corresponding share of net assets of the portion sold, amounting to RMB1,015,205.00, was included in capital reserves.
- (3) The Company disposed of 33% equity interests in a subsidiary Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司), during the current period. The excess of the consideration received from the disposal of the equity interests over the corresponding share of net assets of the portion sold, amounting to RMB2,828,325.83, was included in capital reserves.

The decrease of RMB590,080.00 in share capital premium during the current period was attributable to: As mentioned in Note 37. Share capital under Note VI, the Company repurchased shares that ceased to meet the conditions for equity incentives due to (among others) resignation of employees during the current period. In particular, the Company repurchased and cancelled the first grant portion of 128,000 restricted shares granted but not yet unlocked, at a repurchase price of RMB5.61 per share. The aforementioned shares repurchased led to an aggregate reduction of RMB128,000.00 in share capital of the Company, and the original premium portion of RMB590,080.00 was deducted from share capital premium.

3. *Changes in capital reserves in 2022*

Item	31 December 2021	Increase in current period	Decrease in current period	31 December 2022
Share capital premium	521,444,630.98	1,014,387,794.88	–	1,535,832,425.86
Other capital reserves	–	–	54,795,580.58	(54,795,580.58)
Total	521,444,630.98	1,014,387,794.88	54,795,580.58	1,481,036,845.28

Explanations for capital reserves:

The increase of RMB1,014,387,794.88 in share capital premium during the current period was attributable to:

- (1) As mentioned in Note 37. Share capital under Note VI, in 2022, holders of the convertible bonds converted the convertible bonds into 86,978,967 shares of the Company, and as a result of such conversion, share capital premium increased RMB1,013,768,464.44.
- (2) As mentioned in Note 32. Bonds payables under Note VI, the share prices of the Company during the current period triggered the conditional redemption clause stipulated in the prospectus, and the Company exercised the conditional redemption right of “Skyworth convertible bond”. As at the redemption date, there were a total of 45,924 bonds that had not been converted to shares by holders of “Skyworth convertible bonds”. As a result of the mandatory redemption, the Company transferred the balance of other equity instruments, amounting to RMB619,330.44, to capital reserves.

The decrease of RMB54,795,580.58 in other capital reserves during the current period was attributable to the obligation bore by the Company to acquire 20% of minority interests in its subsidiary, Strong Media Group Limited, which led to the recognition of relevant financial liabilities in consolidated statements, offsetting capital reserves of RMB54,795,580.58.

Note 40. Treasury stock1. *Changes in treasury stock in 2020*

Item	1 January 2020	Increase in current period	Decrease in current period	31 December 2020
Obligation to repurchase restricted shares	82,157,240.00	1,219,440.00	82,658,600.00	718,080.00
Total	82,157,240.00	1,219,440.00	82,658,600.00	718,080.00

The decrease of RMB82,658,600.00 in treasury stock during the current period was attributable to:

- (1) As mentioned in Note 37. Share capital under Note VI, the Company repurchased a total of 316,500 shares that ceased to meet the conditions for equity incentives due to (among others) resignation of employees during the current period. Among which, the Company repurchased and cancelled the first grant portion of 294,000 restricted shares granted but not yet unlocked, and repurchased and cancelled the reserved portion of 22,500 restricted shares, all repurchased at the original price granted. The portion repurchased no longer bore repurchase obligation, leading to a reduction of RMB1,754,190.00 in treasury stock.
- (2) According to the unlocking arrangement under the equity incentive scheme of the Company, for the current period, the number of shares unlocked during the second release period of the first grant of equity incentives was 12,572,000 shares, and the number of shares unlocked during the first release period of the reserved equity incentives was 2,226,500 shares. The portion unlocked no longer bore repurchase obligation, leading to a reduction of RMB80,904,410.00 in treasury stock.

The increase of RMB1,219,440.00 in treasury stock during the current period was attributable to: The Company implemented a profit distribution plan in the previous period. In compliance with the Accounting Standards for Enterprises, for holders of restricted shares expected to be unlocked in the future, the Company accounted for the cash dividends to be distributed to holders of restricted shares as profit distribution; at the same time, in respect of the amount of cash dividends distributed, it was expected that the Company would no longer bore repurchase obligation, leading to a reduction of RMB1,219,440.00 in treasury stock. For the current period, the reduction in treasury stock which was previously expected to no longer bear repurchase obligation was reversed, and treasury stock was deducted based on actual unlocking.

2. Changes in treasury stock in 2021

Item	31 December 2020	Increase in current period	Decrease in current period	31 December 2021
Obligation to repurchase restricted shares	718,080.00	–	718,080.00	–
Total	718,080.00	–	718,080.00	–

Treasury stock decreased by RMB718,080.00 during the current period, as mentioned in Note 37. Share capital under Note VI, the Company repurchased shares that ceased to meet the conditions for equity incentives due to (among others) resignation of employees during the current period. Among which, the Company repurchased and cancelled the first grant portion of 128,000 restricted shares granted but not yet unlocked, which was repurchased at the original price granted. The portion repurchased no longer bore repurchase obligation, leading to a reduction of RMB718,080.00 in treasury stock.

3. Changes in treasury stock in 2022

Item	31 December 2021	Increase in current period	Decrease in current period	31 December 2022
Repurchase of outstanding shares	–	125,230,622.21	–	125,230,622.21
Total	–	125,230,622.21	–	125,230,622.21

On 18 March 2022, the Company convened the 7th meeting of the eleventh board of directors, at which it considered and approved the “*Resolution on the plan to repurchase shares through centralised bidding by the Company** (《關於公司以集中競價方式回購股份方案的議案》)”, and agreed that the Company might repurchase certain shares of the Company with its own fund through centralised bidding towards equity incentives or employee shareholding scheme. For the current repurchase: the total fund shall be not less than RMB0.1 billion and not more than RMB0.2 billion, the repurchase price shall not exceed than RMB16 per share, the repurchase period shall be within 12 months from the date on which the repurchase plan is considered and approved by the board of directors of the Company, and the actual amount to be repurchased shall be subject to the actual number of shares to be repurchased upon expiration of the repurchase period. As of 31 December 2022, the Company repurchased in aggregate 8,620,493 shares through centralised bidding via a securities account designated for repurchase. The total fund utilised was RMB125,230,622.21, and the fund of RMB125,230,622.21 paid for the repurchase of shares was included in treasury stock of the Company.

Note 41. Other comprehensive income

Item	Amount in 2020		Less: Transfer to financial assets measured at amortised cost during the period that was previously included in other comprehensive income	Less: Transfer to relevant assets or liabilities from hedging reserves	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Less: Changes arising from the remeasurement of defined benefit plans carried forward	Less: Transfer to retained earnings during the period that was previously included in other comprehensive income	31 December 2020
	1 January 2020	Amount before income tax for the current period								
I. Other comprehensive income not to be reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-
II. Other comprehensive income to be reclassified to profit or loss	(44,214,715.40)	32,747,519.75	-	-	-	30,867,405.82	1,880,113.93	-	-	(13,347,309.58)
1. Exchange differences arising on translation of financial statements denominated in foreign currencies	(44,214,715.40)	32,747,519.75	-	-	-	30,867,405.82	1,880,113.93	-	-	(13,347,309.58)
Total other comprehensive income	(44,214,715.40)	32,747,519.75	-	-	-	30,867,405.82	1,880,113.93	-	-	(13,347,309.58)

Continued:

Item	31 December		Amount in 2021						31 December			
	2020	2021	Amount before income tax for the current period	Less: Transfer previously included in other comprehensive income	Less: Transfer to financial assets measured at amortised cost during the period that was previously included in other comprehensive income	Less: Transfer to relevant assets or liabilities from hedging reserves	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Less: Changes arising from the remeasurement of defined benefit plans carried forward	Less: Transfer to retained earnings during the period that was previously included in other comprehensive income	31 December 2021
I. Other comprehensive income not to be reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
II. Other comprehensive income to be reclassified to profit or loss	(13,347,309.58)	(13,347,309.58)	4,203,435.67	-	-	-	6,086,560.00	(1,883,124.33)	(1,883,124.33)	-	-	(7,260,749.58)
I. Exchange differences arising on translation of financial statements denominated in foreign currencies												
Total other comprehensive income	(13,347,309.58)	(13,347,309.58)	4,203,435.67	-	-	-	6,086,560.00	(1,883,124.33)	(1,883,124.33)	-	-	(7,260,749.58)

Continued:

Item	Amount in 2022										
	31 December 2021	Amount before income tax for the current period	Less: Transfer to profit or loss during the period that was previously included in other comprehensive income	Less: Transfer to financial assets measured at amortised cost during the period that was previously included in other comprehensive income	Less: Transfer to relevant assets or liabilities from hedging reserves	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Less: Changes arising from the remeasurement of defined benefit plans carried forward	Less: Transfer to retained earnings during the period that was previously included in other comprehensive income	31 December 2022
I. Other comprehensive income not to be reclassified to profit or loss	-	-	-	-	-	-	-	-	-	-	-
II. Other comprehensive income to be reclassified to profit or loss	(7,260,749.58)	(33,198,500.01)	-	-	-	(33,198,500.01)	1,204,955.40	-	-	-	(40,459,249.59)
I. Exchange differences arising on translation of financial statements denominated in foreign currencies	(7,260,749.58)	(33,198,500.01)	-	-	-	(33,198,500.01)	1,204,955.40	-	-	-	(40,459,249.59)
Total other comprehensive income	(7,260,749.58)	(33,198,500.01)	-	-	-	(33,198,500.01)	1,204,955.40	-	-	-	(40,459,249.59)

Note 42. Surplus reserve

Item	1 January 2020	Increase in current period	Decrease in current period	31 December 2020
Statutory surplus reserve	147,071,629.42	43,138,404.33	–	190,210,033.75
Total	147,071,629.42	43,138,404.33	–	190,210,033.75

Continued:

Item	31 December 2020	Increase in current period	Decrease in current period	31 December 2021
Statutory surplus reserve	190,210,033.75	40,566,449.35	–	230,776,483.10
Total	190,210,033.75	40,566,449.35	–	230,776,483.10

Continued:

Item	31 December 2021	Increase in current period	Decrease in current period	31 December 2022
Statutory surplus reserve	230,776,483.10	92,727,632.44	–	323,504,115.54
Total	230,776,483.10	92,727,632.44	–	323,504,115.54

Note 43. Undistributed profits

Item	31 December 2022	31 December 2021	31 December 2020
Undistributed profits at the end of the previous period before the adjustment	2,586,397,757.20	2,312,588,051.44	2,080,699,622.18
Add: Change in accounting policy	–	–	–
Business combination under common control	–	–	–
Undistributed profits at the beginning of the period after the adjustment	2,586,397,757.20	2,312,588,051.44	2,080,699,622.18
Add: Net profit attributable to owners of the parent company during the current period	823,038,116.06	421,783,006.33	383,695,074.99
Less: Withdrawal of statutory surplus reserve	92,727,632.44	40,566,449.35	43,138,404.33
Dividend payable on ordinary shares	106,143,154.76	106,323,613.40	106,286,819.70
Other reductions (Note)	–	1,083,237.82	2,381,421.70
Undistributed profits at the end of the period	3,210,565,086.06	2,586,397,757.20	2,312,588,051.44

1. Explanations for “Other reductions” in undistributed profits

In 2020, Smart Choice Store Company Limited, a wholly-owned subsidiary of the Company, acquired a 10% minority interest in Caldero Holdings Limited, and the excess of the acquisition consideration over the share of net assets of the subsidiary calculated based on the new shareholding proportion, amounting to RMB2,381,421.70, should have been deducted from the capital surplus. As the capital surplus of Smart Choice Store Company Limited was insufficient to affect such deduction, it was deducted from the undistributed profits instead.

In 2021, Jiangxi Cable Cloud Technology Co., Ltd.* (江西有線盤雲科技有限公司), a subsidiary of the Company, was de-registered with the relevant industry and commerce administrative authorities, and the original investment amount was preferentially paid to minority shareholders as agreed under the cooperation

agreement of the subsidiary. As a result, the losses that minority shareholders should have borne during the investment period were assumed by the parent company, and the undistributed profit attributable to parent company transferred out in the current period amounted to RMB1,083,237.82.

2. Other explanations for undistributed profits

Profit distribution plan for 2022: based on the total share capital of 1,141,595,579 shares, being the total share capital of 1,150,216,072 shares as at the date of this report less the repurchased shares on the designated repurchase account (as at the date of this report, the Company has repurchased a total of 8,620,493 shares of the Company), a cash dividend of RMB2 (tax inclusive) would be paid to all shareholders for every 10 shares held, with no bonus shares (tax inclusive) distributed, and no conversion from capital reserves into share capital.

The profit distribution plan for 2021 was: based on the total share capital on the equity record date as determined in the Company's 2021 equity distribution implementation announcement, a cash dividend of RMB1 (tax inclusive) would be paid to all shareholders for every 10 shares held from the undistributed profits, with no bonus shares distributed, and no conversion from capital reserves into share capital in 2021.

The profit distribution plan for 2020 was: based on the total share capital on the equity record date as determined in the Company's 2020 equity distribution implementation announcement, a cash dividend of RMB1 (tax inclusive) would be paid to all shareholders for every 10 shares held from the undistributed profits, with no bonus shares distributed, and no conversion from capital reserves into share capital in 2020.

Note 44. Operating revenue and operating costs

1. Operating revenue and operating costs

Item	2022		2021		2020	
	Income	Cost	Income	Cost	Income	Cost
Principal business	11,947,322,345.81	9,837,946,043.38	10,762,363,704.14	9,022,635,711.12	8,441,738,016.89	6,917,027,746.39
Other businesses	61,259,195.50	49,238,164.26	84,195,875.93	62,670,207.15	66,068,764.28	43,428,350.01
Total	12,008,581,541.31	9,887,184,207.64	10,846,559,580.07	9,085,305,918.27	8,507,806,781.17	6,960,456,096.40

2. Items of income for principal business and segment information

(1) Items of income for principal business and segment information in 2022

Contract category	Set-top box and other smart products segment	LCD display products segment	Automotive electronic products segment	Total
1) Main regions of operation				
Overseas sales	4,745,793,530.91	408,290,651.04	–	5,154,084,181.95
Domestic sales	5,199,337,334.28	1,283,301,795.08	310,599,034.50	6,793,238,163.86
Sub-total	9,945,130,865.19	1,691,592,446.12	310,599,034.50	11,947,322,345.81
2) Main product types				
Smart devices	9,577,546,269.07	–	–	9,577,546,269.07
Professional displays	132,131,473.07	1,691,592,446.12	310,599,034.50	2,134,322,953.69
Operating services	235,453,123.05	–	–	235,453,123.05
Sub-total	9,945,130,865.19	1,691,592,446.12	310,599,034.50	11,947,322,345.81

Continued: Items of cost for principal business and segment information in 2022

Contract category	Set-top box and other smart products segment	LCD display products segment	Automotive electronic products segment	Total
1) Main regions of operation				
Overseas sales	3,813,336,867.90	395,142,662.17	–	4,208,479,530.07
Domestic sales	4,142,510,496.59	1,200,646,354.42	286,309,662.30	5,629,466,513.31
Sub-total	7,955,847,364.49	1,595,789,016.59	286,309,662.30	9,837,946,043.38
2) Main product types				
Smart devices	7,678,886,095.98	–	–	7,678,886,095.98
Professional displays	107,782,217.82	1,595,789,016.59	286,309,662.30	1,989,880,896.71
Operating services	169,179,050.69	–	–	169,179,050.69
Sub-total	7,955,847,364.49	1,595,789,016.59	286,309,662.30	9,837,946,043.38

(2) *Items of income for principal business and segment information in 2021*

Contract category	Set-top box and other smart products segment	LCD display products segment	Automotive electronic products segment	Total
1) Main regions of operation				
Overseas sales	3,664,877,250.29	382,579,717.70	1,077,307.97	4,048,534,275.96
Domestic sales	4,349,022,752.62	2,169,175,263.09	195,631,412.47	6,713,829,428.18
Sub-total	8,013,900,002.91	2,551,754,980.79	196,708,720.44	10,762,363,704.14
2) Main product types				
Smart devices	7,667,233,619.43	–	–	7,667,233,619.43
Professional displays	94,889,934.85	2,551,754,980.79	194,762,009.82	2,841,406,925.46
Operating services	251,776,448.63	–	1,946,710.62	253,723,159.25
Sub-total	8,013,900,002.91	2,551,754,980.79	196,708,720.44	10,762,363,704.14

Continued: Items of cost for principal business and segment information in 2021

Contract category	Set-top box and other smart products segment	LCD display products segment	Automotive electronic products segment	Total
1) Main regions of operation				
Overseas sales	2,917,162,997.27	356,268,049.54	847,279.33	3,274,278,326.14
Domestic sales	3,561,747,715.86	2,012,146,866.62	174,462,802.50	5,748,357,384.98
Sub-total	6,478,910,713.13	2,368,414,916.16	175,310,081.83	9,022,635,711.12
2) Main product types				
Smart devices	6,240,250,266.56	–	–	6,240,250,266.56
Professional displays	72,866,519.58	2,368,414,916.16	174,977,581.46	2,616,259,017.20
Operating services	165,793,926.99	–	332,500.37	166,126,427.36
Sub-total	6,478,910,713.13	2,368,414,916.16	175,310,081.83	9,022,635,711.12

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(3) Items of income for principal business and segment information in 2020

Contract category	Set-top box and other smart products segment	LCD display products segment	Automotive electronic products segment	Total
1) Main regions of operation				
Overseas sales	2,996,576,535.20	421,390,258.10	7,962,076.17	3,425,928,869.47
Domestic sales	3,050,070,680.99	1,867,132,999.23	98,605,467.20	5,015,809,147.42
Sub-total	6,046,647,216.19	2,288,523,257.33	106,567,543.37	8,441,738,016.89
2) Main product types				
Smart devices	5,624,641,411.67	–	–	5,624,641,411.67
Professional displays	163,496,449.50	2,288,523,257.33	105,625,197.20	2,557,644,904.03
Operating services	258,509,355.02	–	942,346.17	259,451,701.19
Sub-total	6,046,647,216.19	2,288,523,257.33	106,567,543.37	8,441,738,016.89

Continued: Items of cost for principal business and segment information in 2020

Contract category	Set-top box and other smart products segment	LCD display products segment	Automotive electronic products segment	Total
1) Main regions of operation				
Overseas sales	2,213,850,134.62	404,222,481.52	6,612,465.85	2,624,685,081.99
Domestic sales	2,445,016,414.03	1,756,490,044.88	90,836,205.49	4,292,342,664.40
Sub-total	4,658,866,548.65	2,160,712,526.40	97,448,671.34	6,917,027,746.39
2) Main product types				
Smart devices	4,343,864,482.85	–	–	4,343,864,482.85
Professional displays	126,862,594.65	2,160,712,526.40	97,279,743.94	2,384,854,864.99
Operating services	188,139,471.15	–	168,927.40	188,308,398.55
Sub-total	4,658,866,548.65	2,160,712,526.40	97,448,671.34	6,917,027,746.39

Note 45. Taxes and surcharges

Item	2022	2021	2020
City maintenance and construction tax	12,750,321.93	10,954,310.00	9,965,947.68
Education surcharge	5,322,965.58	4,697,101.03	4,270,785.34
Local education surcharge	3,549,054.74	3,130,989.70	2,847,190.24
Vehicle and vessel tax	12,404.72	9,840.00	19,560.00
Urban land use tax	750,583.42	259,072.27	253,926.66
Stamp duty	6,450,516.31	7,150,169.33	5,600,261.00
Property tax	2,707,886.49	2,762,566.93	2,632,324.34
Consumption tax	–	9,599.81	–
Total	31,543,733.19	28,973,649.07	25,589,995.26

Note 46. Selling expenses

Item	2022	2021	2020
Employee remuneration	227,548,848.75	169,154,508.81	151,840,476.58
Material consumption	5,059,448.35	11,852,013.01	4,184,182.46
Travel expenses	17,592,654.17	13,476,712.70	15,594,278.76
Transportation cost	29,283,127.31	14,354,937.74	11,288,238.33
Insurance expenses	28,877,251.88	20,428,967.91	17,022,422.36
Advertising and exhibition expenses	11,100,838.32	5,164,246.97	14,972,644.08
Agency fees	117,613,190.11	143,872,191.99	145,371,579.28
Entertainment expense	24,493,098.28	20,503,528.46	18,403,991.65
Depreciation and amortisation expenses	17,693,516.43	22,061,449.84	23,154,129.90
After-sales maintenance costs	75,388,838.39	75,770,447.45	54,340,975.64
Customs clearance fees	9,258,951.14	13,300,677.64	12,892,790.31
Other expenses	40,474,650.11	31,661,773.77	35,774,050.05
Total	604,384,413.24	541,601,456.29	504,839,759.40

Note 47. Administrative expenses

Item	2022	2021	2020
Employee remuneration	159,845,522.11	129,465,288.75	163,868,991.04
Office expenses	5,501,030.25	6,616,091.23	7,033,921.47
Travel expenses	1,880,926.59	1,828,150.32	2,262,390.61
Lease expenses	7,234,718.30	6,655,021.36	7,516,520.98
Taxes	1,625,432.43	1,146,956.50	1,254,242.34
Entertainment expense	7,235,792.52	5,772,352.14	5,561,741.51
Depreciation and amortisation expenses	10,699,028.13	12,681,326.56	16,829,837.91
Audit fee	2,614,575.58	2,630,548.25	3,548,410.61
Other expenses	18,418,992.38	18,465,972.97	23,399,221.53
Total	215,056,018.29	185,261,708.08	231,275,278.00

Note 48. R&D expenses

Item	2022	2021	2020
Employee remuneration	455,297,900.60	406,100,681.83	354,792,445.09
Technology development expense	73,213,405.31	62,529,786.08	59,602,762.58
Office expenses	8,132,273.50	8,256,156.66	7,413,398.47
Travel expenses	4,848,721.14	4,360,791.24	4,435,949.52
Lease expenses	15,832,127.51	17,145,421.00	14,752,283.93
Entertainment expense	1,562,660.09	1,637,350.84	1,093,556.95
Depreciation and amortisation expenses	45,280,310.46	40,198,012.86	45,474,503.36
Other expenses	16,603,735.54	15,992,332.18	21,574,059.16
Total	620,771,134.15	556,220,532.69	509,138,959.06

Note 49. Financial expenses

Item	2022	2021	2020
Interest expenses	53,363,796.63	64,872,428.88	77,609,475.89
Less: Interest income	129,573,003.68	103,686,309.61	76,782,342.02
Gain or loss on exchange translation	(369,706.74)	17,632,129.75	17,736,806.66
Bank handling fee and others	5,584,835.64	6,045,731.69	7,467,046.17
Total	(70,994,078.15)	(15,136,019.29)	26,030,986.70

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Note 50. Other gains

1. Breakdown of other gains

Sources of other gains	2022	2021	2020
VAT refunds	66,044,910.46	65,141,312.32	66,336,944.46
VAT deductions	459,792.78	5,573.25	10,951.76
Refund of the handling fees for withholding tax	574,258.71	914,007.02	975,955.74
Other government grants	103,271,232.75	82,377,925.52	71,732,655.46
Total	170,350,194.70	148,438,818.11	139,056,507.42

Note 51. Investment income

1. Breakdown of investment income

Item	2022	2021	2020
Income from long-term equity investments accounted for under the equity method	3,168,992.12	7,847,401.30	10,493,593.03
Investment income from wealth management products	–	700,000.00	653,916.67
Gain or loss on forward exchange delivery	603,590.28	(862,933.69)	(3,534,482.19)
Income from derecognition of financial assets measured at amortised cost	(10,673,164.68)	(10,391,571.76)	(21,916,659.13)
Investment income from the disposal of long-term equity investments	30,818.25	93,079,251.40	–
Total	(6,869,764.03)	90,372,147.25	(14,303,631.62)

Note 52. Gain on changes in fair value

Sources of gain on changes in fair value	2022	2021	2020
Changes in the fair value of forward foreign exchange	6,441,832.89	9,514,716.80	(4,854,653.33)
Total	6,441,832.89	9,514,716.80	(4,854,653.33)

Note 53. Credit impairment loss

Item	2022	2021	2020
Expected credit loss	39,645,384.94	(276,344,781.43)	30,805,794.61
Total	39,645,384.94	(276,344,781.43)	30,805,794.61

Note 54. Asset impairment loss

Item	2022	2021	2020
Loss on decline in value of inventories	(33,850,836.08)	(34,844,553.09)	(35,122,736.60)
Total	(33,850,836.08)	(34,844,553.09)	(35,122,736.60)

Note 55. Gain on disposal of assets

Item	2022	2021	2020
Gain or loss on disposal of non-current assets	(695,933.64)	320,179.44	895,314.32
Total	(695,933.64)	320,179.44	895,314.32

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Note 56. Non-operating revenue

Item	2022	2021	2020
Others	2,549,133.42	8,284,287.62	3,987,604.78
Total	2,549,133.42	8,284,287.62	3,987,604.78

Note 57. Non-operating expenses

Item	2022	2021	2020
Loss on destruction and scrapping of non-current assets	608,854.47	934,182.27	142,100.00
Litigation and compensation expenses	12,463,140.50	–	–
Others	1,266,866.61	3,701,100.55	6,664,112.73
Total	14,338,861.58	4,635,282.82	6,806,212.73

Note 58. Income tax expenses

Item	2022	2021	2020
Income tax expenses for the current period	57,375,614.71	46,653,062.81	40,733,534.86
Deferred income tax expenses	20,641,887.06	(56,031,715.50)	(30,702,313.32)
Total	78,017,501.77	(9,378,652.69)	10,031,221.54

Note 59. Notes to statement of cash flows

1. Cash received in relation to other operating activities

Item	2022	2021	2020
Income from subsidies received (excluding tax rebates)	93,708,302.63	74,127,479.94	69,897,190.70
Current account payments and security deposits received	111,937,813.98	55,761,492.84	94,819,372.05
Interest income	60,952,427.60	81,664,162.65	63,216,651.06
Others	2,276,839.81	4,131,503.76	14,341,174.95
Total	268,875,384.02	215,684,639.19	242,274,388.76

2. Cash paid in relation to other operating activities

Item	2022	2021	2020
Manufacturing expenses paid	67,030,313.69	69,291,100.98	71,973,578.53
Other selling expenses paid	395,397,142.65	345,719,260.58	333,022,741.46
Other administrative and R&D expenses paid	134,294,473.42	130,721,226.96	105,454,710.88
Current account payments and security deposits paid	99,548,279.98	125,739,631.07	59,812,998.35
Cash paid in relation to short-term leases	58,560,575.25	56,445,181.30	52,236,207.84
Others	9,156,210.05	7,807,401.63	18,857,781.22
Total	763,986,995.04	735,723,802.52	641,358,018.28

3. Cash received in relation to other investing activities

Item	2022	2021	2020
Project bid bonds received	68,485,000.00	–	–
Total	68,485,000.00	–	–

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4. Cash paid in relation to other investing activities

Item	2022	2021	2020
Project bid bonds paid	63,800,000.00	–	–
Total	63,800,000.00	–	–

5. Cash received in relation to other financing activities

Item	2022	2021	2020
Bills and guarantee deposits recovered	128,784,473.33	240,910,479.14	637,555,468.54
Factoring margin and deposits recovered	6,018,081.82	19,186,191.07	17,205,724.08
Forward FX margin recovered	–	649,920.83	–
Cash received from disposal of a 33% minority interest in New World	–	353,100.00	–
Cash received from disposal of a 30% minority interest in Smart Technology	–	3,978,000.00	–
Total	134,802,555.15	265,077,691.04	654,761,192.62

6. Cash paid in relation to other financing activities

Item	2022	2021	2020
Bills and guarantee deposits paid	61,987,874.75	156,910,686.28	513,115,829.64
Loans and factoring margin paid	23,262,398.27	8,462,260.73	18,699,472.83
Cash paid for acquisition of minority interests	–	–	12,970,588.00
Equity payments returned to minority shareholders due to de-registration of subsidiaries	–	4,900,000.00	–
Repayment of bills due	–	–	391,000,000.00
Payment for repurchase of employee shares	–	718,080.00	1,754,190.00
Forward FX margin paid	–	649,920.83	–
Cash paid in relation to long-term leases	20,015,658.30	20,642,712.30	22,805,494.95
Payment for payables for the acquisition of Skyworth New World under common control	–	–	4,760,000.00
Payment for repurchase of treasury shares	125,230,622.21	–	–
Total	230,496,553.53	192,283,660.14	965,105,575.42

Note 60. Supplementary information for statement of cash flows

1. Supplementary information for statement of cash flows

Item	2022	2021	2020
1. Reconciliation of net profit to cash flow from operating activities			
Net profit	805,849,761.80	414,816,519.53	354,102,471.66
Add: Provision for asset impairment	33,850,836.08	34,844,553.09	35,122,736.60
Provision for credit impairment	(39,645,384.94)	276,344,781.43	(30,805,794.61)
Depreciation of fixed assets, fuel and gas assets and productive biological assets	117,382,672.02	114,789,653.73	114,418,636.61
Amortisation of right-of-use assets	20,630,671.70	18,707,879.54	17,140,659.67
Amortisation of intangible assets	20,910,872.60	20,308,568.48	21,194,759.84
Amortisation of long-term deferred expenditures	29,619,974.41	38,211,329.79	39,585,401.31
Loss from disposal of fixed assets, intangible assets and other long-term assets (presented by a “-” sign for gain)	695,933.64	(320,179.44)	(895,314.32)

Item	2022	2021	2020
Loss on scrapped fixed assets (presented by a "-" sign for gain)	608,551.35	933,752.71	141,794.60
Loss on change in fair value (presented by a "-" sign for gain)	(6,441,832.89)	(9,514,716.80)	4,854,653.33
Financial costs (presented by a "-" sign for gain)	52,994,089.89	82,504,558.63	95,346,282.55
Investment loss (presented by a "-" sign for gain)	6,869,764.03	(90,372,147.25)	14,303,631.62
Decrease in deferred income tax assets (presented by a "-" sign for increase)	20,653,911.77	(56,559,467.38)	(31,686,466.61)
Increase in deferred income tax liabilities (presented by a "-" sign for decrease)	(131,518.73)	945,851.84	937,299.20
Decrease in contract assets (presented by a "-" sign for increase)	-	-	-
Decrease in inventories (presented by a "-" sign for increase)	411,273,629.22	(934,023,460.63)	32,672,839.83
Decrease in operating receivables (presented by a "-" sign for increase)	489,455,914.23	(296,880,167.63)	1,633,086,501.40
Increase in operating payables (presented by a "-" sign for decrease)	(354,173,766.77)	575,226,235.27	144,354,412.03
Others	-	-	2,532,642.28
Net cash flows from operating activities	1,610,404,079.41	189,963,544.91	2,446,407,146.99
2. Significant investing and financing activities that do not involve cash receipts and payments			
Conversion of debt into capital	-	-	-
Convertible corporate bonds due within one year	-	-	-
Fixed assets acquired under finance lease	-	-	-
3. Net movement in cash and cash equivalents			
Cash at the end of the period	3,887,876,112.89	3,325,258,059.57	3,195,773,505.79
Less: Cash at the beginning of the period	3,325,258,059.57	3,195,773,505.79	1,768,391,982.34
Add: Cash equivalents at the end of the period	-	-	-
Less: Cash equivalents at the beginning of the period	-	-	-
Net increase in cash and cash equivalents	562,618,053.32	129,484,553.78	1,427,381,523.45

2. *Net cash paid for acquisition of subsidiaries in 2021*

Item	Current amount
Cash or cash equivalents paid for business combination in the current period	1.00
Of which: Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	1.00
Less: Cash and cash equivalents held by the subsidiary on the date of acquisition	-
Of which: Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	-
Net cash paid for acquisition of subsidiaries	1.00

3. *Net cash received for disposal of subsidiaries in 2021*

Item	Current amount
Cash or cash equivalents received for disposal of subsidiaries in the current period	165,581,600.00
Of which: Shenzhen Baolong Qunxin Technology Co., Ltd. * (深圳寶龍群欣科技有限公司) (formerly known as Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.)	165,581,600.00
Less: Cash and cash equivalents held by the subsidiary on the date of loss of control	22,710,972.85
Of which: Shenzhen Baolong Qunxin Technology Co., Ltd. * (深圳寶龍群欣科技有限公司) (formerly known as Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.)	22,710,972.85
Net cash received for disposal of subsidiaries	142,870,627.15

4. *Total cash outflows in relation to leases*

Category	Item presented	2022	2021	2020
Repayment of principal and interest of lease liabilities	Cash paid in relation to other financing activities	20,015,658.30	20,642,712.30	22,805,494.95
Short-term lease payments under simplified approach	Cash paid in relation to other operating activities	58,560,575.25	56,445,181.30	52,236,207.84
Total		78,576,233.55	77,087,893.60	75,041,702.79

5. *Composition of cash and cash equivalents*

Item	31 December 2022	31 December 2021	31 December 2020
1. Cash	3,887,876,112.89	3,325,258,059.57	3,195,773,505.79
Of which: Cash in hand	4,295.88	3,420.52	7,026.15
Bank deposit available for payment at any time	3,887,861,971.21	3,325,221,683.94	3,195,733,460.03
Other monetary funds available for payment at any time	9,845.80	32,955.11	33,019.61
2. Cash equivalents	-	-	-
Of which: Bond investment due within three months	-	-	-
3. Cash and cash equivalents at the end of the period	3,887,876,112.89	3,325,258,059.57	3,195,773,505.79
Of which: Restricted cash and cash equivalents used by the parent company or subsidiaries within the group	-	-	-

As mentioned in Note 8. Assets held for sale and liabilities held for sale under Note VI, the Company saw Skyworth Qunxin Security as a disposal group at the end of 2020, so the cash and cash equivalents presented in assets held for sale amounted to RMB70,120,914.52.

Note 61. Assets with restricted ownership or rights-of-use

Item	31 December 2022	31 December 2021	31 December 2020	Reasons for restriction
Monetary funds	59,056,606.67	111,299,076.43	206,186,590.56	Bank acceptance deposit, letter of guarantee deposit, loan margin, factoring margin, restricted funds in special financial accounts, etc.
Bills receivable	12,320,134.56	65,845,876.62	36,327,816.12	The commercial acceptance bills receivable and pledged bank acceptance bills that have been endorsed but not derecognized
Accounts receivable	3,433,631.22	10,473,564.53	16,505,604.93	Used as collateral for short-term borrowings by overseas subsidiaries
Fixed assets	6,072,779.91	5,314,664.53	5,512,153.89	Used as collateral for long-term borrowings by overseas subsidiaries
Total	80,883,152.36	192,933,182.11	264,532,165.50	

VII. CHANGES IN THE SCOPE OF CONSOLIDATION**(I) The Company's business combination not under common control during the Reporting Period****1. Business combination not under common control during the Reporting Period**

Name of acquired party	Point in time of acquiring equity interest	Cost of acquiring equity interest	Percentage of equity interest acquired (%)	Acquisition method	Date of acquisition	Basis for determining date of acquisition	Revenue of the acquired party from date of acquisition to end of the period	Net profit of the acquired party from date of acquisition to end of the period
Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司)	31 October 2021	1.00	100%	Acquisition	31 October 2021	Obtaining control	-	-

2. *Cost of combination and goodwill*

	Guangdong Chuangzhi Weiguan Technology Co., Ltd.*
Cost of combination	
Cash	1.00
Total cost of combination	1.00
Less: Fair value of the share of identifiable net assets acquired	—
Goodwill	1.00

(II) The Company's business combination under common control during the Reporting Period1. *Business combination under common control during the Reporting Period*

Name of consolidated party	Share of equity obtained from business combination (%)	Date of combination	Revenue of	Net profit of	Revenue of the consolidated party during comparison period	Net profit of the consolidated party during comparison period
			the consolidated party from beginning of the period when combination occurred to date of combination	the consolidated party from beginning of the period when combination occurred to date of combination		
Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司)	99%	30 September 2020	11,161,062.30	(4,677,231.72)	14,674,277.02	(5,822,080.91)

Description of the basis on which the transaction constitutes a business combination under common control and the basis for determining the date of combination:

Shenzhen Skyworth Digital Technology Co., Ltd., a wholly-owned subsidiary of the Company, and Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司), the consolidated party, were both controlled by Skyworth Group Co., Ltd. before and after the date of combination, and such control was non-temporary. This transaction was considered and approved at a general meeting of the Company, and Shenzhen Skyworth Digital Technology Co., Ltd., a wholly-owned subsidiary of the Company, already paid the consideration in full to the original shareholders of Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司), the consolidated party, in September 2020.

2. *Cost of combination*

	Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維 新世界科技 有限公司)
Cost of combination	
Cash	4,760,000.00
Carrying amount of non-cash assets	–
Carrying amount of debt issued or assumed	–
Book value of equity securities issued	–
Contingent consideration	–
Total cost of combination	4,760,000.00

3. *Carrying amounts of assets and liabilities of consolidated party at date of combination*

	Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技 有限公司)	
Item	Date of combination	At end of previous period
Monetary funds	6,966,930.93	5,715,607.04
Accounts receivable	6,259,011.27	3,289,332.80
Inventory	4,827,753.13	2,795,891.85
Fixed assets	717,802.09	651,333.81
Right-of-use assets	202,182.68	384,147.10
Intangible assets	94,830.39	111,532.77
Long-term deferred expenditures	24,414.24	33,967.64
Other non-current assets	140.00	7,130.00
Less: Short-term borrowings	5,005,902.84	–
Payables	14,757,362.05	9,274,233.16
Salaries payable	1,234,200.00	1,134,200.00
Taxes and surcharges payables	55,058.44	54,205.16
Lease liabilities	–	69,422.45
Deferred income	1,893,611.90	1,630,522.02
Other non-current liabilities	–	2,199.00
Net assets	(3,853,070.50)	824,161.22
Less: Minority interests	–	–
Net assets acquired	(3,814,539.80)	815,919.61

(III) The Company made no reverse purchase during the Reporting Period.

(IV) Disposal of subsidiaries by the Company during the Reporting Period

1. Single disposal of investment in a subsidiary and loss of control

Name of subsidiary	Consideration	Equity disposal proportion (%)	Disposal method	Date of losing control	Basis for determining date of losing control	Difference between consideration received and the related share of net assets of that subsidiary in consolidated financial statements
Shenzhen Baolong Qunxin Technology Co., Ltd. *(深圳寶龍群欣科技有限公司) (formerly known as Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.)	165,581,600.00	55.00%	Sale	31 January 2021	Completion of change in business registration, and receipt of the equity transfer consideration by instalment as stipulated in the equity transfer agreement	93,079,250.40

Continued:

Name of subsidiary	Proportion of remaining equity on date of losing control (%)	Book value of remaining equity on date of losing control	Fair value of remaining equity on date of losing control	Gain or loss from remeasurement of remaining equity at fair value	Method and key assumptions for determining fair value of remaining equity on date of losing control	Investment gain or loss transferred from other comprehensive income related to previous equity investments in subsidiaries
Shenzhen Baolong Qunxin Technology Co., Ltd. *(深圳寶龍群欣科技有限公司) (formerly known as Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.)	-	-	-	-	-	-

On 29 December 2020, Skyworth Digital Co., Ltd. (hereinafter referred to as the “Company”) convened the 26th meeting of the tenth board of directors, at which it considered and approved the “*Resolution on the Sale of 55% of the Equity Interest in Shenzhen Skyworth Qunxin Security Technology Corp., Ltd.* * (深圳市創維群欣安防科技股份有限公司) *by a Subsidiary of the Company*” (《關於公司子公司出售深圳市創維群欣安防科技股份有限公司55%股份的議案》), pursuant to which Shenzhen Skyworth Digital Technology Co., Ltd. (hereinafter referred to as “Shenzhen Skyworth Digital”), a wholly-owned subsidiary of the Company, would sell a 55% equity interest it holds in Shenzhen Skyworth Qunxin Security Technology Corp., Ltd. * (深圳市創維群欣安防科技股份有限公司) (already renamed “Shenzhen Baolong Qunxin Technology Co., Ltd.” and hereinafter referred to as “Qunxin Security Company”) to Shenzhen Yaxinwan Technology Co., Ltd.* (深圳亞新灣科技有限公司) (hereinafter referred to as “Yaxinwan Company”) for a consideration of RMB165,581,600, with a view to concentrating resources to develop core businesses to ensure the long-term development of the Company. The above-mentioned equity transaction was already completed during the current period, and Shenzhen Baolong Qunxin Technology Co., Ltd and its subsidiary Skyworth Qunxin Intelligence Control Technology (Zhongshan) Co., Ltd. will no longer be included in the scope of the Company’s consolidated financial statements at the end of the period.

(V) Changes in the scope of consolidation due to other reasons

In June and September 2020, Shenzhen Skyworth Digital Technology Co., Ltd. (a wholly-owned subsidiary of the Company) acquired 49% of the shares as minority equity interest in Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通數字技術有限公司) (a subsidiary held by minority shareholders) in batches. Upon the acquisition, the Company held 100% equity interest in Beijing Skyworth Haitong Digital Technology Co., Ltd.* through its subsidiary Shenzhen Skyworth Digital Technology Co., Ltd.

In October 2020, Smart Choice Store Company Limited, a wholly-owned subsidiary of the Company, acquired 10% of the shares as minority equity interest in Caldero Holdings Limited, a subsidiary held by minority shareholders. Upon the acquisition, the Company held 100% equity interest in Caldero Holdings Limited through its subsidiary Smart Choice Store Company Limited.

Caldero Holdings Limited, a wholly-owned subsidiary of the Company, previously held 100% equity interest in Caldero Malaysia SDN. BHD. But the subsidiary was de-registered and placed under liquidation in 2020 due to adjustment of the Company’s operational strategies.

In January 2021, Jiangxi Cable Cloud Technology Co., Ltd.* (江西有線盤雲科技有限公司), a controlled subsidiary of the Company, was de-registered and placed under liquidation due to adjustment of operational strategies.

In April 2021, Shenzhen Skyworth Digital Technology Co., Ltd., a wholly-owned subsidiary of the Company, newly established Huizhou Skyworth Digital Technology Co., Ltd.* (惠州創維數字技術有限公司) with a registered capital of RMB1 billion.

In June 2021, Shanxi Panyun Network Technology Co., Ltd.* (山西盤雲網絡科技有限公司), a controlled subsidiary of the Company, was de-registered and placed under liquidation due to adjustment of operational strategies.

In September 2021, Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司), a wholly-owned subsidiary of the Company, newly established Huizhou Skyworth Smart Display Technology Co., Ltd.* (惠州創維智顯科技有限公司), with a registered capital of RMB50 million.

In November 2021, Shenzhen Skyworth Digital Technology Co., Ltd., a wholly-owned subsidiary of the Company, newly established Shenzhen Chuangzhi Weixing Technology Co., Ltd.* (深圳創智維興科技有限公司), with a registered capital of RMB20 million.

In June 2022, the Company’s wholly-owned subsidiary Guangdong Chuangzhi Weiguan Technology Co., Ltd.* (廣東創智維觀科技有限公司) was de-registered and placed under liquidation due to adjustment of operational strategies.

In June 2022, Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司), a controlling subsidiary of the Company, newly established Shandong Skyworth Smart Technology Co., Ltd.* (山東創維智慧科技有限公司), with a registered capital of RMB20 million.

VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of the corporate group

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding Percentage (%)		Acquisition Method
				Direct	Indirect	
Shenzhen Skyworth Digital Technology Co., Ltd.	Shenzhen	Shenzhen	Development, research and operation of digital video broadcasting system series of products (including satellite digital television receiving equipment); R&D and sales of multimedia information system series of products and services; software R&D, sales and services; integrated circuit R&D, sales and services; R&D and sales of access equipment for telecommunication and communication terminal equipment, and transmission systems; R&D and sales of wireless radio and television transmitting equipment; R&D and sales of automotive electronic products; production of automotive electronics (by branches); R&D of intelligent system technologies; information system integration services; design and sales of electronic, digital and audio-visual products; research and development of electronics, communication and automatic control technologies; technology development and sales of intelligent emergency broadcasting equipment and systems, educational equipment and systems, radio transmission and receiving equipment, antennas, radio frequency and microwave devices, steel structures, communication towers, and power towers; information technology consulting services; domestic trade; installation, repair, maintenance and technical support and services of electronic products and electrical products; design, production, agency and publication of advertisements; planning of cultural events; sales of essential items and daily necessities; import and export of goods; property leasing; property management. Design, R&D and sales of toys, lamps, gifts, stationery, clothing, shoes and hats, knitwear and textiles. R&D, sales of and technical services for LCD monitors, large screen LCD splicing systems, monitoring products and network security systems, audio and video image storage and management systems, digital signage and advertising information release systems, indoor and outdoor LED display systems, intelligent conference screens, projections, electronic whiteboards, intelligent security, smart education, smart city, smart office systems and terminals, smart speakers, smart doors and smart locks, cameras, door sensors, smoke detectors, intelligent switch sockets and network products. (Except for the above items required to be approved before registration as stipulated by the laws, administrative regulations and decisions of the State Council, restricted items can only be operated after relevant license is obtained) production and operation of digital video broadcasting system series of products (including satellite digital	100	–	Reverse purchase

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding Percentage (%)		Acquisition Method
				Direct	Indirect	
			television receiving equipment); production of multimedia information system series of products and services; software production; production of access equipment for telecommunications and communication terminal equipment, and transmission systems; production of radio and television transmitting equipment; production of electronic, digital and audio-visual products; production and contracting of intelligent emergency broadcasting equipment and systems, educational equipment and systems, radio transmission and receiving equipment, antennas, radio frequency and microwave devices, steel structures, communication towers, and power towers; contracting construction projects; parking services for motor vehicles; production of LCD monitors, large-screen LCD splicing systems, monitoring products and network security systems, audio and video image storage and management systems, digital signage and advertising information release systems, indoor and outdoor LED display systems, intelligent conference screens, projections, electronic whiteboards, intelligent security, smart education, smart city, smart office systems and terminals, smart speakers, smart doors and locks, cameras, door sensors, smoke detectors, smart switch sockets and network products.			
Shenzhen Skyworth Software Co., Ltd.* (深圳市創維軟件有限公司)	Shenzhen	Shenzhen	Technology development and operation of digital video broadcasting system (DVB) series of set-top boxes, access network communication equipment, and integrated service digital network equipment (ISDN); technology development of information systems and computer software, and related technical services (excluding restricted items).	-	100	Establishment
Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通數字技術有限公司)	Beijing	Beijing	Development, commissioned processing and OEM of digital TV front-end systems, cable digital TV receiving equipment, terrestrial broadcasting digital television receiving equipment, network TV receiving equipment, home multimedia terminals, terminal equipment, and communication equipment; development of information system software; provision of relevant technical services; sales of commissioned processed products; design, production, agency and publication of advertisements; sales of edible agricultural products, household appliances, building materials, computer software, machinery and equipment, and daily groceries; sales of food.	-	100	Establishment
Smart Choice Store Company Limited	Hong Kong	Hong Kong	Electronic components and products-related trade and services.	-	100	Establishment
SKYBLU TECHNOLOGIES (PTY) LTD	South Africa	South Africa	R&D, production and sales of set-top boxes and related products.	-	51	Acquisition
Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司)	Shenzhen	Shenzhen	General business items are: design, development, sales, technical consultation and technical services of management software and hardware products; import and export business; design, integration, operation and maintenance of information systems; information technology consulting; technology development, technical services, technology transfer, technical consultation, and sales of information security products, computer software and hardware; R&D and sales of display terminals; sales of class-I medical devices. (Except for items that must be approved according to law, operating activities are independently carried out according to law by way of business licenses), licensed business items are: consulting, design and construction of intelligent building projects; technical R&D and sales of medical products (excluding drugs); production of class-II medical devices; sales of class-II medical devices; production of class-I medical devices.	-	70	Establishment

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding Percentage (%)		Acquisition Method
				Direct	Indirect	
Strong Media Group Limited	Europe	British Virgin Islands	OEM production of its own STRONG brand and the THOMSON brand under exclusive license obtained by STRONG Group in Europe, the Middle East and Africa through OEM; sales and distribution of digital TV series of receiving equipment in regional markets such as Europe, Central Asia and North Africa; sales by its subsidiaries to operators, wholesalers or retailers based on the licenses of product patents and trademarks held by STRONG Group.	–	80	Acquisition
Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司)	Shenzhen	Shenzhen	General business items are: development of software and hardware technologies for electronic products and electronic components; additional items: import and export of goods and technologies (excluding distribution, and commodities subject to exclusive government operation and control); licensed business items are: production and operation of automotive electronic products, including car LCD displays, car DVDs.	–	100	Acquisition
Shenzhen Fengchi Electronics Technology Company Limited* (深圳蜂馳電子科技有限公司)	Shenzhen	Shenzhen	General business items are: installation, maintenance of, technical consultation, and technical services for communication equipment, computer software and hardware; on-site installation, maintenance and cleaning of electrical appliances, refrigeration equipment, hydroelectric, mechanical and electrical equipment; network cabling; computer installation; maintenance services for set-top boxes; sales of and on-site installation services for terminal equipment; design, construction, installation, maintenance, cleaning, technology transfer of and technical services for air-conditioning projects; sales of computer hardware and software and accessories; sales of household appliances, computers and accessories, metal materials, automobile and motorcycle accessories, electronic products, electronic energy-saving products, electronic digital products, electronic system equipment, electronic components, communication equipment and related products; cloud computing analysis and big data information services; import and export of goods and technologies. (Except for the above items required to be approved before registration according to laws, administrative regulations and decisions of the State Council, restricted items can only be operated after license is obtained); sales of power distribution switch control equipment; wire and cable operations; sales of charging piles; sales of motor vehicle charging services; sales of electrical accessories for new energy vehicles; centralised fast charging stations; maintenance of electronic and mechanical equipment (excluding special equipment); repair of general equipment; repair of special equipment; repair of electrical equipment; installation services for general mechanical equipment; sales of intelligent power transmission and distribution and control equipment; sales of mechanical and electrical equipment; operations of EV charging infrastructure; technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; solar power generation technical services; operation and maintenance services for information systems; information system integration services; water and electricity installation and maintenance services for residential buildings; engineering management services. (Except for items that must be approved according to law, operating activities are independently carried out according to law by way of business licenses), licensed business items are: computer installation and maintenance; maintenance of set-top boxes and terminal equipment; warehousing services; electrical installation services; construction projects.	–	84	Establishment

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding Percentage (%)		Acquisition Method
				Direct	Indirect	
Shenzhen Fengchi Information Service Co., Ltd.* (深圳蜂馳信息服務有限公司)	Shenzhen	Shenzhen	R&D and sales of digital products; technology development, technical services and sales of computer software and hardware; information system integration services; integrated circuit design; economic and technical information consultation; domestic trade; property leasing; cleaning services; provision of business incubation services for enterprises; factoring business (non-bank financing) and consulting services related to factoring business; property management; motor vehicle parking services.	-	100	Establishment
KAIRVAM ELECTRONICS INDIA PRIVATE LIMITED (formerly known as Shenzhen Skyworth Digital India Private Limited)	India	India	Engaged in processing, sales, procurement and import business, acting as (as the case may be) retailer, wholesaler, agent, trader and dealer of various digital and electronic products, telecommunications and other communication equipment, facilities, and components; engaged in processing, sales, procurement, and import business, acting as (as the case may be) retailer, wholesaler, agent, trader and dealer of various telecommunications, communications and computer components, computers and input signals, computer and electronic hardware and software, components, semi-finished products, electronic, video and audio equipment in India and abroad.	-	100	Establishment
Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司)	Shenzhen	Shenzhen	General business items are: licensed business items are: development, production and operation of new flat panel display devices, semiconductor solid-state lighting devices and products; additional items: R&D, production and operation of mobile communication cellular phones, mobile communication network equipment (production by Zhongkai branch only); additional items: manufacturing and sales of computers, communications and other electronic equipment.	49	51	Acquisition
SKW Digital Technology MX	Mexico	Mexico	Other telecommunication services.	-	100	Establishment
Caldero Holdings Limited	UK	UK	Manufacturing of consumer electronic products, sales of electronic and communication equipment, carrying out information technology consulting services and related activities, carrying out project consulting related to science and technology and related activities.	-	100	Establishment
Caldero Limited	UK	UK	Manufacturing of consumer electronic products, sales of electronic and communication equipment, carrying out information technology consulting services and related activities, carrying out project consulting related to science and technology and related activities.	-	100	Acquisition
Shenzhen Skyworth Optical Technology Co., Ltd.* (深圳創維光學科技有限公司)	Shenzhen	Shenzhen	R&D and sales of optoelectronic materials, optoelectronic devices, components and related products; technology development, technology transfer, technical consultation, technical services in the field of optoelectronics; lease of self-owned properties; domestic trade; import and export of goods; production of optoelectronic materials, optoelectronic devices, components and related products.	-	100	Establishment
Beijing Skyworth Automobile Smart Technology Co., Ltd.* (北京創維汽車智能科技有限公司)	Beijing	Beijing	Technology development, technology promotion, technical consultation, technology transfer; software development; sales of special equipment, general equipment, instruments & metre parts, mechanical equipment, auto parts, rubber products, metal products, hardware & electric materials (excluding electric bicycles), knitwear & textiles, electronic products; product design; import and export of technologies, import and export of goods; commissioned processing.	-	51	Establishment
IDIGITAL ELECTRONICS SDN.BHD	Malaysia	Malaysia	Information technology system security, equipment repair and maintenance, engineering technology R&D.	-	100	Establishment

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding Percentage (%)		Acquisition Method
				Direct	Indirect	
Suining Skyworth Optoelectronics Technology Co., Ltd.* (遂寧創維光電科技有限公司)	Suining	Suining	R&D, production, sales of and services for new flat panel display devices, mobile communication cellular phones, mobile communication network equipment and set-top boxes and other electronic products.	-	100	Establishment
The (Zhu) Korean Research Institute of Skyworth Automobile Smart* ((株)創維智能汽車韓國研究院)	South Korea	South Korea	R&D of automotive intelligent systems, development of digital trunking software and hardware.	-	70	Establishment
Guangzhou Skyworth Automobile Smart Co., Ltd.* (廣州創維汽車智能有限公司)	Guangzhou	Guangzhou	Software development; consulting services for information technology; information system integration services; design of integrated circuits; import and export of goods (except for exclusively controlled commodities); property leasing; property management; research and development of electronics, communication and automatic control technologies; electronic product design services.	-	100	Establishment
Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司)	Shenzhen	Shenzhen	General business items are: R&D and sales of computer software and hardware, electronic products, communication equipment (excluding wireless radio and television transmission and satellite ground receiving equipment), and industrial automation control equipment; development of computer software and hardware and provision of technical services; software development and provision of technical services; network technology development, technical services, technical consultation, technology transfer; import and export of goods; equipment leasing services. Licensed business items are: none	-	66	Acquisition
Huizhou Skyworth Smart Display Technology Co., Ltd.* (惠州創維智顯科技有限公司)	Huizhou	Huizhou	General items: manufacturing of display devices; sales of display devices; communication equipment manufacturing; sales of communication equipment; mobile communication equipment manufacturing; sales of mobile communication equipment; mobile terminal equipment manufacturing; sales of mobile terminal equipment; manufacturing of electronic components; sales of electronic components; manufacturing of other electronic devices; technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; property leasing outside place of residence; import and export of goods.	-	100	Establishment

Name of subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding Percentage (%)		Acquisition Method
				Direct	Indirect	
Huizhou Skyworth Digital Technology Co., Ltd.* (惠州創維數字技術有限公司)	Huizhou	Huizhou	R&D, production, sales of, technical support and technical services for digital video broadcasting system series of products, multimedia information system series of products, educational equipment and systems, digital video surveillance systems, telecommunications terminal equipment, communication equipment, access equipment and transmission systems, electronic products, digital products, automotive electronic equipment and instruments & metre parts, security equipment, smart home consumer equipment, mobile terminal equipment, LCD devices, smart home gateways, smart home appliances, integrated circuits, power distribution switch control equipment, traffic and public management signages; software development, sales and technical services; technology R&D of smart systems, R&D of electronic communication and automatic control technologies, information system integration services, operation and maintenance services for information systems, computer system services, park management services, security system monitoring services, information technology consulting services, property leasing, property management, parking lot services, domestic trade, import and export of goods.	-	100	Establishment
Shenzhen Chuangzhi Weixing Technology Co., Ltd.* (深圳創智維興科技有限公司)	Shenzhen	Shenzhen	General business items are: software development; wholesale of computer software and hardware and auxiliary equipment; sales of computer hardware and software and auxiliary equipment; manufacturing of computer hardware and software and peripheral equipment; information technology consulting services; information system integration services; technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; design and construction services for security technology and protection systems; sales of digital video surveillance systems; manufacturing of digital video surveillance systems; undertaking the project construction business of the parent company. Licensed business items are: construction project design; construction; contracting external project; design of building intelligent systems; property management.	-	100	Establishment
Shandong Skyworth Smart Technology Co., Ltd.* (山東創維智慧科技有限公司)	Linyi	Linyi	General items: information system integration services; manufacturing of computer hardware and software and peripheral equipment; retail of computer hardware and software and auxiliary equipment; wholesale of computer software and hardware and auxiliary equipment; technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; manufacturing of other electronic devices; artificial intelligence general application systems; software development; intelligent control system integration; cloud computing equipment technical services; artificial intelligence industry application system integration services; operation and maintenance services for information systems; 5G communication technology services; computer system services; manufacturing of display devices; manufacturing of electronic components; sales of display devices; retail of electronic components; sales of special electronic equipment; wholesale of electronic components; sales of optical communication equipment; sales of network equipment; manufacturing of network equipment.	-	100	Establishment

2. *Material non-wholly-owned subsidiaries*

Name of subsidiary	Shareholding percentage of minority shareholders	Profit or loss attributable to minority shareholders in 2022	Dividends declared to minority shareholders in the current period	Balance of minority interest as at 31 December 2022
Strong Media Group Limited	20.00%	1,546,562.45	–	34,146,182.31
SKYBLU TECHNOLOGIES (PTY) LTD	49.00%	(2,816,949.28)	–	(1,273,863.61)

Continued:

Name of subsidiary	Shareholding percentage of minority shareholders	Profit or loss attributable to minority shareholders in 2021	Dividends declared to minority shareholders in the current period	Balance of minority interest as at 31 December 2021
Strong Media Group Limited	20.00%	1,185,871.75	–	31,141,741.91
SKYBLU TECHNOLOGIES (PTY) LTD	49.00%	(1,536,559.40)	–	1,811,278.28

Continued:

Name of subsidiary	Shareholding percentage of minority shareholders	Profit or loss attributable to minority shareholders in 2020	Dividends declared to minority shareholders in the current period	Balance of minority interest as at 31 December 2020
Shenzhen Baolong Qunxin Technology Co., Ltd. (formerly Shenzhen Baolong Qunxin Technology Co., Ltd. * (深圳寶龍群欣科技有限公司))	45.00%	(33,687,886.05)	–	60,967,323.18
Strong Media Group Limited	20.00%	2,262,085.64	–	31,811,006.80
SKYBLU TECHNOLOGIES (PTY) LTD	49.00%	2,931,298.57	–	3,365,989.12

3. Key financial information of material non-wholly-owned subsidiaries

(1) Major financial information of material non-wholly-owned subsidiaries in 2022

Name of subsidiary	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Strong Media Group Limited	334,709,759.68	12,236,176.16	346,945,935.84	275,437,652.69	4,413,811.49	279,851,464.18
SKYBLU TECHNOLOGIES (PTY) LTD	212,254,377.33	23,877,018.81	236,131,396.14	236,440,366.13	2,290,751.67	238,731,117.80

Continued:

Name of subsidiary	2022				
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	
Strong Media Group Limited	971,070,504.67	7,199,793.39	13,679,585.18	17,806,499.24	
SKYBLU TECHNOLOGIES (PTY) LTD	376,251,325.14	(5,748,876.09)	(6,296,207.94)	(10,798,679.54)	

(2) Key financial information of material non-wholly-owned subsidiaries in 2021

Name of subsidiary	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Strong Media Group Limited	453,780,020.74	13,619,642.74	467,399,663.48	409,390,225.43	4,756,471.15	414,146,696.58
SKYBLU TECHNOLOGIES (PTY) LTD	288,875,875.80	18,359,578.99	307,235,454.79	294,299,094.03	9,239,874.48	303,538,968.51

Continued:

Name of subsidiary	2021				
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	
Strong Media Group Limited	594,611,378.25	4,567,377.44	(2,874,070.47)	(80,173,011.15)	
SKYBLU TECHNOLOGIES (PTY) LTD	289,576,619.93	(3,135,835.50)	(3,172,879.28)	484,245.47	

(3) Key financial information of material non-wholly-owned subsidiaries in 2020

Name of subsidiary	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Baolong Qunxin Technology Co., Ltd.	150,724,134.73	70,073,668.95	220,797,803.68	71,925,384.47	13,389,478.80	85,314,863.27
Strong Media Group Limited	407,887,991.75	14,667,228.88	422,555,220.63	360,382,157.29	5,679,178.91	366,061,336.20
SKYBLU TECHNOLOGIES (PTY) LTD	208,585,158.47	21,374,251.47	229,959,409.94	214,757,478.55	8,332,565.83	223,090,044.38

Continued:

Name of subsidiary	Operating revenue	Net profit	2020	
			Total comprehensive income	Cash flows from operating activities
Shenzhen Baolong Qunxin Technology Co., Ltd.	190,973,313.34	(74,861,969.00)	(74,861,969.00)	1,378,672.88
Strong Media Group Limited	521,124,056.95	11,179,694.94	14,247,205.85	71,390,541.99
SKYBLU TECHNOLOGIES (PTY) LTD	241,660,995.23	5,982,241.98	7,950,502.03	(18,094,752.43)

(II) Transactions that cause changes in share of interests in subsidiaries but do not result in loss of control

1. Explanations for changes in share of interests in subsidiaries:

In June 2021, Shenzhen Skyworth Digital Technology Co., Ltd., a subsidiary of the Company, disposed of 30% of equity interest it held in Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧科技有限公司) to a third party. Upon the disposal, Shenzhen Skyworth Digital Technology Co., Ltd. held 70% of the equity interest in Shenzhen Skyworth Smart Technology Co., Ltd.*.

In June 2021, Shenzhen Skyworth Digital Technology Co., Ltd., a subsidiary of the Company, disposed of 33% of equity interest it held in Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維新世界科技有限公司) to a minority shareholder. Upon the disposal, Shenzhen Skyworth Digital Technology Co., Ltd. held 66% of the equity interest in Shenzhen Skyworth New World Technology Co., Ltd.*.

In June and September 2020, Shenzhen Skyworth Digital Technology Co., Ltd. (a wholly-owned subsidiary of the Company) acquired 49% of the shares as minority equity interest in Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通數字技術有限公司) (a subsidiary held by minority shareholders) in batches. Upon the acquisition, the Company held 100% equity interest in Beijing Skyworth Haitong Digital Technology Co., Ltd.* through its subsidiary Shenzhen Skyworth Digital Technology Co., Ltd.

In October 2020, Smart Choice Store Company Limited, a wholly-owned subsidiary of the Company, acquired 10% of the shares as minority equity interest in Caldero Holdings Limited, a subsidiary held by minority shareholders. Upon the acquisition, the Company held 100% equity interest in Caldero Holdings Limited through its subsidiary Smart Choice Store Company Limited.

The Company formerly directly held 49% of the equity interest in Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司) (hereinafter referred to as "Skyworth LCD"), and it held 51% of the equity interest in Skyworth LCD through its wholly-owned sub-subsidiary Smart Choice Store Company Limited. In August 2022, according to the Company's business strategy, Smart Choice Store Company Limited transferred the 51% of equity interest it held in Skyworth LCD to Shenzhen Skyworth Digital Technology Co., Ltd. (a wholly-owned subsidiary of the Company) in its entirety. While the Company's consolidation level in Skyworth LCD changed after this shareholding adjustment, the proportion of equity interest in Skyworth LCD held by the Company, both directly and indirectly, was unchanged.

2. *Impact of transactions on minority shareholders' equity and owners' equity attributable to the parent company*

Item	Shenzhen Skyworth Smart Technology Co., Ltd.* (深圳創維智慧 科技有限公司)	Shenzhen Skyworth New World Technology Co., Ltd.* (深圳創維 新世界科技 有限公司)
Cash	3,978,000.00	353,100.00
Fair value of non-cash assets	-	-
Fair value of liabilities issued or assumed	-	-
Fair value of equity securities issued	-	-
Fair value of contingent consideration	-	-
Total disposal consideration	3,978,000.00	353,100.00
Less: Share of net assets of subsidiaries calculated according to the proportion of equity disposed	2,962,795.00	(2,475,225.83)
Difference	1,015,205.00	2,828,325.83
Including: Charged into capital reserve	1,015,205.00	2,828,325.83

Continued:

Item	Beijing Skyworth Haitong Digital Technology Co., Ltd.* (北京創維海通 數字技術 有限公司)	Caldero Holdings Limited
Cash	12,970,588.00	263,935.57
Fair value of non-cash assets	-	-
Fair value of liabilities issued or assumed	-	-
Fair value of equity securities issued	-	-
Fair value of contingent consideration	-	-
Total acquisition cost	12,970,588.00	263,935.57
Less: Share of net assets of subsidiaries calculated according to the proportion of equity acquired	12,551,728.30	(2,117,486.13)
Difference	418,859.70	2,381,421.70
Including: Deduction in capital reserve	418,859.70	-
Deduction in undistributed profit	-	2,381,421.70

(III) Interests in joint venture arrangements or associates**1. Summary financial information of immaterial joint ventures and associates**

Item	31 December 2022 / 2022	31 December 2021 / 2021	31 December 2020 / 2020
Total book value of investments in joint ventures	3,481,738.58	5,930,122.15	5,709,424.12
Total amount of the following items based on			
shareholding ratio	(29,950.15)	220,698.03	240,118.43
Net profit	(29,950.15)	220,698.03	240,118.43
Other comprehensive income	–	–	–
Total comprehensive income	(29,950.15)	220,698.03	240,118.43
Total book value of investments in associates	113,941,890.83	114,427,015.91	116,016,458.56
Total amount of the following items based on			
shareholding ratio	3,194,874.92	7,660,557.35	10,253,474.60
Net profit	3,194,874.92	7,660,557.35	10,253,474.60
Other comprehensive income	–	–	–
Total comprehensive income	3,194,874.92	7,660,557.35	10,253,474.60

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include cash and bank balance, debt investments, debt investments, borrowings, trade receivables, trade payables, convertible bonds, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risk, liquidity risk, and market risk. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below:

The Board of Directors is responsible for planning and establishing the risk management framework of the Company, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyse the risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering market risk, credit risk and liquidity risk management, etc. The Company regularly assesses changes in the market environment and its business activities to decide whether to update risk management policies and systems. The Company's risk management is carried out by the risk management organisation in accordance with policies approved by the Board of Directors. The risk management organisation identifies, evaluates and mitigates relevant risks by working closely with other departments of the Company. The Company's Internal Audit Department conducts regular audits of risk management controls and procedures, and reports the results to the Company's Audit Committee. The Company diversifies the risks of financial instruments by diversifying its investments and business portfolio appropriately, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating appropriate risk management policies.

(I) Credit Risk

Credit risk refers to the risk of financial loss to the Company as a result of the failure of counterparties to perform their contractual obligations. The management has established appropriate credit policies and is constantly monitoring exposure to credit risk.

The Company has adopted a policy of only dealing with creditworthy counterparties. In addition, the Company evaluates the credit qualifications of customers and sets the corresponding credit periods based on the financial situations of customers, the possibilities of obtaining guarantees from third parties, credit histories and other factors such as current market conditions. The Company continuously monitors the balance and recovery of bills receivable, trade receivables and contract assets. For customers with a bad credit history, the Company will use the written reminders, shorten or cancel the credit period to ensure that the Company is free from significant credit losses. In addition, the Company reviews the recovery of financial assets at each balance sheet date to ensure adequate expected credit loss provision is made for the underlying financial assets.

Other financial assets of the Company include cash and bank balance, other receivables, debt investments, etc.. The credit risk of these financial assets originates from the breach of contract by counterparties, with the maximum credit exposure being the carrying amount of each financial asset on the balance sheet. The Company does not provide any guarantees that may expose it to credit risk.

The cash and bank balance held by the Company are mainly deposited in financial institutions such as state-owned holding banks, other large and medium-sized commercial banks, as well as non-banking financial institutions such as Skyworth Group Finance Co., Ltd. The management believes that these financial institutions have a high reputation and good asset status, do not have any major credit risk, and will not produce any major losses caused by the breach of contract by counterparties. The Company's policy is to control the amount deposited with these well-known financial institutions based on their market reputation, size of operation and financial background, to limit the amount of credit risk to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses expected credit risk to assess impairment losses on trade receivables and other receivables. The Company identifies the expected loss ratio based on the actual bad debt ratio in history, taking into account the forecasts for current and future economic conditions, such as the national GDP growth, total infrastructure investment, national monetary policy and other forward-looking information. For contract assets and long-term receivables, the Company takes into account the settlement dates, the contractual payment schedules, as well as the creditors' financial standings and the economic situations of their sectors, and makes a reasonable assessment of expected credit losses after adjusting for the above forward-looking information.

As of 31 December 2022, the carrying amount of the underlying assets and the expected credit impairment losses were as follows:

Items	Carrying Amount	Provision for impairment
Bills receivable	208,278,552.28	13,261.27
Trade receivables	3,474,338,015.84	482,878,464.55
Other receivables	150,104,009.75	3,053,589.99
Total	3,832,720,577.87	485,945,315.81

(II) Liquidity Risk

Liquidity risk refers to the risk of capital shortage when the Company fulfils its obligation to pay cash or other financial assets for settlement. Each member company of the Company is responsible for their respective cash flow forecast. The financial function of the Company constantly monitors the short-term and long-term capital demand of the Company at the corporate level based on the cash flow forecast for each member company, so as to ensure that adequate cash reserves are maintained. Meanwhile, it continuously monitors compliance with the provisions of loan agreements and secure commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term demands for funds. In addition, the Company has entered into credit agreements with partner financial institutions to secure facilities from partner financial institutions, in order to support the Company in fulfilling its obligations related to commercial papers. As of 31 December 2022, the Company had credit lines provided by various domestic financial institutions in the amount of RMB8,717,537,400.00, of which RMB1,827,758,318.75 had been used.

APPENDIX IV
FINANCIAL INFORMATION OF SKYWORTH DIGITAL

At the end of each reporting period, the Company's financial liabilities and off-balance-sheet guarantee items are presented as undiscounted contractual cash flows for the remaining contractual period as follows:

Item	31 December 2022					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Non-derivative financial liabilities:						
Short-term borrowings	680,816,123.24	–	–	–	680,816,123.24	
Future interests payable on short-term borrowings	4,070,407.73	–	–	–	4,070,407.73	
Bills payables	778,315,471.32	–	–	–	778,315,471.32	
Trade payables	2,311,395,459.78	3,006,700.16	–	64,240.95	2,314,466,400.89	
Other payables	375,066,476.60	6,587,237.77	2,869,904.43	612,327.93	385,135,946.73	
Long-term borrowings (including those due within one year)	280,387.55	30,320,720.89	311,309.83	–	30,912,418.27	
Future interests payable on long-term borrowings	1,079,791.64	1,044,291.65	–	–	2,124,083.29	
Lease liabilities (including those due within one year)	17,737,262.89	11,650,248.46	2,582,542.34	–	31,970,053.69	
Total	4,168,761,380.75	52,609,198.93	5,763,756.60	676,568.88	4,227,810,905.16	

Continued:

Item	31 December 2021					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Non-derivative financial liabilities:						
Short-term borrowings	1,304,214,905.17	–	–	–	1,304,214,905.17	
Future interests payable on short-term borrowings	4,685,830.18	–	–	–	4,685,830.18	
Bills payables	794,785,100.63	–	–	–	794,785,100.63	
Trade payables	2,661,509,525.37	3,111,490.55	–	–	2,664,621,015.92	
Other payables	228,355,482.22	10,975,205.10	12,398,185.94	359,594.00	252,088,467.26	
Long-term borrowings (including those due within one year)	236,285.12	236,285.12	603,280.73	–	1,075,850.97	
Lease liabilities (including those due within one year)	16,642,350.33	16,642,350.33	11,599,483.12	–	44,884,183.78	
Bonds payables (including those due within one year)	6,926,934.75	–	955,149,428.47	–	962,076,363.22	
Future interests payable on bonds payables	2,813,195.10	14,668,803.00	37,160,967.60	–	54,642,965.70	
Total	5,020,169,608.87	45,634,134.10	1,016,911,345.86	359,594.00	6,083,074,682.83	

Continued:

Item	31 December 2020					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Non-derivative financial liabilities:						
Short-term borrowings	1,150,395,445.79	–	–	–	–	1,150,395,445.79
Future interests payable on short-term borrowings	3,536,082.54	–	–	–	–	3,536,082.54
Bills payables	882,147,756.41	–	–	–	–	882,147,756.41
Trade payables	2,126,572,453.82	8,740,597.44	–	–	–	2,135,313,051.26
Other payables	220,732,162.23	6,835,627.11	–	–	–	227,567,789.34
Long-term borrowings (including those due within one year)	265,324.64	265,324.64	730,524.51	187,261.27	–	1,448,435.06
Lease liabilities (including those due within one year)	16,506,335.67	16,506,335.67	17,700,051.97	–	–	50,712,723.31
Bonds payables (including those due within one year)	4,156,344.03	–	912,523,158.12	–	–	916,679,502.15
Future interests payable on bonds payables	8,312,688.05	9,779,633.00	45,719,784.28	–	–	63,812,105.33
Total	4,412,624,593.18	42,127,517.86	976,673,518.88	187,261.27	–	5,431,612,891.19

(III) Market Risk**1. Exchange rate risk**

The main business of the Company is located in China and is settled in RMB. However, exchange rate risk still exists in the Company's recognised assets and liabilities and future transactions denominated in foreign currencies (mainly including the USD, the HKD, the Euro, the South African Rand, etc.). The financial function of the Company is responsible for monitoring the scale of the Company's transactions and assets and liabilities denominated in foreign currencies, so as to minimize the exposure to exchange rate risk. To this end, the Company may mitigate exchange rate risk by signing forward exchange contracts or currency swap contracts.

At the end of each reporting period, the amounts of the Company's foreign currency financial assets and foreign currency financial liabilities converted into RMB were as follows:

Item	31 December 2022					Total
	USD	Euro	HKD	South African Rand	Other currencies	
Foreign currency financial assets:						
Bank balances and cash	301,714,622.82	116,655,767.70	1,504,533.40	23,477,440.25	104,620,404.73	547,972,768.90
Trade receivables	1,002,714,152.95	79,758,346.34	–	4,308,360.67	147,941,591.62	1,234,722,451.58
Other receivables	8,275,066.72	921,708.62	1,206,186.77	1,512,317.92	1,205,253.42	13,120,533.45
Subtotal	1,312,703,842.49	197,335,822.66	2,710,720.17	29,298,118.84	253,767,249.77	1,795,815,753.93
Foreign currency financial liabilities:						
Short-term borrowings	402,323,861.34	99,931,331.19	–	–	37,953.92	502,293,146.45
Trade payables	821,886,741.61	10,901,550.48	–	4,798,149.66	6,703,813.92	844,290,255.67
Taxes and surcharges payables	–	1,449,628.17	75,275.69	612,572.97	2,115,381.98	4,252,858.81
Other payables	12,152,654.95	88,008,378.43	12,650,893.22	1,318,853.61	4,165,282.45	118,296,062.66
Long-term borrowings	–	–	–	–	872,084.93	872,084.93
Lease liabilities	–	2,256,744.33	–	4,164,901.51	5,723,379.58	12,145,025.42
Subtotal	1,236,363,257.90	202,547,632.60	12,726,168.91	10,894,477.75	19,617,896.78	1,482,149,433.94

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Continued:

Item	31 December 2021					
	USD	Euro	HKD	South African Rand	Other currencies	Total
Foreign currency financial assets:						
Bank balances and cash	309,784,212.41	64,713,475.58	40,497.82	39,997,934.44	53,022,463.36	467,558,583.61
Trade receivables	949,277,829.80	164,758,854.43	–	27,705,993.95	172,091,148.13	1,313,833,826.31
Other receivables	1,799,525.48	1,088,291.87	37,609.60	1,371,484.72	859,613.16	5,156,524.83
Subtotal	1,260,861,567.69	230,560,621.88	78,107.42	69,075,413.11	225,973,224.65	1,786,548,934.75
Foreign currency financial liabilities:						
Short-term borrowings	1,198,108,574.64	106,083,372.61	–	–	22,957.57	1,304,214,904.82
Trade payables	972,782,498.55	17,400,013.28	–	5,349,813.24	12,942,554.58	1,008,474,879.65
Taxes and surcharges payables						
	–	2,055,174.46	–	462,095.14	1,719,343.33	4,236,612.93
Other payables	9,724,574.76	31,263,865.75	74,938.82	678,512.99	1,401,442.31	43,143,334.63
Long-term borrowings	–	–	–	–	1,075,850.97	1,075,850.97
Lease liabilities	–	3,580,134.50	–	7,319,577.82	8,250,880.54	19,150,592.86
Subtotal	2,180,615,647.95	160,382,560.60	74,938.82	13,809,999.19	25,413,029.30	2,380,296,175.86

Continued:

Item	31 December 2020					
	USD	Euro	HKD	South African Rand	Other currencies	Total
Foreign currency financial assets:						
Bank balances and cash	501,011,560.20	53,456,408.18	101,014.13	48,259,123.50	138,193,318.53	741,021,424.54
Trade receivables	899,571,400.98	96,099,973.33	–	9,425,485.89	54,204,510.12	1,059,301,370.32
Other receivables	131,824.56	1,678,913.56	37,060.21	1,579,654.11	762,032.80	4,189,485.24
Subtotal	1,400,714,785.74	151,235,295.07	138,074.34	59,264,263.50	193,159,861.45	1,804,512,280.10
Foreign currency financial liabilities:						
Short-term borrowings	985,895,394.54	114,410,604.93	–	–	10,229.18	1,100,316,228.65
Trade payables	816,978,850.87	3,897,548.91	–	1,804,195.20	4,844,381.80	827,524,976.78
Taxes and surcharges payables						
	–	3,471,378.26	–	372,883.26	1,892,876.92	5,737,138.44
Other payables	6,060,365.60	33,276,394.21	10,711,978.23	581,299.29	1,252,401.03	51,882,438.36
Long-term borrowings	–	–	–	–	1,448,435.06	1,448,435.06
Lease liabilities	–	4,081,697.55	–	11,291,371.57	7,575,966.87	22,949,035.99
Subtotal	1,808,934,611.01	159,137,623.86	10,711,978.23	14,049,749.32	17,024,290.86	2,009,858,253.28

Sensitivity analysis:

At the end of each reporting period, for the Company's various financial assets denominated in USD, Euro, HKD, South African Rand and other currencies, and financial liabilities denominated in USD, Euro, HKD, South African Rand and other currencies, if RMB had strengthened or weakened by 5% against USD, Euro, HKD, South African Rand and other currencies with all other factors held constant, the net profit of the Company would have decreased or increased by approximately RMB10,267,300, RMB29,687,400 and RMB-15,683,300.

2. *Interest rate risk*

The interest rate risk of the Company mainly arises from bank borrowings. Financial liabilities with floating interest rates expose the Company to the cash flow interest rate risk, and the financial liabilities with fixed interest rates expose the Company to the fair value interest rate risk. The Company determines the relative proportion between contracts with floating interest rates and those with fixed interest rates according to the then market environment.

The financial function of the Company continuously monitors the interest rate level of the Company. Rising interest rates will increase the costs of new interest-bearing liabilities and the interest expenses of interest-bearing liabilities that the Company has not yet paid at floating interest rates, which will have a negative impact on the Company's financial performance. The management will make timely adjustments based on the latest market conditions, possibly by means of interest rate swaps or other arrangements to reduce interest rate risk.

- (1) The Company did not have any interest rate swap arrangement during the reporting period.
- (2) At the end of each reporting period, the Company's long-term interest-bearing liabilities were mainly RMB-denominated and Danish Krone-denominated contracts with fixed interest rates, amounting to RMB1,448,435.06, RMB1,075,850.97 and RMB30,912,418.27, respectively. For further details, please refer to Notes 29 and 31 under Note VI. The Company did not have any financial liabilities with floating interest rates at the end of the period.

X. FAIR VALUE

(I) Financial instruments measured at fair value

The Company has presented the book value as at the end of each reporting period of financial asset instruments measured at fair value classified into three levels, which is based on the lowest level of the important input values used in the measurement of fair value. The three levels are defined as following:

Level 1: unadjusted quoted prices for identical assets or liabilities that can be obtained on the measurement date in active markets;

Level 2: inputs that are directly or indirectly observable for the underlying assets or liabilities other than Level 1 inputs;

Level 2 inputs include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in an inactive market; 3) other observable inputs other than quoted prices, including observable interest rates and yield curves, implied volatility and credit spreads during normal quoted intervals; 4) market-proven inputs, etc.

Level 3: unobservable inputs for the underlying assets or liabilities.

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(II) Fair value measurement at the end of the period

1. Continuous fair value measurement

Item	Fair value as at 31 December 2022			Total
	Level 1	Level 2	Level 3	
Derivative financial assets	–	–	1,416,008.18	1,416,008.18
Other non-current financial assets	–	–	50,000,000.00	50,000,000.00
Total assets	–	–	51,416,008.18	51,416,008.18
Derivative financial liabilities	–	–	9,908,608.33	9,908,608.33
Total liabilities	–	–	9,908,608.33	9,908,608.33

Continued:

Item	Fair value as at 31 December 2021			Total
	Level 1	Level 2	Level 3	
Derivative financial assets	–	–	11,479,598.75	11,479,598.75
Other non-current financial assets	–	–	50,000,000.00	50,000,000.00
Total assets	–	–	61,479,598.75	61,479,598.75

Continued:

Item	Fair value as at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Derivative financial assets	–	–	5,612,125.21	5,612,125.21
Total assets	–	–	5,612,125.21	5,612,125.21
Derivative financial liabilities	–	–	23,392,138.43	23,392,138.43
Total liabilities	–	–	23,392,138.43	23,392,138.43

(III) Basis for determining the market price of continuing and non-continuing Level 3 fair value measurement items

The Company regularly recognises the fair value of financial instruments based on valuation reports provided by banks or third-party evaluation agencies.

(IV) There were no transfers between levels in the above continuing fair value measurement items of the Company during the year.

(V) Fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities that are not measured at fair value mainly include: trade receivables, debt investments, short-term loans, trade payables, non-current liabilities due within one year and long-term loans, etc.

The difference between the book value and fair value of the above-mentioned financial assets and liabilities that are not measured at fair value was immaterial.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Information of the parent company of the enterprise:

Name of parent company	Place of incorporation	Nature of business	Registered capital (RMB ten thousand)	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
Shenzhen Chuangwei-RGB Electronics Co., Ltd.	Shenzhen	Colour television sets/laser disc players/mobile phones; connectors, injection moulded parts, packaging materials, hardware accessories, etc. for colour television sets	185,000.00	50.82	50.82

1. Information of the ultimate corporate controlling shareholder of the Company:

Name	Place of incorporation	Nature of business	Registered capital	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
Skyworth Group Co., Ltd.	Bermuda	Investment holdings	HK\$1 billion	52.55	52.55

The above shareholding ratios are stated as the sum of the shareholding ratios of all the enterprises under the Group in the Company.

(II) For details of the subsidiaries of the Company, please refer to Notes VIII (I) Interests in subsidiaries.

(III) Information of joint ventures and associates of the Company

Information of other joint ventures or associates with which the Company had related party transactions during the reporting period, or with which the Company had related party transactions forming the balance outside the reporting period, is as follows.

Name of joint venture or associate	Relationship with the Company
Idigital Electronics Private Limited	Joint venture
Jiangxi Dianguang Technology Co., Ltd.	Associate
Skyworth Group Finance Co., Ltd.	Associate
Huizhou Skyworth Construction Development Co., Ltd.* (惠州創維建設發展有限公司)	Associate

(IV) Information of other related parties

Name of other related party	Relationship between other related parties and the Company
Skyworth Group Co., Ltd.	Under common control
Skyworth TV Holdings Limited	Under common control
Skyworth Group Science Park Management Co., Ltd.	Under common control
Skyworth Group Intelligent Electrical Co., Ltd.	Under common control
Skyworth Group Intelligent Equipment Co., Ltd.	Under common control
Skyworth Group Intelligent Technology Co., Ltd.	Under common control
Skyworth Overseas Development Limited	Under common control
Skyworth Semi-conductor (Shenzhen) Co., Ltd.	Under common control
Skyworth Electric Co., Ltd.	Under common control
Skyworth Optical-Electronic Co., Ltd.	Under common control
Skyworth Air Conditioning Technology (Anhui) Co., Ltd.	Under common control
Skyworth Vision Electronics (Yichun) Co., Ltd.	Under common control
Skyworth Wireless Hong Kong Limited	Under common control
Skyworth Electronics (Yichun) Co., Ltd.	Under common control
Guangzhou Skyworth Jingqin Technology Co., Ltd.	Under common control
Guangzhou Skyworth Flat Display Technology Co., Ltd.	Under common control
Shenzhen Anshida Technical Service Co., Ltd.	Under common control
Shenzhen Skyworth Chuang Ke Development Limited	Under common control
Shenzhen Skyworth International Trade Co., Ltd.	Under common control
Shenzhen Skyworth Air Conditioning Technology Co., Ltd.	Under common control
Shenzhen Skyworth Investment Management Enterprise (L.P.)	Under common control
Shenzhen Skyworth Wireless Technology Co., Ltd.	Under common control
Shenzhen Skyworth Lighting Electric Co., Ltd.	Under common control
Shenzhen Skyworth Smart Home Sales Co., Ltd.	Under common control
Shenzhen Chuangwei Intelligent System Tech Institute	Under common control
Shenzhen Chuangwei Intelligent System Tech Co., Ltd.	Under common control
Shenzhen Shencai Logistics Co., Ltd.	Under common control
Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	Under common control
Shenzhen Coocaa Network Technology Co., Ltd.	Under common control
Shenzhen Shenghuo Intelligent Technology Co., Ltd.	Under common control
Shenzhen Skyworth Commercial Technology Co., Ltd. (formerly known as Shenzhen Xiaowei Commercial Technology Co., Ltd.)	Under common control
Nanjing Skyworth Flat Display Technology Co., Ltd.	Under common control
Nanjing Skyworth Information Technology Institute Co., Ltd.	Under common control
Nanjing Skyworth Real Estate Co., Ltd.	Under common control
Nanjing Weiheng Real Estate Co., Ltd.	Under common control
Jiangxi Jinchuang Real Estate Development Co., Ltd.	Under common control
Inner Mongolia Skyworth Intelligent Technology Co., Ltd.	Under common control
Ningbo Skyworth Construction Development Limited	Under common control
Ningbo Skyworth Intelligent Technology Co., Ltd.	Under common control
Suining Skyworth Electronics Co., Ltd.	Under common control
Yichun Skyworth Land Co., Ltd.	Under common control
Chuzhou Skyworth Construction Development Co., Ltd.	Under common control
Honest (Macao Commercial Offshore) Limited	Under common control
PT. SKYWORTH INDUSTRY INDONESIA	Under common control
Skyworth Overseas Sales Limited	Under common control
Winform Inc.	Under common control
Jiangsu Xunwei Electronic Technology Co., Ltd.	Under common control
Shenzhen Skyworth Photovoltaic Technology Co., Ltd.	Under common control
Shenzhen Fengli Technology Co., Ltd.	Under common control
Wuhan Skyworth Construction Development Limited	Under common control
Yichun Skyworth Property Company Limited	Under common control

Name of other related party	Relationship between other related parties and the Company
Hunan Heguang Kukai Digital Culture Industry Co., Ltd.	Joint venture of a company under common control
Jiangsu Skywell Automobile Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members
Shenzhen Skywell Automobile Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members
Nanjing Golden Dragon Bus Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members
Shenzhen Fengmang Information Technology Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members
Shenzhen Jizhi Intelligent Technology Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members
Shenzhen Jiadianwu Electric Appliance Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members
Shenzhen Xiaopai Technology Co., Ltd.	A company controlled by a director/supervisor/ executive of the Company and their family members

(V) **Related-party transactions**

1. The transactions between subsidiaries that have control relations and have been incorporated into the Company's consolidated financial statements and parent company have been offset.
2. *Related transactions in relation to purchase of goods and receipt of services*

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Related party	Description of related party transaction	2022	2021	2020
Shenzhen Chuangwei-RGB Electronics Co., Ltd.	Purchase of goods and raw materials	4,173,780.00	18,610,693.50	19,898,535.40
Huizhou Skyworth Construction Development Co., Ltd.	Receipt of services	3,991,044.20	–	–
Shenzhen Skyworth Commercial Technology Co., Ltd. (formerly known as Shenzhen Xiaowei Commercial Technology Co., Ltd.)	Purchase of goods and raw materials	3,398,230.40	607,297.80	–
Idigital Electronics Private Limited	Receipt of services	2,230,175.00	2,195,262.51	3,387,865.88
Shenzhen Shencai Logistics Co., Ltd.	Receipt of services	570,563.55	400,535.66	192,246.02
Skyworth Group Co., Ltd.	Receipt of services	498,744.25	914,510.46	1,017,013.02
Shenzhen Chuangwei Intelligent System Tech Institute	Receipt of services	495,283.00	–	495,283.00
Skyworth Group Science Park Management Co., Ltd.	Receipt of services	148,762.45	–	1,415.09
Shenzhen Anshida Technical Service Co., Ltd.	Receipt of services	96,000.00	28,438.63	102,708.58
Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	Purchase of goods and raw materials	84,497.00	72,503.40	44,285.80
Shenzhen Fengli Technology Co., Ltd.	Receipt of services	71,698.11	–	–
Skyworth Overseas Sales Limited	Receipt of services	46,578.39	256,066.14	–
Skyworth TV Holdings Limited	Receipt of services	28,818.05	157,378.14	142,839.44
Skyworth Optical-Electronic Co., Ltd.	Purchase of goods and raw materials	18,704.40	–	100,531.00
Skyworth Group Intelligent Equipment Co., Ltd.	Purchase of goods and raw materials	8,528.10	–	304,424.80
Shenzhen Chuangwei-RGB Electronics Co., Ltd.	Receipt of services	–	–	23,769.17
Shenzhen Fengmang Information Technology Co., Ltd.	Receipt of services	–	3,770,887.79	8,747,898.66
Jiangsu Skywell Automobile Co., Ltd.	Purchase of goods and raw materials	–	3,456,287.60	–
Shenzhen Skyworth Wireless Technology Co., Ltd.	Receipt of services	–	563,818.65	–
Suining Skyworth Electronics Co., Ltd.	Receipt of services	–	543,951.76	8,085,880.56
Nanjing Golden Dragon Bus Co., Ltd.	Purchase of goods and raw materials	–	486,725.66	–
Shenzhen Skyworth Lighting Electric Co., Ltd.	Purchase of goods and raw materials	–	444,988.20	–5,220.40
Skyworth Group Science Park Management Co., Ltd.	Purchase of goods and raw materials	–	87,552.20	–
Shenzhen Xiaopai Technology Co., Ltd.	Purchase of goods and raw materials	–	50,400.00	–
Shenzhen Shenghuo Intelligent Technology Co., Ltd.	Purchase of goods and raw materials	–	7,848.60	325,992.90
Shenzhen Chuangwei Intelligent System Tech Co., Ltd.	Purchase of goods and raw materials	–	5,933.60	–
Shenzhen Skyworth Air Conditioning Technology Co., Ltd.	Purchase of goods and raw materials	–	2,311.90	436,686.20
Skyworth Electric Co., Ltd.	Purchase of goods and raw materials	–	1,273.90	–
Shenzhen Fengmang Information Technology Co., Ltd.	Purchase of goods and raw materials	–	–	1,545,082.67
Nanjing Skyworth Flat Display Technology Co., Ltd.	Purchase of goods and raw materials	–	–	264,900.00
Total		15,861,406.90	32,664,666.10	45,112,137.79

Notes on related party transactions: The Company purchases goods and receives services from related parties at market prices.

3. Related transactions in relation to sale of goods and provision of services

Related party	Description of related party transaction	2022	2021	2020
Shenzhen Xiaopai Technology Co., Ltd.	Sales of goods	127,323,430.73	172,133,712.20	–
Shenzhen Chuangwei-RGB Electronics Co., Ltd.	Sales of goods	26,971,155.23	17,687,494.73	2,803,277.31
Skyworth Group Intelligent Technology Co., Ltd.	Provision of services	16,865,011.01	–	–
Shenzhen Skyworth Chuang Ke Development Limited	Provision of services	16,183,342.86	188,679.24	–
Nanjing Golden Dragon Bus Co., Ltd.	Sales of goods	9,764,534.76	1,947,500.40	2,090,037.74
Skyworth Electric Co., Ltd.	Sales of goods	8,988,445.38	11,920,227.68	10,659,736.99
PT. SKYWORTH INDUSTRY INDONESIA	Sales of goods	4,456,346.00	64,600,162.22	40,564,782.48
Nanjing Weiheng Real Estate Co., Ltd.	Sales of goods	4,146,536.69	4,753,529.68	5,297,032.31
Ningbo Skyworth Construction Development Limited	Provision of services	3,302,752.29	–	–
Shenzhen Skyworth Wireless Technology Co., Ltd.	Sales of goods	2,772,334.11	6,194.69	419,677.05
Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	Sales of goods	2,495,862.54	5,926,398.26	2,411,068.70
Nanjing Skyworth Flat Display Technology Co., Ltd.	Sales of goods	2,235,593.57	–	–
Guangzhou Skyworth Jingqin Technology Co., Ltd.	Sales of goods	1,076,489.03	–	–
Shenzhen Coocaa Network Technology Co., Ltd.	Sales of goods	1,061,415.93	–	2,336,748.67
Shenzhen Skyworth Chuang Ke Development Limited	Sales of goods	867,256.64	–	–
Idigital Electronics Private Limited	Sale of raw materials	620,035.90	731,163.79	932,392.22
Nanjing Golden Dragon Bus Co., Ltd.	Provision of services	605,800.00	–	–
Nanjing Weiheng Real Estate Co., Ltd.	Provision of services	547,700.48	–	–
Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	Provision of services	529,934.14	906,489.73	319,302.65
Skyworth Semi-conductor (Shenzhen) Co., Ltd.	Provision of services	484,070.80	–	–
Skyworth Electric Co., Ltd.	Provision of services	451,327.43	–	–
Skyworth Group Science Park Management Co., Ltd.	Provision of services	365,493.63	–	–
Jiangsu Skywell Automobile Co., Ltd.	Sales of goods	270,149.96	52,232.65	73,299.93
Chuzhou Skyworth Construction Development Co., Ltd.	Provision of services	255,773.58	63,943.40	–
Shenzhen Skyworth Photovoltaic Technology Co., Ltd.	Sales of goods	212,283.19	–	–
Shenzhen Chuangwei-RGB Electronics Co., Ltd.	Provision of services	207,276.42	10,017,766.00	1,214,073.84
Yichun Skyworth Land Co., Ltd.	Provision of services	196,226.42	49,056.60	–
Nanjing Skyworth Real Estate Co., Ltd.	Provision of services	193,100.00	–	–
Nanjing Skyworth Flat Display Technology Co., Ltd.	Provision of services	170,729.65	–	–
Jiangxi Jinchuang Real Estate Development Co., Ltd.	Provision of services	147,169.82	36,792.45	–
Shenzhen Skyworth Commercial Technology Co., Ltd. (formerly known as Shenzhen Xiaowei Commercial Technology Co., Ltd.)	Sales of goods	136,283.20	–	–
Shenzhen Skyworth Investment Management Enterprise (L.P.)	Sales of goods	122,071.00	–	–
Skyworth Group Co., Ltd.	Provision of services	63,494.70	19,026.54	–
Shenzhen Xiaopai Technology Co., Ltd.	Provision of services	57,715.72	956,288.34	–
Shenzhen Jizhi Intelligent Technology Co., Ltd.	Sales of goods	50,284.32	–	–
Shenzhen Anshida Technical Service Co., Ltd.	Sales of goods	38,097.36	103,598.15	988,366.87
Skyworth Vision Electronics (Yichun) Co., Ltd.	Sales of goods	37,460.20	–	–
Skyworth Group Intelligent Technology Co., Ltd.	Sales of goods	32,268.52	–	22,566.37
Skyworth Group Co., Ltd.	Sales of goods	2,292.03	54,091.78	52,699.10
Skyworth Group Intelligent Electrical Co., Ltd.	Sales of goods	–	2,993,628.13	143,292.04
Idigital Electronics Private Limited	Provision of services	–	971,012.93	–

Related party	Description of related party transaction	2022	2021	2020
Skyworth Group Science Park Management Co., Ltd.	Sales of goods	–	959,257.12	6,609,237.23
Skyworth Electronics (Yichun) Co., Ltd.	Provision of services	–	392,238.95	–
Shenzhen Fengmang Information Technology Co., Ltd.	Sales of goods	–	266,283.15	1,429,079.63
Skyworth Air Conditioning Technology (Anhui) Co., Ltd.	Sales of goods	–	136,902.65	765,672.85
Nanjing Skyworth Information Technology Institute Co., Ltd.	Provision of services	–	9,646.02	–
Skyworth Group Finance Co., Ltd.	Sales of goods	–	5,663.72	–
Shenzhen Skyworth Air Conditioning Technology Co., Ltd.	Sales of goods	–	–	3,170,903.97
Shenzhen Fengmang Information Technology Co., Ltd.	Provision of services	–	–	2,976,150.66
Skyworth Optical-Electronic Co., Ltd.	Sales of goods	–	–	1,528,640.59
Ningbo Skyworth Construction Development Limited	Sales of goods	–	–	156,866.37
Suining Skyworth Electronics Co., Ltd.	Sales of goods	–	–	132,453.43
Skyworth Wireless Hong Kong Limited	Sales of goods	–	–	58,784.43
Honest (Macao Commercial Offshore) Limited	Sales of goods	–	–	27,671.26
Shenzhen Skyworth Smart Home Sales Co., Ltd.	Sales of goods	–	–	23,839.77
Hunan Huguang Kukai Digital Culture Industry Co., Ltd.	Sales of goods	–	–	4,646.02
Jiangxi Dianguang Technology Co., Ltd.	Sales of goods	–	–	–135,810.33
Total		234,307,545.24	297,888,981.20	87,076,490.15

Notes on related party transactions: The Company sells goods to related parties at market prices.

4. There was no related entrusting business in the Company.

5. There was no related contracting business in the Company.

6. **Related party leases**

(1) *The Company as a lessor*

Name of lessee	Type of leased assets	Rental incomes recognised in 2022	Rental incomes recognised in 2021	Rental incomes recognised in 2020
Skyworth Group Co., Ltd.	Incomes from lease of office premises and utility bills	2,886,494.93	2,878,128.63	2,875,650.78
Shenzhen Chuangwei-RGB Electronics Co., Ltd.	Incomes from lease of office premises and utility bills	2,312,981.84	2,231,159.66	1,885,446.00
Shenzhen Skyworth International Trade Co., Ltd.	Incomes from lease of office premises and utility bills	884,231.81	852,248.51	721,173.38
Shenzhen Jizhi Intelligent Technology Co., Ltd.	Incomes from lease of office premises and utility bills	450,727.06	–	–
Shenzhen Jiadianwu Electric Appliance Co., Ltd.	Incomes from lease of office premises and utility bills	296,485.08	–	–
Shenzhen Xiaopai Technology Co., Ltd.	Incomes from lease of office premises and utility bills	205,442.48	197,054.41	–
Shenzhen Skyworth Air Conditioning Technology Co., Ltd.	Incomes from lease of office premises and utility bills	–	–	839,893.18
Total		7,036,363.20	6,158,591.21	6,322,163.34

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(2) The Company as a lessee

Name of lessor	Type of leased assets	Rental costs recognised in 2022	Rental costs recognised in 2021	Rental costs recognised in 2020
Skyworth Group Science Park Management Co., Ltd.	Lease of factory premises	23,846,022.50	20,330,542.42	23,380,246.04
Skyworth Group Co., Ltd.	Lease of office premises	19,678,905.13	19,195,488.23	12,309,283.33
Shenzhen Shencai Logistics Co., Ltd.	Lease of warehouse premises	1,788,536.61	272,249.02	–
Winform Inc.	Lease of warehouse premises	505,626.55	469,834.43	503,516.64
Suining Skyworth Electronics Co., Ltd.	Lease of office premises	2,752.29	2,752.29	2,752.29
Shenzhen Skyworth Wireless Technology Co., Ltd.	Expenses for lease of equipment	–	700,000.03	1,200,000.00
Guangzhou Skyworth Flat Display Technology Co., Ltd.	Lease of office premises	–	–	3,967.47
Skyworth Group Intelligent Technology Co., Ltd.	Lease of office premises	–	–	2,765.56
Total		45,821,843.08	40,970,866.42	37,402,531.33

7. There was no guarantee between the Company and related parties.

8. Borrowings from and lending to related parties

(1) Borrowings from related parties

Related party	Amount borrowed	Commencing date	Expiry date	Notes
Skyworth Overseas Development Limited	RMB 53,000,000.00	2019-06-06	2020-06-06	Repaid
Skyworth Group Finance Co., Ltd.	RMB 100,000,000.00	2019-01-29	2020-01-29	Repaid
Skyworth Group Finance Co., Ltd.	RMB 80,000,000.00	2019-05-20	2020-05-20	Repaid
Skyworth Group Finance Co., Ltd.	RMB 10,000,000.00	2022-11-24	2023-11-24	To be repaid
Skyworth Group Finance Co., Ltd.	RMB 30,000,000.00	2022-12-19	2024-12-19	To be repaid

9. Breakdown of asset transfer and debt restructuring of related parties of the Company

Item	Description of related party transaction	2022	2021	2020
Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	Transfer of fixed assets	–	4,093,739.41	–
Shenzhen Xiaopai Technology Co., Ltd.	Transfer of fixed assets and intangible assets	–	331,783.75	–

10. Remunerations of key management personnel

Item	2022	2021	2020
Remunerations of key management personnel	27,250,132.94	32,712,279.92	34,811,940.16

11. Other related party transactions

Type of transaction	Name of related party	2022	2021	2020
Acquisition of certificates-of-deposit products	Shenzhen Coccaa Network Technology Co., Ltd.	100,000,000.00	–	–
Utility bills	Skyworth Group Science Park Management Co., Ltd.	17,721,942.68	10,763,349.55	1,136,719.29
Interest income from bank deposits	Skyworth Group Finance Co., Ltd.	14,061,953.09	5,553,286.68	1,852,974.64
Utility bills	Skyworth Group Co., Ltd.	2,117,981.97	1,884,565.94	1,216,943.65
Utility bills	Suining Skyworth Electronics Co., Ltd.	1,720,978.13	1,613,974.15	420,611.52
Acquisition of fixed assets	Shenzhen Skywell Automobile Co., Ltd.	327,433.63	–	–
Bill issuing fees	Skyworth Group Finance Co., Ltd.	321,543.76	354,150.47	447,209.11
Interest expenses for bank loans	Skyworth Group Finance Co., Ltd.	86,294.55	–	–
Bills discounting	Skyworth Group Finance Co., Ltd.	–	153,774,266.01	166,004,654.74
Amount withheld for electricity bills	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	–	3,394,834.24	11,630,198.94
Expenses for discount interests	Skyworth Group Finance Co., Ltd.	–	915,437.10	979,107.27

*12. Amounts due from/to related parties**(1) Amounts due from related parties*

Item	Related party	31 December		
		2022	31 December 2021	31 December 2020
Bank deposits	Skyworth Group Finance Co., Ltd.	851,692,117.79	70,817,466.48	166,645,412.99
Assets held for sale – bank deposits	Skyworth Group Finance Co., Ltd.	–	–	174,756.95
Other cash and bank balance	Skyworth Group Finance Co., Ltd.	5,527,502.72	30,195,723.23	157,391,804.47
Assets held for sale – other cash and bank balance	Skyworth Group Finance Co., Ltd.	–	–	3,468,762.80
Bills receivable	Skyworth Electric Co., Ltd.	5,620,908.00	6,419,198.45	5,297,161.63
	Nanjing Golden Dragon Bus Co., Ltd.	1,892,076.00	–	–
	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	872,265.40	607,380.19	443,303.52
	Guangzhou Skyworth Jingqin Technology Co., Ltd.	681,657.21	–	–
	Nanjing Skyworth Flat Display Technology Co., Ltd.	498,544.96	–	–
	Shenzhen Skyworth Wireless Technology Co., Ltd.	447,029.81	–	–
	Skyworth Group Intelligent Technology Co., Ltd.	36,057.30	–	–
	Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	–	262,294.60	61,131.99
	Skyworth Air Conditioning Technology (Anhui) Co., Ltd.	–	170,437.50	–

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Item	Related party	31 December	31 December 2021	31 December 2020
		2022		
Trade receivables	Shenzhen Skyworth Air Conditioning Technology Co., Ltd.	–	–	1,841,251.09
	Inner Mongolia Skyworth Intelligent Technology Co., Ltd.	–	–	297,760.58
	Shenzhen Xiaopai Technology Co., Ltd.	10,305,827.08	23,166,222.42	–
	PT. SKYWORTH INDUSTRY INDONESIA	8,183,741.45	21,335,663.14	17,043,231.81
	Nanjing Golden Dragon Bus Co., Ltd.	6,486,458.46	640,831.25	2,025,518.54
	Skyworth Group Intelligent Technology Co., Ltd.	3,067,696.50	–	–
	Nanjing Weiheng Real Estate Co., Ltd.	2,739,000.00	–	–
	Shenzhen Skyworth Chuang Ke Development Limited	2,608,366.97	–	–
	Skyworth Electric Co., Ltd.	2,564,262.35	3,901,120.22	2,817,645.66
	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	2,377,887.07	9,787,151.26	187,414.57
	Nanjing Skyworth Flat Display Technology Co., Ltd.	2,027,675.78	–	–
	Ningbo Skyworth Construction Development Limited	1,800,000.00	–	–
	Guangzhou Skyworth Jingqin Technology Co., Ltd.	534,775.39	–	–
	Idigital Electronics Private Limited	328,114.01	849,337.71	618,042.11
	Skyworth Group Intelligent Electrical Co., Ltd.	160,005.96	1,128,054.66	–
	Shenzhen Jizhi Intelligent Technology Co., Ltd.	42,183.88	–	–
	Nanjing Skyworth Real Estate Co., Ltd.	40,937.20	–	–
	Skyworth Semi-conductor (Shenzhen) Co., Ltd.	27,350.00	–	–
	Shenzhen Jiadianwu Electric Appliance Co., Ltd.	25,446.00	–	–
	Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	16,194.64	–	–
Assets held for sale – trade receivables	Skyworth Group Science Park Management Co., Ltd.	–	404,613.35	–
	Yichun Skyworth Land Co., Ltd.	–	49,056.60	–
	Jiangxi Jinchuang Real Estate Development Co., Ltd.	–	36,792.45	–
	Jiangsu Skywell Automobile Co., Ltd.	–	28,561.65	–
	Shenzhen Fengmang Information Technology Co., Ltd.	–	–	4,527,856.11
	Skyworth Air Conditioning Technology (Anhui) Co., Ltd.	–	–	765,672.85
	Skyworth Group Science Park Management Co., Ltd.	–	–	3,179,056.27
	Nanjing Weiheng Real Estate Co., Ltd.	–	–	1,123,177.50

APPENDIX IV

FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Item	Related party	31 December		
		2022	31 December 2021	31 December 2020
	Shenzhen Anshida Technical Service Co., Ltd.	–	–	833,196.91
	Suining Skyworth Electronics Co., Ltd.	–	–	165,000.00
	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	–	–	133,826.45
Prepayments	Shenzhen Skyworth Photovoltaic Technology Co., Ltd.	240,000.00	–	–
Other receivables	Shenzhen Skyworth Photovoltaic Technology Co., Ltd.	9,000,000.00	–	–
	Skyworth Group Science Park Management Co., Ltd.	603,833.70	687,851.50	777,142.96
	Skyworth Electric Co., Ltd.	100,000.00	50,000.00	–
	Shenzhen Xiaopai Technology Co., Ltd.	–	405,154.19	–
	Skyworth Group Co., Ltd.	–	400.00	–
	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	–	–	1,116,307.76
	Nanjing Golden Dragon Bus Co., Ltd.	–	–	2,400.00
Assets held for sale – other receivables	Skyworth Group Science Park Management Co., Ltd.	–	–	210,000.00
	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	–	–	10,000.00
	Skyworth Group Intelligent Electrical Co., Ltd.	–	–	2,000.00

(2) Amounts due to related parties

Item	Related party	31 December 2022	31 December 2021	31 December 2020
Trade payables	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	1,968,077.14	560,947.70	2,005,904.76
	Shenzhen Skyworth Commercial Technology Co., Ltd. (formerly known as Shenzhen Xiaowei Commercial Technology Co., Ltd.)	640,000.00	686,246.51	–
	Suining Skyworth Electronics Co., Ltd.	428,847.78	162,712.73	2,723,703.32
	Shenzhen Fengli Technology Co., Ltd.	76,000.00	–	–
	Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.	7,037.57	–	–
	Skyworth Group Co., Ltd.	3,546.50	4,545.99	5,434.98
	Shenzhen Skyworth Lighting Electric Co., Ltd.	–	41,873.56	2,831.87
	Skyworth Electric Co., Ltd.	–	1,439.55	–
	Skyworth Group Finance Co., Ltd.	–	–	2,300,000.00
	Shenzhen Skyworth Air Conditioning Technology Co., Ltd.	–	–	444,430.00
	Nanjing Skyworth Flat Display Technology Co., Ltd.	–	–	299,337.00

APPENDIX IV
FINANCIAL INFORMATION OF SKYWORTH DIGITAL

Item	Related party	31 December 2022	31 December 2021	31 December 2020	
Other payables	Huizhou Skyworth Construction Development Co., Ltd.	4,230,506.85	–	–	
	Skyworth Group Science Park Management Co., Ltd.	2,926,278.53	1,360,671.05	466,979.77	
	Skyworth Group Co., Ltd.	681,122.35	369,640.64	261,723.34	
	Shenzhen Chuangwei-RGB Electronics Co., Ltd.	324,409.00	1,427,760.80	1,451,589.80	
	Skyworth TV Holdings Limited	284,723.38	234,701.24	187,148.91	
	Shenzhen Skyworth International Trade Co., Ltd.	98,800.00	98,800.00	98,800.00	
	Skyworth Group Intelligent Equipment Co., Ltd.	9,636.80	–	–	
	Shenzhen Skyworth Lighting Electric Co., Ltd.	9,341.94	249,118.46	–	
	Shenzhen Anshida Technical Service Co., Ltd.	8,480.00	–	–	
	Shenzhen Jizhi Intelligent Technology Co., Ltd.	8,110.00	–	–	
	Shenzhen Jiadianwu Electric Appliance Co., Ltd.	6,392.00	–	–	
	Shenzhen Xiaopai Technology Co., Ltd.	3,196.00	–	–	
	Shenzhen Shencai Logistics Co., Ltd.	2,808.96	4,835.82	17,651.73	
	Skyworth Overseas Sales Limited	–	256,294.80	–	
	Suining Skyworth Electronics Co., Ltd.	–	–	242,452.47	
	Liabilities held for sale – other payables	Shenzhen Anshida Technical Service Co., Ltd.	–	–	7,116.00
		Shenzhen Chuangwei-RGB Electronics Co., Ltd.	–	–	6,025.31
		Skyworth Group Intelligent Technology Co., Ltd.	–	–	705.00
	Contract liabilities	Chuzhou Skyworth Construction Development Co., Ltd.	1,536,697.26	–	–
		Ningbo Skyworth Intelligent Technology Co., Ltd.	656,880.73	–	–
Shenzhen Chuangwei Electronic Appliance Tech Co., Ltd.		316,459.34	791,223.25	2,922,846.10	
Yichun Skyworth Property Company Limited		280,000.00	–	–	
Wuhan Skyworth Construction Development Limited		240,000.00	–	–	
Jiangsu Xunwei Electronic Technology Co., Ltd.		195,929.18	–	–	
Skyworth Group Intelligent Technology Co., Ltd.		176,400.00	–	–	
Nanjing Skyworth Real Estate Co., Ltd.		142,389.70	–	–	
Shenzhen Chuangwei-RGB Electronics Co., Ltd.		104,712.00	–	–	
Skyworth Group Science Park Management Co., Ltd.		87,031.97	–	–	
Skyworth Air Conditioning Technology (Anhui) Co., Ltd.		15,737.50	15,737.50	–	
Shenzhen Skyworth Chuang Ke Development Limited		–	2,720,000.00	–	

Item	Related party	31 December 2022	31 December 2021	31 December 2020
	Nanjing Weiheng Real Estate Co., Ltd.	-	-	60,000.00
	Jiangsu Skywell Automobile Co., Ltd.	-	-	6,571.91
Liabilities held for sale – contract liabilities	Skyworth Group Intelligent Electrical Co., Ltd.	-	-	601,904.00
Short-term loan	Skyworth Group Finance Co., Ltd.	10,012,680.55	-	-
Non-current liabilities maturing within one year	Skyworth Group Finance Co., Ltd.	40,333.34	-	-
Long-term borrowings	Skyworth Group Finance Co., Ltd.	30,000,000.00	-	-

13. There was no related party commitment in the Company.

XII. PAYMENT OF SHARES

(I) Overview of restricted share scheme

On 4 September 2017, the Company convened the 26th meeting of the 9th board of directors and the 22nd meeting of the 8th board of supervisors to consider and approve the “*Resolution on Adjusting the List of Participants and Number of Shares Granted under the Restricted Share Incentive Scheme*”* (《關於調整限制性股票激勵對象名單和授予數量的議案》). The Independent Directors expressed their independent opinions on the above resolution, and the Supervisory Committee of the Company reverified the adjusted list of participants. Some participants identified under the Incentive Scheme voluntarily gave up their participation in or subscription for part of the restricted shares to be granted, due to insufficient funds and other personal reasons. And an actual number of 570 participants were granted 36,373,000 shares on the first grant under the 2017 Restricted Share Incentive Scheme, at a grant price of RMB5.61 per share. The shares granted were registered with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and were listed for circulation on 28 September 2017.

On 11 June 2018, the Company convened the 3rd meeting of the 10th board of directors to consider and approve the “*Resolution on the Grant of the Reserved Restricted Shares under the 2017 Restricted Share Incentive Scheme to the Participants*”* (《關於向激勵對象授予2017年限制性股票激勵計劃預留限制性股票的議案》) whereby it was determined that the grant date of the reserved restricted shares was 11 June 2018, and it was agreed that the Company could grant 4,763,000 reserved restricted shares to 79 participants at a grant price of RMB4.66 per share. In the process of determining the subscription for and registration of the restricted shares after the grant date, some participants under the Company’s Incentive Scheme voluntarily gave up their participation in or subscription for part of the restricted shares to be granted, due to insufficient funds and other personal reasons. Among others, two participants voluntarily gave up all their granted restricted shares totalling 90,000 shares, and two participants voluntarily gave up part of their granted restricted shares totalling 65,000 shares. Therefore, an actual number of 4,608,000 reserved restricted shares were granted to 77 participants. The reserved restricted shares under the Incentive Scheme were granted on 11 June 2018 and were listed on 24 August 2018.

The restricted shares granted under the Incentive Scheme would be unlocked in three tranches within 36 months after the expiry of 12 months from the grant date under the Incentive Scheme. Details of each unlocking period and the unlocking schedule of each period of the restricted shares granted under the Incentive Scheme are set out as follows:

Tranche	Unlocking arrangement	Unlocking period	Unlocking percentage
First grant	First unlocking period	From the first trading day after 12 months from the grant date to the last trading day within 24 months from the grant date	30%
	Second unlocking period	From the first trading day after 24 months from the grant date to the last trading day within 36 months from the grant date	30%

Tranche	Unlocking arrangement	Unlocking period	Unlocking percentage
	Third unlocking period	From the first trading day after 36 months from the grant date to the last trading day within 48 months from the grant date	40%
Reserved portion	First unlocking period	From the first trading day after 12 months from the grant date of the reserved portion to the last trading day within 24 months from the grant date	50%
	Second unlocking period	From the first trading day after 24 months from the grant date of the reserved portion to the last trading day within 36 months from the grant date	50%

Conditions for the unlocking of restricted shares:

(1) Performance assessment requirements at company level

Under the Incentive Scheme, the performance indicators of the Company were assessed annually during the 2017-2019 fiscal years, and the achievement of the performance assessment targets shall be one of the unlocking conditions for the participants in the year concerned. The performance assessment targets under the Incentive Scheme are shown in the following table:

Tranche	Unlocking arrangement	Performance assessment conditions
First grant	First unlocking period	The growth rate of the Company's operating revenue in 2017 shall be no less than 10% compared with that in 2016 as the benchmark
	Second unlocking period	The growth rate of the Company's operating revenue in 2018 shall be no less than 20% compared with that in 2016 as the benchmark
	Third unlocking period	The growth rate of the Company's operating revenue in 2019 shall be no less than 30% compared with that in 2016 as the benchmark
Reserved portion	First unlocking period	The growth rate of the Company's operating revenue in 2018 shall be no less than 20% compared with that in 2016 as the benchmark
	Second unlocking period	The growth rate of the Company's operating revenue in 2019 shall be no less than 30% compared with that in 2016 as the benchmark

Note: All the "operating revenue" above refer to the operating revenue of the listed company.

During the unlocking period, the Company released lock-up shares for eligible participants. If the Company failed to meet the performance assessment target in each unlocking period, all the restricted shares of the participants in the corresponding assessment year shall not be released and shall be bought back by the Company for cancellation, at the buyback price to be determined by the grant price plus the bank deposit interest for the same period.

(2) *Performance assessment requirements for individual participants*

The performance assessment of individual participants was conducted according to the relevant policy of the Company. Based on the annual performance assessment results, a participant would be deemed to have reached a “Pass” in the previous year with his/her personal performance assessment grade being A/B/C, and a “Fail” with the grade D. Upon achievement of the Company’s performance targets, if a participant reached a “Pass” for the personal performance assessment in the previous year, then his/her restricted shares granted in the year concerned would be released in accordance with the procedures stipulated in the Incentive Scheme; if not, the restricted shares which had been granted yet still locked up in a corresponding year would not be released and would be bought back by the Company at the grant price for cancellation.

(II) **Overview of payment of shares**

Item	2022	2021	2020
Total amount of each equity instrument of the Company granted in the reporting period	-	-	-
Total amount of each equity instrument of the Company exercised in the reporting period	-	-	14,798,500.00
Total amount of each equity instrument of the Company expired in the reporting period	-	128,000.00	316,500.00
Range of exercise prices of outstanding share options of the Company at the end of the period and remaining contractual period	-	-	-
Range of exercise prices of other equity instruments of the Company at the end of the period and remaining contractual period	-	-	-

On 24 March 2020, the Company convened the 21st meeting of the 10th board of directors and the 20th meeting of the 9th board of supervisors to consider and approve the “Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》). A total of 21 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased by the Company at a repurchase price of RMB5.61 per share for cancellation was 294,000 shares, and the number of certain restricted shares reserved to be granted that were repurchased at a repurchase price of RMB4.66 per share for cancellation was 22,500 shares.

On 19 March 2021, the Company convened the 27th meeting of the 10th board of directors and the 25th meeting of the 9th board of supervisors to consider and approve the “Resolution on the Repurchase and Cancellation of the Equity Incentive Restricted Shares of the Company’s Departing Employees”* (《關於回購註銷公司離職員工股權激勵限制性股票的議案》). A total of 8 participants of the Company had resigned due to personal reasons and were no longer qualified as participants. The number of certain restricted shares granted under the first grant yet still locked up that were repurchased by the Company at a repurchase price of RMB5.61 per share for cancellation was 128,000 shares.

(III) Equity-settled share-based payments

Item	2022	2021	2020
Method for determining the fair value of equity instrument on the grant date	The Black-Scholes Model was used to measure the fair value of the underlying stock put options. Fair value of each restricted share = Closing price of the stock on the grant date – Grant price – Discount of restrictive factors.		
Basis for determining the number of equity instruments with exercisable rights	Determined based on the product of the base amount of restricted stock granted and the performance evaluation factors at the company level and individual level for the corresponding year		
Reasons of material difference between estimates in current period and in prior period	N/A		
Accumulated amount charged to capital surplus for equity-settled share-based payments	49,542,149.36	49,542,149.36	49,542,149.36
Total expense recognised for equity-settled share-based payments in current period	–	–	2,532,642.28

(IV) The Company did not have cash-settled share-based payments.

(V) There was no modification or termination of share-based payments in current period.

XIII. COMMITMENTS AND CONTINGENCIES

As of 31 December 2022, the Company had no significant contingencies that should be disclosed but not disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE**(I) Distribution of profits**

Net profit attributable to shareholders of the listed company in the consolidated statements for the year 2022 amounted to RMB823,038,116.06. The profit distribution plan for 2022 proposed by the Board was: based on the total share capital of 1,141,595,579 shares, being the total share capital of 1,150,216,072 shares as at the date of this report less the repurchased shares on the designated repurchase account (as at the date of this report, the Company has repurchased a total of 8,620,493 shares of the Company), a cash dividend of RMB2 (tax inclusive) would be paid to all shareholders for every 10 shares held, with no bonus shares (tax inclusive) distributed, and no conversion from capital reserves into share capital.

The profit distribution plan mentioned above is subject to approval at the 2022 annual general meeting of the Company.

(II) Explanations on other events after the balance sheet date

As of the date of approval of the financial report, the Company had no other material post-balance-sheet matters that should be disclosed but not disclosed.

XV. QUALITATIVE DISCLOSURES RELATED TO LEASING

The Company as lessee:

(I) Leasing activities

As at 31 December 2022, the Company's leased premises for production and operation were mainly as follows:

The Company's office premises (13/F, 14/F, 15/F, Block A of Skyworth Building, tubular structures 2# & 7# of Block A, 3A02, 3A03, 508, 1201, 1601, 1602, 701, 702, 703, 704, 705, 706, and tubular structures 1# & 2# of 1/F underground; and 2/F of Block C of Skyworth Building) are leased from Shenzhen Property Branch of Skyworth Group Co., Ltd.* (創維集團有限公司), for a lease term until 31 December 2023. The Company also leases CW-A-0803A of Block A of Skyworth Building from Shenzhen Property Branch of Skyworth Group Co., Ltd.* (創維集團有限公司), for a lease term until 31 August 2023. The factory premises (2-5/F, Skyworth Science and Technology Industrial Park Complex, 8/F of display factory, and the refuse transfer station) are leased from Skyworth Group Science Park Management Co., Ltd.* (創維集團科技園管理有限公司), for a lease term until 31 December 2023. The Company leases Units 101 and 401, Block 5#C of Skyworth Innovation Valley for storage, from Skyworth Group Science Park Management Co., Ltd., for a lease term until 31 December 2023. The Company leases 2,000 square metres on 2/F, Block 1 of Hongyuanfa Tangtou Logistics Park in Shiyan Subdistrict, Shenzhen for storage, from Shenzhen Shencai Logistics Co., Ltd.* (深圳神彩物流有限公司), for a lease term until 31 August 2023. The Company leases 1,100 square metres on 2/F of Logistics Block C and 100 square metres on 1/F of Logistics Block A in Skyworth Science and Technology Industrial Park for storage, from Shenzhen Shencai Logistics Co., Ltd., for a lease term until 30 November 2023. The Company leases NewDelhi-110048 as office space in India, from MANMOHAN SINGH HUF, for a lease term until 31 March 2023.

The Company leases Rooms 3023-3024 on 3/F and Room 4023 on 4/F, Building 18, Caizhen Jiayuan, Haidian District, Beijing as office space of Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司), from Xinhua Sunshine Technology Development Group Co., Ltd.* (新華陽光科技發展集團有限公司), for a lease term until 15 May 2024. The Company leases Block A1 of Wuhan Financial Port as office space, from Taikang Insurance Group Co., Ltd.* (泰康保險集團股份有限公司), for a lease term until 31 October 2024. The Company leases Room 2507 on 23/F of Building 1, Jiangong Xili, Xicheng District, Beijing as office space, for a lease term until 30 June 2023. The Company leases Room B on 24/F, Block H-3, Aocheng Garden (North District), Houhaibin Road, Nanshan District, Shenzhen as dormitory space, for a lease term until 9 April 2023. The Company leases Unit 07 on 20/F, Jianfu Building, No. 60 Gutian Road, Shuibu Street, Gulou District, Fuzhou, as office space, for a lease term until 31 October 2023.

The Company leases Room 2205, Block 3, Taiwan Industrial Park, Xining District, Suining Economic and Technological Development Zone, as office space of the joint-stock company, for a lease term until 31 December 2023.

The Company leases 8/F of Display Factory of Skyworth Science and Technology Industrial Park as office space of the subsidiary Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司), from Skyworth Group Science Park Management Co., Ltd.* (創維集團科技園管理有限公司), for a lease term until 31 December 2023. The Company leases the dormitory building of Skyworth Shiyan Industrial Park, from Skyworth Group Science Park Management Co., Ltd., for a lease term until 31 December 2023. The Company leases Rooms 101-104 and 401-404 on 1/F and 4/F of Building 7#, Skyworth Innovation Valley, for office, R&D, production and warehousing uses, from Skyworth Group Science Park Management Co., Ltd., for a lease term until 31 March 2023.

The Company leases a property in Hong Kong as a warehouse, from Winform Inc., for a lease term until 30 June 2023.

Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件液晶器件(深圳)有限公司), a subsidiary of the Company, leases 2-4/F of the R&D building and 7/F of the display factory of Skyworth Science and Technology Industrial Park as factory premises, and leases units in the residential community Juxiang as the company dormitory, for a lease term until 31 December 2023. It leases Room 110 of Zhongyuntai Building in Zhongyuntai Industrial Park, Tangtou, Shiyan as the staff dormitory, from Shenzhen

Zhongyuntai Technology Co., Ltd.* (深圳市中運泰科技有限公司), for a lease term until 31 May 2023. It leases production plant and office space in Shengli Village, Nanhua Road, Chenjiang Street Office, Zhongkai High-tech Zone, Huizhou City, from Huizhou Chaojiang Industrials Co., Ltd.* (惠州市潮江實業有限公司), for a lease term until 30 June 2025. And it leases the dormitory space in Nanhua Road, Chenjiang Street, Zhongkai High-tech Zone, Huizhou City, from Huizhou Yongyao Glass Co., Ltd.* (惠州市永耀玻璃有限公司), for a lease term until 31 May 2025. It leases Plant No. 3, Dongsheng Road, Chenjiang Street, Zhongkai High-tech Zone, Huizhou City, from Paxis (Huizhou) Electronic Technology Co. Ltd.* (普視達(惠州)電子科技有限公司), for a lease term until 19 November 2024. And it leases machinery equipment of Jinlong Machinery & Electronics, from Guangdong Jinlong Machinery & Electronics Co., Ltd.* (廣東金龍機電有限公司), for a lease term until 1 January 2024.

The Company leases the ground floor and the mezzanine of Skyworth Science and Technology Industrial Park Complex as the factory space of its subsidiary Skyworth Optical, for a lease term until 31 December 2023. And it leases the ground floor of the warehouse in Block A, No. 6 Industrial Zone, Tianliao Community, Gongming Street, Guangming District, Shenzhen, as the warehouse space of its subsidiary Skyworth Optical, for a lease term until 30 April 2023.

The Company leases a property of Jiangxi Jinlang Enterprise Management Co., Ltd.* (江西金朗企業管理有限公司) as the office of its subsidiary Fengchi Electronics, for a lease term until 31 October 2023.

The Company leases the properties INNO LAB ENGINEERING SDN BHD and FOO TIEW LENG as office space of the subsidiary of Fengchi Electronics, for a lease term until 31 May 2023 and 31 March 2023, respectively.

The Company leases C7-104, 105 and 106B, Tianfu Software Park, Chengdu High-Tech Zone as office space of New World Company, for a lease term until 27 July 2023.

The Company leases 2nd Floor Offices, 29°South,7 Umsinsi Junction, Dube City, La Mercy as office space of its subsidiary in South African, for a lease term until 31 January 2024.

The Company leases 811, Ashoka Estate, Barakhamba Road, New Delhi, India as office space of its subsidiary in India, for a lease term until 28 February 2023. The Company leases Plot No 18, sector Ecotech -II, Greater Noida, Distt. Gautam Budha Nagar (U.P.), India as production premises of its subsidiary in India, for a lease term until 31 July 2031.

The Company leases Concordia Works, 30 Sovereign Street, Leeds, LS1 4BA as office space of its subsidiary in Britain, for a lease term until 28 February 2027.

The Company leases Lago Zurich 219, 12 floor, Ampliación Granada, Miguel Hidalgo, Mexico City, Mexico as office space of its subsidiary in Mexico, for a lease term until 30 September 2023.

Besides, Strong Media Group Limited, a subsidiary of the Company, leases some of its office space from outside parties.

(II) Short-term leases and low-value assets leased under simplified approach

The Company's short-term leases were mainly housing leases with a lease term of one year or less.

(III) Potential future cash outflows that are not included in the measurement of lease liabilities

1. Variable lease payments

There were no provisions related to variable lease payments in the lease contracts entered into by the Company.

2. Extension options

There were no provisions related to extension options in the lease contracts entered into by the Company.

3. Termination options

There were no provisions related to termination options in the lease contracts entered into by the Company.

4. Residual value guarantees

There were no provisions related to residual value guarantees in the lease contracts entered into by the Company.

5. Leases not yet commenced to which the lessee was committed

The Company had no leases not yet commenced to which it was committed.

(IV) The Company did not have restrictions or covenants imposed by leases during the current period.

(V) The Company did not have sale and leaseback transactions during the current period.

The Company as lessor:

(I) Leasing activities

The Company's leasing activities are focused on leasing properties to outside parties and entering into lease terms and conditions based on market circumstances.

(II) Risk management strategy for rights reserved in leased assets

The Company usually collects margins and deposits from lessees.

XVI. NOTES TO OTHER SIGNIFICANT EVENTS**(I) Segment information****1. Determination basis and accounting policies of the reporting segments**

Operating segments of the Company are identified on the basis of internal organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

- (1) Its business activities are engaged to earn revenue and incur expenses;
- (2) Its operating results are regularly reviewed by the Company's management to make decisions on resources allocation and performance assessment;
- (3) Its financial conditions, operating results, cash flow and related accounting information are available to the Company.

The Company determines reporting segment based on its operating segment, and an operating segment that meets any of the following conditions is determined as a reporting segment:

- (1) The segment income of the operating segment accounts for 10% or more of total income of all segments;
- (2) The absolute amount of profits (losses) of the segment accounts for 10% or more of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment.

Where the proportion of the total external revenue of the operating segment determined to be a reporting segments according to the accounting policies above does not amount to 75% of the total consolidated revenue, the number of reporting segments should be increased; operating segments that are not determined to be reporting ones can be included in the scope of reporting ones according to the following rules till the proportion reaches 75%:

- (1) The operating segments, which the management believes may be useful for users of accounting information if their information is disclosed, are determined as reporting segments;
- (2) One or more other operating segments with similar economic features that are qualified for combination and the operating segment are combined as one reporting segment.

The transfer price among segments is determined with reference to the market price, and assets used jointly by segments and relevant expenses are distributed among different segments according to the proportion of income.

2. *Factors considered in determining the Company's reporting segments; types of products and services of the reporting segments*

The Company's reporting segments are business units that offer different products and services. Since various businesses require different technologies and market strategies, the Company separately manages the production and operation activities of each reporting segment, and evaluates their operating results respectively to determine the resources allocation and evaluates their business results.

The Company has three reporting segments: the segment of set-top box and other intelligent products, which is mainly responsible for the production and sale of set-top box products, broadband devices, smart TVs and all-in-one devices, security products, etc., and the provision of technical services; the segment of liquid crystal devices, which is mainly responsible for the production and sale of liquid crystal display products, optical products and the provision of contract processing services; and the segment of automotive electronics, which is mainly responsible for the production and sale of automotive electronic products. For details of the operating revenues and operating costs of the product segments and the regional segments, please refer to Note 44 Operating revenue and operating costs under Note VI.

XVII. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

Note 1. Other receivables

Item	31 December 2022	31 December 2021	31 December 2020
Dividends receivable	217,000,000.00	170,000,000.00	125,500,000.00
Other receivables	47,845,051.91	1,148,508,714.37	1,130,371,659.25
Total	264,845,051.91	1,318,508,714.37	1,255,871,659.25

Note: Other receivables in the above table represent those net of interests and dividends receivable.

(I) *Dividends receivable*

Investee	31 December 2022	31 December 2021	31 December 2020
Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司)	217,000,000.00	170,000,000.00	125,500,000.00
Total	217,000,000.00	170,000,000.00	125,500,000.00

(II) Other receivables1. *Other receivables disclosed by ageing analysis*

Ageing	31 December 2022	31 December 2021	31 December 2020
Within half year (inclusive)	19,952,785.76	9,878,640.02	1,949,334.13
Half year to 1 year (inclusive)	–	19,490,849.82	3,453.20
1 to 2 years (inclusive)	18,059,469.12	–	930,984,259.23
2 to 3 years (inclusive)	–	930,971,299.75	197,434,612.69
3 to 4 years (inclusive)	9,832,797.03	188,167,924.78	–
4 to 5 years (inclusive)	–	–	–
Over 5 years	–	–	–
Subtotal	47,845,051.91	1,148,508,714.37	1,130,371,659.25
Less: Bad debt provision	–	–	–
Total	47,845,051.91	1,148,508,714.37	1,130,371,659.25

2. *Classification by nature of amounts*

Nature of amounts	31 December 2022	31 December 2021	31 December 2020
Advances to employees	–	97,739.96	20,067.88
Current accounts and others	47,845,051.91	1,148,410,974.41	1,130,351,591.37
Total	47,845,051.91	1,148,508,714.37	1,130,371,659.25

3. *Disclosure by category of bad debt provisions*

Category	31 December 2022				
	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Other receivables for which ECLs are accrued individually	–	–	–	–	–
Other receivables for which ECLs are accrued by portfolio	47,845,051.91	100.00%	–	–	47,845,051.91
Of which: Expected credit loss portfolio	–	–	–	–	–
Risk-free portfolio	–	–	–	–	–
Related party portfolio	47,845,051.91	100.00%	–	–	47,845,051.91
Total	47,845,051.91	100.00%	–	–	47,845,051.91

Continued:

Category	31 December 2021				
	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Other receivables for which ECLs are accrued individually	–	–	–	–	–
Other receivables for which ECLs are accrued by portfolio	1,148,508,714.37	100.00%	–	–	1,148,508,714.37
Of which: Expected credit loss portfolio	–	–	–	–	–
Risk-free portfolio	295,562.99	0.03%	–	–	295,562.99
Related party portfolio	1,148,213,151.38	99.97%	–	–	1,148,213,151.38
Total	1,148,508,714.37	100.00%	–	–	1,148,508,714.37

Continued:

Category	31 December 2020				
	Carrying balance		Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Accrual percentage	
Other receivables for which ECLs are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	1,130,371,659.25	100.00%	-	-	1,130,371,659.25
Of which: Expected credit loss portfolio	-	-	-	-	-
Risk-free portfolio	217,976.99	0.02%	-	-	217,976.99
Related party portfolio	1,130,153,682.26	99.98%	-	-	1,130,153,682.26
Total	1,130,371,659.25	100.00%	-	-	1,130,371,659.25

4. There were no other receivables for which ECLs are accrued individually at the end of the period.
5. No bad debt provisions were made, recovered or carried back in the current period.
6. There were no other receivables that were actually written off during the current period.
7. There were no other receivables related to government grant as at the end of the period.
8. There were no other receivables that were derecognised due to transfer of financial assets at the end of the period.
9. There were no assets or liabilities for which other receivables were transferred but involvement continued at the end of the period.

Note 2. Long-term equity investments

Nature of amounts	31 December 2022			31 December 2021			31 December 2020		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Investments in subsidiaries	4,967,916,113.53	-	4,967,916,113.53	3,940,882,000.00	-	3,940,882,000.00	3,940,882,000.00	-	3,940,882,000.00
Investments in associates and joint ventures	101,516,424.18	-	101,516,424.18	102,548,222.65	-	102,548,222.65	103,472,640.97	-	103,472,640.97
Others	48,629,608.98	-	48,629,608.98	48,629,608.98	-	48,629,608.98	48,657,668.37	-	48,657,668.37
Total	5,118,062,146.69	-	5,118,062,146.69	4,092,059,831.63	-	4,092,059,831.63	4,093,012,309.34	-	4,093,012,309.34

1. Investments in subsidiaries

Investee	Initial investment cost	1 January 2020	Increase in current period	Decrease in current period	31 December 2020	Impairment provision in current period	Closing balance of impairment provision
Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司)	3,500,470,000.00	3,500,470,000.00	-	-	3,500,470,000.00	-	-
Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司)	440,412,000.00	440,412,000.00	-	-	440,412,000.00	-	-
Total	3,940,882,000.00	3,940,882,000.00	-	-	3,940,882,000.00	-	-

Continued:

Investee	Initial investment cost	31 December 2020	Increase in the current period	Decrease in the current period	31 December 2021	Impairment provision in current period	Closing balance of impairment provision
Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司)	3,500,470,000.00	3,500,470,000.00	-	-	3,500,470,000.00	-	-
Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司)	440,412,000.00	440,412,000.00	-	-	440,412,000.00	-	-
Total	3,940,882,000.00	3,940,882,000.00	-	-	3,940,882,000.00	-	-

Continued:

Investee	Initial investment cost	31 December 2021	Increase in current period	Decrease in current period	31 December 2022	Impairment provision in current period	Closing balance of impairment provision
Shenzhen Skyworth Digital Technology Co., Ltd.* (深圳創維數字技術有限公司)	4,527,504,113.53	3,500,470,000.00	1,027,034,113.53	-	4,527,504,113.53	-	-
Skyworth LCD Modules (Shenzhen) Co., Ltd.* (創維液晶器件(深圳)有限公司)	440,412,000.00	440,412,000.00	-	-	440,412,000.00	-	-
Total	4,967,916,113.53	3,940,882,000.00	1,027,034,113.53	-	4,967,916,113.53	-	-

2. Investments in associates and joint ventures

(1) Changes in 2020

Investee	1 January 2020	Increase or decrease in current period		Adjustment to other comprehensive income
		Increase in investments	Decrease in investments	
Associate				
Skyworth Group Finance Company Limited* (創維集團財務有限公司)	102,915,977.62	-	-	10,216,663.35
Total	102,915,977.62	-	-	10,216,663.35

Continued:

Investee	Increase or decrease in current period				31 December 2020	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Others		
Associate Skyworth Group Finance Company Limited* (創維集團 財務有限公司)	-	9,660,000.00	-	-	103,472,640.97	-
Total	-	9,660,000.00	-	-	103,472,640.97	-

(2) Changes in 2021

Investee	31 December 2020	Increase or decrease in current period		Gain or loss on investments recognised using equity method	Adjustment to other comprehensive income
		Increase in investments	Decrease in investments		
Associate Skyworth Group Finance Company Limited* (創維集團財務有限公司)	103,472,640.97	-	-	8,325,581.68	-
Total	103,472,640.97	-	-	8,325,581.68	-

Continued:

Investee	Increase or decrease in current period				31 December 2021	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Others		
Associate Skyworth Group Finance Company Limited* (創維集團 財務有限公司)	-	9,250,000.00	-	-	102,548,222.65	-
Total	-	9,250,000.00	-	-	102,548,222.65	-

(3) Changes in 2022

Investee	31 December 2021	Increase or decrease in current period		Gain or loss on investments recognised using equity method	Adjustment to other comprehensive income
		Increase in investments	Decrease in investments		
Associate Skyworth Group Finance Company Limited* (創維集團財務有限公司)	102,548,222.65	-	-	3,348,201.53	-
Total	102,548,222.65	-	-	3,348,201.53	-

Continued:

Investee	Increase or decrease in current period				31 December 2022	Closing balance of impairment provision
	Other equity movement	Cash dividend or profit declared	Impairment provision	Others		
Associate Skyworth Group Finance Company Limited* (創維集團 財務有限公司)	-	4,380,000.00	-	-	101,516,424.18	-
Total	-	4,380,000.00	-	-	101,516,424.18	-

3. *Note to other long-term equity investments:*

The Company implemented an employee equity incentive scheme during the current period. According to the relevant provisions of the Interpretation No. 4 of Accounting Standards for Business Enterprises, if an enterprise settles with its own equity instruments, the share-based payment transaction shall be treated as an equity-settled share-based payment. If the settling enterprise is an investor in service recipient, the transaction shall be recognised as a long-term equity investment in the service recipient at the fair value of the equity instruments or that of the liabilities to be assumed on the grant date, together with the recognition of capital surplus (other capital surplus) or liabilities. For share-based payment transactions occurring within the Group, the Company recognised long-term equity investments and capital surplus of RMB48,657,668.37 in aggregate from 2017 to 2020, and transferred out recognised intra-group share-based payments in 2021 due to the disposal of a subsidiary, Shenzhen Baolong Qunxin Technology Co., Ltd. (formerly Shenzhen Skyworth Qun Xin Security Technology Company Limited), offsetting long-term equity investments and capital surplus of RMB28,059.39.

Note 3. Return on investment

Item	2022	2021	2020
Return on long-term equity investment on equity basis	3,348,201.53	8,325,581.68	10,216,663.35
Dividends from subsidiaries	217,000,000.00	170,000,000.00	125,500,000.00
Gain on investment from disposal of long-term equity investment	-	(28,059.39)	-
Total	220,348,201.53	178,297,522.29	135,716,663.35

Skyworth Digital Co., Ltd.
(Chop)
14 April 2023

* *For identification purpose only*

RECONCILIATION INFORMATION

The following is a line-by-line reconciliation of the consolidated income statements and consolidated statements of cash flows for the years ended 31 December 2020, 2021 and 2022 and of the consolidated balance sheets as at 31 December 2020, 2021 and 2022 of Skyworth Digital (the “**Relevant Periods**”) to address the differences in Skyworth Digital’s financial information had it been prepared in accordance with the Company’s accounting policies. The above are collectively referred to as the “**Reconciliation Information**”. The process applied in the preparation of this reconciliation is set out in the “*Basis of Preparation*” and “*Reconciliation Process*” sections below.

(a) **Line-by-line reconciliations on the consolidated income statement of Skyworth Digital for the year ended 31 December 2020**

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group’s Accounting Policies <i>RMB million</i>
Revenue		8,508	–	8,508
Cost of sales		<u>(6,960)</u>	<u>–</u>	<u>(6,960)</u>
Gross profit		1,548	–	1,548
Selling and distribution expenses		(506)	–	(506)
General and administrative expenses	<i>(ii)</i>	(231)	(33)	(264)
Research and development expenses		(509)	–	(509)
Finance costs	<i>(ii)</i>	(26)	(77)	(103)
Other income	<i>(ii)</i>	139	81	220
Other gains and losses	<i>(i), (ii)</i>	–	204	204
Gain/loss on investment	<i>(ii)</i>	(14)	14	–
Share of results of associates	<i>(ii)</i>		10	10
Impairment loss recognised in respect of financial assets		31	–	31
Loss on fair value change	<i>(ii)</i>	(5)	(5)	(10)
Impairment loss on assets	<i>(ii)</i>	(35)	35	–
Tax surcharge	<i>(ii)</i>	(26)	26	–
Loss on disposal of assets	<i>(ii)</i>	1	(1)	–
Non-operating income	<i>(ii)</i>	4	(4)	–
Non-operating outlay	<i>(ii)</i>	<u>(7)</u>	<u>7</u>	<u>–</u>
Profit before taxation		364	257	621
Income tax expense		<u>(10)</u>	<u>–</u>	<u>(10)</u>
Profit for the year		<u><u>354</u></u>	<u><u>257</u></u>	<u><u>611</u></u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations		33	–	33
Total comprehensive income		<u>387</u>	<u>257</u>	<u>644</u>
Profit (loss) attributable to:				
– Shareholders of Skyworth Digital		384	257	641
– Non-controlling interests		<u>(30)</u>	<u>–</u>	<u>(30)</u>
		<u>354</u>	<u>257</u>	<u>611</u>
Total comprehensive income (expense) for the year attributable to:				
– Shareholders of Skyworth Digital		415	257	672
– Non-controlling interests		<u>(28)</u>	<u>–</u>	<u>(28)</u>
		<u>387</u>	<u>257</u>	<u>644</u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

(b) Line-by-line reconciliations on the consolidated balance sheet of Skyworth Digital as at 31 December 2020

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Non-current Assets				
Long-term equity investments	(ii)	122	(122)	–
Interests in associates	(ii)	–	122	122
Fixed assets	(ii)	763	(763)	–
Property, plant and equipment	(ii)	–	885	885
Right-of-use assets	(ii)	51	28	79
Intangible assets	(ii)	164	(164)	–
Other intangible assets	(ii)	–	90	90
Goodwill		92	–	92
Long term deferred expenses	(ii)	76	(76)	–
Deferred tax assets		129	–	129
Other non current assets	(ii)	109	(109)	–
Deposits paid for purchase of property, plant and equipment	(ii)	–	109	109
		<u>1,506</u>	<u>–</u>	<u>1,506</u>
Current Assets				
Bank balances and cash	(ii)	3,339	(213)	3,126
Pledged and restricted bank deposits	(ii)	–	206	206
Derivative financial instruments	(ii)	6	(6)	–
Financial assets at fair value through profit or loss ("FVTPL")	(ii)	–	6	6
Trade and bills receivables	(ii)	–	3,672	3,672
Trade receivables	(ii)	508	(508)	–
Bills receivables	(ii)	3,164	(3,164)	–
Other receivables, deposits and prepayments	(ii)	–	297	297
Prepayments	(ii)	98	(98)	–
Other receivables	(ii)	112	(112)	–
Inventories		1,238	–	1,238
Other current assets	(ii)	80	(80)	–
		<u>8,545</u>	<u>–</u>	<u>8,545</u>
Assets classified as held for sale		<u>200</u>	<u>–</u>	<u>200</u>
		<u>8,745</u>	<u>–</u>	<u>8,745</u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
Current Liabilities				
Bank borrowings		1,150	–	1,150
Trade and bills payables	<i>(ii)</i>	–	3,017	3,017
Trade payables	<i>(ii)</i>	2,135	(2,135)	–
Bills payables	<i>(ii)</i>	882	(882)	–
Receipts in advance	<i>(ii)</i>	1	(1)	–
Contract liabilities		135	–	135
Wages and salaries payables	<i>(ii)</i>	134	(134)	–
Tax liabilities		21	–	21
Other payables	<i>(ii)</i>	228	156	384
Non-current liabilities maturing within one year	<i>(ii)</i>	21	(21)	–
Provision for warranty	<i>(ii)</i>	–	51	51
Other current liabilities	<i>(ii)</i>	51	(51)	–
Derivative financial instruments	<i>(ii)</i>	23	(23)	–
Other financial liabilities	<i>(ii)</i>	–	23	23
Deferred income	<i>(ii)</i>	–	1	1
		<u>4,781</u>	<u>1</u>	<u>4,782</u>
Liabilities associated with assets classified as held for sale		<u>84</u>	<u>–</u>	<u>84</u>
		<u>4,865</u>	<u>1</u>	<u>4,866</u>
Net Current Assets		<u>3,880</u>	<u>(1)</u>	<u>3,879</u>
Total Assets less Current Liabilities		<u>5,386</u>	<u>(1)</u>	<u>5,385</u>
Non-current Liabilities				
Long-term borrowings	<i>(ii)</i>	1	(1)	–
Bank borrowings	<i>(ii)</i>	–	1	1
Bonds payables	<i>(ii)</i>	913	(913)	–
Convertible bonds	<i>(ii)</i>	–	913	913
Lease liabilities		34	–	34
Provisions liabilities	<i>(ii)</i>	17	(17)	–
Provision for warranty	<i>(ii)</i>	–	17	17
Deferred income	<i>(ii)</i>	85	(1)	84
Deferred tax liabilities		1	–	1
Other payables	<i>(ii)</i>	27	(27)	–
Other financial liabilities	<i>(i), (ii)</i>	–	46	46
		<u>1,078</u>	<u>18</u>	<u>1,096</u>

	<i>Note</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
NET ASSETS		<u>4,308</u>	<u>(19)</u>	<u>4,289</u>
Capital and Reserves				
Share capital		1,063	–	1,063
Reserves	(i)	<u>3,139</u>	<u>(19)</u>	<u>3,120</u>
Equity attributable to owners of the Company		4,202	(19)	4,183
Non-controlling interests		<u>106</u>	<u>–</u>	<u>106</u>
		<u>4,308</u>	<u>(19)</u>	<u>4,289</u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

(c) Line-by-line reconciliations on the consolidated statement of cash flows of Skyworth Digital for the year ended 31 December 2020

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
OPERATING ACTIVITIES				
Proceeds from sales of commodities and rendering of services	<i>(iv)</i>	10,845	(10,845)	–
Taxes and surcharges refunded	<i>(iv)</i>	385	(385)	–
Cash received from other operating activities	<i>(iv)</i>	242	(242)	–
Payments for commodities and services	<i>(iv)</i>	(7,122)	7,122	–
Cash paid to and for employees	<i>(iv)</i>	(995)	995	–
Taxes and surcharges paid	<i>(iv)</i>	(268)	268	–
Cash paid for other operating activities	<i>(iv)</i>	(641)	641	–
Profit before taxation	<i>(iv)</i>	–	621	621
Adjustments for:				
Amortisation of intangible assets	<i>(iv)</i>	–	21	21
Depreciation of right-of-use assets	<i>(iv)</i>	–	17	17
Depreciation of property, plant and equipment	<i>(iv)</i>	–	154	154
Finance costs	<i>(iv)</i>	–	95	95
Government grants related to assets recognised	<i>(iv)</i>	–	(26)	(26)
Impairment loss recognised in respect of financial assets	<i>(iv)</i>	–	(31)	(31)
Interest income	<i>(iv)</i>	–	(77)	(77)
Loss on disposal of property, plant and equipment	<i>(iv)</i>	–	(1)	(1)
Provision for warranty	<i>(iv)</i>	–	54	54
Share of results of associates and joint ventures	<i>(iv)</i>	–	(10)	(10)
Write-down of inventories	<i>(iv)</i>	–	35	35
Others	<i>(iv)</i>	–	(225)	(225)

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
Operating cash flows before movements in working capital		–	627	627
Settlement of derivative financial instruments	<i>(iv)</i>	–	(13)	(13)
Decrease in inventories	<i>(iv)</i>	–	33	33
Decrease in trade and bills receivables	<i>(iv)</i>	–	1,687	1,687
Decrease in other receivables, deposits and prepayments	<i>(iv)</i>	–	39	39
Decrease in trade and bills payables	<i>(iv)</i>	–	(245)	(245)
Increase in other payables	<i>(iv)</i>	–	415	415
Increase in contract liabilities	<i>(iv)</i>	–	25	25
Decrease in provision for warranty	<i>(iv)</i>	–	(61)	(61)
Increase in deferred income	<i>(iv)</i>	–	5	5
Cash generated from operations	<i>(iv)</i>	–	2,512	2,512
PRC income tax paid	<i>(iv)</i>	–	(40)	(40)
NET CASH FROM OPERATING ACTIVITIES		2,446	26	2,472
INVESTING ACTIVITIES				
Interest received	<i>(iv)</i>	–	77	77
Proceeds from realisation of investment	<i>(iv)</i>	233	(233)	–
Proceeds from returns on investments	<i>(iv)</i>	21	(21)	–
Payments for acquisition of fixed assets, intangible assets and other long-term assets	<i>(iv)</i>	(207)	207	–
Purchase of and deposit paid for property, plant and equipment	<i>(iv)</i>	–	(207)	(207)
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	<i>(iv)</i>	3	(3)	–
Proceeds on disposal of property, plant and equipment	<i>(iv)</i>	–	3	3
Placement of pledged and restricted bank deposits	<i>(iv)</i>	–	(187)	(187)
Withdrawal of pledged and restricted bank deposits	<i>(iv)</i>	–	313	313

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Payments on investments	<i>(iv)</i>	(243)	243	–
Other investing cash flows	<i>(iv)</i>	–	(20)	(20)
NET CASH USED IN INVESTING ACTIVITIES		<u>(193)</u>	<u>172</u>	<u>(21)</u>
FINANCING ACTIVITIES				
Distribution of dividends or profits and payments for interest expenses	<i>(iv)</i>	(144)	144	–
Dividends paid	<i>(iv)</i>	–	(107)	(107)
Interest paid	<i>(iv)</i>	–	(83)	(83)
Cash inflow from other financing activities	<i>(iv)</i>	655	(655)	–
Cash outflow from other financing activities	<i>(iv)</i>	(965)	965	–
New borrowings raised	<i>(iv)</i>	2,668	–	2,668
Repayments of borrowings	<i>(iv)</i>	(3,028)	–	(3,028)
Payments of lease liabilities	<i>(iv)</i>	–	(23)	(23)
Other financing cash flows	<i>(iv)</i>	–	(365)	(365)
NET CASH USED IN FINANCING ACTIVITIES		<u>(814)</u>	<u>(124)</u>	<u>(938)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,439	74	1,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,768	–	1,768
Bank balances and cash transferred to assets held for sale	<i>(iv)</i>	–	(74)	(74)
Effect of foreign exchange rate changes		<u>(11)</u>	<u>–</u>	<u>(11)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		<u><u>3,196</u></u>	<u><u>–</u></u>	<u><u>3,196</u></u>

(d) Line-by-line reconciliations on the consolidated income statement of Skyworth Digital for the year ended 31 December 2021

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Revenue		10,847	–	10,847
Cost of sales		<u>(9,085)</u>	<u>–</u>	<u>(9,085)</u>
Gross profit		1,762	–	1,762
Selling and distribution expenses		(542)	–	(542)
General and administrative expenses	<i>(ii)</i>	(185)	(34)	(219)
Research and development expenses	<i>(ii)</i>	(556)	–	(556)
Finance costs	<i>(ii)</i>	15	(104)	(89)
Other income	<i>(ii)</i>	148	112	260
Other gains and losses	<i>(i), (ii)</i>	–	(372)	(372)
Gain/loss on investment	<i>(ii)</i>	90	(90)	–
Share of results of associates	<i>(ii)</i>	–	8	8
Loss on fair value change	<i>(ii)</i>	10	(10)	–
Impairment loss	<i>(ii)</i>	(276)	276	–
Tax surcharge	<i>(ii)</i>	(29)	29	–
Loss on disposal of assets	<i>(ii)</i>	(35)	35	–
Non-operating income	<i>(ii)</i>	8	(8)	–
Non-operating outlay	<i>(ii)</i>	<u>(5)</u>	<u>5</u>	<u>–</u>
Profit before taxation		405	(153)	252
Income tax expense		<u>10</u>	<u>–</u>	<u>10</u>
Profit for the year		<u><u>415</u></u>	<u><u>(153)</u></u>	<u><u>262</u></u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss</i> Exchange differences arising on translation of foreign operations		4	–	4
Total comprehensive income		<u>419</u>	<u>(153)</u>	<u>266</u>
Profit (loss) attributable to:				
– Shareholders of Skyworth Digital		422	(153)	269
– Non-controlling interests		<u>(7)</u>	<u>–</u>	<u>(7)</u>
		<u>415</u>	<u>(153)</u>	<u>262</u>
Total comprehensive income (expense) for the year attributable to:				
– Shareholders of Skyworth Digital		428	(153)	275
– Non-controlling interests		<u>(9)</u>	<u>–</u>	<u>(9)</u>
		<u>419</u>	<u>(153)</u>	<u>266</u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

(e) Line-by-line reconciliations on the consolidated balance sheet of Skyworth Digital as at 31 December 2021

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Non-current Assets				
Long-term equity investments	(ii)	120	(120)	–
Interests in associates	(ii)	–	120	120
Other non-current financial assets	(ii)	50	(50)	–
Financial assets at				
FVTPL	(ii)	–	50	50
Fixed assets	(ii)	745	(745)	–
Property, plant and equipment	(ii)	–	845	845
Right-of-use assets		43	121	164
Intangible assets	(ii)	254	(254)	–
Other intangible assets	(ii)	–	91	91
Goodwill	(ii)	92	–	92
Long term deferred expenses	(ii)	58	(58)	–
Deferred tax assets	(ii)	186	–	186
Other non current assets	(ii)	67	(67)	–
Deposits paid for purchase of property, plant and equipment		–	67	67
		<u>1,615</u>	<u>–</u>	<u>1,615</u>
Current Assets				
Bank balances and cash	(ii)	3,445	(119)	3,326
Pledged and restricted bank deposits	(ii)	–	111	111
Derivative financial instruments	(ii)	11	(11)	–
Financial assets at FVTPL	(ii)	–	11	11
Trade and bills receivables	(ii)	–	3,646	3,646
Trade receivables	(ii)	481	(481)	–
Bills receivables	(ii)	3,165	(3,165)	–
Other receivables, deposits and prepayments	(ii)	–	332	332
Prepayments	(ii)	101	(101)	–
Other receivables	(ii)	142	(142)	–
Inventories		2,157	–	2,157
Other current assets	(ii)	81	(81)	–
		<u>9,583</u>	<u>–</u>	<u>9,583</u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Current Liabilities				
Bank borrowings		1,304	–	1,304
Trade and bills payables	<i>(ii)</i>	–	3,460	3,460
Trade payables	<i>(ii)</i>	2,665	(2,665)	–
Bills payables	<i>(ii)</i>	795	(795)	–
Receipts in advance	<i>(ii)</i>	1	(1)	–
Contract liabilities		208	–	208
Wages and salaries payables	<i>(ii)</i>	190	(190)	–
Tax liabilities	<i>(ii)</i>	30	–	30
Other payables	<i>(ii)</i>	252	215	467
Non-current liabilities maturing within one year	<i>(ii)</i>	24	(24)	–
Provision	<i>(ii)</i>	–	57	57
Other current liabilities	<i>(ii)</i>	57	(57)	–
Deferred income	<i>(ii)</i>	–	1	1
		<u>5,526</u>	<u>1</u>	<u>5,527</u>
Net Current Assets		<u>4,057</u>	<u>(1)</u>	<u>4,056</u>
Total Assets less Current Liabilities		<u>5,672</u>	<u>(1)</u>	<u>5,671</u>
Non-current Liabilities				
Long-term borrowings	<i>(ii)</i>	1	(1)	–
Bank borrowings	<i>(ii)</i>	–	1	1
Bonds payables	<i>(ii)</i>	955	(955)	–
Convertible bonds	<i>(ii)</i>	–	955	955
Lease liabilities		28	–	28
Provisions liabilities	<i>(ii)</i>	27	(27)	–
Provision for warranty	<i>(ii)</i>	–	27	27
Deferred income	<i>(ii)</i>	76	(1)	75
Deferred tax liabilities		2	–	2
Other non-current liabilities	<i>(ii)</i>	25	(25)	–
Other payables	<i>(ii)</i>	–	25	25
Other financial liabilities	<i>(i)</i>	–	172	172
		<u>1,114</u>	<u>171</u>	<u>1,285</u>
NET ASSETS		<u>4,558</u>	<u>(172)</u>	<u>4,386</u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
Capital and Reserves				
Share capital		1,063	–	1,063
Reserves	(i)	<u>3,463</u>	<u>(172)</u>	<u>3,291</u>
Equity attributable to owners of the Company		4,526	(172)	4,354
Non-controlling interests		<u>32</u>	<u>–</u>	<u>32</u>
		<u>4,558</u>	<u>(172)</u>	<u>4,386</u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

(f) Line-by-line reconciliations on the consolidated statement of cash flows of Skyworth Digital for the year ended 31 December 2021

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
OPERATING ACTIVITIES				
Cash inflow from sales of commodities and rendering of services	<i>(iv)</i>	11,776	(11,776)	–
Taxes and surcharges refunded	<i>(iv)</i>	471	(471)	–
Cash received from other operating activities	<i>(iv)</i>	216	(216)	–
Payments for commodities and services	<i>(iv)</i>	(10,189)	10,189	–
Cash paid to and for employees	<i>(iv)</i>	(1,058)	1,058	–
Taxes and surcharges paid	<i>(iv)</i>	(290)	290	–
Cash outflow from other operating activities	<i>(iv)</i>	(736)	736	–
Profit before taxation	<i>(iv)</i>	–	252	252
Adjustments for:				
Amortisation of intangible assets	<i>(iv)</i>	–	20	20
Depreciation of right-of-use assets	<i>(iv)</i>	–	19	19
Depreciation of property, plant and equipment	<i>(iv)</i>	–	153	153
Finance costs	<i>(iv)</i>	–	83	83
Government grants related to assets recognised	<i>(iv)</i>	–	(34)	(34)
Impairment loss recognised in respect of financial assets	<i>(iv)</i>	–	276	276
Interest income	<i>(iv)</i>	–	(104)	(104)
Loss on disposal of property, plant and equipment	<i>(iv)</i>	–	1	1
Provision for warranty	<i>(iv)</i>	–	76	76
Share of results of associates and joint ventures	<i>(iv)</i>	–	(8)	(8)
Write-down of inventories	<i>(iv)</i>	–	35	35
Others	<i>(iv)</i>	–	61	61

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Operating cash flows before movements in working capital	<i>(iv)</i>	–	830	830
Settlement of derivative financial instruments	<i>(iv)</i>	–	20	20
Increase in inventories	<i>(iv)</i>	–	(934)	(934)
Increase in trade and bills receivables	<i>(iv)</i>	–	(246)	(246)
Increase in other receivables, deposits and prepayments	<i>(iv)</i>	–	(32)	(32)
Increase in trade and bills payables	<i>(iv)</i>	–	442	442
Increase in other payables	<i>(iv)</i>	–	88	88
Increase in contract liabilities	<i>(iv)</i>	–	74	74
Decrease in provision for warranty	<i>(iv)</i>	–	(60)	(60)
Increase in deferred income	<i>(iv)</i>	–	10	10
Cash generated from operations	<i>(iv)</i>	–	192	192
Overseas income tax paid		–	(3)	(3)
PRC income tax paid	<i>(iv)</i>	–	(43)	(43)
NET CASH FROM OPERATING ACTIVITIES		<u>190</u>	<u>(44)</u>	<u>146</u>
INVESTING ACTIVITIES				
Interest received	<i>(iv)</i>	–	104	104
Cash receipt from disposal of investments	<i>(iv)</i>	100	(100)	–
Cash receipt from investments	<i>(iv)</i>	19	(19)	–
Payments for acquisition of fixed assets, intangible assets and other long-term assets	<i>(iv)</i>	(267)	267	–
Purchase of and deposit paid for property, plant and equipment	<i>(iv)</i>	–	(267)	(267)
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	<i>(iv)</i>	9	(9)	–
Proceeds on disposal of property, plant and equipment	<i>(iv)</i>	–	9	9
Placement of pledged and restricted bank deposits	<i>(iv)</i>	–	(104)	(104)
Withdrawal of pledged and restricted bank deposits	<i>(iv)</i>	–	199	199
Net cash inflow from disposal of subsidiaries and other investments	<i>(iv)</i>	143	(143)	–

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
Payment on investments	<i>(iv)</i>	(181)	181	–
Other investing cash flows	<i>(iv)</i>	–	84	84
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(177)	202	25
FINANCING ACTIVITIES				
Distribution of dividends or profits and payments for interest expenses	<i>(iv)</i>	(123)	123	–
Dividends paid	<i>(iv)</i>	–	(108)	(108)
Interest paid	<i>(iv)</i>	–	(63)	(63)
Cash received from other financing activities	<i>(iv)</i>	265	(265)	–
Cash paid for other financing activities	<i>(iv)</i>	(192)	192	–
New borrowings raised		2,266	–	2,266
Repayments of borrowings		(2,075)	–	(2,075)
Payments of lease liabilities	<i>(iv)</i>	–	(21)	(21)
Other financing cash flows	<i>(iv)</i>	–	58	58
NET CASH FROM FINANCING ACTIVITIES		141	(84)	57
NET INCREASE IN CASH AND CASH EQUIVALENTS		154	74	228
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<i>(iv)</i>	3,196	(74)	3,122
Effect of foreign exchange rate changes		(25)	–	(25)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		3,325	–	3,325

(g) Line-by-line reconciliations on the consolidated income statement of Skyworth Digital for the year ended 31 December 2022

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Revenue		12,009	–	12,009
Cost of sales		<u>(9,887)</u>	<u>–</u>	<u>(9,887)</u>
Gross profit		2,122	–	2,122
Tax surcharge	<i>(ii)</i>	(32)	32	–
Selling and distribution expenses		(604)	–	(604)
General and administrative expenses	<i>(ii)</i>	(215)	(46)	(261)
Research and development expenses		(621)	–	(621)
Finance costs	<i>(ii)</i>	71	(130)	(59)
Other income	<i>(ii)</i>	170	133	303
Other gains and losses	<i>(ii), (iii)</i>	–	(134)	(134)
Gain/loss on investment	<i>(ii)</i>	(7)	7	–
Share of results on associates and joint ventures	<i>(ii)</i>	–	2	2
Impairment loss recognised in respect of financial assets		40	–	40
Loss on fair value change	<i>(ii)</i>	6	(6)	–
Impairment loss on assets	<i>(ii)</i>	(34)	34	–
Loss on disposal of assets	<i>(ii)</i>	(1)	1	–
Non-operating income	<i>(ii)</i>	3	(3)	–
Non-operating outlay	<i>(ii)</i>	<u>(14)</u>	<u>14</u>	<u>–</u>
Profit before taxation		884	(96)	788
Income tax expense		<u>(78)</u>	<u>–</u>	<u>(78)</u>
Profit for the year		<u><u>806</u></u>	<u><u>(96)</u></u>	<u><u>710</u></u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Other comprehensive expense <i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations		(33)	–	(33)
Total comprehensive income		<u>773</u>	<u>(96)</u>	<u>677</u>
Profit (loss) attributable to:				
– Shareholders of Skyworth Digital		823	(96)	727
– Non-controlling interests		<u>(17)</u>	<u>–</u>	<u>(17)</u>
		<u><u>806</u></u>	<u><u>(96)</u></u>	<u><u>710</u></u>
Total comprehensive income (expense) for the year attributable to:				
– Shareholders of Skyworth Digital		789	(96)	693
– Non-controlling interests		<u>(16)</u>	<u>–</u>	<u>(16)</u>
		<u><u>773</u></u>	<u><u>(96)</u></u>	<u><u>677</u></u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

(h) Line-by-line reconciliations on the consolidated balance sheet of Skyworth Digital as at 31 December 2022

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
Non-current Assets				
Long-term equity investments	<i>(ii)</i>	117	(117)	–
Interest in associates		–	117	117
Other non-current financial assets	<i>(ii)</i>	50	(50)	–
Financial assets at FVTPL	<i>(ii)</i>	–	50	50
Fixed assets	<i>(ii)</i>	681	(681)	–
Property, plant and equipment	<i>(ii)</i>	–	976	976
Construction in progress	<i>(ii)</i>	64	(64)	–
Right-of-use assets		29	–	29
Intangible assets	<i>(ii)</i>	283	(283)	–
Other intangible assets	<i>(ii)</i>	–	88	88
Goodwill		92	–	92
Long term deferred expenses	<i>(ii)</i>	36	(36)	–
Deferred tax assets		165	–	165
Other non current assets		24	–	24
		<u>1,541</u>	<u>–</u>	<u>1,541</u>
Current Assets				
Bank balances and cash	<i>(ii)</i>	3,997	(109)	3,888
Pledged and restricted bank deposits	<i>(ii)</i>	–	59	59
Derivative financial instruments	<i>(ii)</i>	1	(1)	–
Financial assets at FVTPL	<i>(ii)</i>	–	1	1
Trade and bills receivables	<i>(ii)</i>	–	3,199	3,199
Trade receivables	<i>(ii)</i>	2,991	(2,991)	–
Bills receivables	<i>(ii)</i>	208	(208)	–
Other receivables, deposits and prepayments	<i>(ii)</i>	–	382	382
Prepayments	<i>(ii)</i>	107	(107)	–
Other receivables	<i>(ii)</i>	147	(147)	–
Inventories		1,738	–	1,738
Other current assets	<i>(ii)</i>	78	(78)	–
		<u>9,267</u>	<u>–</u>	<u>9,267</u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Current Liabilities				
Bank borrowings		681	–	681
Trade and bills payables	<i>(ii)</i>	–	3,092	3,092
Trade payables	<i>(ii)</i>	2,314	(2,314)	–
Bills payables	<i>(ii)</i>	778	(778)	–
Receipts in advance	<i>(ii)</i>	1	(1)	–
Contract liabilities	<i>(ii)</i>	93	–	93
Wages and salaries payables	<i>(ii)</i>	250	(250)	–
Tax liabilities		34	–	34
Other payables	<i>(ii)</i>	385	269	654
Non-current liabilities maturing within one year	<i>(ii)</i>	18	(18)	–
Provision for warranty	<i>(ii)</i>	–	77	77
Other current liabilities	<i>(ii)</i>	77	(77)	–
Other financial liabilities	<i>(ii)</i>	–	10	10
Derivative financial instruments	<i>(ii)</i>	10	(10)	–
Deferred income	<i>(ii)</i>	–	2	2
		<u>4,641</u>	<u>2</u>	<u>4,643</u>
Net Current Assets		<u>4,626</u>	<u>(2)</u>	<u>4,624</u>
Total Assets less Current Liabilities		<u>6,167</u>	<u>(2)</u>	<u>6,165</u>
Non-current Liabilities				
Long-term borrowings		31	–	31
Lease liabilities		14	–	14
Provision		30	–	30
Deferred income	<i>(ii)</i>	67	(2)	65
Deferred tax liabilities		2	–	2
Other payables		10	–	10
		<u>154</u>	<u>(2)</u>	<u>152</u>
NET ASSETS		<u><u>6,013</u></u>	<u><u>–</u></u>	<u><u>6,013</u></u>

	<i>Note</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Capital and Reserves				
Share capital		1,150	–	1,150
Reserves	(i)	<u>4,849</u>	<u>–</u>	<u>4,849</u>
Equity attributable to owners of the Company		5,999	–	5,999
Non-controlling interests		<u>14</u>	<u>–</u>	<u>14</u>
		<u><u>6,013</u></u>	<u><u>–</u></u>	<u><u>6,013</u></u>

APPENDIX IV FINANCIAL INFORMATION OF SKYWORTH DIGITAL

(i) Line-by-line reconciliations on the consolidated statement of cash flows of Skyworth Digital for the year ended 31 December 2022

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital RMB million	Adjustments RMB million	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies RMB million
OPERATING ACTIVITIES				
Cash inflow from sales of commodities and rendering of services	<i>(iv)</i>	13,313	(13,313)	–
Taxes and surcharges refunded	<i>(iv)</i>	516	(516)	–
Cash received from other operating activities	<i>(iv)</i>	269	(269)	–
Payments for commodities and services	<i>(iv)</i>	(10,347)	10,347	–
Cash paid to and for employees	<i>(iv)</i>	(1,112)	1,112	–
Taxes and surcharges paid	<i>(iv)</i>	(265)	265	–
Cash outflow from other operating activities	<i>(iv)</i>	(764)	764	–
Profit before taxation	<i>(iv)</i>	–	788	788
Adjustments for:				
Amortisation of intangible assets	<i>(iv)</i>	–	21	21
Depreciation of right-of-use assets	<i>(iv)</i>	–	21	21
Depreciation of property, plant and equipment	<i>(iv)</i>	–	147	147
Finance costs	<i>(iv)</i>	–	59	59
Government grants related to assets recognised	<i>(iv)</i>	–	(22)	(22)
Impairment loss recognised in respect of financial assets	<i>(iv)</i>	–	(40)	(40)
Interest income	<i>(iv)</i>	–	(130)	(130)
Loss on disposal of property, plant and equipment	<i>(iv)</i>	–	1	1
Provision for warranty	<i>(iv)</i>	–	75	75
Share of results of associates and joint ventures	<i>(iv)</i>	–	(3)	(3)
Write-down of inventories	<i>(iv)</i>	–	34	34
Others	<i>(iv)</i>	–	97	97

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Operating cash flows before movements in working capital	<i>(iv)</i>	–	1,048	1,048
Settlement of derivative financial instruments	<i>(iv)</i>	–	(26)	(26)
Increase in inventories	<i>(iv)</i>	–	411	411
Increase in trade and bills receivables	<i>(iv)</i>	–	485	485
Increase in other receivables, deposits and prepayments	<i>(iv)</i>	–	1	1
Increase in trade and bills payables	<i>(iv)</i>	–	(367)	(367)
Increase in other payables	<i>(iv)</i>	–	202	202
Increase in contract liabilities	<i>(iv)</i>	–	(115)	(115)
Decrease in provision for warranty	<i>(iv)</i>	–	(53)	(53)
Increase in deferred income	<i>(iv)</i>	–	11	11
Cash generated from operations	<i>(iv)</i>	–	1,597	1,597
Overseas tax paid	<i>(iv)</i>	–	(4)	(4)
PRC income tax paid	<i>(iv)</i>	–	(51)	(51)
NET CASH FROM OPERATING ACTIVITIES		<u>1,610</u>	<u>(68)</u>	<u>1,542</u>
Interest received	<i>(iv)</i>	–	130	130
Cash receipt from disposal of investments	<i>(iv)</i>	4	–	4
Cash receipt from of investments	<i>(iv)</i>	33	(33)	–
Purchase of and deposit paid for property, plant and equipment	<i>(iv)</i>	(194)	194	–
Proceeds on disposal of property, plant and equipment	<i>(iv)</i>	3	–	3
Placement of pledged and restricted bank deposits	<i>(iv)</i>	–	(39)	(39)
Withdrawal of pledged and restricted bank deposits	<i>(iv)</i>	–	91	91
Payment on investments	<i>(iv)</i>	(4)	4	–
Other investing cash flows	<i>(iv)</i>	5	(206)	(201)
NET CASH USED IN INVESTING ACTIVITIES		<u>(153)</u>	<u>141</u>	<u>(12)</u>

	<i>Notes</i>	Unadjusted Financial Information of Skyworth Digital <i>RMB million</i>	Adjustments <i>RMB million</i>	Adjusted Financial Information of Skyworth Digital under the Group's Accounting Policies <i>RMB million</i>
Distribution of dividends or profits and payments for interest expenses	<i>(iv)</i>	(134)	134	–
Dividends paid	<i>(iv)</i>	–	(106)	(106)
Interest paid	<i>(iv)</i>	–	(61)	(61)
Repurchase of own shares of Skyworth Digital	<i>(iv)</i>	–	(125)	(125)
Cash received from other financing activities	<i>(iv)</i>	134	(134)	–
Cash paid for other financing activities	<i>(iv)</i>	(230)	230	–
New borrowings raised		1,294	–	1,294
Repayments of borrowings		(1,980)	–	(1,980)
Payments of lease liabilities	<i>(iv)</i>	–	(20)	(20)
Other financing cash flows	<i>(iv)</i>	–	9	9
NET CASH USED IN FINANCING ACTIVITIES		<u>(916)</u>	<u>(73)</u>	<u>(989)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		541	–	541
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,325	–	3,325
Effect of foreign exchange rate changes		<u>22</u>	<u>–</u>	<u>22</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		<u><u>3,888</u></u>	<u><u>–</u></u>	<u><u>3,888</u></u>

The following reclassifications and adjustments are recorded to align the classifications and thereafter, measurement, of the respective amounts of the relevant financial line items shown in the consolidated income statements and the consolidated balance sheets of Skyworth Digital to those of the consolidated statements of comprehensive income and the consolidated statements of profit or loss and other financial position of the Group:

- (i) Recognition of change in fair value of derivative component of convertible bonds in profit or loss as per the Group's accounting policies, which, per Skyworth Digital's accounting policies, is recognised in equity at initial recognition, with no subsequent changes in the fair value being recognised in profit or loss of Skyworth Digital's financial statements;
- (ii) Reclassification of various financial line items of Skyworth Digital to align with the presentation of those financial line items in the consolidated financial statements of the Group;
- (iii) Adjustment related to mandatory redemption of the convertible bonds, which per Skyworth Digital's accounting policies, the derivative component is recognised in equity at initial recognition and the remaining component is classified as financial liabilities at amortised cost in the consolidated balance sheet of Skyworth Digital's books; and
- (iv) Adjustments related to conversion of consolidated statement of cash flows from reporting operating activities using the direct method per Skyworth Digital's accounting policy to align with the accounting policy of the Group to present cash flows from operating activities using the indirect method.

Other than the reclassifications and adjustments set out in the Reconciliation Information above, there are no material differences between the consolidated financial statements for the Relevant Periods compared to such consolidated financial statements had they been prepared applying the accounting policies presently adopted by the Group.

BASIS OF PREPARATION

The Reconciliation Information for the Relevant Periods was prepared by making adjustments to the "Unadjusted Financial Information of Skyworth Digital" of Skyworth Digital as if it had been prepared in accordance with the accounting policies presently adopted by the Group for the Relevant Periods.

RECONCILIATION PROCESS

The Reconciliation Information has been prepared by the Directors by comparing the accounting policies adopted by Skyworth Digital for the preparation of Skyworth Digital consolidated financial statements for the Relevant Periods and the accounting policies adopted by the Group which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences. Your attention is drawn to the fact that the Reconciliation Information above has not been subject to an independent audit.

Deloitte was engaged by the Company to report on the Reconciliation Information in accordance with HKSAE 3000 issued by HKICPA on the Reconciliation Information. The work consisted primarily of:

- (i) comparing the “Unadjusted Financial Information of Skyworth Digital” of the Reconciliation Information above with the audited consolidated financial statements for the years ended 31 December 2020, 2021 and 2022 of Skyworth Digital, as set out in the “Skyworth Digital Historical Financial Information” section above;
- (ii) assessing the appropriateness of the adjustments made in arriving at the “Adjusted Financial Information of Skyworth Digital under the Group’s Accounting Policies” of the Reconciliation Information, which included identifying the material differences between the accounting policies adopted by Skyworth Digital and the accounting policies adopted by the Group for the years ended 31 December 2020, 2021 and 2022, as set out in the “Skyworth Digital Historical Financial Information” section above; and obtaining evidence supporting the adjustments made in arriving at the “Adjusted Financial Information of Skyworth Digital under the Group’s Accounting Policies”; and
- (iii) checking the arithmetic accuracy of the computation of the “Adjusted Financial Information of Skyworth Digital under the Group’s Accounting Policies” of the Reconciliation Information.

For the purposes of the engagement on the Reconciliation Information, Deloitte is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Reconciliation Information, nor has Deloitte, in the course of the engagement, performed an audit or review of the financial information used in compiling the Reconciliation Information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Deloitte did not express an audit opinion nor a review conclusion on the Reconciliation Information.

Accordingly, no opinion is expressed by Deloitte on whether it presents a true and fair view of Skyworth Digital’s financial positions as at 31 December 2020, 2021 and 2022, nor its results for the years ended 31 December 2020, 2021 and 2022 under the accounting policies presently adopted by the Group.

Deloitte’s engagement was intended solely for the use of the Directors in connection with this Offer Documents and may not be suitable for another purpose. Based on the work performed, Deloitte has concluded that:

- (a) the “Unadjusted Financial Information of Skyworth Digital” of the Reconciliation Information is in agreement with the audited consolidated financial statements of Skyworth Digital for the years ended 31 December 2020, 2021 and 2022, as set out in the “Skyworth Digital Historical Financial Information” section above;
- (b) the adjustments made in arriving at the “Adjusted Financial Information of Skyworth Digital under the Group’s Accounting Policies” of the Reconciliation Information reflect, in all material respects, the differences between the accounting policies adopted by Skyworth Digital and the accounting policies adopted by the Group for the years ended 31 December 2020, 2021 and 2022, as set out in the “Skyworth Digital Historical Financial Information” section above and the Group’s Accounting Policies; and
- (c) the computation of the “Adjusted Financial Information of Skyworth Digital under the Group’s Accounting Policies” of the Reconciliation Information above is arithmetically accurate.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial positions as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flow for the year ended 31 December 2022 of the Group (the “**Unaudited Pro Forma Financial Information**”) which have been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Offer, the Whitewash Waiver and the PRC MGO as if it had taken place on 31 December 2022 and 1 January 2022 respectively.

The Unaudited Pro Forma Financial Information has been prepared on the basis of the notes below based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position, financial results and cash flows of the Group that would have been attained had the Offer actually occurred on the dates indicated herein. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Group.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, financial results and cash flows of the Group had the Offer been completed on 31 December 2022 or 1 January 2022 where applicable, or at any future dates. The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the other financial information included elsewhere in the Offer Document.

For the purpose of the Unaudited Pro Forma Financial Information, the financial impact on the related transactions of the Offer have been derived by the Directors on the following assumptions:

- (i) Maximum Number of Shares stated in the Offer of the Company as of 31 December 2022 are repurchased from the Qualifying Shareholders as if the Offer had taken place on 31 December 2022 and 1 January 2022 respectively; and
- (ii) for scenario A, mandatory unconditional general cash offer for all the shares of Skyworth Digital has been rejected; for scenario B, mandatory unconditional general cash offer for all the shares of Skyworth Digital has been fully accepted and consequently there would be payment of the offer price of RMB15.02 per share of Skyworth Digital made by the Group to the shareholders of Skyworth Digital following the consummation of the Offer and Skyworth Digital becomes a wholly-owned subsidiary of the Company immediately after the PRC MGO.

Other assumptions and estimates underlying the unaudited pro forma adjustments set forth in the Unaudited Pro Forma Financial Information are described in the accompanying notes.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose, two sets of illustrative Unaudited Pro Forma Financial Information are presented, for the following scenarios:

(A) Acceptance of the Maximum Number of Offer and no acceptance of the PRC MGO

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	The Group as at 31 December 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of financial positions of the Group as at 31 December 2022
	<i>RMB million Note 1</i>	<i>RMB million Note 3(a)</i>	<i>RMB million Note 3(b)</i>	<i>RMB million Note 3(d)</i>	<i>RMB million</i>	
Non-current Assets						
Property, plant and equipment	7,888				7,888	
Right-of-use assets	2,541				2,541	
Deposits paid for purchase of property, plant and equipment	424				424	
Investment properties	1,410				1,410	
Goodwill	467				467	
Other intangible assets	101				101	
Interests in associates and joint ventures	287				287	
Financial assets at fair value through profit and loss ("FVTPL")	1,987				1,987	
Equity instruments at fair value through other comprehensive income ("FVTOCI")	1,410				1,410	
Loan receivables	289				289	
Deferred tax assets	877				877	
Other non-current assets	303				303	
	<u>17,984</u>				<u>17,984</u>	
Current Assets						
Inventories	8,947				8,947	
Stock of properties	7,349				7,349	
Financial assets at FVTPL	1,042				1,042	
Trade and bills receivables	10,056				10,056	
Other receivables, deposits and prepayments	5,884				5,884	
Loan receivables	489				489	
Prepaid tax	252				252	
Pledged and restricted bank deposits	3,353				3,353	
Cash and cash equivalents	9,054	(446)	(10)	(3)	<u>8,595</u>	
	46,426				45,967	

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 December 2022				Unaudited pro forma consolidated statement of financial positions of the Group as at 31 December 2022
	<i>RMB million</i> <i>Note 1</i>	Pro forma adjustments			
	<i>RMB million</i> <i>Note 3(a)</i>	<i>RMB million</i> <i>Note 3(b)</i>	<i>RMB million</i> <i>Note 3(d)</i>		<i>RMB million</i>
Current Liabilities					
Trade and bills payables	12,470				12,470
Other payables	7,611				7,611
Other financial liabilities	342				342
Lease liabilities	46				46
Contract liabilities	4,928				4,928
Provision	274				274
Deferred income	171				171
Tax liabilities	281				281
Bank borrowings	9,404				9,404
	<u>35,527</u>				<u>35,527</u>
Net Current Assets	<u>10,899</u>				<u>10,440</u>
Total Assets less Current Liabilities	<u><u>28,883</u></u>				<u><u>28,424</u></u>
Non-current Liabilities					
Other payables	118				118
Other financial liabilities	97				97
Lease liabilities	54				54
Provision	236				236
Deferred income	278				278
Bank borrowings	5,853				5,853
Deferred tax liabilities	353				353
	<u>6,989</u>				<u>6,989</u>
Net Assets	<u><u>21,894</u></u>				<u><u>21,435</u></u>
Capital and Reserves					
Share capital	266	(10)			256
Reserves	<u>17,601</u>	(436)	(10)	(3)	<u>17,152</u>
Equity attributable to owners of the Company	17,867				17,408
Non-controlling interests	<u>4,027</u>				<u>4,027</u>
	21,894				21,435

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

	The Group for the year ended 31 December 2022	Pro forma adjustments	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>Note 2</i>	<i>Note 3(d)</i>	
Revenue			
Sales of goods	52,889		52,889
Leases	539		539
Interest under effective interest method	63		63
Total revenue	53,491		53,491
Cost of sales	(45,284)		(45,284)
Gross profit	8,207		8,207
Other income	1,201		1,201
Other gains and losses	44		44
Selling and distribution expenses	(3,439)		(3,439)
General and administrative expenses	(1,654)	(3)	(1,657)
Research and development expenses	(2,116)		(2,116)
Finance costs	(432)		(432)
Share of results of associates and joint ventures	8		8
Profit before taxation	1,819		1,816
Income tax expense	(412)		(412)
Profit for the year	1,407		1,404
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	5		5
Fair value loss on trade receivables at FVTOCI	(3)		(3)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	(1)		(1)
	1		1

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group for the year ended 31 December 2022	Pro forma adjustments	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at FVTOCI	(576)		(576)
Income tax relating to item that will not be reclassified subsequently	<u>76</u>		<u>76</u>
	<u>500</u>		<u>500</u>
Other comprehensive expense for the year	<u>(499)</u>		<u>(499)</u>
Total comprehensive income for the year	<u><u>908</u></u>		<u><u>905</u></u>
Profit for the year attributable to:			
Owners of the Company	827	(3)	824
Non-controlling interests	<u>580</u>		<u>580</u>
	<u><u>1,407</u></u>		<u><u>1,404</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company	326	(3)	323
Non-controlling interests	<u>582</u>		<u>582</u>
	<u><u>908</u></u>		<u><u>905</u></u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF THE GROUP

	The Group for the year ended 31 December 2022	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2022
	<i>RMB million Note 2</i>	<i>RMB million Note 3(a)</i>	<i>RMB million Note 3(b)</i>	<i>RMB million Note 3(d)</i>	<i>RMB million</i>
OPERATING ACTIVITIES					
Profit before taxation	1,819			(3)	1,816
NET CASH FROM OPERATING ACTIVITIES	5,148				5,145
NET CASH USED IN INVESTING ACTIVITIES	(5,051)				(5,051)
FINANCING ACTIVITIES					
Dividends paid	(683)				(683)
Interest paid	(409)				(409)
Repurchase of own shares by a subsidiary of the Company	(126)				(126)
Repurchase of own shares by the Company	(400)	(446)	(10)		(856)
Exercise of share options	43				43
Purchase of shares for unvested shares under the share award scheme of the Company	(33)				(33)
New borrowings raised	12,672				12,672
Repayments of borrowings	(11,718)				(11,718)
Payments of lease liabilities	(65)				(65)
Redemption of corporate bonds	(876)				(876)
Other financing cash flows	(62)				(62)
NET CASH USED IN FINANCING ACTIVITIES	(1,657)				(2,113)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,560)				(2,019)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,611				10,611
Effect of foreign exchange rate changes	3				3
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	9,054				8,595

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(B) Acceptance of the Maximum Number of Offer and full acceptance of the PRC MGO

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	The Group as at 31 December 2022	Pro forma adjustments			Unaudited pro forma consolidated statement of financial positions of of the Group as at 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	<i>Note 3(d)</i>
Non-current Assets					
Property, plant and equipment	7,888				7,888
Right-of-use assets	2,541				2,541
Deposits paid for purchase of property, plant and equipment	424				424
Investment properties	1,410				1,410
Goodwill	467				467
Other intangible assets	101				101
Interests in associates and joint ventures	287				287
Financial assets at FVTPL	1,987				1,987
Equity instruments at FVTOCI	1,410				1,410
Loan receivables	289				289
Deferred tax assets	877				877
Other non-current assets	303				303
	17,984				17,984

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 December 2022					Unaudited pro forma consolidated statement of financial positions of the Group as at 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	Pro forma adjustments		<i>RMB million</i>	<i>RMB million</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	<i>Note 3(d)</i>	
Current Assets						
Inventories	8,947					8,947
Stock of properties	7,349					7,349
Financial assets at FVTPL	1,042					1,042
Trade and bills receivables	10,056					10,056
Other receivables, deposits and prepayments	5,884			(1,516)		4,368
Loan receivables	489					489
Prepaid tax	252					252
Pledged and restricted bank deposits	3,353					3,353
Cash and cash equivalents	9,054	(446)	(10)	-	(3)	8,595
	<u>46,426</u>					<u>44,451</u>
Current Liabilities						
Trade and bills payables	12,470					12,470
Other payables	7,611					7,611
Other financial liabilities	342					342
Lease liabilities	46					46
Contract liabilities	4,928					4,928
Provision	274					274
Deferred income	171					171
Tax liabilities	281					281
Bank borrowings	9,404					9,404
	<u>35,527</u>					<u>35,527</u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 December 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of financial positions of the Group as at 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	<i>Note 3(d)</i>	
Net Current Assets	<u>10,899</u>					<u>8,924</u>
Total Assets less current liabilities	<u><u>28,883</u></u>					<u><u>26,908</u></u>
Non-current Liabilities						
Other payables	118					118
Other financial liabilities	97					97
Lease liabilities	54					54
Provision	236					236
Deferred income	278					278
Bank borrowings	5,853					5,853
Loan from Mr. Wong	–			4,832		4,832
Deferred tax liabilities	<u>353</u>					<u>353</u>
	6,989					11,821
Net Assets	<u><u>21,894</u></u>					<u><u>15,087</u></u>
Capital and Reserves						
Share capital	266	(10)				256
Reserves	<u>17,601</u>	(436)	(10)	(3,501)	(3)	<u>13,651</u>
Equity attributable to owners of the Company	17,867					13,907
Non-controlling interests	<u>4,027</u>			(2,847)		<u>1,180</u>
	<u><u>21,894</u></u>					<u><u>15,087</u></u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME OF THE GROUP**

	The Group for the year ended 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022
	<i>RMB million Note 2</i>	<i>RMB million Note 3(c)</i>	<i>RMB million Note 3(d)</i>	<i>RMB million</i>
Revenue				
Sales of goods	52,889			52,889
Leases	539			539
Interest under effective interest method	63			63
Total revenue	53,491			53,491
Cost of sales	(45,284)			(45,284)
Gross profit	8,207			8,207
Other income	1,201			1,201
Other gains and losses	44			44
Selling and distribution expenses	(3,439)			(3,439)
General and administrative expenses	(1,654)		(3)	(1,657)
Research and development expenses	(2,116)			(2,116)
Finance costs	(432)	(186)		(618)
Share of results of associates and joint ventures	8			8
Profit before taxation	1,819			1,630
Income tax expense	(412)			(412)
Profit for the year	1,407			1,218
Other comprehensive income (expense)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	5			5
Fair value loss on trade receivables at FVTOCI	(3)			(3)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	(1)			(1)
	1			1

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group for the year ended 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022
	<i>RMB million Note 2</i>	<i>RMB million Note 3(c)</i>	<i>RMB million Note 3(d)</i>	<i>RMB million</i>
<i>Items that will not be reclassified to profit or loss:</i>				
Fair value loss on investments in equity instruments at FVTOCI	(576)			(576)
Income tax relating to item that will not be reclassified subsequently	<u>76</u>			<u>76</u>
	<u>500</u>			<u>500</u>
 Other comprehensive expense for the year	 <u>(499)</u>			 <u>(499)</u>
 Total comprehensive income for the year	 <u><u>908</u></u>			 <u><u>719</u></u>
 Profit for the year attributable to:				
Owners of the Company	827	205	(3)	1,029
Non-controlling interests	<u>580</u>	<u>(391)</u>		<u>189</u>
	<u><u>1,407</u></u>			<u><u>1,218</u></u>
 Total comprehensive income for the year attributable to:				
Owners of the Company	326	190	(3)	513
Non-controlling interests	<u>582</u>	<u>(376)</u>		<u>206</u>
	<u><u>908</u></u>			<u><u>719</u></u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF THE GROUP

	The Group for the year ended 31 December 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>Note 2</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	<i>Note 3(d)</i>	
OPERATING ACTIVITIES						
Profit before taxation	1,819			(186)	(3)	1,630
Adjustments for:						
Finance cost	432			186		618
NET CASH FROM OPERATING ACTIVITIES	5,148					5,145
NET CASH USED IN INVESTING ACTIVITIES	(5,051)					(5,051)
FINANCING ACTIVITIES						
Dividends paid	(683)					(683)
Interest paid	(409)					(409)
Repurchase of own shares by a subsidiary of the Company	(126)			(6,062)		(6,188)
Repurchase of own shares by the Company	(400)	(446)	(10)			(856)
Exercise of share options	43					43
Purchase of shares for unvested shares under the share award scheme of the Company	(33)					(33)
New borrowings raised	12,672					12,672
Drawdown of loan from Mr. Wong	-			6,062		6,062
Repayments of borrowings	(11,718)					(11,718)
Payments of lease liabilities	(65)					(65)
Redemption of corporate bonds	(876)					(876)
Other financing cash flows	(62)					(62)

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group for the year ended 31 December 2022	Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>Note 2</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	<i>Note 3(d)</i>
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,657)</u>				<u>(2,113)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,560)				(2,019)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>10,611</u>				<u>10,611</u>
Effect of foreign exchange rate changes	<u>3</u>				<u>3</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u><u>9,054</u></u>				<u><u>8,595</u></u>

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2022, as set out in the published announcement of annual results (audited) of the Group for the year ended 31 December 2022.
2. The figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flow of the Group for the year ended 31 December 2022, as set out in the published announcement of annual results (audited) of the Group for the year ended 31 December 2022.
3. The following pro forma adjustments have been made to the unaudited pro forma financial information assuming the Offer and the PRC MGO for the Company had taken place on 31 December 2022 for the consolidated statement of financial position and 1 January 2022 for the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flow respectively:
 - a) The estimated costs to be incurred under the Offer is approximately RMB446 million, which is calculated based on 100,000,000 Shares to be bought back at the offer price of HK\$5.00 per Share. Such estimated costs will be settled by cash and therefore the Offer will not have any effect on the liabilities of the Group as at 31 December 2022 and the net assets of the Group would decrease by approximately RMB446 million. The adjustment is non-recurring.
 - b) The adjustment represents the estimated legal fees, professional fees, and other transaction costs to be incurred by the Group of approximately RMB10 million directly attributable to the Offer. Such amount is recognised in equity and would be settled by cash on completion of Offer. The adjustment is non-recurring.
 - c) The estimated costs to be incurred under the PRC MGO is approximately RMB7,578 million, which is calculated based on 504,503,558 Skyworth Digital's shares to be bought back at the offer price of RMB15.02 per share. As represented by the management of the Group, such estimated costs will be settled by utilising the deposits placed in a bank account designated by the PRC regulators amounting to RMB1,516 million and interest free loan from Mr. Wong, amounting to RMB6,062 million respectively pursuant to the undertaking of Mr. Wong as described on pages 18 to 19 of the Offer Document. For the purpose of preparing the unaudited pro forma financial information, the interest-free loan from Mr. Wong of RMB6,062 million is drawn down on 31 December 2022 or 1 January 2022 and repayable on the fifth anniversary of the first drawdown date. The excess of the proceeds from the drawdown of the loan from Mr. Wong over the fair value of the loan of RMB4,832 million is capitalised as a contribution from Mr. Wong. Imputed interest is calculated using 3.85% per annum, which is determined by making reference to borrowing rate of existing unsecured loans made by the borrower as of 31 December 2022. The imputed interest will be recognised during the loan period without actual interest payment. It is assumed that relevant interest expenses are not tax-deductible. The adjustment on interest

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

expenses is recurring. Therefore, the PRC MGO would lead to increase in liabilities of the Group by RMB4,832 million and the net assets of the Group would decrease by approximately RMB6,348 million.

For the purpose of this unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022 for scenario (B) acceptance of the maximum number of the Offer and full acceptance of the PRC MGO, profit for the year and total comprehensive income for the year attributable to owners of Skyworth Digital for the year ended 31 December 2022 are entirely attributable to owners of the Company.

- d) The adjustment represents the estimated legal fees, professional fees, and other transaction costs to be incurred by the Group of approximately RMB3 million directly attributable to the PRC MGO. Such amount is therefore recognised in profit or loss and would be settled by cash on completion of the PRC MGO. The adjustment is non-recurring.
4. No adjustments have been made to the unaudited pro forma financial information to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2022 for the consolidated statement of financial position and 1 January 2022 for the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows respectively.
5. Unaudited pro forma net assets per Share for the two scenarios are as follows:

	Unaudited pro forma net assets attributable to the owners of the Company at 31 December 2022 <i>RMB million</i>	Total number of outstanding shares as at 31 December 2022	Less: Shares held for the Company's share award scheme	Less: Number of shares buyback in the Offer	Pro forma number of outstanding shares as at 31 December 2022	Pro forma net assets attributable to the owners of the Company per Share <i>RMB</i>	Unaudited pro forma net assets of the Group as at 31 December 2022 <i>RMB million</i>	Unaudited pro forma net assets per Share <i>RMB</i>
Acceptance of the Maximum Number of Offer and no acceptance of the PRC MGO	17,408	2,585,201,420	(41,000,000)	(100,000,000)	2,444,201,420	7.12	21,435	8.77
Acceptance of the Maximum Number of Offer and full acceptance of the PRC MGO	13,907	2,585,201,420	(41,000,000)	(100,000,000)	2,444,201,420	5.69	15,087	6.17

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

6. Unaudited pro forma earnings per Share for the two scenarios are as follows:

	Unaudited pro forma net profit attributable to the owners of the Company for the year ended 31 December 2022	Weighted average number of ordinary shares for the purpose of basic earnings per share	Less: Number of shares buyback in the Offer	Unaudited pro forma weighted average number of ordinary shares for the purpose of basic earnings per Share	Unaudited pro forma basic earnings per Share for the year ended 31 December 2022
	<i>RMB million</i>				<i>RMB cents</i>
Acceptance of the Maximum Number of Offer and no acceptance of the PRC MGO	824	2,586,593,994	(100,000,000)	2,486,593,994	33.14
Acceptance of the Maximum Number of Offer and full acceptance of the PRC MGO	1,029	2,586,593,994	(100,000,000)	2,486,593,994	41.38

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.

德勤

To the Directors of Skyworth Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Skyworth Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 December 2022, the unaudited pro forma statement of profit or loss and other comprehensive income and the unaudited pro forma statement of cash flows for the year ended 31 December 2022 and related notes as set out on pages V-1 to V-16 of Appendix V to the offer document issued by the Company dated 14 April 2023 (the “**Offer Document**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page V-1 of the Offer Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the conditional cash offer by CLSA Limited on behalf of the Company to buy-back up to 100,000,000 shares of the Company at HK\$5.0 per share on the Group’s financial position as at 31 December 2022 and the Group’s financial performance and cash flows for the year ended 31 December 2022 as if the event had taken place at 31 December 2022 and 1 January 2022 respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s published announcement of annual results (audited) for the year ended 31 December 2022.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by HKICPA.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 or 1 January 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

14 April 2023

The following is the full text of the letter, summary of values and valuation reports, prepared for the purpose of incorporation in this circular received from ValQuest Advisory (Hong Kong) Limited, an independent valuer, in connection with the valuations of the properties held by Skyworth Group Limited and/or its subsidiaries as of 31 January 2023.

ValQuest Advisory (Hong Kong) Limited

Unit 706, 7/F
Podium Plaza,
5 Hanoi Road, Tsim Sha Tsui, Kowloon,
Hong Kong SAR
Tel: +852 2180 6460

www.valquestadv.com



14 April 2023

**The Board of Directors
Skyworth Group Limited**

Room 1601-04, 16th Floor
Westlands Centre
No. 20 Westlands Road
Quarry Bay
Hong Kong

**Re: Valuations of properties located in the Mainland China, Hong Kong, Indonesia,
South Africa, Ukraine and Denmark****Instructions,
purpose and
valuation date**

We refer to the instructions from Skyworth Group Limited (the “**Company**”) to value all the properties (the “**Properties**”) held by the Company and/or its subsidiaries (hereinafter together referred to as the “**Group**”) located in the aforesaid locations (as more particularly described in the attached valuation reports), we confirm that we have carried out site inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as of 31 January 2023 (the “**Valuation Date**”).

Basis of value

The property interests were valued on the basis of “market value” which is defined under The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (HKIS) as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

We confirm that the valuations and reports were undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; The HKIS Valuation Standards 2020 (effective from 31 January 2020) published by HKIS; The RICS Valuation – Global Standards incorporating the IVSC International Valuation Standards (effective from 31 January 2022) published by the Royal Institution of Chartered Surveyors; and Rule 11 of the Code on Takeovers and Mergers published by the Securities and Futures Commission.

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020 has affected global financial markets. Our valuations are reported on the basis of ‘material valuation uncertainty’ as per “VPS3 Valuation Reports” and “VPGA10 Matters that may give Rise to Material Valuation Uncertainty” of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate markets, we recommend the instructing party keep the valuations of the property interests under frequent review.

General valuation assumptions

In the course of our valuations, we have assumed that transferrable land use rights or land title have been granted to the Properties with nominal annual land use fees or ground rents, and that all requisite land premium has been fully settled. The owners of the Properties possess legal and enforceable title to the Properties, and has free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired land tenure.

We have further assumed that all consents, approvals and licenses from the relevant government authorities for the development of the Properties have been obtained, and that the design, construction and occupation of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities. In addition, for those Properties which were either (partly) under construction or vacant sites as of the Valuation Date, we have assumed that these Properties would be developed and constructed in accordance with the approved development schemes by the relevant government authorities and provided to us by the Group.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

**Valuation
methodologies**

We have valued those Properties interests in Groups I, III, IV, VII, VIII and IX (except for those specified below) using the direct comparison method by making reference to comparable sales evidences available in the local market, and with adjustments to reflect the differences between the subject properties and the comparables in terms of various factors such as transaction timing, location, floor level and view etc. We have also considered the outstanding construction costs to complete the development for those Properties which were under development as of the Valuation Date.

In valuing those Properties in Groups II and V which are held by the Group in Mainland China and Hong Kong for investment purpose, we have valued these Properties using the income capitalisation method by capitalising the rental income of the property interests (based on the tenancy schedules handed to us by the Group) and have made provisions for the Properties' reversionary income potential. We have also made reference to comparable sales evidence as available in the market where applicable.

For the remaining Properties in Group I (i.e., property nos. 1, 3, 6, 9, 10, 32, 35, 36, 37 and 41) and Group VI, due to the specific nature of the buildings and structures of these Properties which there is no readily identifiable market comparable sale or rental data, we have valued these Properties using the depreciated replacement cost method.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the values of the land portion, reference has been made to the sales evidence as available in the subject localities. The depreciated replacement cost of the Properties is subject to adequate potential profitability of the business.

**Source of
information**

We have relied to a considerable extent on the information provided by the Group in respect of the Properties, and have accepted advice on such matters as identification of the Properties, land use rights and land tenure, site areas, floor areas, year of completion, occupancy status, tenancy details, planning approvals, statutory notices, easements, development schemes, construction costs and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information furnished to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title investigation

We have caused land searches to be made at the Hong Kong Land Registry for the Hong Kong properties valued, and have been provided by the Group with extracts of title documents relating to the Properties in Mainland China, Indonesia, South Africa, Ukraine and Denmark. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us by the Group. In the course of our valuation, we have relied on the information given by the Group and the legal opinion of its legal advisers concerning the title and other legal matters relating to the Properties in the relevant locations:

- Global Law Office (dated 24 February 2023) for the properties located in Mainland China;
- Guido Hidayanto & Partners Law Firm (dated 21 February 2023) for the property located in Indonesia;
- Burrows Attorneys (dated 22 December 2022) for the property located in South Africa; and

- Grata International Beijing (dated 22 December 2022) for the property located in Ukraine.

Site inspection

We have inspected the exterior and, where possible, the interior of the Properties. During the course of our inspections, we noted that the Properties appeared to be in a generally reasonable state of repair commensurate with their ages and uses. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are, however, unable to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurements to verify the correctness of the site areas in respect of the Properties, but have assumed that the site areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

**Currency &
exchange rates**

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB). The exchange rates adopted in our valuations are approximately Renminbi (RMB)1 =

- Hong Kong Dollar (HK\$) 1.09;
- Indonesian Rupiah (IDR) 2,200;
- South African Rand (ZAR) 2.38;
- Ukraine Hryvnia (UAH) 5.2; and
- Danish Krone (DKK) 1.00.

which were approximately the prevailing exchange rates as of the Valuation Date.

Remarks

According to the information provided by the Group, for those Properties located in Hong Kong (Groups IV and V), South Africa (Group VII) and Denmark (Group IX), the taxes arising from transfer of properties are mainly stamp taxes which are normally borne by the purchasers.

For the Properties in Mainland China (Groups I to III), the potential tax liabilities to property owners upon disposal of properties mainly include land appreciation tax (at progressive rates from 30% to 60% depending on the appreciation amount) and the corporate income tax (at 25% on the gain).

For the Properties in Indonesia (Group VI) and Ukraine (Group VIII), the property owners would need to bear corporate income tax (at 2.5% of selling price for Indonesia; and 5% (local entities or legal person) and 18% (foreign entities or person) for Ukraine) upon disposal of the properties.

**Confirmation of
independence**

We hereby confirm that ValQuest Advisory (Hong Kong) Limited and the undersigned have no pecuniary or other interests that would conflict with the proper valuations of the Properties, or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; and Note to Rule 11 of the Code on Takeovers and Mergers.

Our valuations are summarised below and the valuation reports are attached.

Yours faithfully,
for and on behalf of
ValQuest Advisory (Hong Kong) Limited
Norris Z. Y. Nie
MCIREA MRICS MHKIS
Managing Director

Note: Mr. Norris Nie is a member of the China Institute of Real Estate Appraiser, a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 25 years of experience in the professional property valuation and advisory services in the Mainland China, Hong Kong and other overseas countries.

SUMMARY OF VALUES

Group I – Properties held by the Group for self-occupation in Mainland China

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
1.	Portion of an industrial facility located at No. 539 Tengfei Second Road Southwest Airport Economic Development Zone Shuangliu County Chengdu City Sichuan Province The People's Republic of China	14,700,000	100%	14,700,000	16,000,000
2.	Units 2001 to 2008 of Level 20 Block 2 of Tower 1 No. 229 Dong Street Zhiquan Section Jinjiang District Chengdu City Sichuan Province The People's Republic of China	14,400,000	100%	14,400,000	15,700,000
3.	A commercial development located at No. 888 Yongle Road Shizi Town Quanjiao County Chuzhou City Anhui Province The People's Republic of China	51,600,000	100%	51,600,000	56,200,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
4.	Portion of Skyworth Semiconductor Design Tower located at Hi-tech South Forth Road Nanshan District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
5.	Skyworth Overseas Development Tower located in Qianhai Shenzhen-Hongkong Cooperation Zone Nanshan District Shenzhen City Guangdong Province The People's Republic of China	2,266,200,000	100%	2,266,200,000	2,470,200,000
6.	Portion of Phase 1, and Phase 2 of an industrial facility located at East of Fenge Avenue and West of Wei Fifth Road Shizi Town Quanjiao County Chuzhou City Anhui Province The People's Republic of China	509,700,000	100%	509,700,000	555,600,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
7.	Unit 05 on Level 6 and Unit 06 on Level 7 No. 82 of No. 1 Cuizhu Street Zhengzhou Hi-tech Industries Development Zone Zhengzhou City Henan Province The People's Republic of China	7,280,000	80%	5,824,000	6,350,000
8.	Unit 0506 of Block 3 Qicheng Dushi Apartment Junction of Changsheng Street and Dayun Road Taiyuan Development Zone Taiyuan City Shanxi Province The People's Republic of China	1,990,000	80%	1,592,000	1,740,000
9.	Portion of an industrial facility located at No. 96 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	706,400,000	75%	529,800,000	577,500,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
10.	Portion of an industrial facility located at West of Chuangxin Middle Road and North of Yangguang Avenue Shaerqin Industrial Zone Saihan District Huhhot City Inner Mongolia The People's Republic of China	159,000,000	100%	159,000,000	173,300,000
11.	Unit 203 of Block A and Unit 301 of Block D of South Tower and Unit 201 of Block B and Unit 501 of Block F of North Tower Changchun Dushi Haoting Linqun Road Xinzhan District Hefei City Anhui Province The People's Republic of China	7,450,000	100%	7,450,000	8,120,000
12.	Unit 605 of Block No. 9 No. 67 Chaoyang Road Chaoyang District Beijing The People's Republic of China	10,400,000	100%	10,400,000	11,300,000

No.	Property	Market value	Interest	Market value	Market value
		in existing state as of 31 January 2023 <i>RMB</i>	attributable to the Group	in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
13.	Units 408, 410, 412 to 419 and 421 No. 18 Yannan Road Lanzhou Hi-Tech Industry Development Zone Chengguan District Lanzhou City Gansu Province The People's Republic of China	8,880,000	100%	8,880,000	9,680,000
14.	Rooms 806 and 808 of Main Building No. 111 Kexue Avenue Guangzhou Hi-Tech Industry Development Zone Huangpu District Guangzhou City Guangdong Province The People's Republic of China	4,350,000	100%	4,350,000	4,740,000
15.	Various units of Block 61 Songping Village Nanshan District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
16.	Portion of Skyworth Tower located at South of Shennan Avenue Nanshan District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
17.	Various units of Block 4 of East Zone Huangmugang Futian District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
18.	Various office units of Qunsheng Millennium Plaza East of Chengxin Road Guanshanhu District Guiyang City Guizhou Province The People's Republic of China	2,370,000	100%	2,370,000	2,580,000
19.	Various units of Block A Hongguan-shangwu No. 245 Tianshan Avenue High-tech Zone Shijiazhuang City Hebei Province The People's Republic of China	7,730,000	100%	7,730,000	8,430,000
20.	Units 514 and 628 of Block A Fangyuan-chuangshi No. 105 Zijingshan South Road Guancheng Huizu District Zhengzhou City Henan Province The People's Republic of China	4,320,000	100%	4,320,000	4,710,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
21.	Various units of Block 71 No. 508 Xinyang Road Daoli District Harbin City Heilongjiang Province The People's Republic of China	7,760,000	100%	7,760,000	8,460,000
22.	Units 1 to 24 on Level 4 of SOHO Block B Gemdale Megr City No. 1335 Renhe Road Hongshan District Wuhan City Hubei Province The People's Republic of China	11,200,000	100%	11,200,000	12,200,000
23.	Various office units on Level 10 of Dongyi Shiqu Commercial Building No. 38 Renmin East Road Yuhua District Changsha City Hunan Province The People's Republic of China	7,150,000	100%	7,150,000	7,790,000
24.	Various units of Huaerzi Building No. 150 Xi'an Avenue Luyuan District Changchun City Jilin Province The People's Republic of China	5,670,000	100%	5,670,000	6,180,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
25.	Units 322 and 323 No. 186-1 Jiangdong Middle Road Jianye District Nanjing City Jiangsu Province The People's Republic of China	8,730,000	100%	8,730,000	9,520,000
26.	Various units of Block 1 No. 22 Beihai Street Dadong District Shenyang City Liaoning Province The People's Republic of China	7,380,000	100%	7,380,000	8,040,000
27.	Various office units on Level 8 of Wangjing International Building located at East of Weiyang Road and South of Changqing First Road Weiyang District Xi'an City Shaanxi Province The People's Republic of China	10,700,000	100%	10,700,000	11,700,000
28.	Units 1001 and 1006 on Level 10 Block 1 of No. 2 Xinqu Road Hedong District Tianjin The People's Republic of China	7,110,000	100%	7,110,000	7,750,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
29.	Portion of Level 1 and Level 2 No. 64 Baishihang Xiacheng District Hangzhou City Zhejiang Province The People's Republic of China	4,610,000	100%	4,610,000	5,020,000
30.	Level 3 CITIC Bank Tower No. 3 Honghuang Road Jiangbei District Chongqing The People's Republic of China	13,700,000	100%	13,700,000	14,900,000
31.	Portion of Skyworth Digital Tower Songbai Road Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	247,800,000	51%	126,378,000	137,800,000
32.	Portion of an industrial facility located at No. 36 Feilong Road National Economic and Technology Development Zone Suining City Sichuan Province The People's Republic of China	132,400,000	100%	132,400,000	144,300,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
33.	Units 1401 and 1402 on Level 14 Block 2 of Tower 18 Xinzhong Street Dongcheng District Beijing The People's Republic of China	10,500,000	100%	10,500,000	11,400,000
34.	Various units of Block A of Tower 1 West zone of Phase 3 Nansongping Village Baoshen Road Nanshan District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
35.	Portion of an industrial facility located at No. 100 of Zone 1 of Economic Development Zone Yichun City Jiangxi Province The People's Republic of China	175,900,000	100%	175,900,000	191,700,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
36.	Portion of an industrial facility located at No. 88 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	317,000,000	100%	317,000,000	345,500,000
37.	An industrial facility located in Chuangke Industrial Park Baolong Industrial City Longgang District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
38.	Units 401 and 415 of Block 8A North and Units 301 to 304 of Block 3D No. 88 Xihu East Road Houqiao Street Xishan District Wuxi City Jiangsu Province The People's Republic of China	3,250,000	70%	2,275,000	2,480,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
39.	Portion of Skyworth Technology Industrial Park Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
40.	A proposed industrial facility located at West of Gaige Avenue and North of Rencai Avenue New Energy, Materials and Intelligent Chip Park Knowledge City Huangpu District Guangzhou City Guangdong Province The People's Republic of China	1,828,400,000	100%	1,828,400,000	1,993,000,000
41.	An industrial facility located at No. 295 Xinggang Road Yanjiang Development Zone Jiangdu District Yangzhou City Jiangsu Province The People's Republic of China	151,900,000	80%	121,520,000	132,500,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
42.	A proposed industrial facility located at Wucun River Eastern Region Zhongkai Tonghu Ecological Intelligent Zone Huizhou City Guangdong Province The People's Republic of China	1,044,200,000	51%	532,542,000	580,500,000
43.	An industrial facility located at No. 10 Saida 3rd Branch Road Xiqing Economic Development District Tianjin The People's Republic of China	90,200,000	49%	44,198,000	48,200,000
44.	A proposed industrial facility located at Zone C of Heshan Industrial City Heshan Jiangmen City Guangdong Province The People's Republic of China	228,400,000	80%	182,720,000	199,200,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 <i>HKD</i>
45.	Skyworth Wuhan Mini LED Display Technology Business Project located at South of Tuanjie Avenue and East of Xincheng 18th Road Dongxihu District Wuhan City Hubei Province The People's Republic of China	361,300,000	100%	361,300,000	393,800,000
46.	A proposed industrial facility located at Tongqiao Town Zhongkai Gaoxin District Huizhou City Guangdong Province The People's Republic of China	91,400,000	80%	73,120,000	79,700,000
47.	An industrial facility located at No. 80 Nanhua Road Chenjiang Street Zhongkai Gaoxin District Huizhou City Guangdong Province The People's Republic of China	115,900,000	51%	59,109,000	64,400,000
Sub-total:		<u>8,659,330,000</u>		<u>7,649,688,000</u>	<u>8,338,190,000</u>

Group II – Properties held by the Group for investment in Mainland China

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
48.	Portion of an industrial facility located at No. 539 Tengfei Second Road Southwest Airport Economic Development Zone Shuangliu County Chengdu City Sichuan Province The People's Republic of China	34,100,000	100%	34,100,000	37,200,000
49.	Portion of Skyworth Semiconductor Design Tower located at Hi-tech South Forth Road Nanshan District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
50.	Portion of Phase 1 of an industrial facility located at East of Fenge Avenue and West of Wei Fifth Road Shizi Town Quanjiao County Chuzhou City Anhui Province The People's Republic of China	106,200,000	100%	106,200,000	115,800,000

No.	Property	Market value in existing state as of 31 January 2023 RMB	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 RMB	in existing state as of 31 January 2023 attributable to the Group HKD
51.	Portion of an industrial facility located at No. 96 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	190,200,000	75%	142,650,000	155,500,000
52.	Portion of an industrial facility located at West of Chuangxin Middle Road and North of Yangguang Avenue Shaerqin Industrial Zone Saihan District Huhhot City Inner Mongolia The People's Republic of China	11,800,000	100%	11,800,000	12,900,000
53.	Portion of Skyworth Tower located at South of Shennan Avenue Nanshan District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
54.	Unit 08 on Level 11 Office tower of Haiwei Plaza No. 101 Huayuan Road Licheng District Jinan City Shandong Province The People's Republic of China	3,180,000	100%	3,180,000	3,470,000
55.	Portion of Level 1 No. 64 Baishihang Xiacheng District Hangzhou City Zhejiang Province The People's Republic of China	4,940,000	100%	4,940,000	5,380,000
56.	Portion of Skyworth Digital Tower Songbai Road Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	262,000,000	51%	133,620,000	145,600,000
57.	Portion of an industrial facility located at No. 36 Feilong Road National Economic and Technology Development Zone Suining City Sichuan Province The People's Republic of China	252,800,000	100%	252,800,000	275,600,000

No.	Property	Market value	Interest	Market value	Market value
		in existing state as of 31 January 2023 <i>RMB</i>	attributable to the Group	in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
58.	Portion of an industrial facility located at No. 100 of Zone 1 of Economic Development Zone Yichun City Jiangxi Province The People's Republic of China	31,800,000	100%	31,800,000	34,700,000
59.	Portion of an industrial facility located at No. 88 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	81,800,000	100%	81,800,000	89,200,000
60.	Portion of Skyworth Technology Industrial Park Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil
61.	Skyworth Qunxin Technology Park Baolong Industrial City Longgang District Shenzhen City Guangdong Province The People's Republic of China	No commercial value	100%	Nil	Nil

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
62.	Units 10622, 10623 and 10624 Block 1 of Tower 7 No. 19 Fengcheng First Road Xi'an Economic and Technological Development Zone Xi'an City Shaanxi Province The People's Republic of China	2,080,000	80%	1,664,000	1,810,000
63.	Units 701, 702, 703 and 803 Ouzhou Garden East of Xudong Village Hongshan District Wuhan City Hubei Province The People's Republic of China	12,500,000	100%	12,500,000	13,600,000
64.	Unit A of Level 5 South tower of Dormitory No. 11 Bagualing Mall Futian District Shenzhen City Guangdong Province The People's Republic of China	49,500,000	100%	49,500,000	54,000,000

No.	Property	Market value			
		Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
65.	Various units in Shencai Court No. 5007 Huanggang Road Futian District Shenzhen City Guangdong Province The People's Republic of China	28,600,000	100%	28,600,000	31,200,000
66.	Unit 202, Block 7 Huamao Court Meihua Road Futian District Shenzhen City Guangdong Province The People's Republic of China	5,020,000	100%	5,020,000	5,470,000
67.	Various dormitories located at West of Huanggang Road and South of Beihuan Road Futian District Shenzhen City Guangdong Province The People's Republic of China	259,400,000	100%	259,400,000	282,700,000
Sub-total:		<u>1,335,920,000</u>		<u>1,159,574,000</u>	<u>1,264,130,000</u>

Group III – Properties held by the Group for sale in Mainland China

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
68.	Unsold portion of Wenhuiyuan located at North of Tuanshan West Road and West of Qunli Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	482,300,000	100%	482,300,000	525,700,000
69.	Unsold portion of Lehuocheng located at No. 26 Tuanshan West Road Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	130,000	100%	130,000	140,000
70.	Wenyuefu located at No. 26 Tuanshan West Road Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	646,500,000	90%	581,850,000	634,200,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
71.	Skyworth Smart Society located at East of Zhaolong Road and South of Qingquan Road Zhuangshi Street Zhenhai District Ningbo City Zhejiang Province The People's Republic of China	2,170,100,000	100%	2,170,100,000	2,365,400,000
72.	Skyworth Shuangzhi Shuangchuang Industrial Park located at East of Zhaolong Road and South of Planned First Road Zhuangshi Street Zhenhai District Ningbo City Zhejiang Province The People's Republic of China	530,900,000	100%	530,900,000	578,700,000
73.	Unsold portion of Phases 1 and 2 of Chuangwei Jingyuan No. 29 Jingfa Avenue Economic Development Zone Yichun City Jiangxi Province The People's Republic of China	130,200,000	100%	130,200,000	141,900,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
74.	Qilinhua Town located at East of Yongle Road and West of Tongle Road Quanjiao County Chuzhou City Anhui Province The People's Republic of China	1,676,400,000	100%	1,676,400,000	1,827,300,000
75.	Yichun Skyworth Yuyuan located at South of Jinyuan Road and West of Jingdu Road Economic and Technological Development Zone Yichun City Jiangxi Province The People's Republic of China	468,100,000	100%	468,100,000	510,200,000
76.	Skyworth Yunxitai located at South of Yuanshan East Road and East of Duoshenglou Road Yuanzhou district Yichun City Jiangxi Province The People's Republic of China	463,900,000	100%	463,900,000	505,700,000

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value	Market value
				in existing state as of 31 January 2023 <i>RMB</i>	in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
77.	Hanhua Shijia located at West of Xincheng 14th Road and North of Jinshan Avenue Dongxihu district Wuhan City Hubei Province The People's Republic of China	1,310,300,000	100%	1,310,300,000	1,428,200,000
78.	Ruyi Smart Society located at Keerxin South Road Saihan District Huhhot City Inner Mongolia The People's Republic of China	1,502,200,000	100%	1,502,200,000	1,637,400,000
Sub-total:		<u>9,381,030,000</u>		<u>9,316,380,000</u>	<u>10,154,840,000</u>

Group IV – Property held by the Group for self-occupation in Hong Kong

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
79.	Unit 1 on 5th Floor, Units 1 to 4 on 16th Floor, Units 5 to 6 on 17th Floor and Lorry Parking Space No. L19 on 1/F Westlands Centre No. 20 Westlands Road Quarry Bay Hong Kong	124,200,000	100%	124,200,000	135,400,000
	Sub-total:	<u>124,200,000</u>		<u>124,200,000</u>	<u>135,400,000</u>

Group V – Property held by the Group for investment in Hong Kong

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
80.	Units 5 to 6 on 15th Floor Westlands Centre No. 20 Westlands Road Quarry Bay Hong Kong	35,400,000	100%	35,400,000	38,600,000
	Sub-total:	<u>35,400,000</u>		<u>35,400,000</u>	<u>38,600,000</u>

Group VI – Property held by the Group for self-occupation in Indonesia

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
81.	An industrial facility located at EJIP Industrial Park Plot 5G Jalan Citanduy Raya Desa Sukaresmi Kecamatan Cikarang Selatan Kabupaten Bekasi Jawa Barat Indonesia	115,600,000	100%	115,600,000	126,000,000
	Sub-total:	<u>115,600,000</u>		<u>115,600,000</u>	<u>126,000,000</u>

Group VII – Property held by the Group for self-occupation in South Africa

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
82.	Erf 295 Faerie Glen Extension 1 Township 513 Arkansas Street Pretoria Faerie Glen Extension 1 Province of Gauteng Republic of South Africa	1,220,000	100%	1,220,000	1,330,000
	Sub-total:	<u>1,220,000</u>		<u>1,220,000</u>	<u>1,330,000</u>

Group VIII – Property held by the Group for self-occupation in Ukraine

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
83.	Portion of No. 8 Adama Mitskevicha Street Pervomaisky micro-district Kyiv Ukraine	6,850,000	42%	2,877,000	3,140,000
	Sub-total:	<u>6,850,000</u>		<u>2,877,000</u>	<u>3,140,000</u>

Group IX – Property held by the Group for self-occupation in Denmark

No.	Property	Market value in existing state as of 31 January 2023 <i>RMB</i>	Interest attributable to the Group	Market value in existing state as of 31 January 2023 attributable to the Group <i>RMB</i>	Market value in existing state as of 31 January 2023 attributable to the Group <i>HKD</i>
84.	Jellingvej 26 9230 Svenstrup J Himmerland Aalborg Municipality Denmark	10,600,000	36%	3,816,000	4,160,000
	Sub-total:	<u>10,600,000</u>		<u>3,816,000</u>	<u>4,160,000</u>
	Grand total:	<u>19,670,150,000</u>		<u>18,408,755,000</u>	<u>20,065,790,000</u>

VALUATION REPORT

Group I – Properties held by the Group for self-occupation in Mainland China

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
1. Portion of an industrial facility located at No. 539 Tengfei Second Road Southwest Airport Economic Development Zone Shuangliu County Chengdu City Sichuan Province The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a site area of approximately 139,910.04 square metres, on which were erected various buildings and structures which were completed in various stages between 2010 and 2012.</p> <p>The buildings mainly comprise workshops, warehouses, ancillary office, dormitories and canteen.</p> <p>The total gross floor area of the property is approximately 84,679.23 square metres, in which the total gross floor area of the self-use portion is approximately 37,774.23 square metres.</p> <p>The land use rights of the property were granted for a term of 20 years commencing on 27 February 2020 and expiring on 26 February 2040 for industrial use.</p>	<p>Portion of the property is subject to various intra-group leases for various terms with the latest expiry date being 30 December 2023 at a total monthly rent of RMB310,950.18 inclusive of value-added tax ("VAT") and management fees, but is exclusive of other charges.</p> <p>The remaining portion of the property is owner-occupied for production, warehouse and ancillary office purposes.</p>	<p>14,700,000 (100% interest attributable to the Group: RMB14,700,000 or HKD 16,000,000)</p>

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Chuan (2020) Shuang Liu Qu Bu Dong Chan Quan Zheng Di No. 0005894 issued by the Planning and Natural Resources Bureau of Chengdu dated 3 March 2020, the land use rights of the property were granted to Chengdu Skyworth Electrical Appliance Limited ("CDSW") for a term of 20 years commencing on 27 February 2020 and expiring on 26 February 2040 for industrial use.
- (2) The land use rights of the entire property were acquired by CDSW on 6 February 2020 at a consideration of RMB46,799,917 pursuant to a State-owned Land Use Rights Grant Contract – 510116-2020-C-002 (Shuang) entered into between the Planning and Natural Resources Bureau of Shuangliu District, Chengdu and CDSW.
- (3) CDSW is a wholly-owned subsidiary of the Company.
- (4) We have attributed no commercial value to the buildings of the property with a total gross floor area of 37,754.31 square metres as they are yet to be granted with proper title certificates. For reference purpose, the value of these buildings (excluding the land, on a 100% basis) would be RMB40,900,000 had they been granted with all relevant title certificates.

- (5) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 14 December 2022.
- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. CDSW possesses the legal title of the land portion of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. As confirmed by CDSW, they are unable to obtain the requisite title certificates for those buildings mentioned in Note 4;
 - c. The actual uses of the property do not comply with the planned use as stated in the relevant title certificate, and hence there is a risk for CDSW to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for CDSW be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
2. Units 2001 to 2008 of Level 20 Block 2 of Tower 1 No. 229 Dong Street Zhiquan Section Jinjiang District Chengdu City Sichuan Province The People's Republic of China	<p>The property comprises eight office units on Level 20 of a 35– storey office building (plus 3 basement levels) which was completed in about 2009.</p> <p>The total gross floor area of the property is approximately 957.64 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 16 March 2046 for other commercial and services uses.</p>	The property is currently owner occupied for office purpose.	<p>14,400,000 (100% interest attributable to the Group: RMB14,400,000 or HKD 15,700,000)</p>

Notes:–

- (1) Pursuant to eight State-owned Land Use Rights Certificates – Jin Guo Yong (2015) Di Nos. 504024, 504026, 504027, 504029, 504030, 504031, 504034 and 504035 issued by the City Rural Real Estate Administration Bureau of Chengdu all dated 28 May 2015, the land use rights of the property were granted to CDSW for a term expiring on 16 March 2046 for other commercial and services uses.
- (2) Pursuant to eight Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 4435922, 4435923, 4435925, 4435928, 4435942, 4435944, 4435945 and 4435946 issued by the City Rural Real Estate Administration Bureau of Chengdu all dated 27 May 2015, the building ownership rights of the property with a total gross floor area of 957.64 square metres are legally vested in CDSW.
- (3) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 14 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. CDSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with those planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
3. A commercial development located at No. 888 Yongle Road Shizi Town Quanjiao County Chuzhou City Anhui Province The People's Republic of China	<p>The property comprises a parcel of land with a site area of approximately 12,192 square metres, on which was erected a 3-storey commercial building which was completed in about 2022.</p> <p>The total planned gross floor area of the property is approximately 47,617 square metres, in which the gross floor area of the completed existing building is approximately 7,513.6 square metres.</p> <p>The land use rights of the property were granted for a term of 40 years commencing on 20 May 2019 and expiring on 19 May 2059 for commercial and services uses.</p>	<p>The existing building of the property is currently subject to an intra-group lease for a term expiring on 31 December 2022 at an annual rent of RMB2,800,000 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>51,600,000 (100% interest attributable to the Group: RMB51,600,000 or HKD 56,200,000)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Wan (2022) Quan Jiao Xian Bu Dong Chan Quan Di No. 0003821 issued by the Natural Resources and Planning Bureau of Quanjiao dated 27 May 2022, land use rights and building ownership rights of the property with a site area of 12,192 square metres; and a total gross floor area of 7,513.6 square metres are legally vested in Chuzhou Skyworth Hotel Management Limited (“CZHM”).
- (2) Pursuant to a Construction Project Planning Permit, No. 2019106 issued by the Natural Resources and Planning Bureau of Quanjiao dated 30 October 2019, the proposed development of the entire property with a total planned gross floor area of 47,617 square metres was approved.
- (3) Pursuant to a Construction Works Commencement Permit, No. 3411241912190003-SX-001 issued by the Housing and City Rural Development Bureau of Quanjiao dated 19 January 2020, the construction of the entire property with a total planned gross floor area of 47,617 square metres was approved.
- (4) CZHM is a wholly-owned subsidiary of the Company.
- (5) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 23 December 2022.
- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. CZHM possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with those planned uses as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
4. Portion of Skyworth Semiconductor Design Tower located at Hi-tech South Forth Road Nanshan District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the self-use portion of a 24-storey office and commercial composite building (plus 3 basement levels) which was completed in about 2013, with a site area of approximately 17,025.5 square metres.</p> <p>The total gross floor area of the subject building is approximately 124,961.56 square metres (including 707 basement car parks with a total gross floor area of approximately 38,684.66 square metres), in which the total gross floor area of the self-use office and commercial portion is approximately 38,160.62 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 25 June 2007 and expiring on 24 June 2057 for industrial use.</p>	<p>Portion of the property with a gross floor area of 10,613 square metres is currently subject to various intragroup leases for a commencing term of commencing on 1 January 2023 and expiring on 31 December 2023 at a total monthly rent of RMB1,545,047.21 inclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining portion of the property is currently owner-occupied for office and commercial purposes.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>

Notes:—

- (1) Pursuant to a Real Estate Title Certificate – Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0219720 issued by the Real Estate Title Registration Centre of Shenzhen dated 17 September 2020, the land use rights of the property were granted to Skyworth Semi-conductor (Shenzhen) Limited (“SWSC”) for a term of 50 years commencing on 25 June 2007 and expiring on 24 June 2057 for industrial use; and the building ownership rights of the subject development (excluding the basement) with a gross floor area of 86,266.9 square metres are legally vested in SWSC for research and development, commercial and canteen uses. According to the aforesaid title certificate, the property could not be transferred.
- (2) SWSC is a wholly-owned subsidiary of the Company.
- (3) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the self-use portion, including land and buildings, on a 100% basis) would be RMB1,149,410,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (4) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.

- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWSC possesses the legal title of the property;
 - b. The actual use of the property complies with those planned uses as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
5. Skyworth Overseas Development Tower located in Qianhai Shenzhen-Hongkong Cooperation Zone Nanshan District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the proposed 26-storey office and commercial composite building with a site area of approximately 12,495.87 square metres.</p> <p>The total planned gross floor area of the property is approximately 99,214.81 square metres.</p> <p>The land use rights of the property were granted for a term of 40 years commencing on 5 December 2016 and expiring on 4 December 2056 for commercial use.</p>	The property is currently under construction and is expected to complete by August 2023.	2,266,200,000 <i>(100% interest attributable to the Group: RMB 2,266,200,000 or HKD 2,470,200,000)</i>

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0034765 issued by the Real Estate Title Registration Centre of Shenzhen dated 8 February 2018, the land use rights of the property were granted to Skyworth Group Limited (“SGL”) for a term of 40 years commencing on 5 December 2016 and expiring on 4 December 2056 for commercial use.
- (2) The land use rights of the property were acquired by SGL on 5 December 2016 at a consideration of RMB1,670,000,000 pursuant to a State-owned Land Use Rights Grant Contract – Shen Qian Hai Di He Zi (2016) No. 008 entered into between the Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone of Shenzhen Administration Bureau and SGL. According to the aforesaid contract, the land use nature of the property is commodity property. The office portion of the property could not be transferred within 10 years from the date of obtaining the relevant certificate of completion, and could only be transferred as a whole thereafter. For the upper-ground and lower-ground commercial portions, they could only be transferred as a whole upon completion.
- (3) Pursuant to a Construction Land Use Planning Permit, Shen Qian Hai Xu QH-2017-0003 issued by the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen Administration Bureau dated 22 May 2017, the proposed land use for the subject site with a site area of 12,495.9 square metres was approved.
- (4) Pursuant to a Construction Project Planning Permit, Shen Qian Hai Jian Xu Zi No. QH-201909925 issued by the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen Administration Bureau dated 13 August 2019, the proposed development of the property with a total planned gross floor area of 99,214.81 square metres was approved.
- (5) Pursuant to a Construction Works Commencement Permit, Shen Qian Hai Shi Xu Zi No. QH-2020-0006 issued by the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen Administration Bureau dated 21 February 2020, the construction of the property with a total planned gross floor area of 99,166.14 square metres was approved.

- (6) As advised by the Group, the total budgeted construction cost for the property was approximately RMB1,219,400,000, of which an amount of approximately RMB805,600,000 was outstanding as of the Valuation Date.
- (7) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB3,480,900,000.
- (8) SGL is a wholly-owned subsidiary of the Company.
- (9) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (10) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SGL possesses the legal title of the land portion of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is subject to a mortgage in favour of the Bank of China Shenzhen Hi-tech Zone Branch for a term commencing on 7 February 2021 and expiring on 7 February 2031 with a loan amount of RMB700,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
6. Portion of Phase 1, and Phase 2 of an industrial facility located at East of Fenge Avenue and West of Wei Fifth Road Shizi Town Quanjiao County Chuzhou City Anhui Province The People's Republic of China	<p>The property comprises the self-use portion of phases 1 and 2 of an industrial facility with a total site area of approximately 613,269.6 square metres.</p> <p>The buildings mainly comprise workshops, warehouses, ancillary office, dormitories and canteen.</p> <p>The total gross floor area of Phase 1 of the property is approximately 262,781.39 square metres, in which the total gross floor area of the self-use portion is approximately 167,658.74 square metres.</p> <p>The total planned gross floor area of Phase 2 of the property is approximately 56,131 square metres.</p> <p>The land use rights of portion of the property were granted for a common term of 50 years with the latest expiry date being 28 January 2070 for industrial use.</p>	<p>Portion of Phase 1 of the property is subject to various intra-group leases for various terms with the latest expiry date being 31 December 2032 at a total monthly rent of RMB6,511,849 exclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining portion of Phase 1 of the property is owner-occupied for production, ancillary office and warehouse purposes.</p> <p>Phase 2 of the property is currently under construction and is expected to complete by June 2023.</p>	<p>509,700,000 (100% interest attributable to the Group: RMB509,700,000 or HKD 555,600,000)</p>

Notes:–

- (1) Pursuant to three Real Estate Title Certificates issued by the State-land Resources and Real Estate Administration Bureau, the land use rights of portion of the subject site with a total site area of 499,155.6 square metres were granted to Skyworth Group Smart Electrical Appliance Limited (“SWAI”); and the building ownership rights of the entire Phase 1 of the property with a total gross floor area of 262,781.4 square metres are legally vested in SWAI with details as follows:

Certificate Nos. (Wan (2021)

**Quan Jiao Xian Bu Dong
Chan Quan Di)**

	Issue date	Site area (sqm)	Gross floor area (sqm)	Land use rights expiry date
No. 0014644	21 Oct 2021	80,034.6	N/A	28 Jan 2070
No. 0014645	21 Oct 2021	58,742	N/A	28 Jan 2070
No. 0015277	2 Nov 2021	360,379	262,781.4	16 Oct 2068
Total		499,155.6	262,781.4	

- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 341124202100030 issued by the City Rural Planning and Development Bureau of Qianjiao dated 24 August 2021, the proposed land use for Phase 2 of the property with a total site area of 138,776.6 square metres was approved.
- (3) Pursuant to a Construction Project Planning Permit, Jian Zi Di. No. 2021076 issued by the City Rural Planning and Development Bureau of Qianjiao dated 14 December 2021, the proposed development of Phase 2 of the property with a total planned gross floor area of 56,131 square metres was approved.
- (4) Pursuant to a Construction Works Commencement Permit, No. 3411242108100003-SX-001 issued by the Housing and City Rural Development Bureau of Qianjiao dated 28 February 2022, the construction of Phase 2 of the property with a total planned gross floor area of 56,131 square metres was approved.
- (5) As advised by the Group, the total budgeted construction cost for Phase 2 of the property was approximately RMB126,000,000, of which an amount of approximately RMB75,400,000 was outstanding as of the Valuation Date.
- (6) SWAI is a wholly-owned subsidiary of the Company.
- (7) We have attributed no commercial value to portion of the subject site with a total site area of 114,114 square metres as they are yet to be granted with proper title certificates. For reference purpose, the value of the aforesaid land (on a 100% basis) would be RMB13,700,000 had they been granted with all relevant title certificates.
- (8) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 15 December 2022.
- (9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. Save as those mentioned in Note 7 above, SWAI possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. As confirmed by SWAI, they are unable to obtain the requisite title certificates for those lands mentioned in Note 7;
 - c. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - d. The actual use of the property complies with those planned uses as stated in the relevant title certificates; and
 - e. Portion of the subject land and buildings held under certificate No. 0015277 are subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited, Qianjiao Branch for a term commencing on 3 November 2021 and expiring on 24 August 2030 with a maximum loan amount of RMB364,949,600 dated on 3 November 2021. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
7. Unit 05 on Level 6 and Unit 06 on Level 7 No. 82 of No. 1 Cuizhu Street Zhengzhou Hi-tech Industries Development Zone Zhengzhou City Henan Province The People's Republic of China	The property comprises two units on Levels 6 and 7 of a 12-storey research and development centre which was completed in about 2012. The total gross floor area of the property is approximately 910.78 square metres. The land use rights of the property were granted for a term expiring on 25 November 2051 for research and development uses.	The property is currently owner-occupied for office purpose.	7,280,000 (80% interest attributable to the Group: RMB5,824,000 or HKD 6,350,000)

Notes:–

- (1) Pursuant to two Building Ownership Certificates – Zheng Fang Quan Zheng Zi Di Nos. 1401115864 and 1401115867 issued by the Real Estate Administration Bureau of Zhengzhou Hi-tech Industries Development Zone both dated 28 May 2014, the building ownership rights of the property with a total gross floor area of 910.78 square metres are legally vested in Henan Hui Min Cheng Electrical Appliance Limited (“HNHM”).
- (2) HNHM is an 80% interest-owned subsidiary of the Company.
- (3) The property was inspected by Liang Zhong-qing, a valuer with eight years of real estate valuation experience on 13 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. HNHM possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with those planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
8. Unit 0506 of Block 3 Qicheng Dushi Apartment Junction of Changsheng Street and Dayun Road Taiyuan Development Zone Taiyuan City Shanxi Province The People's Republic of China	The property comprises an apartment on Level 5 of a 13-storey commercial and residential composite building which was completed in about 2012. The gross floor area of the property is approximately 205.29 square metres. The land use rights of the property were granted for a term of 40 years commencing on 29 April 2010 and expiring on 28 April 2050 for commercial and services uses.	The property is currently owner-occupied for office purpose.	1,990,000 (80% interest attributable to the Group: RMB1,592,000 or HKD 1,740,000)

Notes:–

- (1) Pursuant to a Building Ownership Certificate – Jin (2022) Tai Yuan Shi Bu Dong Chan Quan Di No. 0021138 issued by the Planning and Natural Resources Bureau of Taiyuan dated 11 January 2022, the building ownership rights of the property with a gross floor area of 205.29 square metres are legally vested in HNHM.
- (2) The property was inspected by Liang Zhong-qing, a valuer with eight years of real estate valuation experience on 27 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. HNHM possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with those planned uses as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
9. Portion of an industrial facility located at No. 96 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a total site area of approximately 324,200.81 square metres, on which were erected various buildings and structures which were completed in about 2014 to 2022.</p> <p>The buildings mainly comprise workshops, research and development centre, warehouse, dormitories and canteen.</p> <p>The total gross floor area of the subject property is approximately 317,966.38 square metres, in which the total gross floor area of the self-use portion is approximately 285,693.6 square metres (including 42,271.24 square metres for those without proper title certificates, refer to Note 3 for details).</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 10 August 2067 for industrial use.</p>	<p>Portion of the property is subject to an intra-group lease for a term of two years commencing on 1 January 2022 and expiring on 31 December 2023 at a total monthly rent of RMB123,616 inclusive of VAT and management fees, but is exclusive of other charges.</p> <p>The remaining portion of the property is currently owner-occupied for production, research and development, and dormitory purposes.</p>	<p>706,400,000 (75% interest attributable to the Group: RMB529,800,000 or HKD 577,500,000)</p>

Notes:—

- (1) Pursuant to two Real Estate Title Certificates issued by the Planning and Natural Resources Bureau of Nanjing both dated 4 February 2021, the land use rights and building ownership rights of the property (i.e., the subject development) are legally vested in Skyworth Electric Company Limited (“SECL”) with details as follows:

Certificate Nos.	Site area (sqm)	Gross floor area (sqm)	Land use rights expiry date
Su (2021) Ning Li Bu Dong Chan Quan Di No. 0001924	127,144.01	91,185.71	10 Aug 2067
Su (2021) Ning Li Bu Dong Chan Quan Di No. 0001932	197,056.80	184,509.43	19 Feb 2064
Total	324,200.81	275,695.14	

- (2) SECL is a 75% interest-owned subsidiary of the Company.

- (3) We have attributed no commercial value to portion of the buildings of the property with a total gross floor area of 42,271.24 square metres as they are yet to be granted with proper title certificates. For reference purpose, the value of these buildings (excluding the land, on a 100% basis) would be RMB105,700,000 had they been granted with all relevant title certificates.
- (4) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 28 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. Save as those mentioned in Note 3 above, SECL possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. As confirmed by SECL, they are in the process of applying the requisite title certificates for those buildings mentioned in Note 3, and there is no material impediment for SECL to complete the relevant title registration procedures and to obtain the relevant title certificates;
 - c. The actual use of the property complies with those planned uses as stated in the relevant title certificates; and
 - d. The property is subject to two mortgages in favour of the Bank of Jiangsu Co., Ltd., Lishui Branch for a term commencing on 11 December 2020 and expiring on 31 July 2023 at a maximum loan amount of RMB500,000,000 and in favour of the China Merchants Bank Co., Ltd. Nanjing Branch for a term commencing on 9 January 2023 and expiring on 8 January 2024 at a maximum loan amount of RMB500,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
10. Portion of an industrial facility located at West of Chuangxin Middle Road and North of Yangguang Avenue Shaerqin Industrial Zone Saihan District Huhhot City Inner Mongolia The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a site area of approximately 113,375 square metres.</p> <p>The buildings mainly comprise workshops, warehouses, ancillary office, dormitories and canteen.</p> <p>The total gross floor area of the property is approximately 80,006.01 square metres, in which the total gross floor area of the self-use portion is approximately 74,488.01 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 7 August 2019 and expiring on 7 August 2069 for industrial use.</p>	The property is currently owner occupied for production, ancillary office and warehouse purposes.	159,000,000 (100% interest attributable to the Group: RMB159,000,000 or HKD 173,300,000)

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Meng (2021) Tu Mo Te Zuo Qi Bu Dong Chan Quan Zheng Di No. 0003441 issued by the Natural Resources Bureau of Tumote Zuoqi dated 26 March 2021, the land use rights of the property were granted to Inner Mongolia Skyworth Smart Technology Limited (“SWNM”) for a term of 50 years commencing on 7 August 2019 and expiring on 7 August 2069 for industrial use.
- (2) Pursuant to eight Real Estate Title Certificates –Meng (2023) Tu Mo Te Zuo Qi Bu Dong Chan Quan Di Nos. 0000205, 0000206, 0000207, 0000208, 0000209, 0000210, 0000211 and 0000212 issued by the Natural Resources Bureau of Tumote Zuoqi dated 12 January 2023, the land use rights and building ownership rights of the property with a total gross floor area of 80,006.01 square metres are legally vested in SWNM.
- (3) SWNM is a wholly-owned subsidiary of the Company.
- (4) The property was inspected by Yang Wei, a valuer with six years of real estate valuation experience on 15 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SWNM possesses the legal title of the land portion of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;

- b. The actual use of the property complies with the planned use as stated in the relevant title certificate;
and
- c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
11. Unit 203 of Block A and Unit 301 of Block D of South Tower and Unit 201 of Block B and Unit 501 of Block F of North Tower Changchun Dushi Haoting Linqun Road Xinzhan District Hefei City Anhui Province The People's Republic of China	<p>The property comprises four office units on Levels 2, 3 and 5 within various 18-storey office towers of the subject development which was completed in about 2002.</p> <p>The total gross floor area of the property is approximately 683.45 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 1 May 2052 for commercial and residential uses.</p>	The property is currently owner-occupied for office purpose.	7,450,000 (100% interest attributable to the Group: RMB7,450,000 or HKD 8,120,000)

Notes:–

- (1) Pursuant to four State-owned Land Use Rights Certificates – He Guo Yong (2010) Di Xin Zhan 2130, 2131, 2132 and 2133 issued by the State-land Resources Bureau of Hefei all dated 22 March 2010, the land use rights of the property were granted to Shenzhen Chuangwei-RGB Electronics Co. Ltd (“**RGB**”) for a term expiring on 1 May 2052 for commercial and residential uses.
- (2) Pursuant to four Building Ownership Certificates – Fang Di Quan Zheng He Chan Zi Di Nos. 110038667, 110038669, 110038670 and 110038671 issued by the Real Estate Title Administration Department of Hefei all dated 3 March 2010, the land use rights and building ownership rights of the property with a total gross floor area of 683.45 square metres are legally vested in RGB.
- (3) RGB is a wholly-owned subsidiary of the Company.
- (4) The property was inspected by Qiu Ling-feng, a valuer with four years of real estate valuation experience on 19 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with those planned uses as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
12. Unit 605 of Block No. 9 No. 67 Chaoyang Road Chaoyang District Beijing The People's Republic of China	<p>The property comprises a residential unit on Level 6 of a 12-storey residential building which was completed in about 2006.</p> <p>The gross floor area of the property is approximately 445.79 square metres.</p> <p>The land use rights of the property were granted for a term of 70 years commencing on 20 May 2004 and expiring on 19 May 2074 for residential use.</p>	The property is currently owner-occupied for office purpose.	<p>10,400,000 (100% interest attributable to the Group: RMB10,400,000 or HKD 11,300,000)</p>

Notes:–

- (1) Pursuant to a Building Ownership Certificate – X Jing Fang Quan Zheng Chao Qi Zi Di No. 587468 issued by the Real Estate Administration Bureau of Chaoyang District, Beijing dated 21 July 2008, the land use rights and building ownership rights of the property with a gross floor area of 445.79 square metres are legally vested in RGB.
- (2) The property was inspected by Song Zuo-wei, a valuer with 20 years of real estate valuation experience on 20 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property does not comply with the planned use as stated in the relevant title certificate, and hence there is a risk for RGB to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing use. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for RGB be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
13. Units 408, 410, 412 to 419 and 421 No. 18 Yannan Road Lanzhou Hi-Tech Industry Development Zone Chengguan District Lanzhou City Gansu Province The People's Republic of China	<p>The property comprises eleven office units on Level 4 of a 14-storey office building which was completed in about 2005.</p> <p>The total gross floor area of the property is approximately 657.53 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 20 August 2003 and expiring on 31 August 2053 for composite office use.</p>	The property is currently owner-occupied for office purpose.	8,880,000 (100% interest attributable to the Group: RMB8,880,000 or HKD 9,680,000))

Notes:–

- (1) Pursuant to a Building Ownership Certificate – Lan Fang Quan Zheng (Cheng Guan Qu) Zi Di No. 388593 issued by the Real Estate Conveyancing Centre of Lanzhou Hi-Tech Industry Development Zone dated 23 December 2014, the building ownership rights of the property with a total gross floor area of 657.53 square metres are legally vested in RGB.
- (2) The property was inspected by Yang Wei, a valuer with six years of real estate valuation experience on 21 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
14. Rooms 806 and 808 of Main Building No. 111 Kexue Avenue Guangzhou Hi-Tech Industry Development Zone Huangpu District Guangzhou City Guangdong Province The People's Republic of China	The property comprises two units on Level 8 of a 12-storey research and development building which was completed in about 2001. The total gross floor area of the property is approximately 300.19 square metres. The land use rights of the property were granted for a term expiring on 9 November 2049 for industrial and warehouse uses.	The property is currently owner-occupied for office purpose.	4,350,000 (100% interest attributable to the Group: RMB4,350,000 or HKD 4,740,000)

Notes:–

- (1) Pursuant to two Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C4889257 and C4889258 issued by the State-land Resources and Housing Administration Bureau of Guangzhou dated 19 September 2007 and 21 September 2007, the land use rights (for industrial and warehouse uses) and building ownership rights (for non-residential use) of the property with a total gross floor area of 300.19 square metres are legally vested in RGB.
- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 29 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
15. Various units of Block 61 Songping Village Nanshan District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises seven residential units on Levels 2 to 7 of a 8-storey residential building which was completed in about 1995.</p> <p>The total gross floor area of the property is approximately 464.58 square metres.</p> <p>The land use rights of the property were granted for a term of 70 years commencing on 1 January 1997 and expiring on 1 January 2067 for residential use.</p>	The property is currently owner-occupied for residential purpose.	No commercial value (100% interest attributable to the Group: Nil)

Notes:–

- (1) Pursuant to seven Building Ownership Certificates – Shen Fang Di Zi Di Nos. 4000012131, 4000012136, 4000012139, 4000012141, 4000012143, 4000012145 and 4000012151 all dated 4 November 1998, the land use rights and building ownership rights of the property with a total gross floor area of 464.58 square metres are legally vested in RGB. According to the aforesaid title certificates, the property could not be transferred.
- (2) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (on a 100% basis) would be RMB15,700,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, but RGB could not transfer or mortgage the property. RGB should follow the relevant requirements for leasing the property;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
16. Portion of Skyworth Tower located at South of Shennan Avenue Nanshan District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the self-use portion of an 18-storey industrial building which was completed in about 2003, with a site area of approximately 11,992.3 square metres.</p> <p>The total gross floor area of the subject building is approximately 60,916.85 square metres, in which the total gross floor area of the self-use portion is approximately 24,807.91 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 13 July 1999 and expiring on 12 July 2049 for industrial use.</p>	The property is currently owner-occupied for office and commercial purposes.	No commercial value (100% interest attributable to the Group: Nil)

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 4000120441 dated 25 July 2003, the land use rights of the property were granted to RGB for a term of 50 years commencing on 13 July 1999 and expiring on 12 July 2049 for industrial use; and the building ownership rights of the property with a total gross floor area of 60,916.85 square metres (i.e., the subject development) are legally vested in RGB. According to the aforesaid title certificate, the subject land is classified as non-commodity property; and the property could not be transferred.
- (2) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the self-use portion, including land and buildings, on a 100% basis) would be RMB489,500,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property;
 - b. The actual uses of the property do not comply with the planned use as stated in the relevant title certificate, and hence there is a risk for RGB to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property

owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for RGB be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and

- c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
17. Various units of Block 4 of East Zone Huangmugang Futian District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises ten residential units with a total gross floor area of approximately 837.6 square metres.</p> <p>The property falls within the redevelopment scheme located in east of Huaifu Village and west zone of old residential estate.</p> <p>As advised by the Company, the property has been surrendered to the developer of the aforesaid redevelopment scheme in exchange for a total gross floor area of 1,118.37 square metres of the redeveloped real estate project subject to the exercise of option to acquire additional floor spaces.</p>	<p>The property has been resumed by the local government as part of the urban redevelopment scheme, and has been demolished as of the Valuation Date.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>

Notes:–

- (1) Pursuant to ten Housing Relocation, Compensation and Resettlement Agreements for the redevelopment scheme located in east of Huaifu Village and west zone of old residential estate in Futian District, Shenzhen entered into between 深圳市福田福華建設開發有限公司, RGB and Land Reserve Centre of Futian District, Shenzhen all dated 6 September 2017, RGB agreed to surrender the property with a total gross floor area of 837.6 square metres to 深圳市福田福華建設開發有限公司 in exchange for a total gross floor area of 988.37 square metres (i.e., conversion ratio of 1: 1.18); and exercised the option to purchase an additional gross floor area of 130 square metres (at a price of RMB9,000 per square metre) of the redeveloped real estate project developed by 深圳市福田福華建設開發有限公司.
- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. The aforesaid agreements as mentioned in Note 1 have been effective from 1 November 2017; and
 - b. RGB has the rights to request 深圳市福田富華建設開發有限公司 to handover the exchanged real estate within the period as specified in the aforesaid agreements (as mentioned in Note 1), and to request 深圳市福田富華建設開發有限公司 to apply for the title certificates for the exchanged real estate on behalf of RGB.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
18. Various office units of Qunsheng Millennium Plaza East of Chengxin Road Guanshanhu District Guiyang City Guizhou Province The People's Republic of China	<p>The property comprises three office units on Level 16 of an 18-storey office building which was completed in about 2013.</p> <p>The total gross floor area of the property is approximately 237.96 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 23 December 2000 and expiring on 23 December 2050 for commercial and finance uses.</p>	The property is currently owner-occupied for office purpose.	2,370,000 (100% interest attributable to the Group: RMB2,370,000 or HKD 2,580,000))

Notes:–

- (1) Pursuant to three Real Estate Title Certificates – Qian (2016) Guan Shan Hu Qu Bu Dong Chan Quan Di Nos. 0004559, 0004560 and 0005367 issued by the State-land Resources Bureau of Guizhou dated between 5 January 2016 and 28 March 2016, the land use rights and building ownership rights of the property with a total gross floor area of 237.96 square metres are legally vested in RGB.
- (2) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 15 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
19. Various units of Block A Hongguan-shangwu No. 245 Tianshan Avenue High-tech Zone Shijiazhuang City Hebei Province The People's Republic of China	<p>The property comprises seven office units on Level 15 of a 23-storey (plus 2 basement levels) office building which was completed in about 2018.</p> <p>The total gross floor area of the property is approximately 840.36 square metres.</p> <p>The land use rights of the property were granted for a term commencing on 15 October 2013 and expiring on 14 October 2053 for other commercial and services uses.</p>	The property is currently owner-occupied for office purpose.	7,730,000 (100% interest attributable to the Group: RMB7,730,000 or HKD 8,430,000)

Notes:–

- (1) Pursuant to seven Building Ownership Certificates – Ji (2022) Shi Gao Xin Bu Dong Chan Quan Di Nos. 0006463 to 0006468, and 0007637 issued by the Natural Resources and Planning Bureau of Shijiazhuang dated between 24 June 2022 and 14 July 2022, the land use rights and building ownership rights of the property with a total gross floor area of 840.36 square metres were legally vested in RGB.
- (2) The property was inspected by Liang Zhong-qing, a valuer with eight years of real estate valuation experience on 14 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
20. Units 514 and 628 of Block A Fangyuan-chuangshi No. 105 Zijingshan South Road Guancheng Huizu District Zhengzhou City Henan Province The People's Republic of China	The property comprises two units on Levels 5 and 6 of a 25-storey apartment which was completed in about 2012. The total gross floor area of the property is approximately 507.84 square metres. The land use rights of the property were granted for a term expiring on 31 March 2070.	The property is currently owner-occupied for office purpose.	4,320,000 (100% interest attributable to the Group: RMB4,320,000 or HKD 4,710,000)

Notes:—

- (1) Pursuant to two Building Ownership Certificates – Zheng Fang Quan Zheng Zi Di Nos. 1501263539 and 1501263541 issued by the Housing Protection and Real Estate Administration Bureau of Zhengzhou dated between 26 October 2015 and 27 October 2015, the building ownership rights of the property with a total gross floor area of 507.84 square metres are legally vested in RGB.
- (2) The property was inspected by Liang Zhong-qing, a valuer with eight years of real estate valuation experience on 14 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
21. Various units of Block 71 No. 508 Xinyang Road Daoli District Harbin City Heilongjiang Province The People's Republic of China	<p>The property comprises four residential units on Level 5 of a 27-storey residential building which was completed in about 2003.</p> <p>The total gross floor area of the property is approximately 669.08 square metres.</p> <p>The land use rights of the property were granted for a term commencing on 27 April 2010 and expiring on 1 September 2072 for residential use.</p>	The property is currently owner-occupied for office purpose.	<p>7,760,000 (100% interest attributable to the Group: RMB7,760,000 or HKD 8,460,000)</p>

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Ha Guo Yong (2010) Di No. 020080 issued by the People's Government of Harbin dated 27 April 2010, the land use rights of the subject development were granted for a term expiring on 1 September 2072 for residential use.
- (2) Pursuant to four Building Ownership Certificates – Ha Fang Quan Zheng Li Zi Di Nos. 0901080846, 0901080851, 0901080852 and 0901080855 issued by Housing and Residential Bureau of Harbin all dated 20 November 2009, the building ownership rights of the property with a total gross floor area of 669.08 square metres are legally vested in RGB.
- (3) The property was inspected by Zhuang Jia-peng, a valuer with five years of real estate valuation experience on 28 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property does not comply with the planned use as stated in the relevant title certificates, and hence there is a risk for RGB to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing use. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for RGB be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
22. Units 1 to 24 on Level 4 of SOHO Block B Gemdale Megr City No. 1335 Renhe Road Hongshan District Wuhan City Hubei Province The People's Republic of China	The property comprises 24 units on Level 4 of a 26-storey SOHO tower which was completed in about 2016. The total gross floor area of the property is approximately 867.66 square metres. The land use rights of the property were granted for a term of 40 years commencing on 7 January 2014 and expiring on 6 January 2054 for commercial and services uses.	The property is currently owner-occupied for office purpose.	11,200,000 (100% interest attributable to the Group: RMB11,200,000 or HKD 12,200,000)

Notes:–

- (1) Pursuant to 24 Real Estate Title Certificates – E (2018) Wu Han Shi Hong Shan Bu Dong Chan Quan Di Nos. 0093671, 0093676, 0093677, 0093678, 0093694, 0093695, 0093696, 0093697, 0093698, 0093704, 0093707, 0093708, 0093709, 0093710, 0093711, 0093716, 0093717, 0093718, 0093719, 0093720, 0093800, 0093801, 0093803 and 0093820 issued by the Real Estate Registration Bureau of Wuhan all dated 25 December 2018, the land use rights and building ownership rights of the property with a total gross floor area of 867.6 square metres are legally vested in RGB.
- (2) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 14 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
23. Various office units on Level 10 of Dongyi Shiqu Commercial Building No. 38 Renmin East Road Yuhua District Changsha City Hunan Province The People's Republic of China	The property comprises 17 office units on Level 10 of a 19-storey office building which was completed in about 2007. The total gross floor area of the property is approximately 792.66 square metres.	The property is currently owner-occupied for office purpose.	7,150,000 (100% interest attributable to the Group: RMB7,150,000 or HKD 7,790,000)

Notes:–

- (1) Pursuant to 17 Building Ownership Certificates – Chang Fang Quan Zheng Yu Hua Zi Di Nos. 709115366, 709115371, 709115386, 709115388, 709115392, 709115430, 709115439, 709115444, 709115445, 715128946, 715128947, 715128948, 715128949, 715128950, 715128951, 715128952 and 715128953 issued by the Housing and City Rural Development Committee of Changsha dated between 17 August 2009 and 5 June 2015, the building ownership rights of the property with a total gross floor area of 792.66 square metres are legally vested in RGB.
- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 28 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
24. Various units of Huaerzi Building No. 150 Xi'an Avenue Luyuan District Changchun City Jilin Province The People's Republic of China	The property comprises four residential units on Level 3 of a 17-storey residential building which was completed in about 1998. The total gross floor area of the property is approximately 777 square metres.	The property is currently owner-occupied for office purpose.	5,670,000 (100% interest attributable to the Group: RMB5,670,000 or HKD 6,180,000)

Notes:–

- (1) Pursuant to four Building Ownership Certificates – Fang Quan Zheng Chang Fang Quan Zi Di Nos. 5120000253, 5120000254, 5120000255 and 5120000256 issued by the Real Estate Title Registration and Issuing Centre of Changchun all dated 30 November 2009, the building ownership rights of the property with a total gross floor area of 777 square metres are legally vested in RGB for residential use.
- (2) The property was inspected by Zhuang Jia-peng, a valuer with five years of real estate valuation experience on 29 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property does not comply with the planned use as stated in the relevant title certificates, and hence there is a risk for RGB to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing use. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for RGB be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
25. Units 322 and 323 No. 186-1 Jiangdong Middle Road Jianye District Nanjing City Jiangsu Province The People's Republic of China	<p>The property comprises two office units on Level 3 of a 21-storey office building which was completed in about 2009.</p> <p>The total gross floor area of the property is approximately 449.66 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 17 October 2055 for commercial and finance uses.</p>	The property is currently owner-occupied for office purpose.	8,730,000 (100% interest attributable to the Group: RMB8,730,000 or HKD 9,520,000)

Notes:–

- (1) Pursuant to two State-owned Land Use Rights Certificates – Ning Jian Guo Yong (2011) Di Nos. 03167 and 03169 issued by the People's Government of Nanjing all dated 21 March 2011, the land use rights of the property were granted for a term of 50 years expiring on 17 October 2055 for commercial and finance uses.
- (2) Pursuant to two Building Ownership Certificates – Ning Fang Quan Zheng Jian Zhuan Zi Di Nos. 384603 and 384604 issued by the Housing and City Rural Development committee of Nanjing all dated 1 March 2011, the building ownership rights of the property with a total gross floor area of 449.66 square metres are legally vested in RGB.
- (3) The property was inspected by Qiu Ling-feng, a valuer with four years of real estate valuation experience on 15 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
26. Various units of Block 1 No. 22 Beihai Street Dadong District Shenyang City Liaoning Province The People's Republic of China	<p>The property comprises six residential units on Levels 11 and 12 of a 12-storey residential building which was completed in about 2006.</p> <p>The total gross floor area of the property is approximately 689.45 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 18 March 2052 for residential use.</p>	The property is currently owner-occupied as dormitories.	7,380,000 (100% interest attributable to the Group: RMB7,380,000 or HKD 8,040,000)

Notes:—

- (1) Pursuant to six State-owned Land Use Rights Certificates – Shen Yang Guo Yong (2010) Di Nos. DD02376, DD02377, DD02378, DD02379, DD02380 and DD02381 issued by the People's Government of Shenyang all dated 13 August 2010, the land use rights of the property were granted for a term expiring on 18 March 2052 for residential use.
- (2) Pursuant to six Building Ownership Certificates – Shen Fang Quan Zheng Da Dong Zi Nos. N030013780, N030013781, N030013782, N030013783, N030013784 and N030013785 issued by the Real Estate Bureau of Shenyang all dated 24 November 2009, the building ownership rights of the property with a total gross floor area of 689.45 square metres are legally vested in RGB.
- (3) The property was inspected by Zhuang Jia-peng, a valuer with five years of real estate valuation experience on 29 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
27. Various office units on Level 8 of Wangjing International Building located at East of Weiyang Road and South of Changqing First Road Weiyang District Xi'an City Shaanxi Province The People's Republic of China	<p>The property comprises five office units on Level 8 of 16-storey office building which was completed in about 2013.</p> <p>The total gross floor area of the property is approximately 747.45 square metres.</p> <p>The land use rights of the property were granted for a term of 40 years commencing on 30 July 2009 and expiring on 29 July 2049 for commercial and finance uses.</p>	<p>Portion of the property with a gross floor area of approximately 101.66 square metres is subject to a tenancy for a term commencing on 1 July 2022 and expiring on 30 June 2023 at a monthly rent of RMB3,000 inclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining portion of the property is currently owner-occupied for office purpose.</p>	<p>10,700,000 (100% interest attributable to the Group: RMB10,700,000 or HKD 11,700,000)</p>

Notes:–

- (1) Pursuant to five Real Estate Title Certificates – Shaan (2020) Xi An Shi Bu Dong Chan Quan Di Nos. 0104054, 0104055, 0104056, 0104057 and 0104058 issued by the Natural Resources and Planning Bureau of Xian all dated 22 April 2020, the land use rights and building ownership rights of the office portion of the property with a total gross floor area of 747.45 square metres are legally vested in RGB.
- (2) The property was inspected by Yang Wei, a valuer with six years of real estate valuation experience on 14 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates;
 - c. The tenancy agreement for the leased portion of the property has not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreement and the rights of RGB under the tenancy agreement. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
28. Units 1001 and 1006 on Level 10 Block 1 of No. 2 Xipu Road Hedong District Tianjin The People's Republic of China	<p>The property comprises two office units on Level 10 of a 21-storey office building which was completed in about 2013.</p> <p>The total gross floor area of the property is approximately 464.65 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 5 December 2057 for other commercial and services uses.</p>	The property is currently owner-occupied for office purpose.	<p>7,110,000 (100% interest attributable to the Group: RMB7,110,000 or HKD 7,750,000)</p>

Notes:–

- (1) Pursuant to two Real Estate Title Certificates – Jin (2016) He Dong Bu Dong Chan Quan Di Nos. 1015888 and 1015901 issued by the State-land Resources and Real Estate Administration Bureau all dated 14 June 2016, the land use rights and building ownership rights of the property with a total gross floor area of 464.65 square metres are legally vested in RGB.
- (2) The property was inspected by Gao Da-yuan, a valuer with three years of real estate valuation experience on 14 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
29. Portion of Level 1 and Level 2 No. 64 Baishihang Xiacheng District Hangzhou City Zhejiang Province The People's Republic of China	<p>The property comprises portion of Level 1 and the entire Level 2 of a 6-storey commercial building which was completed in about 2002.</p> <p>The gross floor area of the property is approximately 165.77 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 5 August 2042 for commercial use.</p>	The property is currently owner-occupied for office purpose.	4,610,000 (100% interest attributable to the Group: RMB4,610,000 or HKD 5,020,000)

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Hang Xia Guo Yong (2014) Di No. 005513 issued by the People's Government of Hangzhou dated 5 June 2014, the land use rights of the property were granted to RGB for a term expiring on 5 August 2042 for commercial use.
- (2) Pursuant to a Building Ownership Certificate – Hang Fang Quan Zheng Xia Yi Zi Di No. 14750552 issued by the Housing Protection and Real Estate Administration Bureau dated 4 June 2014, the building ownership rights of the property with a gross floor area of 343.67 square metres (including the entire Level 1 and Level 2) are legally vested in RGB for non-residential use.
- (3) The property was inspected by Qiu Ling-feng, a valuer with four years of real estate valuation experience on 19 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
30. Level 3 CITIC Bank Tower No. 3 Honghuang Road Jiangbei District Chongqing The People's Republic of China	<p>The property comprises the entire Level 3 of a 28-storey office building which was completed in about 2008.</p> <p>The gross floor area of the property is approximately 1,092.6 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 1 November 2037 for commercial and services uses.</p>	The property is currently owner-occupied for office purpose.	<p>13,700,000 (100% interest attributable to the Group: RMB13,700,000 or HKD 14,900,000)</p>

Notes:—

- (1) Pursuant to a Real Estate Title Certificate – 103 Fang Di Zheng 2007 Zi Di No. 10193 issued by the State-land Resources and Real Estate Administration Bureau dated 6 July 2007, the land use rights and building ownership rights of the property with a gross floor area of 1,092.6 square metres are legally vested in RGB for non-residential use.
- (2) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 15 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
31. Portion of Skyworth Digital Tower Songbai Road Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the self-use portion of a 28-storey research and development centre which was completed in about 2016, with a site area of approximately 20,392.85 square metres.</p> <p>The total gross floor area of the subject property is approximately 60,685.09 square metres, in which the total gross floor area of the self-use portion is approximately 31,609.41 square metres.</p> <p>The land use rights of the property were granted for a term commencing on 30 June 2007 and expiring on 29 June 2056 for industrial use.</p>	<p>Portion of the property with a gross floor area of 11,582.47 square metres is subject to various intra-group leases for various terms with expiry date being 31 August 2023 yielding a total monthly rent of RMB514,364 inclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining portion of the property is currently owner-occupied for office, commercial, hotel and apartment purposes.</p>	<p>247,800,000 (51% interest attributable to the Group: RMB126,378,000 or HKD 137,800,000)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Yue (2017) Shen Zhen Shi Bu Dong Chan Quan Di No. 0072080 issued by the Real Estate Registration Centre of Shenzhen dated 12 May 2017, the land use rights of the property were granted to Shenzhen Skyworth Digital Technology Co., Ltd (“SWDT”) for a term commencing on 30 June 2007 and expiring on 29 June 2056 for industrial use; and the building ownership rights of the property with a total gross floor area of 60,685.09 square metres (i.e., the subject development) are legally vested in SWDT for research and development, and dormitory uses. According to the aforesaid title certificate, the property could only be transferred as a whole.
- (2) SWDT is a 51% interest-owned subsidiary of the Company.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company’s PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SWDT possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual uses of the property do not comply with the planned uses as stated in the relevant title certificate, and hence there is a risk for SWDT to be penalised by the relevant government authorities for not using the property in accordance with the planned uses. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for SWDT be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
32. Portion of an industrial facility located at No. 36 Feilong Road National Economic and Technology Development Zone Suining City Sichuan Province The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a total site area of approximately 237,157.96 square metres, on which were erected various buildings and structures which were completed in various stages between 2018 and 2019.</p> <p>The buildings mainly comprise workshops and warehouses.</p> <p>The total gross floor area of the subject property is approximately 134,058.96 square metres, in which the total gross floor area of the self-use portion is approximately 59,047.17 square metres (including 20,383.83 square metres for those without proper title certificates, refer to Note 4 for details).</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 2 April 2069 for industrial use.</p>	<p>Portion of the property with a gross floor area of 3,302 square metres is subject to two intra-group leases for a common term expiring on 31 December 2023 yielding a total monthly rent of RMB40,091 inclusive of VAT and management fees, but is exclusive of other charges.</p> <p>The remaining portion of the property is currently owner-occupied for production, ancillary office and dormitory purposes.</p>	<p>132,400,000 (100% interest attributable to the Group: RMB132,400,000 or HKD 144,300,000)</p>

Notes:—

- (1) Pursuant to three Real Estate Title Certificates, Chuan (2020) Sui Ning Shi Bu Dong Chan Quan Di Nos. 0002933, 0002934 and 0002935 issued by the Natural Resources and Planning Bureau of Suining all dated 10 January 2020, the land use rights of portion of the property with a site area of 91,318.25 square metres were granted to Suining Skyworth Electronics Limited (“SNSW”) for a term of 50 years commencing on 20 January 2017 and expiring on 19 January 2067 for industrial use; and the building ownership rights of portion of the entire property with a total gross floor area of 34,281.58 square metres are legally vested in SNSW.
- (2) Pursuant to another six Real Estate Title Certificate, Chuan (2020) Sui Ning Shi Bu Dong Chan Quan Di Nos. 0061742, 0061743, 0061744, 0061745, 0061746 and 0061747 issued by the Natural Resources and Planning Bureau of Suining all dated 5 November 2020, the land use rights of the remaining portion of the property with a site area of 145,839.71 square metres were granted to SNSW for a term of 50 years commencing on 3 April 2019 and expiring on 2 April 2069 for industrial use; and the building ownership rights of portion of the entire property with a total gross floor area of 79,393.55 square metres are legally vested in SNSW.
- (3) SNSW is a wholly-owned subsidiary of the Company.

- (4) We have attributed no commercial value to portion of the subject buildings of the property with a total gross floor area of 20,383.83 square metres as they are yet to be granted with proper title certificates. For reference purpose, the value of these buildings (excluding the land, on a 100% basis) would be RMB59,100,000 had they been granted with all relevant title certificates.
- (5) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 15 December 2022.
- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. Save as those mentioned in Note 4 above, SNSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. As confirmed by SNSW, they are unable to obtain the requisite title certificates for those buildings mentioned in Note 4;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
33. Units 1401 and 1402 on Level 14 Block 2 of Tower 18 Xinzhong Street Dongcheng District Beijing The People's Republic of China	The property comprises two units on Level 14 of a 24-storey office building which was completed in about 2002. The total gross floor area of the property is approximately 328.14 square metres.	The property is currently owner-occupied for office purpose.	10,500,000 <i>(100% interest attributable to the Group: RMB10,500,000 or HKD 11,400,000)</i>

Notes:–

- (1) Pursuant to two Building Ownership Certificates – Jing Fang Quan Zheng Dong Ta Zi Di Nos. B00339 and B00340 issued by the State-land Resources and Real Estate Administration Bureau of Beijing all dated 1 March 2004, the building ownership rights of the property with a total gross floor area of 328.14 square metres are legally vested in New Skyworth Injection (Shenzhen) Limited (“XSWI”).
- (2) XSWI is a wholly-owned subsidiary of the Company.
- (3) The property was inspected by Song Zuo-wei, a valuer with 20 years of real estate valuation experience on 20 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company’s PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. XSWI possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses; and
 - b. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
34. Various units of Block A of Tower 1 West zone of Phase 3 Nansongping Village Baoshen Road Nanshan District Shenzhen City Guangdong Province The People's Republic of China	The property comprises three residential units on Levels 5 and 23 of a 33-storey residential building (being a protection housing development) which was completed in about 2009. The total gross floor area of the property is approximately 149.27 square metres.	The property is currently owner-occupied as staff dormitories.	No commercial value <i>(100% interest attributable to the Group: Nil)</i>

Notes:—

- (1) Pursuant to three Shenzhen Housing and Construction Bureau Protective Housing (Unit) Sale and Purchase Agreements, entered into between Skyworth Group Financial Limited ("SWFI") and Shenzhen Housing and Construction Bureau dated 12 June 2014, SWFI acquired the building ownership rights of the property with a total gross floor area of 149.27 square metres at a total consideration of RMB700,783.
- (2) We have attributed no commercial value to the property as the full title of the property is yet to be obtained.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. As confirmed by SWFI, the full title of the property has not been obtained. SWFI should pay certain land premium and the relevant expenses to the government to obtain the full title of the property. Prior to the settlement of the aforesaid land premium and expenses, the property could not be transferred, leased or mortgaged.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
35. Portion of an industrial facility located at No. 100 of Zone 1 of Economic Development Zone Yichun City Jiangxi Province The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a site area of approximately 129,936.5 square metres, on which were erected various buildings and structures which were completed in various stages between 2012 and 2014.</p> <p>The buildings mainly comprise workshops, dormitories, ancillary offices and canteen.</p> <p>The total gross floor area of the subject property is approximately 80,808.01 square metres, in which the total gross floor area of the self-use portion is approximately 69,452.01 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 17 December 2056 for industrial use.</p>	<p>Portion of the property with a total gross floor area of 61,869 square metres is subject to various intra-group leases for a common term expiring on 31 December 2024 yielding a total monthly rent of RMB494,952 inclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining portion of the property is currently owner-occupied for production, ancillary office and dormitory purposes.</p>	<p>175,900,000 (100% interest attributable to the Group: RMB175,900,000 or HKD 191,700,000)</p>

Notes:—

- (1) Pursuant to a State-owned Land Use Rights Certificate – Yi Chun Guo Yong (2001) Di No. 11010364 issued by the People's Government of Yichun dated 15 December 2011, the land use rights of the property were granted to Skyworth Electronic Components (Yichun) Limited ("SWYC") for a term expiring on 17 December 2056 for industrial use.

- (2) Pursuant to eight Building Ownership Certificates issued by the Real Estate Administration Bureau of Yichun, the building ownership rights of the entire property with a total gross floor area of 80,808.01 square metres are legally vested in SWYC with details as follows:

Certificate Nos. (Yi Fang Chan Zheng Yi Chun Zi Di)	Issue date	Gross floor area (<i>sqm</i>)	No. of storey
No. 2-20120916	5 Jun 2012	9,836.54	1
No. 2-20120917	5 Jun 2012	2,445.14	1
No. 2-20120918	5 Jun 2012	2,478.13	3
No. 2-20120919	5 Jun 2012	1,818.37	1
No. 2-20133889	30 Aug 2013	20,189.48	2
No. 2-20133890	30 Aug 2013	6,087.65	6
No. 2-20133891	30 Aug 2013	1,080.08	-1
No. 2-20133892	30 Aug 2013	6,435.76	3
No. 2-2014000773	20 Feb 2014	<u>30,436.86</u>	3
Total		<u>80,808.01</u>	

- (3) SWYC is a wholly-owned subsidiary of the Company.
- (4) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 15 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWYC possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
36. Portion of an industrial facility located at No. 88 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a total site area of approximately 258,002.8 square metres, on which were erected various buildings and structures which were completed in various stages between 2018 and 2019.</p> <p>The buildings mainly comprise workshops, warehouse, dormitory and canteen.</p> <p>The total gross floor area of the completed portion of the property is approximately 126,662.65 square metres, in which the total gross floor area of the self-use portion is approximately 100,685.39 square metres.</p> <p>The total planned gross floor area of two additional buildings is approximately 14,710 square metres.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 21 September 2063 for industrial use.</p>	<p>Portion of the property is currently owner-occupied for production and warehouse purposes.</p> <p>The remaining portion of the completed portion of the property is subject to various intra-group leases for a common term expiring on 31 December 2023 at a total monthly rent of RMB132,960 inclusive of VAT, but is exclusive of management fees and other outgoings.</p>	<p>317,000,000 (100% interest attributable to the Group: RMB317,000,000 or HKD 345,500,000)</p>

Notes:–

- (1) Pursuant to three Real Estate Title Certificates issued by the State-land Resources Bureau of Nanjing, the land use rights and building ownership rights of the property with a total site area of 258,002.8 square metres; and a total gross floor area of 126,662.65 square metres are legally vested in Nanjing Skyworth Flat-panel Technology Limited (“SWFD”) with details as follows:

Certificate Nos.	Issue date	Site area (sqm)	Gross floor area (sqm)	Land use rights expiry date
Su (2018) Ning Li Bu Dong Chan Quan Di No. 0011271	12 Jul 2018	183,888	99,043.4	28 Feb 2062
Su (2019) Ning Li Bu Dong Chan Quan Di No. 0023004	29 Nov 2019	54,159.8	27,619.25	21 Sep 2063
Ning Li Guo Yong (2013) Di No. 00147	16 Jan 2013	19,955	N/A	10 Jan 2063
Total		<u>258,002.8</u>	<u>126,662.65</u>	

- (2) SWFD is a wholly-owned subsidiary of the Company.
- (3) As advised by the Company, the total construction costs incurred for the two planned buildings (with a total planned gross floor area of 14,710 square metres are in the sum of RMB10,000,000.
- (4) We have attributed no commercial value to the buildings of the property with a total gross floor area of 14,710 square metres as they are yet to be granted with proper title certificates. For reference purpose, the value of these buildings (excluding the land, on a 100% basis) would be RMB33,800,000 had they been granted with all relevant title certificates.
- (5) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 27 December 2022.
- (6) We have been provided with a legal opinion on the property prepared by the Company’s PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- Save as those mentioned in Note 4 above, SWFD possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - As confirmed by SWFD, they are in the process of applying the requisite title certificates for those buildings mentioned in Note 4, and there is no material impediment for SWFD to complete the relevant title registration procedures and to obtain the relevant title certificates.
 - The actual uses of the property comply with the planned use as stated in the relevant title certificates; and
 - Portion of the subject land held under certificate No. 00147 is subject to a mortgage in favour of Jiangsu Jiangdu Rural Commercial Bank Co., Ltd. with a maximum loan amount of RMB48,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
37. An industrial facility located in Chuangke Industrial Park Baolong Industrial City Longgang District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises an industrial facility with a site area of approximately 112,906.46 square metres, on which were erected various buildings and structures which were completed in about 2009.</p> <p>The buildings mainly comprise workshops and warehouse.</p> <p>The total gross floor area of the completed portion of the property is approximately 43,344.04 square metres, and the planned gross floor area of the property under construction is approximately 181,558.48 square metres, respectively.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 29 June 2007 and expiring on 28 June 2057 for industrial use.</p>	<p>Portion of the property with a total gross floor area of 38,012.72 square metres is subject to a tenancy for a term commencing on 26 April 2021 and expiring on 25 April 2026 at a total monthly rent of RMB1,026,343 inclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining completed portion of the property is currently owner-occupied for production, ancillary office and dormitory purposes.</p> <p>The remaining portion of the property was under construction as of the Valuation Date and is expected to complete by the end of 2022.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Yue (2015) Shen Zhen Shi Bu Dong Chan Quan Di No. 0019168 issued by the Planning and Natural Resources Bureau of Shenzhen, the land use rights of the property were granted to Shenzhen Skyworth Chuang Ke Development Limited (“SWCK”) for a term of 50 years commencing on 29 June 2007 and expiring on 28 June 2057 for industrial use; and the building ownership rights of the property with a total gross floor area of 43,344.04 square metres are legally vested in SWCK. According to the aforesaid title certificate, the property could not be transferred or leased.
- (2) Pursuant to a Construction Project Planning Permit, Shen Gui Tu Jian Xu Zi No. LG-2019-0061 issued by the Planning and Natural Resources Bureau Longgang Administration Bureau of Shenzhen dated 26 June 2019, the proposed development of the property with a total planned gross floor area of 186,729.78 square metres was approved.
- (3) As advised by the Group, the total budgeted construction cost of portion of the property (as mentioned in Note 2 above) was approximately RMB652,700,000, of which an amount of approximately RMB378,500,000 was outstanding as of the Valuation Date.

- (4) SWCK is a wholly-owned subsidiary of the Company.
- (5) We have attributed no commercial value as the property is not entitled to be transferred or leased in accordance with the relevant title document. For reference purpose, on the basis that the property could be freely transferred subject to payment of additional land premium, the value of the property (on a 100% basis) would be RMB1,036,500,000.
- (6) The property was inspected by Lin Jian-zhen, a valuer with 2 years of real estate valuation experience on 29 December 2022.
- (7) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SWCK possesses the legal title of the property;
 - b. The tenancy agreements entered into between SWCK and the lessees are legal and enforceable documents, and are binding amongst the parties;
 - c. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - d. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - e. The property is subject to a mortgage in favour of the China Construction Bank, Shenzhen Branch for a term commencing on 4 August 2022 and expiring on 3 August 2032 with a maximum loan amount of RMB1,500,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage, foreclosure or other third-party rights, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
38. Units 401 and 415 of Block 8A North and Units 301 to 304 of Block 3D No. 88 Xihu East Road Houqiao Street Xishan District Wuxi City Jiangsu Province The People's Republic of China	<p>The property comprises six commercial units on Levels 3 and 4 within 5-storey commercial blocks of the subject development which was completed in about 2011.</p> <p>The total gross floor area of the property is approximately 690.5 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 21 December 2044 for commercial and finance uses.</p>	The property is currently vacant.	3,250,000 (70% interest attributable to the Group: RMB2,275,000 or HKD 2,480,000)

Notes:–

- (1) Pursuant to six Real Estate Title Certificates – Su (2017) Wu Xi Shi Bu Dong Chan Quan Di Nos. 0231783, 0231786, 0231788, 0231789, 0231790 and 0231791 issued by the State-land Resources Bureau of Wuxi all dated 22 December 2017, the land use rights and building ownership rights of the property with a total gross floor area of 690.5 square metres are legally vested in Shenzhen Shen Cai Logistics Limited (“SZSC”).
- (2) SZSC is a 70% interest-owned subsidiary of the Company.
- (3) The property was inspected by Zhuang Jia-peng, a valuer with five years of real estate valuation experience on 15 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SZSC possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses; and
 - b. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
39. Portion of Skyworth Technology Industrial Park Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the self-use portion of an industrial facility with a site area of approximately 411,164.52 square metres, on which were erected various buildings and structures which were completed in various stages between 2006 and 2018.</p> <p>The buildings mainly comprise workshops, ancillary office, canteen and dormitories.</p> <p>The total gross floor area of the property is approximately 1,111,098.44 square metres, in which the total gross floor area of the self-use portion is approximately 742,290.72 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 31 July 2003 and expiring on 30 July 2053 for industrial use.</p>	<p>Portion of the property is subject to various tenancies for various terms with expiry date being 31 December 2025 yielding a total monthly rent of RMB12,120,030.51 inclusive of VAT, but is exclusive of management fees and other charges.</p> <p>The remaining portion of the property is currently owner-occupied for production, ancillary office and dormitory purposes.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>

Notes:–

- (1) Pursuant to 27 Real Estate Title Certificates issued by the Real Estate Registration Centre of Shenzhen, the land use rights of the property were granted to Skyworth Group Scientific Park Management Co., Ltd. ("SWMT") for a term of 50 years commencing on 31 July 2003 and expiring on 30 July 2053 for industrial use; and the building ownership rights of the property with a total gross floor area of 899,283.28 square metres are legally vested in SWMT with details as follows:

Certificate Nos.	Issue date	Building type	Gross floor area (sqm)
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0004774	7 Jan 2019	Office and training room	27,441.13
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0004766	7 Jan 2019	Workshop, dormitory, ancillary rooms, canteen	223,284.53
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0004761	7 Jan 2019	Workshop	96,254.73
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078400	9 May 2020	Dormitory	10,416.59

Certificate Nos.	Issue date	Building type	Gross floor area (sqm)
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078396	9 May 2020	Dormitory	10,706.70
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078399	9 May 2020	Dormitory	12,322.87
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078395	9 May 2020	Dormitory	12,929.94
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078397	9 May 2020	Dormitory	12,538.87
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078402	9 May 2020	Ancillary room	319.24
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078392	9 May 2020	Workshop	52,075.32
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078393	9 May 2020	Ancillary room	1,248.14
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078390	9 May 2020	Workshop	21,335.38
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078387	9 May 2020	Workshop	18,629.68
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078394	9 May 2020	Workshop	22,818.43
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078401	9 May 2020	Ancillary room	456.32
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0225315	14 Nov 2019	Dormitory	35,551.69
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0225316	14 Nov 2019	Dormitory	35,292.54
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157654	22 Aug 2019	Dormitory	18,014.41
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157657	22 Aug 2019	Dormitory	14,162.51
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157655	22 Aug 2019	Workshop	60,574.05
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157656	22 Aug 2019	Workshop	51,163.10
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157658	22 Aug 2019	Workshop	14,834.39
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078388	9 May 2020	Workshop	67,195.18
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078389	9 May 2020	Workshop	26,501.68
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078398	9 May 2020	Canteen	12,349.93
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078391	9 May 2020	Workshop	37,480.37
Yue (2021) Shen Zhen Shi Bu Dong Chan Quan Di No. 0213123	23 Dec 2021	Residential and commercial	3,385.56
Total			<u>899,283.28</u>

- (2) According to the aforesaid title certificates, the subject land is classified as non-commodity property; and the property could not be transferred.
- (3) SWMT is a wholly-owned subsidiary of the Company.

- (4) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the self-use portion, including land and buildings, on a 100% basis) would be RMB5,883,600,000 on the basis of discounting the expected rental income (assuming the property is leased out and all requisite title documents have been obtained) from the Valuation Date to the land use rights expiry date of the property.
- (5) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 27 December 2022.
- (6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWMT possesses the legal title of the property;
 - b. The actual use of part of the property (i.e., title certificates Nos. 0004774 and 5000480444) do not comply with the planned uses as stated in the relevant title certificate, and hence there is a risk in SWMT to be penalised by the relevant government authorities for not using the property in accordance with the planned uses. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for SWMT be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - c. The property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited, Shenzhen High-tech Zone Branch for a term commencing on 20 September 2019 and expiring on 20 September 2035 with a maximum loan amount of RMB1,320,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
40. A proposed industrial facility located at West of Gaige Avenue and North of Rencai Avenue New Energy, Materials and Intelligent Chip Park Knowledge City Huangpu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises a proposed industrial facility with a total site area of approximately 280,507 square metres.</p> <p>The total planned gross floor area of the property is approximately 505,506.06 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 27 November 2020 and expiring on 26 November 2070 for industrial use.</p>	Phase 1 of the property is currently vacant. Phase 2 of the property was under construction as of the Valuation Date and is expected to complete by July 2023.	1,828,400,000 (100% interest attributable to the Group: RMB1,828,400,000 or HKD 1,993,000,000)

Notes:–

- (1) Pursuant to two Real Estate Title Certificate – Yue (2020) Guang Zhou Shi Bu Dong Chan Quan Di No. 06419969 and 06419970 issued by the Planning and Natural Resources Bureau of Guangzhou both dated 24 December 2020, the land use rights of the property with a total site area of 216,961 square metres were granted to Skyworth Group Intelligent Technology Co., LTD (“SGIT”) for a term of 50 years commencing on 27 November 2020 and expiring on 26 November 2070 for industrial use.
- (2) For the remaining land portion with a total site area of 63,546 square metres, SGIT has entered into a State-owned Land Use Rights Grant Contract No. Sui Guo Di Chu He 440116-2021-000037 with Planning and Natural Resources Bureau of Guangzhou to obtain the land use rights. As advised the Group, all the land premium has been settled and pending for formal issuance of the title certificates.
- (3) Pursuant to two Construction Land Use Planning Permits, Di Zi Di Sui Zhi Shi Cheng Gui Di (2019) No. 29 (dated 8 October 2019) and Di Zi Di Sui Zhi Shi Cheng Gui Di (2020) No. 10 (dated 26 April 2020) issued by the Planning and Natural Resources Bureau of Guangzhou Knowledge City Administration Bureau of Guangzhou Development Zone, the proposed land use for the subject site with a total site area of 216,961 square metres was approved.
- (4) Pursuant to another Construction Land Use Planning Permit, Di Zi Di Sui Gui Hua Zi Yuan Di Zheng (2021) No. 597 issued by the Planning and Natural Resources Bureau of Guangzhou dated 20 December 2021, the proposed land use for the subject site with a site area of 63,546 square metres was approved.

- (5) Pursuant to eight Construction Project Planning Permits issued by the Planning and Natural Resources Bureau of Guangzhou Knowledge City Administration Bureau of Guangzhou Development Zone, the proposed development of the property with a total planned gross floor area of 505,505.06 square metres was approved as follows:

Certificate Nos. (Jian Zi Di)	Issue date	Proposed gross floor area (<i>sqm</i>)
Sui Zhi Shi Cheng Gui Jian Zheng (2020) No. 163	9 Dec 2020	94,371.93
Sui Zhi Shi Cheng Gui Jian Zheng (2020) No. 172	20 Dec 2020	185,932.56
Sui Zhi Shi Cheng Gui Jian Zheng (2021) No. 1	13 Jan 2021	123,820.07
Sui Zhi Shi Cheng Gui Jian Zheng (2022) No. 1837	11 May 2022	17,185.04
Sui Zhi Shi Cheng Gui Jian Zheng (2022) No. 1852	11 May 2022	16,956.23
Sui Zhi Shi Cheng Gui Jian Zheng (2022) No. 1853	11 May 2022	21,479.91
Sui Zhi Shi Cheng Gui Jian Zheng (2022) No. 1854	11 May 2022	7,133.1
Sui Zhi Shi Cheng Gui Jian Zheng (2022) No. 1557	24 Apr 2022	<u>38,627.22</u>
Total		<u>505,506.06</u>

- (6) Pursuant to four Construction Works Commencement Permits issued by the Planning and Natural Resources Bureau of Guangzhou, the construction of the property with a total planned gross floor area of 505,528.32 square metres was approved as follows:

Certificate Nos.	Issue date	Proposed gross floor area (<i>sqm</i>)
440112202103150501	15 Mar 2021	212,005.33
440112202103190101	19 Mar 2021	192,119.23
440112202207040201	4 Jul 2022	63,197.35
440112202204290101	29 Apr 2022	<u>38,206.41</u>
Total		<u>505,528.32</u>

- (7) As advised by the Group, the total budgeted construction cost of the property was approximately RMB1,402,400,000, of which an amount of approximately RMB562,700,000 was outstanding as of the Valuation Date.
- (8) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB353,900,000.
- (9) SGIT is a wholly-owned subsidiary of the Company.
- (10) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (11) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SGIT possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
41. An industrial facility located at No. 295 Xinggang Road Yanjiang Development Zone Jiangdu District Yangzhou City Jiangsu Province The People's Republic of China	<p>The property comprises an industrial facility with a site area of approximately 92,732 square metres, on which were erected various buildings and structures which were completed in various stages between 2007 and 2022.</p> <p>The buildings mainly comprise workshops and ancillary office.</p> <p>The total gross floor area of the property is approximately 30,559.63 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 15 August 2057 for industrial use.</p>	The property is currently owner-occupied for production and ancillary office purposes.	<p>151,900,000 (80% interest attributable to the Group: RMB121,520,000 or HKD 132,500,000)</p>

Notes:—

- (1) Pursuant to a Real Estate Title Certificate – Su (2022) Jiang Du Qu Bu Dong Chan Quan Di No. 0050141 issued by the Natural Resources and Planning Bureau of Yangzhou dated 5 July 2022, the land use rights of the property with a site area of 92,732 square metres were granted to Jiangsu Xunwei Electronic Technology Co., Ltd. (“JSXW”) for a term of 50 years expiring on 15 August 2057 for industrial use; and the building ownership rights of the property with a total gross floor area of 30,559.63 square metres are legally vested in JSXW.
- (2) JSXW is an 80% interest-owned subsidiary of the Company.
- (3) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 28 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company’s PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. JSXW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
42. A proposed industrial facility located at Wucun River Eastern Region Zhongkai Tonghu Ecological Intelligent Zone Huizhou City Guangdong Province The People's Republic of China	<p>The property comprises a proposed industrial facility with a total site area of approximately 154,043 square metres.</p> <p>The total planned gross floor area of the property is approximately 398,801.09 square metres.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 24 February 2072 for industrial use.</p>	The property was under construction as of the Valuation Date and is expected to complete by July 2024.	1,044,200,000 (51% interest attributable to the Group: RMB532,542,000 or HKD 580,500,000)

Notes:–

- (1) Pursuant to four Real Estate Title Certificates issued by the Real Estate Registration Centre of Huizhou, the land use rights of the property were granted to Huizhou Skyworth Digital Technology Co., Ltd. (“HSDT”) for industrial use with details as follows:

Certificate Nos.	Issue date	Land use rights expiry date	Site area (sqm)
Yue (2021) Hui Zhou Shi Bu Dong Chan Quan Di No. 5049423	20 Oct 2021	27 Jun 2071	50,519
Yue (2021) Hui Zhou Shi Bu Dong Chan Quan Di No. 5049424	20 Oct 2021	27 Jun 2071	30,836
Yue (2021) Hui Zhou Shi Bu Dong Chan Quan Di No. 5049425	20 Oct 2021	27 Jun 2071	31,287
Yue (2022) Hui Zhou Shi Bu Dong Chan Quan Di No. 5059040	03 Nov 2022	24 Feb 2072	41,401
Total			154,043

- (2) Pursuant to a three Construction Land Use Planning Permits issued by the State-land Resources Bureau of Huizhou, the proposed land use for portion of the subject site with a total site area of 112,642 square metres was approved as follows:

Certificate Nos. (Di Zi Di)	Issue date	Site area (sqm)
No. 441302(2021)500160	16 Aug 2021	31,287
No. 441302(2021)500161	16 Aug 2021	30,836
No. 441302(2021)500162	16 Aug 2021	50,519
Total		112,642

- (3) Pursuant to 19 Construction Project Planning Permits, Jian Zi Di Nos. 441302(2022)60163 to 441302(2022)60172, 441302(2022)60178 and 441302(2022)60179 issued by the Housing and City Rural Planning and Development Bureau of Huizhou dated 13 April 2022 and Construction Project Planning Permits, Jian Zi Di Nos. 441302(2022)60675 to 441302(2022)60680 issued by the Housing and Urban-Rural Planning and Development Bureau of Huizhou dated 22 December 2022, the proposed development of the property with a total planned gross floor area of 398,801.09 square metres was approved.
- (4) Pursuant to a two Construction Works Commencement Permit issued by Housing and Urban-Rural Planning and Development Bureau of Huizhou (Zhongkai Hi-tech Industrial Development Zone), the construction of the property with a total planned gross floor area of 162,017.03 square metres was approved as follows:

Certificate Nos.	Issue date	Planned gross floor area (<i>sqm</i>)
441352202212070000	7 Dec 2022	162,017.03
441352202301100101	10 Jan 2023	<u>103,637.5</u>
Total		<u>265,654.53</u>

- (5) As advised by the Group, the total budgeted construction cost of the property was approximately RMB900,000,000, of which an amount of approximately RMB870,000,000 was outstanding as of the Valuation Date.
- (6) HSDT is a 51% interest-owned subsidiary of the Company.
- (7) The property was inspected by Zhang Yun, a valuer with two years of real estate valuation experience on 27 December 2022.
- (8) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. HSDT possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
43. An industrial facility located at No. 10 Saida 3rd Branch Road Xiqing Economic Development District Tianjin The People's Republic of China	<p>The property comprises an industrial facility with a site area of approximately 26,159.2 square metres, on which were erected various buildings and structures which were completed in about 2013.</p> <p>The buildings mainly comprise workshops and ancillary office.</p> <p>The total gross floor area of the property is approximately 17,690.01 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 1 July 2059 for industrial use.</p>	The property is currently owner-occupied for production and ancillary office purposes.	<p>90,200,000 (49% interest attributable to the Group: RMB44,198,000 or HKD 48,200,000)</p>

Notes:—

- (1) Pursuant to a Real Estate Title Certificate – Fang Di Zheng Jin Zi No. 111011311879 issued by the Real Estate Administration Bureau of Tianjin dated 23 July 2013, the land use rights of the property with a site area of 261,59.2 square metres were granted to Tianjin Premier ESP Pumping Systems Co., Ltd. (“TPPS”) for a term expiring on 1 July 2059 for industrial use; and the building ownership rights of the property with a gross floor area of 17,690.01 square metres were legally vested in TPPS.
- (2) TPPS is 49% interest-owned by the Company.
- (3) The property was inspected by Gao Da-yuan, a valuer with three years of real estate valuation experience on 14 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. TPPS possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
44. A proposed industrial facility located at Zone C of Heshan Industrial City Heshan Jiangmen City Guangdong Province The People's Republic of China	<p>The property comprises a proposed industrial facility with a total site area of approximately 115,963.61 square metres.</p> <p>The total planned gross floor area of the property is approximately 87,884.04 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 11 June 2021 and expiring on 10 June 2071 for industrial use.</p>	The property was completed in December 2022.	228,400,000 (80% interest attributable to the Group: RMB182,720,000 or HKD 199,200,000)

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Yue (2021) He Shan Shi Bu Dong Chan Quan Di No. 0048511 issued by the Real Estate Registration Centre of Jiangmen dated 13 August 2021, the land use rights of the property with a site area of 115,963.61 square metres were granted to Jiangmen Skyworth Display Technology Co., Ltd. (“JCDT”) for a term of 50 years commencing on 11 June 2021 and expiring on 10 June 2071 for industrial use.
- (2) Pursuant to a Construction Land Use Planning Permit – Di Zi Di No. 440784202100083 issued by the Natural Resources Bureau of Heshan dated 13 July 2021, the proposed land use for the subject site with a total site area of 115,963.61 square metres was approved.
- (3) Pursuant to a Construction Project Planning Permit, Jian Zi Di No. 440784202100260 issued by the Natural Resources Bureau of Heshan dated 13 July 2021, the proposed development of the property with a total planned gross floor area of 66,202.15 square metres was approved.
- (4) Pursuant to a Construction Works Commencement Permit, No. 440784202110120301 issued by the Housing and City Rural Development Bureau of Heshan dated 12 October 2021, the construction of the property with a total planned gross floor area of 87,630.22 square metres was approved.
- (5) As advised by the Group, the total budgeted construction cost of the property was approximately RMB292,000,000, of which an amount of approximately RMB104,000,000 was outstanding as of the Valuation Date.
- (6) JCDT is an 80% interest-owned subsidiary of the Company.
- (7) The property was inspected by Zhang Yun, a valuer with two years of real estate valuation experience on 27 December 2022.

- (8) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. JCDT possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The subject land of the property is subject to a mortgage in favour of the China Everbright Bank, Jiangmen Branch for a term commencing on 27 April 2022 and expiring on 27 April 2032 with a maximum loan amount of RMB220,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage, foreclosure or other third-party rights, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
45. Skyworth Wuhan Mini LED Display Technology Business Project located at South of Tuanjie Avenue and East of Xincheng 18th Road Dongxihu District Wuhan City Hubei Province The People's Republic of China	<p>The property comprises a proposed industrial facility with a site area of approximately 218,487.96 square metres.</p> <p>The total planned gross floor area of Phase 1 of the property is approximately 155,539.16 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 18 January 2072 for industrial use.</p>	Phase 1 of the property was under construction as of the Valuation Date and is expected to complete by June 2023. Phase 2 of the property was vacant land.	361,300,000 (100% interest attributable to the Group: RMB361,300,000 or HKD 393,800,000)

Notes:–

- (1) Pursuant to the Real Estate Title Certificate – E (2022) Wu Han Shi Bu Dong Xi Hu Bu Dong Chan Quan Di No. 0004954 issued by the Real Estate Registration Centre of Wuhan dated 25 January 2022, the land use rights of the property with a site area of 218,487.96 square metres were granted to Wuhan Skyworth Flat-panel Technology Limited (“WSFT”) for a term expiring on 18 January 2072 for industrial use.
- (2) Pursuant to a Construction Land Use Planning Permit – Di Zi Di No. Wu Zi Gui (Dong) Di [2021] No. 071 issued by the Natural Resources and Planning Bureau of Dongxihu District, Wuhan dated 24 November 2021, the proposed land use for the subject site with a total site area of 218,487.96 square metres was approved.
- (3) Pursuant to a Construction Project Planning Permit, Jian Zi Di Wu Zi Gui (Dong) Jian [2022] No. 017 issued by the Natural Resources and Planning Bureau of Dongxihu District, Wuhan dated 9 March 2022, the proposed development of the property with a total planned gross floor area of 267,465.76 square metres was approved.
- (4) Pursuant to a Construction Works Commencement Permit, No. 420112202205190101 issued by the Administrative Approval Bureau of Dongxihu District, Wuhan dated 19 May 2022, the construction of the property with a total planned gross floor area of 155,539.16 square metres was approved.
- (5) As advised by the Group, the total budgeted construction cost of the property was approximately RMB338,000,000, of which an amount of approximately RMB214,200,000 was outstanding as of the Valuation Date
- (6) WSFT is a wholly-owned subsidiary of the Company.
- (7) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 15 December 2022.
- (8) We have been provided with a legal opinion on the property prepared by the Company’s PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. WSFT possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is subject to a mortgage in favour of the Bank of Communications Wuhan Dongxihu Branch for a term commencing on 1 September 2022 and expiring on 1 September 2028 with a maximum loan amount of RMB92,100,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
46. A proposed industrial facility located at Tongqiao Town Zhongkai Gaoxin District Huizhou City Guangdong Province The People's Republic of China	<p>The property comprises a proposed industrial facility with a total site area of approximately 38,361 square metres.</p> <p>The total planned gross floor area of the property is approximately 119,323.76 square metres.</p> <p>The land use rights of the property were granted for a common term expiring on 28 July 2072 for industrial use.</p>	The property is currently vacant and pending for construction.	91,400,000 (80% interest attributable to the Group: RMB73,120,000 or HKD 79,700,000)

Notes:–

- Pursuant to two Real Estate Title Certificates – Yue (2022) Hui Zhou Shi Bu Dong Chan Quan Di Nos. 5047720 and 5047721 issued by the Real Estate Registration Centre of Huizhou both dated 29 September 2022, the land use rights of the property with a total site area of 38,361 square metres were granted to Skyworth Intelligent Equipment (Huizhou) Co., Ltd. (“SIEHZ”) for a common term expiring on 28 July 2072 for industrial use.
- Pursuant to a four Construction Project Planning Permits issued by the Housing and City Rural Planning Development Bureau, the proposed development of the property with a total planned gross floor area of 62,110.99 square metres was approved as follows:

Certificate Nos. (Jian Zi Di)	Issue date	Proposed gross floor area (sqm)
No. 441302 (2022) 60534	12 Oct 2022	44,368.45
No. 441302 (2022) 60535	12 Oct 2022	14,500.99
No. 441302 (2022) 60536	12 Oct 2022	3,063.29
No. 441302 (2022) 60537	12 Oct 2022	178.26
Total		<u>62,110.99</u>

- Pursuant to a Construction Land Use Planning Permit, Di Zi No. 441302(2022)50068 issued by the State-land Resources Bureau of Huizhou dated 16 September 2022, the proposed land use for the subject site with a total site area of 34,773 square metres was approved.
- Pursuant to a Construction Works Commencement Permit, No. 441352202212130101 issued by the Housing and Urban-Rural Planning and Development Bureau of Huizhou (Zhongkai Hi-tech Industrial Development Zone) dated 13 December 2022, the proposed development of the property with a total planned gross floor area of 62,220.99 square metres was approved.
- SIEHZ is an 80% interest-owned subsidiary of the Company.
- The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 15 December 2022.

- (7) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SIEHZ possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
47. An industrial facility located at No. 80 Nanhua Road Chenjiang Street Zhongkai Gaoxin District Huizhou City Guangdong Province The People's Republic of China	The property comprises an industrial facility with a site area of approximately 48,204.8 square metres, on which are erected various buildings and structures which were completed in about 2012. The buildings mainly comprise workshops, warehouse, canteen and dormitories. The total gross floor area of the property is approximately 42,937.92 square metres. The land use rights of the property were granted for a term expiring on 29 December 2052 for industrial use.	The property is currently owner-occupied for production, warehouse and dormitory purposes.	115,900,000 (51% interest attributable to the Group: RMB59,109,000 or HKD 64,400,000)

Notes:—

- (1) Pursuant to a State-owned Land Use Rights Certificate – Hui Fu Guo Yong (2013) No. 13021850039 issued by the Planning and Natural Resources Bureau of Huizhou dated 5 March 2013, the land use rights of the property with a site area of 48,204.8 square metres were granted to Skyworth LCD (Shenzhen) Co., Ltd. (“SLCDSZ”) for a term expiring on 29 December 2052 for industrial use.
- (2) Pursuant to seven Building and Land Ownership Certificates – Yue Fang Di Quan Zheng Hui Zhou Zi Di Nos. 1100159687, 1100159688, 1100159689, 1100159691, 1100159692, 110015693 and 1100159694 issued by the Real Estate Administration Bureau of Huizhou all dated 17 December 2012, the building ownership rights of the property with a total gross floor area of 42,937.92 square metres are legally vested in SLCDSZ.
- (3) SLCDSZ is a 51% interest-owned subsidiary of the Company.
- (4) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SLCDSZ possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Group II – Properties held by the Group for investment in Mainland China

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
48. Portion of an industrial facility located at No. 539 Tengfei Second Road Southwest Airport Economic Development Zone Shuangliu County Chengdu City Sichuan Province The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a site area of approximately 139,910.04 square metres, on which were erected various buildings and structures which were completed in various stages between 2010 and 2012.</p> <p>The buildings mainly comprise workshops, warehouses, ancillary office, dormitories and canteen.</p> <p>The total gross floor area of the property is approximately 84,679.23 square metres, in which the total gross floor area of the leased-out portion is approximately 46,905 square metres.</p> <p>The land use rights of the property were granted for a term of 20 years commencing on 27 February 2020 and expiring on 26 February 2040 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 31 December 2024 yielding a total monthly rent of RMB1,080,338.36 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>34,100,000 (100% interest attributable to the Group: RMB34,100,000 or HKD 37,200,000)</p>

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Chuan (2020) Shuang Liu Qu Bu Dong Chan Quan Zheng Di No. 0005894 issued by the Planning and Natural Resources Bureau of Chengdu dated 3 March 2020, the land use rights of the property were granted to CDSW for a term of 20 years commencing on 27 February 2020 and expiring on 26 February 2040 for industrial use.
- (2) The land use rights of the entire property were acquired by CDSW on 6 February 2020 at a consideration of RMB46,799,917 pursuant to a State-owned Land Use Rights Grant Contract – 510116-2020-C-002 (Shuang) entered into between the Planning and Natural Resources Bureau of Shuangliu District, Chengdu and CDSW.
- (3) We have attributed no commercial value to the buildings of the property with a total gross floor area of 46,924.92 square metres as they are yet to be granted with proper title certificates. For reference purpose, the value of these buildings (excluding the land, on a 100% basis) would be RMB94,900,000 had they been granted with all relevant title certificates.
- (4) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 14 December 2022.

- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. CDSW possesses the legal title of the land portion of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. As confirmed by CDSW, they are unable to obtain the requisite title certificates for those buildings mentioned in Note 3;
 - c. As the Company was unable to provide the relevant title documents for the subject buildings, it is unable to confirm whether the tenancy agreements entered into between CDSW and the lessees are effective. If CDSW does not have the right to lease the property according to the tenancy agreements, there is a potential risk that the tenancy agreements would be deemed as void;
 - d. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of CDSW under the tenancy agreements. However, CDSW might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - e. The actual uses of the property do not comply with the planned use as stated in the relevant title certificate, and hence there is a risk for CDSW to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions to be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for CDSW to be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - f. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
49. Portion of Skyworth Semiconductor Design Tower located at Hi-tech South Forth Road Nanshan District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the leased-out portion of a 24-storey office and commercial composite building (plus 3 basement levels) which was completed in about 2013, with a site area of approximately 17,025.5 square metres.</p> <p>The total gross floor area of the subject building is approximately 124,961.56 square metres (including 707 basement car parks with a total gross floor area of approximately 38,684.66 square metres), in which the total gross floor area of the leased-out portion is approximately 48,106.28 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 25 June 2007 and expiring on 24 June 2057 for industrial use.</p>	The property is subject to various tenancies for various terms with the latest expiry date being 31 October 2029 yielding a total monthly rent of RMB8,471,038.35 exclusive of VAT, management fees and other charges.	No commercial value (100% interest attributable to the Group: Nil)

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0219720 issued by the Real Estate Title Registration Centre of Shenzhen dated 17 September 2020, the land use rights of the property were granted to SWSC for a term of 50 years commencing on 25 June 2007 and expiring on 24 June 2057 for industrial use; and the building ownership rights of the subject development (excluding the basement) with a gross floor area of 86,266.9 square metres are legally vested in SWSC for research and development, commercial and canteen uses. According to the aforesaid title certificate, the property could not be transferred.
- (2) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the leased-out portion, including land and buildings, on a 100% basis) would be RMB719,460,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.

- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWSC possesses the legal title of the property;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWSC under the tenancy agreements. However, SWSC might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with those planned uses as stated in the relevant title certificate; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
50. Portion of Phase 1 of an industrial facility located at East of Fengle Avenue and West of Wei Fifth Road Shizi Town Quanjiao County Chuzhou City Anhui Province The People's Republic of China	<p>The property comprises the leased-out portion of phase 1 of an industrial facility with a total site area of approximately 613,269.6 square metres.</p> <p>The buildings mainly comprise workshops, warehouses, ancillary office, dormitories and canteen.</p> <p>The total gross floor area of Phase 1 of the property is approximately 262,781.39 square metres, in which the total gross floor area of the leased-out portion is approximately 95,122.65 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 18 October 2068 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 1 July 2025 yielding a total monthly rent of RMB1,439,757 exclusive of VAT, management fees and other charges.</p>	<p>106,200,000 (100% interest attributable to the Group: RMB106,200,000 or HKD 115,800,000)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Wan (2021) Ning Li Bu Dong Chan Quan Di No. 0015277 issued by the State-land Resources and Real Estate Administration Bureau dated 2 November 2021, the land use rights of portion of the subject site with a site area of 360,379 square metres were granted to SWAI; and the building ownership rights of the entire Phase 1 of the property with a total gross floor area of 262,781.4 square metres are legally vested in SWAI.
- (2) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 15 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SWAI possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWAI under the tenancy agreements. However, SWAI might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing

the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;

- c. The actual use of the property complies with those planned use as stated in the relevant title certificate; and
- d. The property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited, Qianjiao Branch for a term commencing on 3 November 2021 and expiring on 24 August 2030 with a maximum loan amount of RMB364,949,600. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
51. Portion of an industrial facility located at No. 96 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a total site area of approximately 324,200.81 square metres, on which were erected various buildings and structures which were completed in about 2014 to 2022.</p> <p>The buildings mainly comprise workshops, research and development centre, warehouse, dormitories and canteen.</p> <p>The total gross floor area of the subject property is approximately 317,966.38 square metres, in which the total gross floor area of the leased-out portion is approximately 32,272.78 square metres.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 10 August 2067 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 31 December 2023 yielding a total monthly rent of RMB427,829 exclusive of VAT, management fees and other charges.</p>	<p>190,200,000 (75% interest attributable to the Group: RMB142,650,000 or HKD 155,500,000)</p>

Notes:—

- (1) Pursuant to two Real Estate Title Certificates issued by the Planning and Natural Resources Bureau of Nanjing both dated 4 February 2021, the land use rights and building ownership rights of the property (i.e., the subject development) are legally vested in Skyworth Electric Company Limited (“SECL”) with details as follows:

Certificate Nos.	Site area (sqm)	Gross floor area (sqm)	Land use rights expiry date
Su (2021) Ning Li Bu Dong Chan Quan Di No. 0001924	127,144.01	91,185.71	10 Aug 2067
Su (2021) Ning Li Bu Dong Chan Quan Di No. 0001932	197,056.80	184,509.43	19 Feb 2064
Total	324,200.81	275,695.14	

- (2) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 28 December 2022.

- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SECL possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements entered into between SECL and the lessees are legal and enforceable documents, and are binding amongst the parties;
 - c. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SECL under the tenancy agreements. However, SECL might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - d. The actual use of the property complies with those planned uses as stated in the relevant title certificates; and
 - e. The property is subject to two mortgages in favour of the Bank of Jiangsu Co., Ltd., Lishui Branch for a term commencing on 11 December 2020 and expiring on 31 July 2023 at a maximum loan amount of RMB500,000,000 and in favour of the China Merchants Bank Co.,Ltd. Nanjing Branch for a term commencing on 9 January 2023 and expiring on 8 January 2024 at a maximum loan amount of RMB500,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
52. Portion of an industrial facility located at West of Chuangxin Middle Road and North of Yangguang Avenue Shaerqin Industrial Zone Saihan District Huhhot City Inner Mongolia The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a site area of approximately 113,375 square metres.</p> <p>The buildings mainly comprise workshops, warehouses, ancillary office, dormitories and canteen.</p> <p>The total gross floor area of the property is approximately 80,006.01 square metres, in which the total gross floor area of the self-use portion is approximately 5,518 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 7 August 2019 and expiring on 7 August 2069 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 31 July 2023 yielding a total monthly rent of RMB128,796 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>11,800,000 (100% interest attributable to the Group: RMB11,800,000 or HKD 12,900,000)</p>

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Meng (2021) Tu Mo Te Zuo Qi Bu Dong Chan Quan Zheng Di No. 0003441 issued by the Natural Resources Bureau of Tumote Zuoqi dated 26 March 2021, the land use rights of the property were granted to SWNM for a term of 50 years commencing on 7 August 2019 and expiring on 7 August 2069 for industrial use.
- (2) Pursuant to eight Real Estate Title Certificates –Meng (2023) Tu Mo Te Zuo Qi Bu Dong Chan Quan Di Nos. 0000205, 0000206, 0000207, 0000208, 0000209, 0000210, 0000211 and 0000212 issued by the Natural Resources Bureau of Tumote Zuoqi dated 12 January 2023, the land use rights and building ownership rights of the property with a total gross floor area of 80,006.01 square metres are legally vested in SWNM.
- (3) The property was inspected by Yang Wei, a valuer with six years of real estate valuation experience on 15 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SWNM possesses the legal title of the land portion of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWNM under the tenancy agreements. However, SWNM might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not

completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;

- c. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
- d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
53. Portion of Skyworth Tower located at South of Shennan Avenue Nanshan District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the leased-out portion of an 18-storey industrial building which was completed in about 2003, with a site area of approximately 11,992.3 square metres.</p> <p>The total gross floor area of the subject building is approximately 60,916.85 square metres, in which the total gross floor area of the leased-out portion is approximately 36,108.94 square metres.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 30 November 2028 yielding a total monthly rent of RMB5,079,351 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>
	<p>The land use rights of the property were granted for a term of 50 years commencing on 13 July 1999 and expiring on 12 July 2049 for industrial use.</p>		

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 4000120441 dated 25 July 2003, the land use rights of the property were granted to RGB for a term of 50 years commencing on 13 July 1999 and expiring on 12 July 2049 for industrial use; and the building ownership rights of the property with a total gross floor area of 60,916.85 square metres (i.e., the subject development) are legally vested in RGB. According to the aforesaid title certificate, the subject land is classified as non-commodity property; and the property could not be transferred.
- (2) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the leased-out portion, including land and buildings, on a 100% basis) would be RMB600,900,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property;
 - b. The tenancy agreements entered into between RGB and the lessees are legal and enforceable documents, and are binding amongst the parties;

- c. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of RGB under the tenancy agreements. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
- d. The actual uses of the property do not comply with the planned use as stated in the relevant title certificate, and hence there is a risk for RGB to be penalised by the relevant government authorities for not using the property in accordance with the planned use. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for RGB be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
- e. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
54. Unit 08 on Level 11 Office tower of Haiwei Plaza No. 101 Huayuan Road Licheng District Jinan City Shandong Province The People's Republic of China	<p>The property comprises an office unit on Level 11 of a 27-storey office building which was completed in about 2007.</p> <p>The gross floor area of the property is approximately 331.74 square metres.</p> <p>The land use rights of the property were granted for a term of 70 years commencing on 26 June 2002 and expiring on 21 June 2076 for commercial and residential uses.</p>	The property is currently vacant.	<p>3,180,000 (100% interest attributable to the Group: RMB3,180,000 or HKD 3,470,000)</p>

Notes:—

- (1) Pursuant to a Building Ownership Certificate – Ji Fang Quan Zheng Li Cheng Zi Di No. 094541 issued by the Real Estate Administration Bureau of Jinan dated 10 March 2008, the building ownership rights of the property with a gross floor area of 331.74 square metres are legally vested in RGB.
- (2) The property was inspected by Liang Zhong-qing, a valuer with eight years of real estate valuation experience on 16 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreement has not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreement and the rights of RGB under the tenancy agreements. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned uses as stated in the relevant title certificate; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
55. Portion of Level 1 No. 64 Baishihang Xiacheng District Hangzhou City Zhejiang Province The People's Republic of China	<p>The property comprises portion of Level 1 of a 6-storey commercial building which was completed in about 2002.</p> <p>The gross floor area of the property is approximately 177.9 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 5 August 2042 for commercial use.</p>	<p>The property is subject to a tenancy for a term commencing on 5 July 2021 and expiring on 4 July 2026 at a current monthly rent of RMB15,833 exclusive of VAT, management fees and other charges.</p>	<p>4,940,000 (100% interest attributable to the Group: RMB4,940,000 or HKD 5,380,000)</p>

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Hang Xia Guo Yong (2014) Di No. 005513 issued by the People's Government of Hangzhou dated 5 June 2014, the land use rights of the property were granted to RGB for a term expiring on 5 August 2042 for commercial use.
- (2) Pursuant to a Building Ownership Certificate – Hang Fang Quan Zheng Xia Yi Zi Di No. 14750552 issued by the Housing Protection and Real Estate Administration Bureau dated 4 June 2014, the building ownership rights of the property with a gross floor area of 343.67 square metres (including the entire Level 1 and Level 2) are legally vested in RGB for non-residential use.
- (3) The property was inspected by Qiu Ling-feng, a valuer with four years of real estate valuation experience on 19 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreement has not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreement and the rights of RGB under the tenancy agreements. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned uses as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
56. Portion of Skyworth Digital Tower Songbai Road Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the leased-out portion of a 28-storey research and development centre which was completed in about 2016, with a site area of approximately 20,392.85 square metres.</p> <p>The total gross floor area of the subject property is approximately 60,685.09 square metres, in which the total gross floor area of the leased-out portion is approximately 29,075.68 square metres.</p> <p>The land use rights of the property were granted for a term commencing on 30 June 2007 and expiring on 29 June 2057 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 31 October 2027 yielding a total monthly rent of RMB1,732,899 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>262,000,000 (51% interest attributable to the Group: RMB133,620,000 or HKD 145,600,000)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Yue (2017) Shen Zhen Shi Bu Dong Chan Quan Di No. 0072080 issued by the Real Estate Registration Centre of Shenzhen dated 12 May 2017, the land use rights of the property were granted to SWDT for a term commencing on 30 June 2007 and expiring on 29 June 2057 for industrial use; and the building ownership rights of the property with a total gross floor area of 60,685.09 square metres (i.e., the subject development) are legally vested in SWDT for research and development, and dormitory uses. According to the aforesaid title certificate, the property could only be transferred as a whole.
- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 25 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SWDT possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements entered into between SWDT and the lessees are legal and enforceable documents, and are binding amongst the parties;
 - c. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWDT under the tenancy agreements. However, SWDT might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing

the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;

- d. The actual uses of the property do not comply with the planned uses as stated in the relevant title certificate, and hence there is a risk for SWDT to be penalised by the relevant government authorities for not using the property in accordance with the planned uses. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for SWDT be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
- e. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
57. Portion of an industrial facility located at No. 36 Feilong Road National Economic and Technology Development Zone Suining City Sichuan Province The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a total site area of approximately 237,161.32 square metres, on which were erected various buildings and structures which were completed in various stages between 2018 and 2019.</p> <p>The buildings mainly comprise workshops and warehouses.</p> <p>The total gross floor area of the subject property is approximately 134,058.96 square metres, in which the total gross floor area of the leased-out portion is approximately 75,011.79 square metres.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 2 April 2069 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 24 December 2025 yielding a total monthly rent of RMB754,520 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>252,800,000 (100% interest attributable to the Group: RMB252,800,000 or HKD 275,600,000)</p>

Notes:—

- (1) Pursuant to three Real Estate Title Certificates, Chuan (2020) Sui Ning Shi Bu Dong Chan Quan Di Nos. 0002933, 0002934 and 0002935 issued by the Natural Resources and Planning Bureau of Suining all dated 10 January 2020, the land use rights of portion of the property with a site area of 91,318.25 square metres were granted to SNSW for a term of 50 years commencing on 20 January 2017 and expiring on 19 January 2067 for industrial use; and the building ownership rights of portion of the entire property with a total gross floor area of 34,281.58 square metres are legally vested in SNSW.
- (2) Pursuant to another six Real Estate Title Certificate, Chuan (2020) Sui Ning Shi Bu Dong Chan Quan Di Nos. 0061742, 0061743, 0061744, 0061745, 0061746 and 0061747 issued by the Natural Resources and Planning Bureau of Suining all dated 5 November 2020, the land use rights of the remaining portion of the property with a site area of 145,839.71 square metres were granted to SNSW for a term of 50 years commencing on 3 April 2019 and expiring on 2 April 2069 for industrial use; and the building ownership rights of portion of the entire property with a total gross floor area of 79,393.55 square metres are legally vested in SNSW.
- (3) The property was inspected by Xue Shen-wu, a valuer with two years of real estate valuation experience on 15 December 2022.

- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SNSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SNSW under the tenancy agreements. However, SNSW might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
58. Portion of an industrial facility located at No. 100 of Zone 1 of Economic Development Zone Yichun City Jiangxi Province The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a site area of approximately 129,936.5 square metres, on which were erected various buildings and structures which were completed in various stages between 2012 and 2014.</p> <p>The buildings mainly comprise workshops, dormitories, ancillary offices and canteen.</p> <p>The total gross floor area of the subject property is approximately 80,808.01 square metres, in which the total gross floor area of the leased-out portion is approximately 11,356 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 17 December 2056 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 31 December 2024 yielding a total monthly rent of RMB124,808 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>31,800,000 (100% interest attributable to the Group: RMB31,800,000 or HKD 34,700,000)</p>

Notes:–

- Pursuant to a State-owned Land Use Rights Certificate – Yi Chun Guo Yong (2001) Di No. 11010364 issued by the People's Government of Yichun dated 15 December 2011, the land use rights of the property were granted to SWYC for a term expiring on 17 December 2056 for industrial use.
- Pursuant to nine Building Ownership Certificates issued by the Real Estate Administration Bureau of Yichun, the building ownership rights of the entire property with a total gross floor area of 80,808.01 square metres are legally vested in SWYC with details as follows:

Certificate Nos. (Yi Fang Chan Zheng Yi Chun Zi Di)	Issue date	Gross floor area (sqm)	No. of storey
No. 2-20120916	5 Jun 2012	9,836.54	1
No. 2-20120917	5 Jun 2012	2,445.14	1
No. 2-20120918	5 Jun 2012	2,478.13	3
No. 2-20120919	5 Jun 2012	1,818.37	1
No. 2-20133889	30 Aug 2013	20,189.48	2
No. 2-20133890	30 Aug 2013	6,087.65	6
No. 2-20133891	30 Aug 2013	1,080.08	-1
No. 2- 20133892	30 Aug 2013	6,435.76	3
No. 2-2014000773	20 Feb 2014	30,436.86	3
Total		80,808.01	

- (3) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 15 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWYC possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWYC under the tenancy agreements. However, SWYC might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
59. Portion of an industrial facility located at No. 88 Binhuai Avenue Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a total site area of approximately 258,002.80 square metres, on which were erected various buildings and structures which were completed in various stages between 2018 and 2019.</p> <p>The buildings mainly comprise workshops, warehouse, dormitory and canteen.</p> <p>The total gross floor area of the completed portion of the property is approximately 126,662.65 square metres, in which the total gross floor area of the leased-out portion is approximately 25,977.26 square metres.</p> <p>The land use rights of the property were granted for various terms with the latest expiry date being 21 September 2063 for industrial use.</p>	The property is subject to various tenancies for various terms with the latest expiry date being 15 June 2024 yielding a total monthly rent of RMB430,820.24 inclusive of VAT, management fees and other charges.	81,800,000 (100% interest attributable to the Group: RMB81,800,000 or HKD 89,200,000)

Notes:—

- (1) Pursuant to three Real Estate Title Certificates issued by the State-land Resources Bureau of Nanjing, the land use rights and building ownership rights of the property with a total site area of 258,002.8 square metres; and a total gross floor area of 126,662.65 square metres are legally vested in SWFD with details as follows:

Certificate Nos.	Issue date	Site area (sqm)	Gross floor area (sqm)	Land use rights expiry date
Su (2018) Ning Li Bu Dong Chan Quan Di No. 0011271	12 Jul 2018	183,888	99,043.4	28 Feb 2062
Su (2019) Ning Li Bu Dong Chan Quan Di No. 0023004	29 Nov 2019	54,159.8	27,619.25	21 Sep 2063
Ning Li Guo Yong (2013) Di No. 00147	16 Jan 2013	19,955	N/A	10 Jan 2063
Total		258,002.8	126,662.65	

- (2) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 27 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWFD possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWFD under the tenancy agreements. However, SWFD might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. Portion of the subject land held under certificate No. 00147 is subject to a mortgage in favour of Jiangsu Jiangdu Rural Commercial Bank Co., Ltd. with a maximum loan amount of RMB48,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
60. Portion of Skyworth Technology Industrial Park Shiyan Street Bao'an District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises the leased-out portion of an industrial facility with a site area of approximately 411,164.52 square metres, on which were erected various buildings and structures which were completed in various stages between 2006 and 2018.</p> <p>The buildings mainly comprise workshops, ancillary office, canteen and dormitories.</p> <p>The total gross floor area of the property is approximately 1,111,098.44 square metres, in which the total gross floor area of the leased-out portion is approximately 368,807.72 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 31 July 2003 and expiring on 30 July 2053 for industrial use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 30 April 2041 yielding a total monthly rent of RMB20,871,415.54 inclusive of VAT, but is exclusive of management fees and other charges.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>

Notes:–

- (1) Pursuant to 27 Real Estate Title Certificates issued by the Real Estate Registration Centre of Shenzhen, the land use rights of the property were granted to SWMT for a term of 50 years commencing on 31 July 2003 and expiring on 30 July 2053 for industrial use; and the building ownership rights of the property with a total gross floor area of 899,283.28 square metres are legally vested in SWMT with details as follows:

Certificate Nos.	Issue date	Building type	Gross floor area (sqm)
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No.0004774	7 Jan 2019	Office and training room	27,441.13
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No.0004766	7 Jan 2019	Workshop, dormitory, ancillary rooms, canteen	223,284.53
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No.0004761	7 Jan 2019	Workshop	96,254.73
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No.0078400	9 May 2020	Dormitory	10,416.59

Certificate Nos.	Issue date	Building type	Gross floor area (sqm)
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078396	9 May 2020	Dormitory	10,706.70
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078399	9 May 2020	Dormitory	12,322.87
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078395	9 May 2020	Dormitory	12,929.94
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078397	9 May 2020	Dormitory	12,538.87
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078402	9 May 2020	Ancillary room	319.24
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078392	9 May 2020	Workshop	52,075.32
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078393	9 May 2020	Ancillary room	1,248.14
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078390	9 May 2020	Workshop	21,335.38
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078387	9 May 2020	Workshop	18,629.68
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078394	9 May 2020	Workshop	22,818.43
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078401	9 May 2020	Ancillary room	456.32
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0225315	14 Nov 2019	Dormitory	35,551.69
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0225316	14 Nov 2019	Dormitory	35,292.54
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157654	22 Aug 2019	Dormitory	18,014.41
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157657	22 Aug 2019	Dormitory	14,162.51
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157655	22 Aug 2019	Workshop	60,574.05
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157656	22 Aug 2019	Workshop	51,163.10
Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0157658	22 Aug 2019	Workshop	14,834.39
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078388	9 May 2020	Workshop	67,195.18
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078389	9 May 2020	Workshop	26,501.68
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078398	9 May 2020	Canteen	12,349.93
Yue (2020) Shen Zhen Shi Bu Dong Chan Quan Di No. 0078391	9 May 2020	Workshop	37,480.37
Yue (2021) Shen Zhen Shi Bu Dong Chan Quan Di No. 0213123	23 Dec 2021	Residential and commercial	3,385.56
Total			<u>899,283.28</u>

- (2) According to the aforesaid title certificates, the subject land is classified as non-commodity property; and the property could not be transferred.

- (3) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the leased-out portion, including land and buildings, on a 100% basis) would be RMB2,923,300,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (4) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 27 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. SWMT possesses the legal title of the property;
 - b. The tenancy agreements entered into between SWMT and the lessees are legal and enforceable documents, and are binding amongst the parties;
 - c. Some of the tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SWMT under the tenancy agreements. However, SWMT might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - d. The actual use of part of the property (i.e., title certificates Nos. 0004774 and 5000480444) do not comply with the planned uses as stated in the relevant title certificate, and hence there is a risk for SWMT to be penalised by the relevant government authorities for not using the property in accordance with the planned uses. As confirmed by the Company, they have not been penalised by the local government authorities for using the property for the existing uses. In addition, it has been rare for the relevant enforcement actions be taken against those property owners who do not use the properties in accordance with the planned use. As such, it is considered that the chance for SWMT be penalised for the land use contravention would be relatively minimal, and the Company also confirmed that the above would not materially affect the operation and revenue of the Company; and
 - e. The property is subject to a mortgage in favour of the Industrial and Commercial Bank of China Limited, Shenzhen High-tech Zone Branch for a term commencing on 20 September 2019 and expiring on 20 September 2035 with a maximum loan amount of RMB1,320,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
61. Skyworth Qunxin Technology Park Baolong Industrial City Longgang District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises an industrial facility with a site area of approximately 30,447.11 square metres, on which were erected various buildings and structures which were completed in about 2010.</p> <p>The buildings mainly comprise workshops and ancillary office.</p> <p>The total gross floor area of the property is approximately 45,609.36 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 11 November 2003 and expiring on 10 November 2053 for industrial use.</p>	<p>Portion of the property is subject to various tenancies for various terms with the latest expiry date being 20 March 2026 yielding a total monthly rent of RMB979,613 inclusive of VAT, management fees and other charges.</p>	<p>No commercial value (100% interest attributable to the Group: Nil)</p>

Notes:–

- (1) Pursuant to four Real Estate Title Certificates – Yue (2021) Shen Zhen Shi Bu Dong Chan Quan Di Nos. 0051363, 0051373, 0051379 and 0051381 issued by the Planning and Natural Resources Bureau of Shenzhen all dated 22 March 2021, the land use rights of the property were granted to Shenzhen Baolong Qunxin Technology Co., Ltd. (“SBQT”) for a term of 50 years commencing on 11 November 2003 and expiring on 10 November 2053 for industrial use; and the building ownership rights of the property with a total gross floor area of 45,609.36 square metres are legally vested in SBQT. According to the aforesaid title certificates, the property could not be transferred.
- (2) SBQT is a wholly-owned subsidiary of the Company.
- (3) We have attributed no commercial value to the property as the subject development is not entitled to be transferred in accordance with the relevant title documents. For reference purpose, the value of the property (i.e., the self-use portion, including land and buildings, on a 100% basis) would be RMB187,000,000 on the basis of discounting the expected rental income (assuming the property is leased out) from the Valuation Date to the land use rights expiry date of the property.
- (4) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 29 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. SBQT possesses the legal title of the property;
 - b. Some of the tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of SBQT under the tenancy agreements. However, SBQT might be required by the relevant real estate

bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;

- c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
- d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
62. Units 10622, 10623 and 10624 Block 1 of Tower 7 No. 19 Fengcheng First Road Xi'an Economic and Technological Development Zone Xi'an City Shaanxi Province The People's Republic of China	The property comprises three units on Level 10 of a 26-storey apartment which was completed in about 2011. The total gross floor area of the property is approximately 164.92 square metres.	The property is subject to tenancy for a common term of five years commencing on 21 May 2021 and expiring on 20 May 2026 at a total monthly rent of RMB3,833 inclusive of VAT, but is exclusive of management fees and other charges.	2,080,000 (80% interest attributable to the Group: RMB1,664,000 or HKD 1,810,000)

Notes:—

- (1) Pursuant to three Building Ownership Certificates – Xi An Shi Fang Quan Zheng Jing Ji Ji Shu Kai Fa Qu Zi Di Nos. 1100114013-1-7-10622, 1100114013-1-7-10623 and 1100114013-1-7-10624 issued by the Housing Protection and Real Estate Administration Bureau of Xian all dated 28 October 2013, the building ownership rights of the property with a total gross floor area of 164.92 square metres are legally vested in HNHM.
- (2) The property was inspected by Yang Wei, a valuer with six years of real estate valuation experience on 14 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. HNHM possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of HNHM under the tenancy agreements. However, HNHM might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
63. Units 701, 702, 703 and 803 Ouzhou Garden East of Xudong Village Hongshan District Wuhan City Hubei Province The People's Republic of China	<p>The property comprises four residential units on Levels 7 and 8 of a 17-storey residential building which was completed in about 2002.</p> <p>The total gross floor area of the property is approximately 670.53 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 30 December 2068 for residential use.</p>	<p>Unit 803 of the property is subject to a tenancy for a term expiring on 30 June 2024 at a monthly rent of RMB4,800 inclusive of VAT, but it exclusive of management fees and other charges.</p>	<p>12,500,000 (100% interest attributable to the Group: RMB12,500,000 or HKD 13,600,000)</p>

Notes:–

- (1) Pursuant to four State-owned Land Use Rights Certificates – Hong Guo Yong (2010 Si) Nos. 971, 972, 973 and 974 issued by the State-land Resources and Planning Bureau of Wuhan all dated 26 February 2010, the land use rights of the property were granted to RGB for a term expiring on 30 December 2068 for residential use.
- (2) Pursuant to four Building Ownership Certificates – Wu Fang Quan Zheng Hong Zi Di Nos. 2010002048, 2010002049, 2010002050 and 2010002087 issued by the Real Estate Administration Bureau of Hongshan District, Wuhan all dated 2 March 2010, the building ownership rights of the property with a total gross floor area of 670.53 square metres are legally vested in RGB.
- (3) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 15 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of RGB under the tenancy agreements. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
64. Unit A of Level 5 South tower of Dormitory No. 11 Bagualing Mall Futian District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises a residential unit on Level 5 of a 7-storey residential building which was completed in about 1985.</p> <p>The gross floor area of the property is approximately 601 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 12 October 1983 and expiring on 11 October 2033 for residential use.</p>	<p>The property is subject to a tenancy for a term commencing on 1 January 2022 and expiring on 31 October 2023 at a monthly rent of RMB24,000 exclusive of VAT, management fees and other charges.</p>	<p>49,500,000 (100% interest attributable to the Group: RMB49,500,000 or HKD 54,000,000)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000033681 issued by the People's Government of Shenzhen dated 3 June 1999, the land use rights and the building ownership rights of the property with a gross floor area of 601 square metres are legally vested in RGB.
- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreement has not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreement and the rights of RGB under the tenancy agreement. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
65. Various units in Shencai Court No. 5007 Huanggang Road Futian District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises five residential units on Levels 3, 4, 8, 10 and 11 of a 25-storey residential building which was completed in about 2000.</p> <p>The total gross floor area of the property is approximately 440.35 square metres.</p> <p>The land use rights of the property were granted for a term of 70 years commencing on 31 January 1997 and expiring on 30 January 2067 for residential use.</p>	The property is subject to various tenancies for various terms with the latest expiry date being 31 May 2028 yielding a total monthly rent of RMB21,138 exclusive of VAT, management fees and other charges.	<p>28,600,000 (100% interest attributable to the Group: RMB28,600,000 or HKD 31,200,000)</p>

Notes:–

- (1) Pursuant to five Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 3000151358, 3000151363, 3000151366, 3000151370 and 3000151372 issued by the People's Government of Shenzhen all dated 3 December 2002, the land use rights of the property and the building ownership rights of the property with a total gross floor area of 440.35 square metres are legally vested in RGB.
- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. RGB possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have not been registered with the relevant real estate bureau, despite such non-registration would not affect the effectiveness of the tenancy agreements and the rights of RGB under the tenancy agreements. However, RGB might be required by the relevant real estate bureau to perform the registration within a specified period of time, and would be fined for not completing the registration on time. As confirmed by the Company, they have not been penalised by the local government authorities for the non-registration, and such non-registration would not materially affect the operation and revenue of the Company;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
66. Unit 202, Block 7 Huamao Court Meihua Road Futian District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises a residential unit on Level 2 of an 8-storey residential building which was completed in about 1995.</p> <p>The gross floor area of the property is approximately 79.9 square metres.</p> <p>The land use rights of the property were granted for a term of 70 years commencing on 6 May 1993 and expiring on 5 May 2063 for residential use.</p>	<p>The property is subject to a tenancy for a term of one year commencing on 1 May 2022 and expiring on 30 April 2023 at a monthly rent of RMB5,321 exclusive of VAT, management fees and other charges.</p>	<p>5,020,000 (100% interest attributable to the Group: RMB5,020,000 or HKD 5,470,000)</p>

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 5218337 issued by the People's Government of Shenzhen dated 2 June 1997, the land use rights and building ownership rights of the property with a gross floor area of 79.9 square metres are legally vested in New Skyworth Electrical Appliance (Shenzhen) Limited (“XSWS”).
- (2) XSWS is a wholly-owned subsidiary of the Company.
- (3) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. XSWS possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreement has been registered with the relevant real estate bureau;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificate; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
67. Various dormitories located at West of Huanggang Road and South of Beihuan Road Futian District Shenzhen City Guangdong Province The People's Republic of China	<p>The property comprises 41 residential units on various levels of 11-storey Block A, B and C of the subject development which was completed in about 2000.</p> <p>The total gross floor area of the property is approximately 3,995.82 square metres.</p> <p>The land use rights of the property were granted for a term of 70 years commencing on 31 January 1997 and expiring on 30 January 2067 for residential use.</p>	<p>The property is subject to various tenancies for various terms with the latest expiry date being 31 May 2028 yielding a total monthly rent of RMB158,243 exclusive of VAT, management fees and other charges.</p>	<p>259,400,000 (100% interest attributable to the Group: RMB259,400,000 or HKD 282,700,000)</p>

Notes:—

- (1) Pursuant to 41 Real Estate Title Certificates issued by the Real Estate Registration Centre of Shenzhen dated between 28 January 2003 and 26 July 2010, the land use rights and building ownership rights of the property with a total gross floor area of 3,995.82 square metres are legally vested in XSWS with details as follows:

Certificate Nos. (Shen Fang Di Zi Di)	Unit No.	Issue date	Gross floor area (sqm)
No. 3000160781	A1108	28 Jan 2003	124.12
No. 3000160784	A1105	28 Jan 2003	122.99
No. 3000160787	B204	28 Jan 2003	83.78
No. 3000160790	A1101	28 Jan 2003	124.12
No. 3000160934	B603	28 Jan 2003	85.32
No. 3000160937	B1105	28 Jan 2003	86.81
No. 3000160938	C204	28 Jan 2003	86.89
No. 3000160941	C1105	28 Jan 2003	86.89
No. 3000160944	B1108	28 Jan 2003	87.98
No. 3000160946	C304	28 Jan 2003	86.89
No. 3000160948	C208	28 Jan 2003	76.52
No. 3000160950	C205	28 Jan 2003	86.89
No. 3000160952	A401	28 Jan 2003	124.12
No. 3000160953	A1008	28 Jan 2003	124.12
No. 3000160955	A704	28 Jan 2003	122.99
No. 3000160964	C707	28 Jan 2003	85.4
No. 3000160967	B207	28 Jan 2003	82.28
No. 3000160969	B502	28 Jan 2003	85.32
No. 3000160972	B201	28 Jan 2003	84.94
No. 3000160974	B208	28 Jan 2003	84.94
No. 3000160981	B706	28 Jan 2003	85.32
No. 3000160983	B205	28 Jan 2003	83.78
No. 3000160984	B707	28 Jan 2003	85.32

Certificate Nos. (Shen Fang Di Zi Di)	Unit No.	Issue date	Gross floor area (sqm)
No. 3000160995	A404	28 Jan 2003	122.99
No. 3000160998	C201	28 Jan 2003	85.02
No. 3000161034	B1104	28 Jan 2003	86.81
No. 3000161035	C1108	28 Jan 2003	88.07
No. 3000161038	A604	28 Jan 2003	122.99
No. 3000161039	A1005	28 Jan 2003	122.99
No. 3000161040	B203	28 Jan 2003	82.28
No. 3000161046	A304	28 Jan 2003	122.99
No. 3000161051	A1104	28 Jan 2003	122.99
No. 3000161053	B1101	28 Jan 2003	87.98
No. 3000161324	B608	29 Jan 2003	87.98
No. 3000161472	B803	29 Jan 2003	85.32
No. 3000161476	A808	28 Jan 2003	124.12
No. 3000208293	A308	28 Sep 2003	124.12
No. 3000623688	B807	26 Jul 2010	85.32
No. 3000623699	C303	26 Jul 2010	85.4
No. 3000623707	C502	26 Jul 2010	85.4
No. 3000623714	B802	26 Jul 2010	85.32
Total			<u>3,995.82</u>

- (2) The property was inspected by Lin Jian-zhen, a valuer with two years of real estate valuation experience on 30 December 2022.
- (3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. XSWS possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights and building ownership rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The tenancy agreements have been registered with the relevant real estate bureau;
 - c. The actual use of the property complies with the planned use as stated in the relevant title certificates; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

(3) Pursuant to a Real Estate Title Certificate – Su (2023) Ning Li Bu Dong Chan Quan Di No. 0001438 issued by the Natural Resources and Planning Bureau of Nanjing dated 20 January 2023, the land use rights of portion of the subject site with a site area of 13,947.91 were granted to NJWH for a term of 70 years commencing on 10 August 2016 and expiring on 9 August 2086 for urban residential use.

(4) Pursuant to six Pre-sale Permits issued by the Administration Approval Bureau of Lishui, the pre-sale of portion of the subject development was approved with details as follows:

Permits (Ning Fang Xiao Di Nos.)	Issue date	Portion
2019500032	17 Sep 2019	Block #5, #6, #7 and #19
2019500050	29 Nov 2019	Block #8, #9, #11, #12, #15, #16, #17 and #18
2020500038	30 Jun 2020	Block #20, #21, #22, #25, #26 and #33
2019500001	17 Jan 2019	Block #1 and #13
2018500042	14 Dec 2018	Block #2, #3 and #10
20200500084	25 Dec 2020	Block #23, #27, #28 and #31

(5) As advised by the Group, the outstanding construction cost for the unsold commercial portion of the property was approximately RMB9,000,000 as of the Valuation Date.

(6) As advised by the Group, part of the residential portion of the subject development with a total gross floor area of 2,838.01 square metres has been pre-sold (but was yet to be handovered) for a total consideration of approximately RMB16,200,000. We have reflected the contract value of the pre-sold portion in the course of our valuation.

(7) For reference purpose, the value of the property (on a 100% basis, including the pre-sold but not yet handovered portion) assuming completion as of the Valuation Date would be RMB506,800,000.

(8) NJWH is a wholly-owned subsidiary of the Company.

(9) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 27 December 2022.

(10) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:

- a. NJWH possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
- b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
- c. NJWH has the right to pre-sale the portion of the subject development in accordance with the aforesaid pre-sale permits; and
- d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
69. Unsold portion of Lehuocheng located at No. 26 Tuanshan West Road Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	The property comprises 666 unsold basement carpark of a residential and commercial composite development known as "Lehuocheng" which was completed in about 2019. The land use rights of the property were granted for a term of 70 years expiring on 3 December 2082 for residential use.	The property is currently vacant and was held for sale.	130,000 (100% interest attributable to the Group: RMB130,000 or HKD 140,000)

Notes:–

- (1) Pursuant to two Real Estate Title Certificates issued by the Planning and Natural Resources Bureau of Nanjing or the State-land Resources Bureau of Nanjing, the land use rights and the building ownership rights of two of the unsold carparks with a total gross floor area of 26.26 square metres are legally vested in Nanjing Wei Hong Property Company Limited ("NJWO") with details as follows:

Certificate Nos.	Issue date	Portion	Gross floor area (sqm)
Su (2021) Ning Li Bu Dong Chan Quan Di No. 0006051	21 May 2020	Carpark #651	13.13
Su (2021) Ning Li Bu Dong Chan Quan Di No. 0006056	12 Nov 2018	Carpark #708	13.13
Total			26.26

- (2) We have attributed no commercial value to the remaining 664 carparks as they are yet to be granted with proper title certificates. For reference purpose, the value of these carparks would be RMB42,900,000 had they been granted with all relevant title certificates.
- (3) NJWO is a wholly-owned subsidiary of the Company.
- (4) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 27 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- Save as those mentioned in Note 2 above, NJWO possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - As confirmed by NJWO, they are in the process of applying the requisite title certificates for those carparks mentioned in Note 2, and there is no material impediment for NJWO to complete the relevant title registration procedures and to obtain the relevant title certificates; and
 - The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB										
70. Wenyuefu located at No. 26 Tuanshan West Road Lishui Economic Development Zone Lishui District Nanjing City Jiangsu Province The People's Republic of China	<p>The property comprises the proposed residential and commercial development known as "Wenyuefu" with a site area of approximately 42,539.94 square metres.</p> <p>The total planned gross floor area of the property is approximately 129,501.86 square metres with details as follows:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>90,422.92</td> </tr> <tr> <td>Commercial</td> <td>843.07</td> </tr> <tr> <td>Others</td> <td><u>38,235.87</u></td> </tr> <tr> <td>Total</td> <td><u>129,501.86</u></td> </tr> </tbody> </table> <p>Basement car parks 859 spaces</p> <p>The land use rights of the property were granted for a term of 70 years expiring on 27 December 2091 for residential use.</p>	Portion	Gross floor area (sqm)	Residential	90,422.92	Commercial	843.07	Others	<u>38,235.87</u>	Total	<u>129,501.86</u>	The property is currently under construction and is expected to complete by April 2025.	646,500,000 (90% interest attributable to the Group: RMB581,850,000 or HKD 634,200,000)
Portion	Gross floor area (sqm)												
Residential	90,422.92												
Commercial	843.07												
Others	<u>38,235.87</u>												
Total	<u>129,501.86</u>												

Notes:—

- (1) Pursuant to a Real Estate Title Certificate – Su (2022) Ning Li Bu Dong Chan Quan Di No. 0000275 issued by the State-land Resources Bureau of Nanjing dated 10 December 2022, the land use rights of the property were granted to Nanjing Skyworth Property Company Limited ("NJRE") for a term of 70 years expiring on 27 December 2091 for residential use.
- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 320117202100070 issued by the Planning Bureau of Nanjing, Lishui Branch dated 10 November 2017, the proposed land use for the subject site with a site area of 42,539.94 square metres was approved.
- (3) Pursuant to a Construction Project Planning Permit, Jian Zi Di No. 320117202200060 issued by the Planning and Natural Resources Bureau of Nanjing dated 11 May 2022, the proposed development of the property with a total planned gross floor area of 128,505.24 square metres was approved.
- (4) Pursuant to a Construction Works Commencement Permit, No. 320124202207041101 issued by the Administrative Approval Bureau of Lishui District, Nanjing dated 4 July 2022, the construction of the proposed development of the property with a total planned gross floor area of 128,026.64 square metres was approved.

- (5) As advised by the Group, the total budgeted construction cost for the property was approximately RMB544,000,000, of which an amount of approximately RMB498,000,000 was outstanding as of the Valuation Date.
- (6) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB1,222,800,000.
- (7) NJRE is a 90% interest-owned subsidiary of the Company.
- (8) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 22 December 2022.
- (9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. NJRE possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB										
71. Skyworth Smart Society located at East of Zhaolong Road and South of Qingquan Road Zhuangshi Street Zhenhai District Ningbo City Zhejiang Province The People's Republic of China	<p>The property comprises the proposed residential and commercial composite development known as "Skyworth Smart Society" with a site area of approximately 52,612 square metres.</p> <p>The total planned gross floor area of the property is approximately 136,823.35 square metres which comprise the following:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>86,256.15</td> </tr> <tr> <td>Commercial</td> <td>1,902.99</td> </tr> <tr> <td>Others</td> <td><u>48,718.93</u></td> </tr> <tr> <td>Total</td> <td><u>136,878.07</u></td> </tr> </tbody> </table> <p>Upper-ground car parks 224 spaces Basement car parks 785 spaces</p> <p>The land use rights of the property were granted for a term of 70 years expiring on 28 July 2089 for residential use.</p>	Portion	Gross floor area (sqm)	Residential	86,256.15	Commercial	1,902.99	Others	<u>48,718.93</u>	Total	<u>136,878.07</u>	<p>The property is currently under construction and is expected to complete by June of 2023.</p>	<p>2,170,100,000 (100% interest attributable to the Group: RMB2,170,100,000 or HKD 2,365,400,000)</p>
Portion	Gross floor area (sqm)												
Residential	86,256.15												
Commercial	1,902.99												
Others	<u>48,718.93</u>												
Total	<u>136,878.07</u>												

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Zhe (2019) Ning Bo Shi (Zhen Hai) Bu Dong Chan Quan Di No. 0043148 issued by the Natural Resources and Planning Bureau of Ningbo dated 23 August 2019, the land use rights of the property were granted to Ningbo Skyworth Construction Development Limited ("NBCD") for a term of 70 years expiring on 28 July 2089 for residential use.
- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 330211201900023 issued by the Natural Resources and Planning Bureau of Ningbo dated 22 July 2019, the proposed land use for the subject site with a site area of 52,612 square metres was approved.
- (3) Pursuant to two Construction Project Planning Permits, Jian Zi Di No. 330211202000031 (dated 20 March 2020) and No. 330211202000174 (dated 4 November 2020) both issued by the Natural Resources and Planning Bureau of Ningbo, the proposed development of the property with a total planned gross floor area of 273,701.42 square metres was approved.

- (4) Pursuant to a Construction Works Commencement Permit, No. 330211202004300101 issued by the Housing and Development Transportation Bureau of Ningbo dated 30 April 2020, the construction of the property with a total planned gross floor area of 136,823.35 square metres was approved.
- (5) As advised by the Group, the total budgeted construction cost for the property was approximately RMB635,000,000, of which an amount of approximately RMB45,000,000 was outstanding as of the Valuation Date.
- (6) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB2,215,100,000.
- (7) NBCD is a wholly-owned subsidiary of the Company.
- (8) The property was inspected by Zhuang Jia-peng, a valuer with five years of real estate valuation experience on 16 December 2022.
- (9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. NBCD possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of												
			31 January 2023 RMB												
72. Skyworth Shuangzhi Shuangchuang Industrial Park located at East of Zhaolong Road and South of Planned First Road Zhuangshi Street Zhenhai District Ningbo City Zhejiang Province The People's Republic of China	<p>The property comprises the proposed commercial development known as "Skyworth Shuangzhi Shuangchuang Industrial Park" with a site area of approximately 48,544 square metres.</p> <p>The total planned gross floor area of the property is approximately 112,414.95 square metres which comprise the following:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Office for sale</td> <td>30,688.00</td> </tr> <tr> <td>Office for owner's investment holding for at least 10 years after completion</td> <td>44,843.88</td> </tr> <tr> <td>Basement (incl. carparks)</td> <td>34,881.55</td> </tr> <tr> <td>Ancillary facilities and others</td> <td>2,001.52</td> </tr> <tr> <td>Total</td> <td><u>112,414.95</u></td> </tr> </tbody> </table>	Portion	Gross floor area (sqm)	Office for sale	30,688.00	Office for owner's investment holding for at least 10 years after completion	44,843.88	Basement (incl. carparks)	34,881.55	Ancillary facilities and others	2,001.52	Total	<u>112,414.95</u>	The property is currently under construction and is expected to complete by June 2023.	530,900,000 (100% interest attributable to the Group: RMB530,900,000 or HKD 578,700,000)
Portion	Gross floor area (sqm)														
Office for sale	30,688.00														
Office for owner's investment holding for at least 10 years after completion	44,843.88														
Basement (incl. carparks)	34,881.55														
Ancillary facilities and others	2,001.52														
Total	<u>112,414.95</u>														
	The land use rights of the property were granted for a term of 40 years expiring on 3 July 2059 for commercial and finance uses.														

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Zhe (2019) Ning Bo Shi (Zhen Hai) Bu Dong Chan Quan Di No. 0041793 issued by the Natural Resources and Planning Bureau of Ningbo dated 13 August 2019, the land use rights of the property were granted to Ningbo Skyworth Intelligent Technology Co., Ltd. ("NBSW") for a term of 40 years expiring on 3 July 2059 for commercial and finance uses.
- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 330211201900021 issued by the Natural Resources and Planning Bureau of Ningbo dated 4 July 2019, the proposed land use for the subject site with a site area of 48,544 square metres was approved.
- (3) Pursuant to two Construction Project Planning Permits, Jian Zi Di No. 330211202000027 (dated 13 March 2020) and No. 330211202000198 (dated 23 December 2020) issued by the Natural Resources and Planning Bureau of Ningbo dated, the proposed development of the property with a total planned gross floor area of 225,166.67 square metres was approved.

- (4) Pursuant to a Construction Works Commencement Permit, No. 330211202005190101 issued by the Housing and Development Transportation Bureau of Ningbo dated 19 May 2020, the construction of the property with a total planned gross floor area of 112,414.95 square metres was approved.
- (5) As advised by the Group, the total budgeted construction cost for the property was approximately RMB420,000,000, of which an amount of approximately RMB88,000,000 was outstanding as of the Valuation Date.
- (6) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB867,200,000.
- (7) NBSW is a wholly-owned subsidiary of the Company.
- (8) The property was inspected by Zhuang Jia-peng, a valuer with five years of real estate valuation experience on 16 December 2022.
- (9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. NBSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is subject to a mortgage in favour of the Agricultural Bank of China Limited, Ningbo Zhenhai Branch for a term commencing on 13 September 2022 and expiring on 4 June 2023 with a maximum loan amount of RMB1,675,000,000. Other than the aforesaid mortgage, the property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB												
73. Unsold portion of Phases 1 and 2 of Chuangwei Jingyuan No. 29 Jingfa Avenue Economic Development Zone Yichun City Jiangxi Province The People's Republic of China	The property comprises the unsold portion of Phases 1 and 2 of a residential and commercial composite development known as "Chuangwei Jingyuan" with a site area of approximately 38,020.42 square metres, with details as follows:	The property is currently vacant and was held for sale.	130,200,000 <i>(100% interest attributable to the Group: RMB130,200,000 or HKD 141,900,000)</i>												
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Phase 1</td> <td style="text-align: right;">Gross floor area <i>(sqm)</i></td> </tr> <tr> <td>Unsold commercial</td> <td style="text-align: right;"><u>3,459.07</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>3,459.07</u></td> </tr> </table>	Phase 1	Gross floor area <i>(sqm)</i>	Unsold commercial	<u>3,459.07</u>	Total	<u>3,459.07</u>								
Phase 1	Gross floor area <i>(sqm)</i>														
Unsold commercial	<u>3,459.07</u>														
Total	<u>3,459.07</u>														
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Unsold basement car parks</td> <td style="text-align: right;">282 spaces</td> </tr> <tr> <td>Phase 2</td> <td style="text-align: right;">Gross floor area <i>(sqm)</i></td> </tr> <tr> <td>Unsold residential</td> <td style="text-align: right;">543.11</td> </tr> <tr> <td>Unsold commercial</td> <td style="text-align: right;">8,146.15</td> </tr> <tr> <td>Residential (sold but yet to be handed over)</td> <td style="text-align: right;"><u>9,840.00</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>18,529.26</u></td> </tr> </table>	Unsold basement car parks	282 spaces	Phase 2	Gross floor area <i>(sqm)</i>	Unsold residential	543.11	Unsold commercial	8,146.15	Residential (sold but yet to be handed over)	<u>9,840.00</u>	Total	<u>18,529.26</u>		
Unsold basement car parks	282 spaces														
Phase 2	Gross floor area <i>(sqm)</i>														
Unsold residential	543.11														
Unsold commercial	8,146.15														
Residential (sold but yet to be handed over)	<u>9,840.00</u>														
Total	<u>18,529.26</u>														
	Unsold basement car parks	124 spaces													

The land use rights of the property were granted for a term of 70 years expiring on 14 May 2082 for residential use; and 40 years expiring on 14 May 2052 for commercial use, respectively.

Notes:–

- (1) Pursuant to a State-owned Land Use Rights Certificate – Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0039432 issued by the Fixed Assets Registration Bureau of Yichun dated 14 November 2018, the land use rights of Phase 2 of the property were granted to Yichun Skyworth Property Company Limited (“YCRE”) for a term of 70 years expiring on 14 May 2082 for residential use; and 40 years expiring on 14 May 2052 for commercial use, respectively.
- (2) Pursuant to a Construction Land Use Planning Permit, Yi Jing Gui Di Zi Di No. 2013015 issued by the City Rural Planning and Development Bureau of Yichun dated 6 December 2013, the proposed land use for Phases 1 and 2 of the subject site with total a site area of 66,665.53 square metres was approved.
- (3) Pursuant to nine Construction Project Planning Permits issued by the Planning Bureau of Yichun, the proposed development of Phase 2 of the property with a total planned gross floor area of 159,235.82 square metres was approved with details as follows:

Permits (Jian Zi Di Nos.)	Issue date	Portion	Gross floor area (sqm)
360901201800016-1 (Gong)	26 Jul 2018	Block #6	7,261.86
360901201800016-2 (Gong)	26 Jul 2018	Block #7	13,119.30
360901201800016-3 (Gong)	26 Jul 2018	Block #8	17,744.28
360901201800016-6 (Gong)	26 Jul 2018	Block #10	25,307.20
360901201800016-7 (Gong)	26 Jul 2018	Block #11	34,776.63
360901201800016-8 (Gong)	26 Jul 2018	Block #12	24,304.72
360901201800016-4 (Gong)	26 Jul 2018	Block #91	7,712.06
360901201800016-5 (Gong)	26 Jul 2018	Block #92	7,710.42
360901201800016-9 (Gong)	26 Jul 2018	Basement	21,299.35
Total			<u>159,235.82</u>

- (4) Pursuant to a Construction Works Commencement Permit, No. 362201201810161701 issued by the Development Bureau of Yichun Economic and Development Zone dated 16 October 2018, the construction of Phase 2 of the property with a total planned gross floor area of 156,000 square metres was approved.
- (5) Pursuant to seven Pre-sale Permits issued by the Administration Approval Bureau of Yichun, Administration Approval Bureau of Yichun Economic and Development Zone or Economic Development and Labour Protection Bureau of Yichun Economic and Development Zone, the pre-sale of portion of Phase 2 of the subject development was approved with details as follows:

Permits (Yi Fang Yu Shou Zheng Di Nos.)	Issue date	Portion	Gross floor area (sqm)
(Jing) No. 002	29 May 2019	Block #6 to #11	40,864.42
(Jing) No. 008	29 Aug 2019	Block #7	12,920.75
(Jing) No. 013	20 Dec 2019	Block #92	7,561.71
No. 012	25 Jan 2019	Block #10	24,756.63
(Jing) No. 012	20 Dec 2019	Block #12	23,812.68
(Jing) No. 011	28 Oct 2019	Block #91	7,561.71
(Jing) No. 001	15 Jan 2020	Block #8	17,023.87
Total			<u>134,501.77</u>

- (6) Pursuant to nine Building Ownership Certificates issued by the Fixed Assets Registration Bureau of Yichun, the land use rights and the building ownership rights of the unsold commercial portion of Phase 1 of the property with a total gross floor area of 3,459.07 square metres are legally vested in YCRE with details as follows:

Certificate Nos. (Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di)	Issue date	Gross floor area (<i>sqm</i>)
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0040906	27 Nov 2018	966.15
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0040908	27 Nov 2018	118.19
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0041089	27 Nov 2018	245.16
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0041090	27 Nov 2018	289.38
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0041361	27 Nov 2018	72.41
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0041366	27 Nov 2018	450.35
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0041307	28 Nov 2018	500.26
Gan (2018) Yi Chun Shi Bu Dong Chan Quan Di No. 0041484	28 Nov 2018	740.97
Gan (2021) Yi Chun Shi Bu Dong Chan Quan Di No. 0028180	5 Jul 2021	<u>76.20</u>
Total		<u>3,459.07</u>

- (7) Pursuant to other 61 Building Ownership Certificates (Gan (2021) Yi Chun Shi Bu Dong Chan Quan Di Nos. 0001742, 0014875, 0014877, 0014881 to 0014885, 0014887, 0014891, 0014892, 0015839, 0015841 to 0015851, 0015854, 0015855, 0015857, 0015858, 0016761, 0016763 to 0016765, 0016767, 0016770, 0018232 to 0018240, 0018242, 0018246 to 0018248, 0018250 to 0018252, 0018403, 0018404 and 0045481; and Gan (2022) Yi Chun Shi Bu Dong Chan Quan Di Nos. 0001555 to 0001563) issued by the Fixed Assets Registration Bureau of Yichun between 5 July 2021 and 12 January 2022, the land use rights and the building ownership rights of the unsold commercial portion of Phase 2 of the property with a total gross floor area of 8,689.26 square metres are legally vested in YCRE.
- (8) As advised by the Group, despite the property has been structurally completed as of the Valuation Date, an amount of approximately RMB15,000,000 was outstanding as of the Valuation Date. We have reflected such costs in our valuation.
- (9) For reference purpose, the value of Phase 2 of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB60,800,000.
- (10) As advised by the Group, portion of Phase 2 of the subject development with a total gross floor area of 9,840 square metres have been pre-sold (but was yet to be handovered) for a total consideration of approximately RMB48,346,801. We have reflected the contract value of the pre-sold portion in the course of our valuation
- (11) YCRE is a wholly-owned subsidiary of the Company.
- (12) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 14 December 2022.
- (13) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. YCRE possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - c. YCRE has the right to pre-sale the portion of the subject development in accordance with the aforesaid pre-sale permits; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB										
74. Qilinh Town located at East of Yongle Road and West of Tongle Road Quanjiao County Chuzhou City Anhui Province The People's Republic of China	The property comprises the proposed residential and commercial composite development known as "Qilinh Town" with a total site area of approximately 602,524 square metres. The total planned gross floor area of Phase 1 of the property is approximately 1,147,283 square metres which comprise the following:	Phase 1 of the property is currently under construction and is expected to complete by December 2028. The remaining portion of the property was vacant land pending for development as of the Valuation Date.	1,676,400,000 <i>(100% interest attributable to the Group: RMB1,676,400,000 or HKD 1,827,300,000)</i>										
	<table border="0"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">864,787</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">23,847</td> </tr> <tr> <td>Carparks and others</td> <td style="text-align: right;">258,649</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>1,147,283</u></td> </tr> </tbody> </table>	Portion	Gross floor area (sqm)	Residential	864,787	Commercial	23,847	Carparks and others	258,649	Total	<u>1,147,283</u>		
Portion	Gross floor area (sqm)												
Residential	864,787												
Commercial	23,847												
Carparks and others	258,649												
Total	<u>1,147,283</u>												

The land use rights of portion of the property were granted for a common term of 70 years with the latest expiring date being 17 December 2088 for residential use; and a common term of 40 years with the latest expiry date being 17 December 2058 for commercial and services uses, respectively.

Notes:–

- (1) Pursuant to four State-owned Land Use Rights Certificates issued by the State-land Resources Bureau of Quanjiao, the land use rights of portion of the property with a total site area of 497,559 square metres were granted to Chuzhou Skyworth Construction Development Limited (“CZCD”) for a term of 70 years for residential use; and 40 years for commercial and services uses, respectively, with details as follows:

Certificate Nos.

(Wan (2019) Quan Jiao Xian Bu

Dong Chan Quan Di)

	Issue date	Site area (<i>sqm</i>)	Land use rights expiry dates
No. 0013461	25 Oct 2019	58,499	Residential: 17 Dec 2088 Commercial and services: 17 Dec 2058
No. 0012815	15 Oct 2019	178,436	Residential: 16 Dec 2088 Commercial and services: 16 Dec 2058
No. 0012816	25 Oct 2019	198,160	Residential: 16 Dec 2088 Commercial and services: 16 Dec 2058
No. 0012729	12 Oct 2019	62,464	Residential: 16 Dec 2088 Commercial and services: 16 Dec 2058

Total

497,559

- (2) For the remaining land portion with a total site area of 104,965 square metres, CZCD has entered into two State-owned Land Use Rights Grant Contracts (i.e., No. 2020-B-23 and No. 2019-B-41) with Quan Jiao State-land Resources Bureau to obtain the land use rights. As advised the Group, all the land premium has been settled and pending for formal issuance of the title certificates.
- (3) Pursuant to eight Construction Land Use Planning Permits, Di Zi Di Nos. 341124201900023 to 341124201900030 issued by the Natural Resources and Planning Bureau of Quanjiao all dated 10 June 2019, the proposed land use for portion of the subject site with total a site area of 497,559 square metres was approved.
- (4) Pursuant to two Construction Project Planning Permits, Nos. 2019104 and 2019105 issued by the Natural Resources and Planning Bureau of Quanjiao all dated 30 October 2019, the proposed development of portion of the property with a total planned gross floor area of 927,595 square metres was approved.
- (5) Pursuant to a Construction Works Commencement Permit, No. 3411241910280001-SX-001 issued by the Housing and City Rural Development Bureau of Quanjiao dated 1 November 2019, the construction of the proposed development of portion of the property with a total planned gross floor area of 5,964 square metres was approved.
- (6) Pursuant to a Construction Works Commencement Permit, No. 3411242002260013-SX-001 issued by the Housing and City Rural Development Bureau of Quanjiao dated 15 January 2021, the construction of the proposed development of portion of the property with a total planned gross floor area of 42,206 square metres was approved.
- (7) Pursuant to twenty-one Pre-sale Permits (21 Quan Fang Yu Shou Zheng No. 85 to No. 105) issued by the Housing and Urban-Rural Development Bureau of Quanjiao County all dated 10 November 2021, the pre-sale of portion of the subject development (i.e., Guanhuyuan #38 to #40, #65 to #73, #75, #76, #77, #100 to #103, #105 and #106) with a total gross floor area of 34,702.34 square metres was approved.
- (8) As advised by the Group, the total budgeted construction cost for Phase 1 of the property was approximately RMB4,099,000,000, of which an amount of approximately RMB3,811,000,000 was outstanding as of the Valuation Date.
- (9) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB5,911,800,000.

- (10) CZCD is a wholly-owned subsidiary of the Company.
- (11) The property was inspected by Xie Luo-liang, a valuer with three years of real estate valuation experience on 23 December 2022.
- (12) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. Save for those mentioned in Note 2 above, CZCD possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. As confirmed by CZCD, they are unable to obtain the requisite title certificates for those lands mentioned in Note 2;
 - c. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - d. CZCD has the right to pre-sale the portion of the subject development in accordance with the aforesaid pre-sale permits; and
 - e. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB								
75. Yichun Skyworth Yuyuan located at South of Jinyuan Road and West of Jingdu Road Economic and Technological Development Zone Yichun City Jiangxi Province The People's Republic of China	<p>The property comprises a proposed residential development known as "Yichun Skyworth Yuyuan" with a site area of approximately 59,406 square metres.</p> <p>The total planned gross floor area of the property is approximately 163,227 square metres which comprise the following:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>115,923</td> </tr> <tr> <td>Carparks and others</td> <td>47,304</td> </tr> <tr> <td>Total</td> <td>163,227</td> </tr> </tbody> </table>	Portion	Gross floor area (sqm)	Residential	115,923	Carparks and others	47,304	Total	163,227	<p>The property is currently under construction as of the Valuation Date and is expected to complete by end of 2023.</p>	<p>468,100,000 (100% interest attributable to the Group: RMB468,100,000 or HKD 510,200,000)</p>
Portion	Gross floor area (sqm)										
Residential	115,923										
Carparks and others	47,304										
Total	163,227										
	<p>The land use rights of the property were granted for a term of 70 years expiring on 3 December 2088 for residential use.</p>										

Notes:—

- (1) Pursuant to a Real Estate Title Certificate – Gan (2021) Yi Chun Shi Bu Dong Chan Quan Di No. 0040543 issued by the Natural Resources Bureau of Yichun dated 19 November 2020, the land use rights of the property with a site area of 59,406 square metres were granted to Jiangxi Jinchuang Real Estate Development Co. Ltd. ("JXJC") for a term expiring on 3 December 2088 for residential use.
- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 360901202100002 (Gong) issued by the Natural Resources Bureau of Yichun dated 17 March 2021, the proposed land use for portion of the subject site with total a site area of 59,406 square metres was approved.

- (3) Pursuant to 13 Construction Project Planning Permits issued by the Planning Bureau of Yichun, the proposed development of Phase 1 of the property with a total planned gross floor area of 104,142 square metres was approved with details as follows:

Permits (Jian Zi Di Nos.)	Issue date	Portion	Gross floor area (<i>sqm</i>)
360901202100080-1	27 Oct 2021	Block #3	7,427
360901202100080-2	27 Oct 2021	Block #4	3,832
360901202100080-3	27 Oct 2021	Block #5	8,875
360901202100080-4	27 Oct 2021	Block #6	4,587
360901202100080-5	27 Oct 2021	Block #7	8,875
360901202100080-6	27 Oct 2021	Block #8	4,587
360901202100080-7	27 Oct 2021	Block #9	7,409
360901202100080-8	27 Oct 2021	Block #10	3,832
360901202100080-9	27 Oct 2021	Block #11	7,414
		Block #12	
360901202100080-10	27 Oct 2021	Kindergarten	1,808
360901202100080-11	27 Oct 2021	Ancillary Room #1	625
360901202100080-12	27 Oct 2021	Ancillary Room #2	191
360901202100080-13	27 Oct 2021	Basement	44,680
Total			<u>104,142</u>

- (4) Pursuant to eight Construction Project Planning Permits issued by the Planning Bureau of Yichun, the proposed development of Phase 2 of the property with a total planned gross floor area of 60,745 square metres was approved with details as follows:

Permits (Jian Zi Di Nos.)	Issue date	Portion	Gross floor area (<i>sqm</i>)
360901202100095-1	30 Dec 2021	Block #1	5,452
360901202100095-2	30 Dec 2021	Block #2	2,779
360901202100095-3	30 Dec 2021	Block #13	8,674
360901202100095-4	30 Dec 2021	Block #14	8,673
360901202100095-5	30 Dec 2021	Block #15	8,670
360901202100095-6	30 Dec 2021	Block #16	8,472
360901202100095-7	30 Dec 2021	Block #17	9,015
360901202100095-8	30 Dec 2021	Block #18	9,010
Total			<u>60,745</u>

- (5) Pursuant to two Construction Works Commencement Permits, No. 360903202111240301 (for Phase 1) and No. 360903202201170301 (for Phase 2) issued by the Administrative Approval Bureau of Yichun dated 24 November 2022, the construction of the proposed development of portion of the property with a total planned gross floor area of 104,142 square metres was approved.

- (6) Pursuant to three Pre-sale Permits issued by the Administrative Approval Bureau of Yichun, the pre-sale of portion of Phases 1 and 2 of the subject development was approved with details as follows:

Permits (Yi Fang Yu Shou Zheng Di Nos.)	Issue date	Portion	Gross floor area (<i>sqm</i>)
(Jing) No. 02	24 Jan 2022	Block #3, #8 and #9 of Phase 1	19,067.39
(Jing) No. 023	22 Dec 2021	Block #4, #6 and #7 of Phase 1	16,101.48
(Jing) No. 06	17 Nov 2022	Block #1 and #2 of Phase 2, Block #5 and #10 of Phase 1	20,628.64
Total			<u>55,797.51</u>

- (7) As advised by the Group, the total budgeted construction cost of Phases 1 and 2 of the property was approximately RMB279,000,000, of which an amount of approximately RMB171,000,000 was outstanding as of the Valuation Date.
- (8) As advised by the Group, portion of Phase 1 of the subject development with a total gross floor area of 21,465.47 square metres have been pre-sold (but was yet to be handedover) for a total consideration of approximately RMB157,743,246. We have reflected the contract value of the pre-sold portion in the course of our valuation.
- (9) For reference purpose, the value of the property (on a 100% basis, including the pre-sold but not yet handedover portion) assuming completion as of the Valuation Date would be RMB678,300,000.
- (10) JXJC is a wholly-owned subsidiary of the Company.
- (11) The property was inspected by Chen Shu-ting, a valuer with 3 years of real estate valuation experience on 15 December 2022.
- (12) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- a. JXJC possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - c. JXJC has the right to pre-sale the portion of the subject development in accordance with the aforesaid pre-sale permits; and
 - d. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of								
			31 January 2023 RMB								
76. Skyworth Yunxitai located at South of Yuanshan East Road and East of Duoshenglou Road Yuanzhou district Yichun City Jiangxi Province The People's Republic of China	<p>The property comprises a proposed residential development known as "Skyworth Yunxitai" with a site area of approximately 26,865.67 square metres.</p> <p>The total planned gross floor area of the property is approximately 64,717 square metres which comprise the following:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>45,841.12</td> </tr> <tr> <td>Carparks and others</td> <td>18,875.88</td> </tr> <tr> <td>Total</td> <td><u>64,717.00</u></td> </tr> </tbody> </table> <p>The land use rights of the property were granted for a term of 70 years expiring on 13 December 2090 for residential use.</p>	Portion	Gross floor area (sqm)	Residential	45,841.12	Carparks and others	18,875.88	Total	<u>64,717.00</u>	The property is currently under construction as of the Valuation Date, and is expected to complete in 2023.	463,900,000 (100% interest attributable to the Group: RMB463,900,000 or HKD 505,700,000)
Portion	Gross floor area (sqm)										
Residential	45,841.12										
Carparks and others	18,875.88										
Total	<u>64,717.00</u>										

Notes:–

- (1) Pursuant to a Real Estate Title Certificate – Gan (2021) Yi Chun Shi Bu Dong Chan Quan Di Nos. 0009063 issued by the Natural Resources and Planning Bureau of Yichun dated 16 March 2021, the land use rights of the property with a site area of 26,865.67 square metres were granted to Yichun Skyworth Land Co., Limited ("YCSW") for a term expiring on 13 December 2090 for residential use.
- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 360901202100003 issued by the Natural Resources Bureau of Yichun dated 11 March 2021, the proposed land use for portion of the subject site with a site area of 26,865 square metres was approved.
- (3) Pursuant to 11 Construction Project Planning Permits, Jian Zi Di No. 360901202100081-1 to 360901202100081-11 issued by the Natural Resources Bureau of Yichun all dated 28 October 2021, the proposed development of the property with a total planned gross floor area of 64,717 square metres was approved.
- (4) Pursuant to a Construction Works Commencement Permit, Jian Zi Di No.360902202112210101 issued by the Housing and Urban-Rural Development Bureau of Yuanzhou District Branch, Yichun City dated 12 December 2021, the proposed development of the property with a total planned gross floor area of 67,279 square metres was approved.

- (5) Pursuant to three Pre-sale Permits issued by the Administration Approval Bureau of Yichun, the pre-sale of portion of the subject development was approved with details as follows:

Permits (Yi 2022 Fang Yu Shou Zheng Di)	Issue date	Portion	Gross floor area (sqm)
No. 039	17 Jun 2022	Block #1, #2, #5 and #6	25,157.28
No. 084	14 Nov 2022	Block #3	9,165.76
No. 060	7 Sep 2022	Block #7 and #8	11,518.08
Total			<u>45,841.12</u>

- (6) As advised by the Group, the total budgeted construction cost of the property was approximately RMB258,000,000, of which an amount of approximately RMB101,000,000 was outstanding as of the Valuation Date.
- (7) As advised by the Group, the subject development with a total gross floor area of 142.9 square metres have been pre-sold (but was yet to be handovered) for a total consideration of approximately RMB1,750,000. We have reflected the contract value of the pre-sold portion in the course of our valuation.
- (8) For reference purpose, the value of the property (on a 100% basis, including the pre-sold but not yet handovered portion) assuming completion as of the Valuation Date would be RMB579,800,000.
- (9) YCSW is a wholly-owned subsidiary of the Company.
- (10) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 14 December 2022.
- (11) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- YCSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - YCSW has the right to pre-sale the portion of the subject development in accordance with the aforesaid pre-sale permits; and
 - The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of										
			31 January 2023 RMB										
77. Hanhua Shijia located at West of Xincheng 14th Road and North of Jinshan Avenue Dongxihu district Wuhan City Hubei Province The People's Republic of China	<p>The property comprises a proposed residential development known as "Hanhua Shijia" with a site area of approximately 113,916.72 square metres.</p> <p>The total planned gross floor area of Phase 1 of the property is approximately 237,490.95 square metres which comprise the following:</p>	<p>Phase 1 of the property is currently under construction as of the Valuation Date, and is expected to be completed by end of 2025.</p> <p>Phase 2 of the property was vacant land pending for development as of the Valuation Date.</p>	<p>1,310,300,000 (100% interest attributable to the Group: RMB1,310,300,000 or HKD 1,428,200,000)</p>										
	<table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>158,312.13</td> </tr> <tr> <td>Commercial</td> <td>3,747.28</td> </tr> <tr> <td>Carparks and others</td> <td>75,431.54</td> </tr> <tr> <td>Total</td> <td><u>237,490.95</u></td> </tr> </tbody> </table>	Portion	Gross floor area (sqm)	Residential	158,312.13	Commercial	3,747.28	Carparks and others	75,431.54	Total	<u>237,490.95</u>		
Portion	Gross floor area (sqm)												
Residential	158,312.13												
Commercial	3,747.28												
Carparks and others	75,431.54												
Total	<u>237,490.95</u>												

The land use rights of the property were granted for a term of 70 years expiring on 19 June 2092 for residential use; and 40 years expiring 19 June 2062 for commercial use, respectively.

Notes:–

- Pursuant to a Real Estate Title Certificate – E (2022) Wuhan Shi Dong Xi Hu Bu Dong Chan Quan Di No. 0039405 issued by the Natural Resources and Planning Bureau of Dongxihu District, Wuhan dated 14 July 2022, the land use rights of the property with a site area of 113,916.72 square metres were granted to Wuhan Skyworth Construction Development Limited ("WHSW") for a term of 70 years expiring on 19 June 2092 for residential use; and for a term of 40 years expiring on 19 June 2062 for commercial use, respectively.
- Pursuant to a Construction Land Use Planning Permit, Wu Zi Gui (Dong) Di (2022) No. 012 issued by the Planning and Natural Resources Bureau of Dongxihu District, Wuhan dated 30 March 2022, the proposed land use for the subject site with a site area of 113,917 square metres was approved.
- Pursuant to a Construction Project Planning Permit, Wu Zi Gui (Dong) Jian (2022) No. 080 issued by the Natural Resources and Planning Bureau of Dongxihu District, Wuhan dated 17 October 2022, the proposed development of the property with a total planned gross floor area of 237,490.95 square metres was approved.

- (4) Pursuant to two Construction Works Commencement Permits, No. 420112202210260101 and No. 420112202210260201 issued by Administrative Examination and Approval Bureau of Dongxihu District, Wuhan both dated 26 October 2022, the proposed development of the property with a total planned gross floor area of 45,154.91 square metres was approved.
- (5) WHSW is a wholly-owned subsidiary of the Company.
- (6) As advised by the Group, the total budgeted construction cost of Phase 1 of the property was approximately RMB894,000,000, of which an amount of approximately RMB757,000,000 was outstanding as of the Valuation Date.
- (7) For reference purpose, the value of the property (on a 100% basis) assuming completion as of the Valuation Date would be RMB1,997,700,000.
- (8) The property was inspected by Chen Shu-ting, a valuer with three years of real estate valuation experience on 14 December 2022.
- (9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
 - a. WHSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - b. The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed; and
 - c. The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of										
			31 January 2023 RMB										
78. Ruyi Smart Society located at Keerxin South Road Saihan District Huhhot City Inner Mongolia The People's Republic of China	<p>The property comprises a proposed residential development known as "Ruyi Smart Society" with a site area of approximately 119,847.6 square metres.</p> <p>The total planned gross floor area of the property is approximately 321,021.6 square metres which comprise the following:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross floor area (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>217,464.10</td> </tr> <tr> <td>Commercial</td> <td>5,658.04</td> </tr> <tr> <td>Carparks and others</td> <td>97,899.46</td> </tr> <tr> <td>Total</td> <td><u>321,021.60</u></td> </tr> </tbody> </table>	Portion	Gross floor area (sqm)	Residential	217,464.10	Commercial	5,658.04	Carparks and others	97,899.46	Total	<u>321,021.60</u>	<p>The property is currently under construction as of the Valuation Date, and is expected to complete in various phases between November 2023 and November 2025.</p>	<p>1,502,200,000 (100% interest attributable to the Group: RMB1,502,200,000 or HKD 1,637,400,000)</p>
Portion	Gross floor area (sqm)												
Residential	217,464.10												
Commercial	5,658.04												
Carparks and others	97,899.46												
Total	<u>321,021.60</u>												

The land use rights of the property were granted for a term of 70 years expiring on 4 February 2090 for residential use; and 40 years expiring 4 February 2060 for commercial use, respectively.

Notes:-

- (1) Pursuant to a State-owned Land Use Rights Certificate – Meng (2021) Hu He Hao Te Shi Bu Dong Chan Quan Di No. 0041101 issued by the Natural Resources and Planning Bureau of Huhhot dated 18 March 2021, the land use rights of the property with a site area of 119,847.6 square metre were granted to Huhehaote City Skyworth Construction Development Limited ("HCSW") for a term of 70 years expiring on 4 February 2090 for residential use; and a term of 40 years expiring on 4 February 2060 for commercial use, respectively.
- (2) Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 150106202000001 issued by the Natural Resources Bureau of Huhhot dated 11 May 2020, the proposed land use for the subject site with total a site area of 119,873.832 square metres was approved.
- (3) Pursuant to a Construction Project Planning Permit, Jian Zi Di No. 150105202100018 issued by the Natural Resources Bureau of Huhhot dated 29 April 2021, the proposed development of the property with a total planned gross floor area of 321,022.24 square metres was approved.
- (4) Pursuant to a Construction Works Commencement Permit, Nos. 150100202106230101 issued by the Housing and Urban-Rural Development Bureau of Economic and Technological Development Zone, Huhhot dated 23 June 2021, the proposed development of the property with a total planned gross floor area of 138,815.75 square metres was approved.

- (5) Pursuant to seven Pre-sale Permits issued by the Administration Approval Bureau of Huhhot and the Administration Approval Bureau of Huhhot, the pre-sale of portion of the subject development was approved with details as follows:

Permits (Hu Fang Yu Shou Zheng Di Nos.)	Issue date	Portion	Gross floor area (<i>sqm</i>)
(Hu) No. 20210218	11 Nov 2021	Block 13	10,285.2
(Hu) No. 20210135	27 Aug 2021	Block 14	10,299.6
(Hu) No. 20220122	29 Sep 2022	Block 12	6,264.28
(Hu) No. 20210166	27 Sep 2021	Block 15	11,156.76
(Hu) No. 20210123	20 Aug 2021	Block 1	13,749.84
(Hu) No. 20210122	20 Aug 2021	Block 2	13,749.84
(Hu) No. 20210124	20 Aug 2021	Block 11	7,915.16
Total			<u>73,420.68</u>

- (6) HCSW is a wholly-owned subsidiary of the Company.
- (7) As advised by the Group, the total budgeted construction cost of the property was approximately RMB1,738,000,000, of which an amount of approximately RMB1,447,000,000 was outstanding as of the Valuation Date.
- (8) As advised by the Group, portion of the subject development with a total gross floor area of 25,279.81 square metres have been pre-sold (but was yet to be handedover) for a total consideration of approximately RMB416,166,195. We have reflected the contract value of the pre-sold portion in the course of our valuation.
- (9) For reference purpose, the value of the property (on a 100% basis, including the pre-sold but not yet handedover portion) assuming completion as of the Valuation Date would be RMB2,979,900,000.
- (10) The property was inspected by Yang Wei, a valuer with six years of real estate valuation experience on 15 December 2022.
- (11) We have been provided with a legal opinion on the property prepared by the Company's PRC legal advisor – Global Law Office, which contains, *inter alia*, the following:
- HCSW possesses the legal title of the property, and has the rights to occupy, use, transfer, lease, mortgage or otherwise handle the land use rights of the property during the remaining land use rights term, without further payment of any land premium or relevant expenses;
 - The aforesaid approvals and permits are effective, and have not been rescinded, amended or repealed;
 - HCSW has the right to pre-sale the portion of the subject development in accordance with the aforesaid pre-sale permits; and
 - The property is not subject to any guarantee, mortgage or foreclosure, and has not been compulsorily expropriated.

VALUATION REPORT

Group IV – Property held by the Group for self-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
79. Unit 1 on 5th Floor, Units 1 to 4 on 16th Floor, Units 5 to 6 on 17th Floor and Lorry Parking Space No. L19 on 1/F Westlands Centre No. 20 Westlands Road Quarry Bay Hong Kong <i>(130/4,170th parts or shares of and in sub-section 1 of section C of Quarry Bay Marine Lot No. 1 and section B of Quarry Bay Marine Lot No. 2)</i>	<p>The property comprises seven industrial units on Levels 5, 16 and 17 of a 27-storey industrial building which was completed in about 1989.</p> <p>The total gross floor area and saleable area of the industrial portion of the property is approximately 16,306 square feet and 11,741 square feet, respectively.</p> <p>The property is held under two government leases for a common term of 999 years commencing on 2 February 1882 and 18 April 1900, respectively.</p>	<p>The property is currently owner-occupied for workshop and ancillary office purposes, of which Units 501, 1604, 1705 and 1706 are subject to intra-group leases for various terms with the latest expiry date being 30 June 2023 at a total monthly rent of HKD 147,340 exclusive of management fees and government rates (except for Unit 1604 which is inclusive).</p>	<p>124,200,000 <i>(100% interest attributable to the Group: RMB124,200,000 or HKD 135,400,000)</i></p>

Notes:–

- (1) The registered owners of the property are:
 - Skyworth TV Holdings Limited (formerly known as Skyworth Electronics Company Limited which was shown on the Land Registry Certificate) registered vide memorial no. UB5459989 dated 30 September 1992 (Re: Units 2, 3 and 4 on 16th Floor);
 - Skyworth TV Holdings Limited registered vide memorial no. UB5573335 dated 2 February 1993 (Re: Unit 1 on 16th Floor);
 - Skyworth TV Holdings Limited registered vide memorial no. UB5844422 dated 20 October 1993 (Re: Lorry Parking Space No. L19 on 1/F and Unit 1 on 5th Floor); and
 - Winform Inc. registered vide memorial no. UB8277155 dated 12 December 2000 (Re: Units 5 and 6 on 17th Floor).
- (2) Skyworth TV Holdings Limited and Winform Inc. are wholly-owned subsidiaries of the Company.
- (3) The property was inspected by Jason Chu, a valuer with 5 years of real estate valuation experience on 9 December 2022.

VALUATION REPORT

Group V – Property held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
80. Units 5 to 6 on 15th Floor Westlands Centre No. 20 Westlands Road Quarry Bay Hong Kong <i>(38/4,170th parts or shares of and in sub-section 1 of section C of Quarry Bay Marine Lot No. 1 and section B of Quarry Bay Marine Lot No. 2)</i>	<p>The property comprises two adjoining industrial units on Level 15 of a 27-storey industrial building which was completed in about 1989.</p> <p>The total gross floor area and saleable area of the property is approximately 4,717 square feet and 3,396 square feet, respectively.</p> <p>The property is held under two government leases for a common term of 999 years commencing on 2 February 1882 and 18 April 1900, respectively.</p>	<p>The property is subject to a tenancy for a term of two years commencing on 8 June 2022 and expiring on 7 June 2024 at a monthly rent of HKD 92,000 exclusive of management fees and government rates.</p>	<p>35,400,000 <i>(100% interest attributable to the Group: RMB35,400,000 or HKD 38,600,000)</i></p>

Notes:–

- (1) The registered owner of the property is Skyworth TV Holdings Limited (formerly known as Skyworth (Group) Company Limited which was shown on the Land Registry Certificate) registered vide memorial no. UB7719721 (Unit 5) and memorial no. UB7719722 (Unit 6) both dated 3 March 1999.
- (2) Unit 6 of the property is subject to a building order no. UBCSI/08-01/0042/11 under section 24(1) of the Buildings Ordinance by the Building Authority registered vide memorial no. 16102600480311 dated 22 June 2016.
- (3) In the course of our valuation, we have assumed that the aforesaid building order would not have any material impact to the overall value of the property.
- (4) The property was inspected by Jason Chu, a valuer with 5 years of real estate valuation experience on 9 December 2022.

VALUATION REPORT

Group VI – Property held by the Group for self-occupation in Indonesia

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
81. An industrial facility located at EJIP Industrial Park Plot 5G Jalan Citanduy Raya Desa Sukaresmi Kecamatan Cikarang Selatan Kabupaten Bekasi Jawa Barat Indonesia	<p>The property comprises an industrial facility with a site area of approximately 67,556 square metres, on which were erected various buildings and structures which were completed in various stages between 1995 and 2013.</p> <p>The buildings mainly include workshops, ancillary office and warehouse.</p> <p>The total gross floor area of the property is approximately 34,983 square metres.</p> <p>The property is held under freehold land interest.</p>	The property is owner-occupied for production, warehouse and ancillary office purposes.	115,600,000 (100% interest attributable to the Group: RMB115,600,000 or HKD 126,000,000)

Notes:–

- (1) The property is registered under a Right to Build Certificate (“HGB”) – No. 02665/Sukaresmi dated 23 November 2018 with total site area of 67,556 square metres under the name of PT Skyworth Industry Indonesia (“PTSW”).
- (2) PTSW is 44% interest-owned by the Company.
- (3) The property was inspected by Susan Widjojo, a valuer with 25 years of real estate valuation experience on 12 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company’s Indonesia legal advisor – GHP Law Firm, which contains, *inter alia*, the following:
 - a. PTSW is a limited liability company duly organised and validly existing under the laws of the Republic of Indonesia and has the authority and legal rights to hold a HGB which grants PTSW the right to erect buildings over a land within the HGB area;
 - b. The HGB No. 02665 has been issued under PTSW which grants PTSW the legal rights to construct and erect buildings within the boundaries of the land area indicated and stipulated under the HGB No. 02665;
 - c. The annotation contained in HGB No. 02665 does not indicate that the HGB No. 02665 is currently being secured as an encumbrance; and
 - d. Based on the information stipulated in Land Registration (“SKPT”) - No. 33389 issued by Land Office of Bekasi Regency on 13 February 2023, it is indicated that:
 - There is no ongoing encumbrance over the land under HGB No. 02665;

- There is no blockage over the land under HGB No. 02665;
- HGB No. 02665 is not under confiscation; and
- There is no pending nor ongoing litigation over the land under HGB No. 02665;

Basis on the points above, the land under HGB No. 02665 is free to be transferred, subject to any corporate approval of the Client as required under the Indonesian Company Law and the Client's Articles of Association, where relevant; and

- e. The IMB No. 503 has been issued for the construction of four (4) buildings within the area of HGB No. 342 and HGB No. 343, which consists of one (1) office and three (3) factories.

VALUATION REPORT

Group VII – Property held by the Group for self-occupation in South Africa

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
82. Erf 295 Faerie Glen Extension 1 Township 513 Arkansas Street Pretoria Faerie Glen Extension 1 Province of Gauteng Republic of South Africa	<p>The property comprises a single-storey residential property which was completed in about 1979, and with a site area of approximately 1,268 square metres.</p> <p>The total gross floor area of the property is approximately 493 square metres.</p> <p>The property is held under freehold land interest.</p>	The property is currently owner-occupied for residential purpose.	1,220,000 (100% interest attributable to the Group: RMB1,220,000 or HKD 1,330,000)

Notes:–

- (1) The registered owner of the property is Sinoprime Investments & Manufacturing SA (Pty) Ltd (“Sinoprime”) registered vide Deed of Transfer No. T105843/2014.
- (2) Sinoprime is a wholly-owned subsidiary of the Company.
- (3) The property was inspected by Andre Steyn, a valuer with 15 years of real estate valuation experience on 10 December 2022.
- (4) We have been provided with a legal opinion on the property prepared by the Company’s South Africa legal advisor – Burrows Attorneys, which contains, *inter alia*, the following:
 - a. Sinoprime by virtue of its full title ownership of the property is entitled, without restriction, to transfer, lease, mortgage, or otherwise dispose of the property to any third parties;
 - b. There are no conditions contained in the title deed or other endorsements relating to the property which appear from the title deed which, in their opinion, affect the transferability of the property or places any restrictions on the owner of the property in dealing with its property; and
 - c. The property is unencumbered and, is not encumbered by any mortgage bonds registered over the property in favour of a third party as registered security.

VALUATION REPORT

Group VIII – Property held by the Group for self-occupation in Ukraine

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
83. Portion of No. 8 Adama Mitskevicha Street Pervomaisky micro-district Kyiv Ukraine <i>(1,826/10,000th parts or shares of an in the subject building)</i>	The property comprises portion of a 3-storey commercial building which was completed in about 1960s. The gross floor area of the property is approximately 1,879.6 square metres. The property is held under freehold land interest.	The property is currently owner-occupied for office and commercial purposes.	6,850,000 <i>(42% interest attributable to the Group: RMB2,877,000 or HKD 3,140,000)</i>

Notes:–

- (1) The property was acquired by Strong Ukraine LLC (“SUSW”) pursuant to a Sale and Purchase Agreement dated 24 June 2016 at a consideration of RMB2,401,125.
- (2) Pursuant to the State Register of Proprietary Rights to Real Estate of the subject building, SUSW is the registered owner of the property with 1,826/10,000th parts or shares of an in the subject building.
- (3) SUSW is 42% interest-owned by the Company.
- (4) The property was inspected by Liudmyla Simonova, a valuer with 28 years of real estate valuation experience on 7 December 2022.
- (5) We have been provided with a legal opinion on the property prepared by the Company’s Ukraine legal advisor – Grata International Beijing, which contains, *inter alia*, the following:
 - a. The property was duly registered in SUSW’s name on 30 June 2016 and remains registered as of the Valuation Date;
 - b. SUSW’s ownership rights to the property are subject to certain limitations, i.e., any kind of disposal of the property (including but not limited to a mortgage) can be made only based on the explicit written consent of the co-owners of the entire building, or the property should be separated as a stand-alone asset. Separation of the property is subject to a special application to a state registrar (notary), which must be signed by all co-owners of the subject building;
 - c. There are not any registered encumbrances, pending litigations or third parties’ rights (including leases) with regard to the property; and
 - d. No registered encumbrances, pending litigations, or third parties’ rights (including leases) with regard to the property were identified.

VALUATION REPORT

Group IX – Property held by the Group for self-occupation in Denmark

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 January 2023 RMB
84. Jellingvej 26 9230 Svenstrup J Himmerland Aalborg Municipality Denmark	<p>The property comprises a standalone property with a site area of approximately 5,260 square metres, on which were erected various buildings and structures which were completed in about 1991.</p> <p>The buildings mainly comprise office, warehouse and garage.</p> <p>The total gross floor area of the property is approximately 1,887 square metres.</p> <p>The property is held under freehold land interest.</p>	The property is currently owner-occupied for office and warehouse purposes.	10,600,000 (36% interest attributable to the Group: RMB3,816,000 or HKD 4,160,000)

Notes:–

- (1) The registered owner of the property is Strong Scandinavia A/S.
- (2) Strong Scandinavia A/S is 36% interest-owned by the Company.
- (3) The property was inspected by Claus Sondrup, a valuer with 20 years of real estate valuation experience on 13 December 2022.

RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Listing Rules and the Codes for the purpose of giving information with regard to the Offer, the Whitewash Waiver, the PRC MGO and the Company. All Directors jointly and severally accept full responsibility for the accuracy of information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, opinions expressed in this Offer Document have been arrived at after due and careful consideration, the information contained in this Offer Document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters or facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document or this Offer Document misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Offer (assuming full acceptance of the Offer) are set out as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares as at the Latest Practicable Date	<u>1,000,000,000</u>
 <i>Issued and fully paid or credited as fully paid</i>	
2,585,201,420 Shares as at the Latest Practicable Date	258,520,142
<u>(100,000,000)</u> Shares proposed to be bought-back and cancelled	<u>(10,000,000)</u>
 <u>2,485,201,420</u> Shares upon completion of the Offer	 <u>248,520,142</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and capital.

Since 31 December 2022, being the end of the immediately preceding financial year, and up to the Latest Practicable Date, the Company has not issued or bought-back any Shares.

There had been no re-organisation of capital of the Company during the two financial years immediately preceding the commencement of the Offer Period on 23 December 2022.

As at the Latest Practicable Date, the Company had outstanding Share Options entitling their holders to subscribe for a total of 24,328,000 Shares. Details of the Share Options are set out below:

Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of Shares subject to the Share Options outstanding as at the Latest Practicable Date
22 January 2016	4.226	01/09/2016–20/08/2024	5,594,000
		01/09/2017–20/08/2024	6,530,000
		01/09/2018–20/08/2024	10,984,000
15 April 2019	2.680	30/09/2019–20/08/2024	392,000
		30/09/2020–20/08/2024	294,000
		30/09/2021–20/08/2024	534,000

As at the Latest Practicable Date, save for the outstanding Share Options and the 2,585,201,420 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

Details of the Shares issued by the Company during the two-year period immediately preceding the commencement date of the Offer Period and since 31 December 2022, being the end of the last financial year of the Company, up to the Latest Practicable Date are set out as follows:

Date of Issuance	No. of Shares	Price per Share (HK\$)	Total Consideration (HK\$)
12 November 2021	9,106,000	2.68	24,404,080
12 November 2021	20,000	4.226	84,520
19 November 2021	10,240,000	2.68	27,443,200
19 November 2021	128,000	4.226	540,928
26 November 2021	4,344,000	2.68	11,641,920
26 November 2021	808,000	4.226	3,414,608
1 December 2021	700,000	2.68	1,876,000
1 December 2021	56,000	4.226	236,656
10 December 2021	570,000	2.68	1,527,600
10 December 2021	248,000	4.226	1,048,048
17 December 2021	860,000	2.68	2,304,800
17 December 2021	596,000	4.226	2,518,696
24 December 2021	418,000	4.226	1,766,468
31 December 2021	62,000	4.226	262,012
12 January 2022	570,000	2.68	1,527,600
12 January 2022	200,000	4.226	845,200
21 January 2022	10,000,000	2.68	26,800,000
25 January 2022	294,000	4.226	1,242,444
10 May 2022	12,000,000	2.68	32,160,000
25 May 2022	160,000	2.68	428,800
29 June 2022	300,000	2.68	804,000
15 July 2022	1,380,000	2.68	3,698,400
8 September 2022	300,000	2.68	804,000

Details of the Shares bought-back by the Company during the 12-month period immediately preceding the date of this Offer Document and since 31 December 2022, being the end of the last financial year of the Company, up to the Latest Practicable Date are set out as follows:

Date of buy-back	No. of Shares	Average Price per Share (HK\$)	Total consideration (HK\$)
28 April 2022	896,000	3.93	3,524,326.4
5 May 2022	4,452,000	4.31	19,176,099.6
6 May 2022	9,256,000	4.36	40,382,076.8
10 May 2022	9,642,000	4.48	43,147,950
11 May 2022	9,870,000	4.48	44,242,275
12 May 2022	1,762,000	4.40	7,746,633
16 May 2022	3,334,000	4.28	14,272,854
17 May 2022	1,318,000	4.20	5,530,591.6
31 August 2022	6,000,000	3.93	23,576,400
1 September 2022	3,000,000	3.99	11,978,700
13 September 2022	1,788,000	3.54	6,337,923.6
14 September 2022	2,938,000	3.57	10,490,422.8
15 September 2022	8,000,000	3.58	28,621,600
16 September 2022	2,254,000	3.60	8,103,806.2
27 October 2022	2,126,000	2.95	6,262,770.8
28 October 2022	10,000,000	2.94	29,397,000
31 October 2022	5,000,000	2.90	14,478,500
1 November 2022	2,042,000	2.97	6,066,577.8

During the two-year period immediately preceding the date of this Offer Document, the Company declared cash dividends in the amount of HK23.0 cents and HK3.0 cents per Share for the year ended 31 December 2021 and the six months ended 30 June 2022, which were fully paid on 13 June 2022 and 26 September 2022, respectively. Depending on the future results and financial position of the Group, the Company may, on the recommendation of the Board, declare dividends as and when it considers appropriate taking into account the then financial performance of the Group as well as the amount of profits and/or reserves legally available for distribution. The Company does not intend to announce, declare or pay any dividend, distribution or other return of capital or alter its dividend policy before the close of the Offer.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares, which were required (a) 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 (b) to be entered in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Long position in Shares of the Company and associated corporations

The Company

Name	Capacity	Total	Approximate % of issued Shares
Ms. Lin	Beneficial owner	9,160,382	0.35
	Interest of spouse (Notes 1 and 2)	1,238,258,799	47.90
		1,247,419,181	48.25
Mr. Lin	Beneficial owner	3,898,719	0.15
Mr. Liu Tangzhi	Beneficial owner	5,000,000	0.19
Mr. Shi Chi	Beneficial owner	9,000,000	0.35
	Beneficiary of a trust (other than a discretionary interest) (Note 3)	17,000,000	0.66
		26,000,000	1.01
Mr. Lam Shing Choi, Eric	Beneficial owner	2,000,000	0.08
Mr. Li Weibin	Beneficial owner	1,000,000	0.04

Notes:

- (1) 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.
- (2) Ms. Lin 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.
- (3) Mr. Shi Chi has been granted share awards in relation to 17,000,000 Shares.

Associated corporations – Skyworth Digital

Name	Capacity	Total	Approximate % of issued shares
Mr. Liu Tangzhi	Beneficial owner	600,000	0.05
Mr. Shi Chi	Beneficial owner	36,770,524	3.20

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) to be entered in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of Shares (Long positions)	Approximate % of issued Shares
Target Success	Trustee (<i>Note 1</i>)	1,200,958,799	46.46
Mr. Wong	Beneficial owner	37,300,000	1.44
	Interest of spouse (<i>Note 3</i>)	9,160,382	0.35
	Interest of controlled corporation (<i>Note 1</i>)	<u>1,200,958,799</u>	<u>46.46</u>
		<u>1,247,419,181</u>	<u>48.25</u>
Ms. Lin	Beneficial owner	9,160,382	0.35
	Interest of spouse (<i>Note 2</i>)	<u>1,238,258,799</u>	<u>47.90</u>
		<u>1,247,419,181</u>	<u>48.25</u>

Notes:

- (1) 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.
- (2) 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.
- (3) Ms. Lin 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.

Save as disclosed herein and so far as was known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or in any options in respect of such share capital.

OTHER INTERESTS IN THE COMPANY

As at the Latest Practicable Date:

- (i) save as disclosed in the sections headed “*Interests of Directors and Chief Executive in Shares, Underlying Shares and Debentures*”, and “*Interests of Substantial Shareholders*” and Shares held by exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients of the CITICS Group, the Company, Mr. Wong, the Directors and the persons acting in concert with them are not interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) save for the Irrevocable Undertakings, no persons have irrevocably committed themselves to accept or reject the Offer;
- (iii) save as disclosed in the section headed “*Interests of Substantial Shareholders*”, there is no Shareholder who holds 10% or more of the voting rights of the Company;
- (iv) none of the Company, the Directors, Mr. Wong or any person acting in concert with them have borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (v) none of the subsidiaries of the Company, nor pension funds of the Company or of any of the Company's subsidiaries, nor any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code, but excluding exempt principal traders and exempt fund managers, had any interest in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (vi) save for the Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, Mr. Wong or with any party acting in concert with either of them (including any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code) or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code;
- (vii) save as disclosed in the section headed "*Interests of Substantial Shareholders*" and "*Interests of Directors and Chief Executive in Shares, Underlying Shares and Debentures*", no person with whom the Company, Mr. Wong or any party acting in concert with either of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (viii) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

DEALINGS IN SECURITIES

The Company did not/will not conduct any on-market buy-back of Shares from the date of the Announcement up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

Each of Mr. Wong and Ms. Lin has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (namely Target Success) not to, accept the Offer. Further, each of the Undertaking Directors has irrevocably undertaken to the Company that he will not, and will procure the holders of Shares whose Shares he is deemed to be interested in by virtue of Part XV of the SFO not to, accept the Offer.

During the Relevant Period, save as disclosed below and save for the issuances and buy-backs of Shares by the Company as disclosed in the section headed “*Share Capital*” in this Appendix VII, (i) the Company, the Directors, Mr. Wong or any persons acting in concert with any of them, (ii) any person who prior to the posting of this Offer Document had irrevocably committed to accept or reject the Offer, and (iii) any person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, Mr. Wong or with any party acting in concert with either of them, did not deal for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Name of party	Date of transaction	Nature of transaction	No. of Shares	Price per Share (HK\$)
Mr. Liu Tangzhi	8 July 2022	Disposal	3,418,000	4.36
	11 July 2022	Disposal	1,582,000	4.51
Mr. Shi Chi	29 August 2022	Grant of share awards	26,000,000	N/A
	20 December 2022	Vesting of share awards	9,000,000	N/A

As at the Latest Practicable Date, the Company had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares to be acquired pursuant to the Offer to any other persons.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Company or Mr. Wong was a party which related to circumstances in which it/he might or might not invoke or seek to invoke a pre-condition or a condition to the Offer or the Whitewash Waiver.

MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) 11 April 2023, being the Latest Practicable Date; (ii) 28 March 2023, being the Last Trading Day before the Price Increase Announcement; (iii) 23 December 2022, being the Last Trading Day before the Announcement; and (iv) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price per Share HK\$
30 June 2022	3.88
29 July 2022	3.68
31 August 2022	3.92
30 September 2022	3.15
31 October 2022	2.88
30 November 2022	2.95
Last Trading Day before the Announcement	3.16
30 December 2022	3.35
31 January 2023	5.01
28 February 2023	4.30
Last Trading Day before the Price Increase Announcement	3.59
31 March 2023	4.05
Latest Practicable Date	4.03

HIGHEST AND LOWEST CLOSING PRICES

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the Relevant Period were HK\$5.55 per Share on 26 January 2023 and HK\$2.68 per Share on 24 October 2022 and 25 October 2022, respectively.

ARRANGEMENTS AFFECTING DIRECTORS

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between (i) the Company, Mr. Wong or any person acting in concert with any of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer.

DIRECTORS' INTEREST IN ASSETS, TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at the Latest Practicable Date: (a) none of the Directors or proposed directors or any expert named in this Offer Document had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and (b) there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, there was no material contract entered into by Mr. Wong or the Company in which any Director had a material personal interest.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date,

- (i) Mr. Lin has entered into (A) a service contract with the Company dated 8 June 2022 with expiry date of 6 July 2025, pursuant to which he is entitled to (a) a director's fee of RMB500,000 per annum; (b) a fixed director's salary of RMB800,000 per annum; (c) an annual performance bonus that equals to (1) RMB1,000,000 multiplied by his annual performance score, when his annual performance score is 70% to 100%, or (2) RMB700,000, when his annual performance score is below 70%; and (d) an annual bonus based on the performance of the Group (such contract replaced the prior contract between Mr. Lin and the Company, that would originally expire on 31 March 2024 (but was replaced and superseded by the aforementioned contract with the Company with expiry date of 6 July 2025), under which he was entitled to (a) a director's fee of RMB500,000 per annum; (b) a fixed director's salary of RMB880,000 per annum; (c) an annual performance bonus that equals to (1) RMB600,000 multiplied by his annual performance score, when his annual performance score is 70% to 100%, or (2) RMB420,000, when his annual performance score is below 70%; and (d) an annual bonus based on the performance of Shenzhen Coccaa Network Technology Company Limited* (深圳市酷開網絡科技股份有限公司)); and (B) a service contract with Skyworth Group Co., Ltd.* (創維集團有限公司), an indirect wholly-owned subsidiary of the Company, dated 8 June 2022 with expiry date of 6 July 2025, pursuant to which he is entitled to a salary of RMB1,200,000 per annum (such contract replaced the prior contract between Mr. Lin and Shenzhen Coccaa 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, that would originally expire on 31 March 2024 (but was replaced and superseded by the aforementioned contract with Skyworth Group Co., Ltd.* (創維集團有限公司) with expiry date of 6 July 2025), under which Mr. Lin was entitled to a salary of RMB120,000 per annum);

- (ii) Mr. Lam Shing Choi, Eric has entered into a service contract with the Company for a term of 3 years with expiry date of 27 February 2026, pursuant to which he is entitled to: (a) a director's fee of RMB500,000 per year; (b) a salary of RMB1,500,000 per year; (c) an annual performance bonus that equals to (1) RMB1,000,000 multiplied by his annual performance score, when his annual performance score is 70% to 100%, or (2) RMB700,000, when his annual performance score is below 70%; and (d) an annual bonus based on the performance of the Group (such contract replaced the prior contract between Mr. Lam Shing Choi, Eric and the Company that expired on 27 February 2023, as amended by a supplemental agreement dated 26 August 2022, under which Mr. Lam Shing Choi, Eric was entitled to the same remuneration); and

- (iii) Mr. Hung Ka Hai, Clement has entered into a service contract with the Company for a term of 3 years with expiry date of 17 March 2026, under which he is entitled to a director's fee of HK\$44,000 per month.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into service contracts with any member of the Group or any associated companies of the Company which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement date of the Offer Period (as well as any earlier contracts which have been replaced or amended by such contracts); (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors or proposed directors had any existing or was proposing to enter into any service contracts with the Company (excluding contracts expiring or terminatable by the Company within one year without payment of compensation (other than statutory compensation)).

COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or proposed directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

MATERIAL ACQUISITION

Since 31 December 2022, being the date to which the latest published audited accounts of the Group have been made up, no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by the members of the Group within the two years immediately preceding the commencement date of the Offer Period and up to the date of this Offer Document, which were or might be material:

- (i) the disposal agreement dated 16 April 2021 entered into between Science City (Guangzhou) Investment Group Co. Ltd.* (科學城(廣州)投資集團有限公司) and Skyworth Group Construction Development Co. Ltd.* (創維集團建設發展有限公司) in respect of the sale of 10% of equity interest in Guangzhou Skyworth Electronics Co., Ltd.* (廣州創維電子有限公司) by Skyworth Group Construction Development Co. Ltd.* (創維集團建設發展有限公司) to Science City (Guangzhou) Investment Group Co. Ltd.* (科學城(廣州)投資集團有限公司) at a cash consideration of RMB63.8million, details of which are set out in the announcement of the Company dated 16 April 2021;
- (ii) the disposal agreement dated 28 July 2021 entered into between Science City (Guangzhou) Investment Group Co. Ltd.* (科學城(廣州)投資集團有限公司) and RGB, in respect of the sale of 10% of equity interest in Guangzhou Flat Display Technology Co., Ltd.* (廣州創維平面顯示科技有限公司) by RGB to Science City (Guangzhou) Investment Group Co. Ltd.* (科學城(廣州)投資集團有限公司) at a cash consideration of RMB83 million, details of which are set out in the announcement of the Company dated 28 July 2021;
- (iii) the land use right transfer agreement dated 14 October 2021 entered into between Lishui Bureau of the Nanjing Bureau of Planning and Natural Resources* (南京市規劃和自然資源局溧水分局) and Nanjing Wei Hong Property Company Limited* (南京維泓置業有限公司) in respect of the acquisition of certain land property by Nanjing Wei Hong Property Company Limited* (南京維泓置業有限公司) at a consideration of approximately RMB559 million (excluding applicable tax payable), details of which are set out in the announcement of the Company dated 26 September 2021; and
- (iv) the land use right transfer agreement dated 30 December 2021 entered into between Wuhan Dongxihu Natural Resources and Planning Bureau* (武漢市東西湖區自然資源和規劃局) and Nanjing Wei Hong Property Company Limited* (南京維泓置業有限公司) in respect of the acquisition of certain land property by Nanjing

Wei Hong Property Company Limited* (南京維泓置業有限公司) at a consideration of approximately RMB1,074 million (excluding applicable tax payable), details of which are set out in the announcement of the Company dated 21 December 2021.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices in this Offer Document:

Name	Qualification
CITICS	a licensed corporation under the SFO, licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
CLSA Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities
Somerley	a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte	certified public accountants
Da Hua	certified public accountants
ValQuest Advisory (Hong Kong) Limited	professional property valuer

Each of CITICS, CLSA Limited, Somerley, Deloitte, Da Hua and ValQuest Advisory (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its opinion or letter (as the case may be) and references to its name, in the form and context in which it is included.

None of CITICS, CLSA Limited, Somerley, Deloitte, Da Hua and ValQuest Advisory (Hong Kong) Limited has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (<http://investor.skyworth.com>); (ii) on the website of the Securities and Futures Commission (www.sfc.hk); (iii) on the website of the Stock Exchange (www.hkexnews.hk);

and (iv) at the Company's principal place of business in Hong Kong at Rooms 1601-04 Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) from the date of this Offer Document for so long as the Offer remains open for acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2020 and 2021, the annual results announcement of the Company for the year ended 31 December 2022, and the interim report of the Company for the six months ended 30 June 2022;
- (c) the written consents as referred to in the section headed "*Experts and Consents*" in this Appendix VII;
- (d) the letter from the Board, the text of which is set out on pages 8 to 27 of this Offer Document;
- (e) the letter from CLSA Limited, the text of which is set out on pages 28 to 36 of this Offer Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 37 to 38 of this Offer Document;
- (g) the letter from Somerley, the text of which is set out on pages 39 to 114 of this Offer Document;
- (h) the accountants' report of Skyworth Digital, the text of which is set out in Appendix IV to this Offer Document;
- (i) the report from Deloitte on the reconciliation information of the financial information of Skyworth Digital, the text of which is set out in Appendix IV to this Offer Document;
- (j) the report from Deloitte on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix V to this Offer Document;
- (k) the property valuation report from ValQuest Advisory (Hong Kong) Limited, the text of which is set out in Appendix VI to this Offer Document;
- (l) the Irrevocable Undertakings;
- (m) the material contracts referred to in the section headed "*Material Contracts*" in this Appendix VII; and
- (n) the service contracts referred to in the section headed "*Directors' Service Contracts*" in this Appendix VII.

MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The Company's principal place of business in Hong Kong is situated at Rooms 1601-04, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong.
- (c) The principal place of business of CITICS and CLSA Limited is situated at 18/F, One Pacific Place, 88 Queensway, Hong Kong.
- (d) The registered office of the Independent Financial Adviser is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (e) The principal members of the concert group of the Company and the Wong Concert Party Group are Target Success and Mr. Wong, whose addresses are at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and Rooms 1601-04, 16/F., Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong, respectively.
- (f) The ultimate controlling shareholder of Target Success is Mr. Wong and the director of Target Success is Ms. Lin.
- (g) The English texts of this Offer Document, the form of proxy for the SGM and the Form of Acceptance shall prevail over their respective Chinese texts.
- (h) The company secretary of the Company is Mr. Lam Shing Choi, Eric, who is also an executive Director. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Certified Practising Accountants Australia.

NOTICE OF SGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Skyworth Group Limited (the “**Company**”) will be held at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 5 May 2023 at 10:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as an ordinary resolution and a special resolution of the Company, respectively:

ORDINARY RESOLUTIONS

1. **“THAT**, the conditional cash offer (the “**Offer**”) by CLSA Limited on behalf of the Company to buy-back up to 100,000,000 shares of nominal value of HK\$0.1 each in the issued share capital of the Company (the “**Shares**”) held by the shareholders of the Company (the “**Shareholders**”) at a price of HK\$5.0 per Share and subject to the terms and conditions as set out in the offer document despatched to the Shareholders on 14 April 2023 together with the accompanying form of acceptance (copies of which marked “A” have been produced to the SGM and initialed by the chairman of the SGM for the purpose of identification) be approved, without prejudice and in addition to the existing authority of the Company under the general mandate to buy-back Shares granted by the Shareholders at the annual general meeting of the Company held on 24 May 2022, and that the directors of the Company be authorised to execute all such documents (and, where necessary, to affix the seal of the Company thereon in accordance with the memorandum of association and bye-laws of the Company) and do all such acts as such directors consider desirable, necessary or expedient to give effect to or otherwise in connection with the Offer, including, without limitation, completion of the buy-back of Shares pursuant to the Offer.

NOTICE OF SGM

2. **THAT**, in the event that the acceptance level of the Offer results in Mr. Wong Wang Sang, Stephen (“**Mr. Wong**”) and parties acting in concert with him (together with Mr. Wong, the “**Wong Concert Party Group**”) becoming interested in more than 50% of the Shares and thereby making Mr. Wong the actual controller of the Company and Skyworth Digital Co., Ltd. (an indirect non wholly-owned subsidiary of the Company, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000810.SZ)) (“**Skyworth Digital**”) under the relevant laws, rules and regulations of the PRC, the mandatory unconditional general cash offer (the “**PRC MGO**”) to be made by Shenzhen Chuangwei-RGB Electronics Co., Ltd. (“**RGB**”) (an indirect wholly-owned subsidiary of the Company) for all the shares of Skyworth Digital other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by RGB and/or parties acting in concert with it in accordance with the relevant laws, rules and regulations of the PRC upon completion of the Offer be approved, and that the directors of the Company be authorised to execute all such documents (and, where necessary, to affix the seal of the Company thereon in accordance with the memorandum of association and the bye-laws of the Company) and do all such acts as such directors consider desirable, necessary or expedient to give effect to or otherwise in connection with the PRC MGO.”

SPECIAL RESOLUTION

“**THAT**, the waiver (the “**Whitewash Waiver**”) in respect of any obligation under the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “**Codes**”) of Mr. Wong, the controlling shareholder of the Company, to make a mandatory general offer for all the issued Shares other than those already owned by Mr. Wong and parties acting in concert (as defined in the Codes) with him which may, but for the Whitewash Waiver, arise upon completion of the Offer be hereby approved, and that the directors of the Company be authorised to execute all such documents (and, where necessary, to affix the seal of the Company thereon in accordance with the memorandum of association and the bye-laws of the Company) and do all such acts as such directors consider desirable, necessary or expedient to give effect to or otherwise in connection with the Whitewash Waiver.”

By order of the Board
Skyworth Group Limited
Shi Chi
Chief Executive Officer

Hong Kong, 14 April 2023

As at the date of this notice, 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.

NOTICE OF SGM

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

Notes:

- (1) A member entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy needs not be a member of the Company.
- (2) In order to be valid, the proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person should he so desire.
- (3) The register of members of the Company will be closed from Tuesday, 2 May 2023 to Friday, 5 May 2023 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attendance at the SGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 28 April 2023.
- (4) **Effect of bad weather on the SGM**

The SGM will be adjourned if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a "black" rainstorm warning,

in force in Hong Kong 2 hours before the scheduled time of the SGM on the day of the SGM.

An announcement will be made by the Company in such event.