SKYWORTH

創維集團有限公司
SKYWORTH GROUP LIMITED

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

2022
Annual Report

SKYWORTH 創維

Contents

Financial Highlights

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

	For the year ended 31 December 2022	For the year ended 31 December 2021	Change
OPERATING RESULTS			
Revenue	**53,491**	50,928	+5.0%
EBIT	**2,251**	3,013	−25.3%
EBITDA	**3,006**	3,634	−17.3%
Profit for the year	**1,407**	1,965	−28.4%
Profit attributable to owners of the Company	**827**	1,634	−49.4%
FINANCIAL POSITION			
Net cash from operating activities	**5,148**	1,244	+313.8%
Cash position*	**12,407**	12,739	−2.6%
Borrowings	**15,257**	14,262	+7.0%
Convertible bonds (inclusive of interest)	**–**	962	−100.0%
Corporate bonds (inclusive of interest)	**–**	921	−100.0%
Equity attributable to owners of the Company	**17,867**	18,045	−1.0%
Working capital	**10,899**	13,725	−20.6%
Bills receivables	**1,990**	2,996	−33.6%
Trade receivables	**8,066**	9,146	−11.8%
Inventories	**8,947**	7,791	+14.8%
KEY RATIOS			
Gross profit margin (%)	**15.3**	16.8	−1.5pp
EBIT margin (%)	**4.2**	5.9	−1.7pp
EBITDA margin (%)	**5.6**	7.1	−1.5pp
Profit margin (%)	**2.6**	3.9	−1.3pp
ROE (%)	**4.6**	9.5	−4.9pp
Debt to equity (%)**	**69.7**	76.6	−6.9pp
Current ratio (times)	**1.3**	1.4	−7.1%
Trade receivables turnover period (days)***	**76**	92	−17.4%
Inventories turnover period (days)***	**71**	64	+10.9%
DATA PER SHARE			
Earnings per share — Basic (RMB cents)	**31.97**	62.11	+48.5%
Earnings per share — Diluted (RMB cents)	**31.95**	62.03	+48.5%
Dividend per share (HK cents)	**3.0**	23.0	−87.0%
Book value per share (RMB cents)	**846.89**	790.63	+7.1%
SHARE INFORMATION AT FINANCIAL YEAR END			
Skyworth Group Limited (Shares are listed in Hong Kong, stock code: 00751)			
Number of Shares in issue (million)	**2,585**	2,667	−3.1%
Market capitalisation (HK$ million)	**8,660**	14,562	−40.5%
Skyworth Digital Co., Ltd. (shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**1,150**	1,063	+8.2%
Market capitalisation (RMB million)	**16,034**	10,471	+53.1%

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

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

*** Calculation based on average inventory; average sum of bills receivables and trade receivables

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear shareholders, partners and investors of Skyworth Group,

2022 was a very unusual year. Against the difficulties brought by the protracted conflict between Russia and Ukraine; the global political and economic turmoil and transformation; the tumultuous domestic policy environment and the persistent downward pressure in the industry, Skyworth has adhered to the innovation-driven development strategy; firmly grasped the global opportunities for digitalisation, smartisation and low-carbonisation; continuously empowered home appliances and other traditional industries; cultivated and expanded new industries and new businesses like photovoltaic new energy; promoted industrial transformation and innovative development, resulted in business growth in the challenging year of 2022.

During the year, the Group's household appliances segment maintained its strategic focus, responded to pressure and challenges promptly, overcame difficulties unyieldingly and further consolidated the fundamentals of Skyworth under the influence of strict epidemic control, weak market demand and continuous decline in scale. First, the TV business adhered to the consumer experience as the core and focused on the development of intelligent and high-quality products, and launched the new Wallpaper TV Series Q53 Pro to continuously enhance the competitiveness of products. Second, refrigerator and washing machine business developed new products proactively, laid out new categories and mass-produced and marketed new products like the All-round Odorless Refrigerator and the Double Drive Compartment Drum Washing Machine. The sales volume of mid-range and high-end refrigerators and large-capacity washing machines in overseas markets increased significantly year-on-year. Third, the air-conditioning business continued to promote quality improvement and efficiency enhancement, which successfully bottomed out and entered a virtuous circle of solid growth.

During the year, the Group's smart systems technology business segment fully exploited its leading edge in the industry, and further expanded its business scale and product range. The market share of domestic operators of home network equipment such as smart network set-top boxes, GPON and 10G-PON optical home gateway access broadband equipment and WiFi6 MESH routers increased significantly, and overseas markets have also achieved multi-point coverage. The overall revenue has maintained steady growth. Emerging businesses such as automotive intelligence and virtual reality (VR) have also demonstrated strong vitality.

During the year, the Group's new energy business segment firmly grasped the historic opportunity of global clean energy development, and took the lead in the rapid development of the national "Double Carbon Strategy". The total installed capacity of distributed photovoltaic power stations leaped to the first rank in the industry, with more than 140,000 new and grid-connected residential photovoltaic power stations operating, and accumulated more than 200,000 grid-connected residential photovoltaic power stations were built, demonstrating the high-quality development against the trend and cultivating the "second growth curve" that boosts the performance of the Group.

During the year, various business units in the Group's modern services business segment had processed sustained optimisation and development. The Venture Capital Company continued to search for outstanding projects in emerging industries such as semiconductors, new materials and new equipment. The Finance Company continued to promote the role conversion of the treasurer of the Group to ensure an effective operation of financing and actively empower and support the development of various business units of the Group. The Logistics Companies have successfully pushed forward the integration of large-scale logistics business, and the supply chain logistics, factory logistics, pre-sales and after-sales logistics have been comprehensively integrated. The Science and Technology Parks Corporation has been actively creating innovative products for shared office space, and continuously enhancing the brand value of the Group's self-owned properties.

Chairman's Statement

In 2022, Skyworth kept pace with the times and keep abreast of the evolving trends, adapted the changing environment on its own initiative, tackled problems and overcame difficulties with innovative thinking and spirit of change, resulted in the continuous improvement in business performance, which rewarded our efforts and perseverance in the year.

In 2023, the global economic recovery momentum is losing steam, and some European and American economies may tip into recession; with the major shift in the national epidemic prevention and control policy, the domestic economy may gradually rise from its previous low to high alongside a series of challenges. To this end, the Group must maintain high morale, strive for higher goals and be more aggressive to reach greater growth.

Firstly, we need to set clear goals, actively promote synergetic development, and continuously expand the business scale. In 2023, the external environment will be more unpredictable and the global market competition will be more intense. Each business segment of the Group will strengthen the key strengths that give us competitive advantage, abandon conservatism and strive for progress; break down the annual targets and implement them progressively. It is necessary to deeply understand the dialectical relationship between three aspects of "defining the position and goal, finding the path to achieve the goal, and establishing the core competitiveness", and to adhere to high standards and strict requirements. In the face of challenges, we should be more tenacious and more resolute in taking responsibility. We should truly help each other, facilitate coordination and create a strong team in a bid to accomplish our goals, and achieve greater performance and scale growth.

Second is to deepen the reform, make every effort to revitalise the household appliances segment and firmly consolidate the foundation of the Group. Household appliances business segment is the foundation of Skyworth Group, despite encountering great difficulties, we must tackle them valiantly. The first priority is to comprehensively reform the domestic offline marketing network of the TV business, improve efficiency and strengthen online sales capabilities. The second priority is to promote the overseas marketing, construct and consolidate the foundation of the TV business in foreign market, while reallocate the sales resources of various business segments of the Group in the European market, so as to achieve coordinated development. The third priority is to integrate sales channels, empower emerging businesses such as white appliances and air-conditioning, and promote the integration and development of all categories. The fourth priority is to strengthen brand management and adhere to long-term brand building.

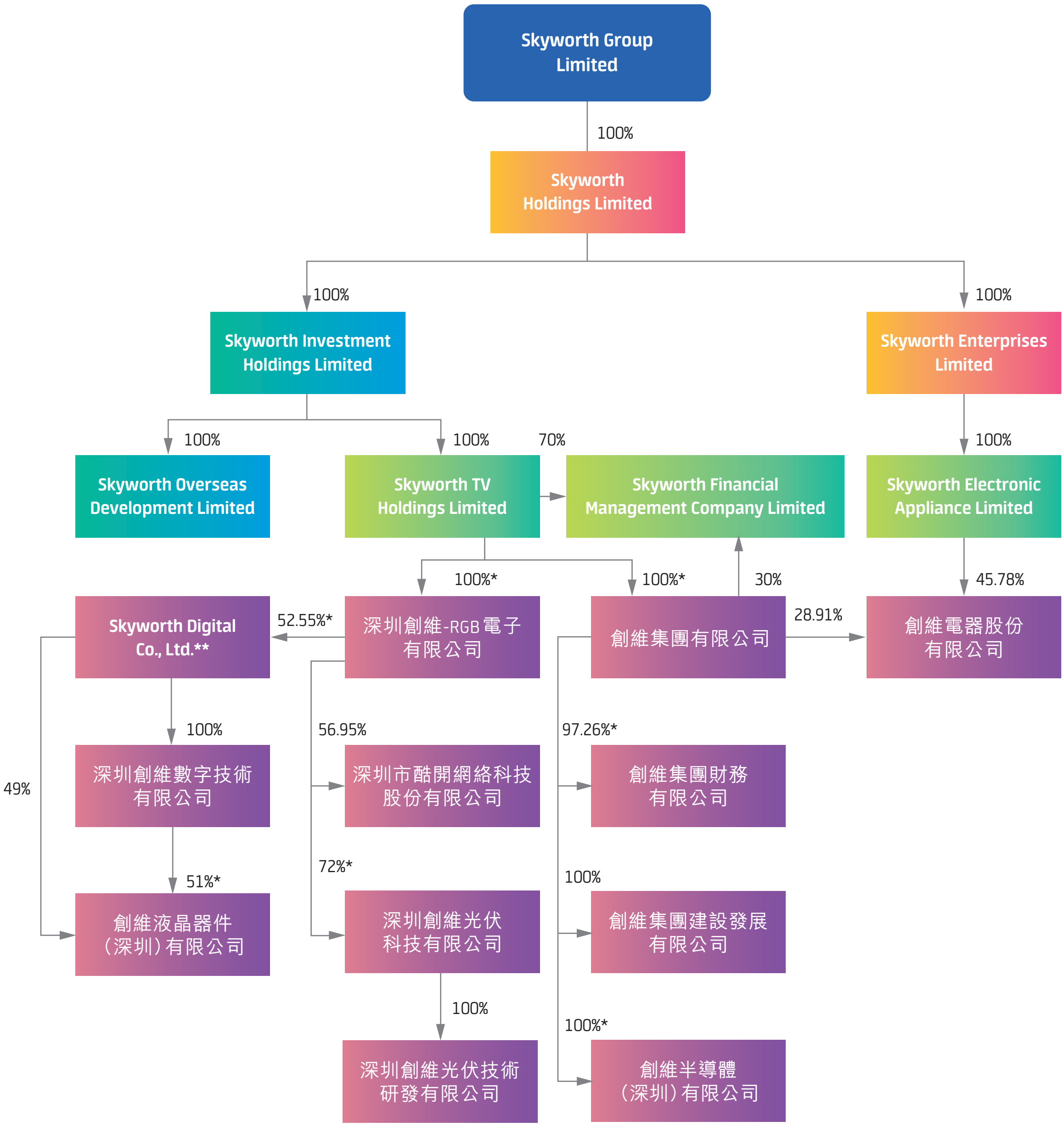
Third is to streamline the process, comprehensively improve the per capita labour efficiency, and actively empower ourselves and create value. In 2023, the whole Group will focus on the key word "simplification", deepen reform, rebuild and reshape, and actively promote the optimisation of organisational structure and the reengineering of personnel value. The input and output of resources should be calculated, the management of the whole group should be simplified, all unnecessary management process should be reduced, and the highest per capita output should be created with the most streamlined organisational form and the most capable personnel combination. We need to eliminate all unnecessary actions and take a lean approach in competition.

After 35 years of arduous entrepreneurial journey, Skyworth has transformed from a single household appliances enterprise into a technology enterprise group with integrated development of consumer electronics, household appliances, intelligent manufacturing, new energy and other businesses. In 2023, we have officially set sail and are moving towards the new goal of transformation and upgrading.

Finally, on behalf of the board of directors and the executive team of Skyworth Group, I would like to express my heartfelt thanks to all Skyworth colleagues for their dedication and efforts in the past year! At the same time, I would like to express my sincere gratitude to all shareholders, investors, global customers and partners for their long-term trust and support!

2023 is a heavy task, but we are full of confidence. Let us work together to achieve a win-win situation and create brilliance again.

Simplified Corporate Structure



* Effective Interest of Skyworth Group Limited (the "Company")

** Shares are listed on Shenzhen Stock Exchange, stock code: 000810.
The effective interest held by the Company included 0.01% equity interest held under treasury shares of a subsidiary of the Company

- Incorporated in Bermuda
- Incorporated in Samoa
- Incorporated in British Virgin Islands
- Incorporated in Hong Kong
- Established in the PRC

As at 31 December 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

BUSINESS PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2022 (the "Reporting Year"), the Group's overall revenue amounted to RMB53,491 million, compared with an overall revenue of RMB50,928 million for the year ended 31 December 2021 (the "Previous Year").

2022 was a challenging year, the global economy was influenced by the fluctuating Coronavirus ("COVID-19") epidemic and the Russia-Ukraine conflict, which clouded with uncertainty and complexity. However, as countries adjusted their pandemic policies and gradually lifted travel restrictions, the overall business environment has been significantly improved and the economic operation has become more stable. Nevertheless, the energy crises provoked by the Russia-Ukraine conflict drove up the rampant inflation, posing a drag on the recovery process. Amid the decelerated growth of European economies and the high debt pressure, the United States and other countries continued to raise interest rates sharply to preempt inflationary pressure, causing the fear of recession among consumers. Under the influences of numerous uncertainties, the price of global assets remains volatile, limiting the economic rebound to a certain extent. The Group seized the opportunity brought by the depressed market sentiment and continue to add value to its brands, products and services, and ultimately implemented a strategic plan with clear product positioning and product competitiveness. Firstly, the Group adhered to the consumer experience as the core and further enhance the competitiveness of smart TV systems and smart appliance products. Secondly, the Group seized the opportunity of the vigorous development of digital technology and digital economy to accelerate the development of smart systems technology business; Thirdly, the Group firmly grasped the opportunities arising from the global development of clean energy and the implementation of China's "dual-carbon strategy", accelerating the development of photovoltaic and other new energy businesses, and further strengthening its position as a leader in distributed photovoltaic.

During the year, Skyworth has actively promoted the strategies of informationisation, smartisation, internationalisation, and low-carbonisation, as well as adhering to the development concept of "leading technology" and "healthy technology", prioritising consumers' experience and focusing on technological innovation, to accelerate enterprise reform, transformation, and improve overall efficiency, so as to achieve balanced development in overall revenue. The Group recorded an overall revenue of RMB53,491 million, representing an increase of 5.0% as compared with the Previous Year. However, affected by the COVID-19 pandemic and the rise in international crude oil prices, the raw material prices and logistics costs for global home appliance companies have generally increased, squeezing corporate profit margins. During the Reporting Year, the overall gross profit margin of the Group was 15.3%, decreased by 1.5 percentage points from the Previous Year.

Management Discussion and Analysis

(a) Business Review by Geographical Segment

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

Mainland China Market

For the year ended 31 December 2022, revenue from the mainland China market amounted to RMB36,564 million, representing an increase of RMB3,344 million or 10.1% compared with RMB33,220 million for the Previous Year.

During the Reporting Year, the Group's multimedia business, smart systems technology business, new energy business and smart appliances business, each accounted for 35.5% (the Previous Year: 47.9%), 18.3% (the Previous Year: 20.7%), 32.6% (the Previous Year: 12.3%) and 9.1% (the Previous Year: 8.7%) of its revenue from the mainland China market, while the modern services business and other operations attributed the remaining 4.5% (the Previous Year: 10.4%).

Overseas Markets

For the year ended 31 December 2022, revenue from overseas markets amounted to RMB16,927 million, equivalent to 31.6% of the Group's overall revenue, representing a decrease of RMB781 million or 4.4% compared with RMB17,708 million recorded in the Previous Year. This was mainly attributable to the impact of the COVID-19 pandemic, geopolitical conflicts, and foreign exchange shortages, which led to sluggish consumer demand. Overseas customers have also significantly increased their demands for improving product quality and reducing prices. Despite the challenging situation, the Group continued to optimise its sales channels in overseas markets, diversify its distribution, and explore new retail channels to mitigate the negative impact of the pandemic and high logistics costs.

Geographical Distribution of Revenue in Overseas Markets

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

	Year ended 31 December	
	2022	2021
	(%)	(%)
Asia (excluding Middle East)	**58**	63
Europe	**12**	11
Americas	**11**	9
Middle East	**9**	9
Africa	**9**	7
Oceania	**1**	1
	100	100

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

Management Discussion and Analysis

(b) Business Review by Business Sectors

The Group's five major business sectors include: 1. Multimedia Business, 2. Smart Systems Technology Business, 3. New Energy Business, 4. Smart Appliances Business and 5. Modern Services Business.

1. Multimedia Business

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

For the 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 the Previous Year.

1.1. Smart TV Systems Products (PRC Market)

For the year ended 31 December 2022, the Group's smart TV systems products recorded revenue of RMB9,891 million in the mainland China market, representing a decrease of RMB3,058 million or 23.6% compared with RMB12,949 million recorded in the Previous Year.

In 2022, based on user-centric thinking, the Group unified the planning and value proposition of core technologies and products, and presented the concept of "health care, home entertainment, and ultimate aesthetics" in an all-round way around the user's experience. The breakthroughs in core technology are derived from continuous innovation and improvement of core technologies such as display, sound, sensing connections, industrial design, and AI software integration systems.

During the Reporting Year, 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 this year, 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.

To cope with the fierce competition in the Chinese market and the recurring challenges posed by the pandemic, the Group conducted in-depth research on the development trends of the market and channel, targeting the channel transformation direction of dual-channel integration during the Reporting Year. It also targeted sales strategy adjustments. which includes promoting high-end TV products such as OLED and large-screen TVs, improving product planning and layout, providing precise services in high-end segmented markets to capture the most potential customers, and increasing brand exposure through e-commerce live streaming and self-media communication to increase product sales and market share.

Management Discussion and Analysis

1.2 Smart TV Systems Products (Overseas Markets)

For the year ended 31 December 2022, the Group's smart TV systems products recorded revenue of RMB8,154 million in overseas markets, representing a decrease of RMB1,462 million or 15.2% compared with RMB9,616 million recorded in the Previous Year.

During the Reporting Year, overseas home appliance markets still faced challenges of variability and uncertainty. The outbreak of COVID-19 and variants in some countries and regions has also resulted in a decline in customers' purchasing power and confidence. The Group timely adjusted its marketing strategy, including expanding its channels and markets, to mitigate the negative impact of the sluggish economy on its offline business. In addition to its regular chain, agent, and e-commerce channels, the Group developed multiple channels such as O2O and live streaming platforms during the year. The Group's branches in Vietnam, Indonesia, and the Philippines are actively exploring new retail channel cooperation. The Group also officially launched its brand overseas live streaming e-commerce through newly developed channels and further accumulated Skyworth's brand influence by organising activities such as new product press conference, promotions, and roadshow.

1.3 Internet Connection Services of Coocaa System

During the ongoing pandemic, Shenzhen Coocaa Network Technology Company Limited* (深圳市酷開網絡科技股份有限公司) ("Coocaa Technology", an indirect non wholly-owned subsidiary of the Company) develop steadily in the internet value-added service market, based on the reliable and secure connection services, and mature and stable technology of the Coocaa system. It grasped the opportunities under the macro-environment of "Otaku economy" to promote the continuous growth of revenue from content based operations of home smart device services. For the year ended 31 December 2022, the accumulated smart devices of Coocaa System in the PRC market were over 168 million. The Group's industrial deployment strategy of "hardware + content internet services" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.* (北京愛奇藝科技有限公司) ("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited* (百度控股有限公司) ("Baidu") have all successively invested in Coocaa Technology.

2. *Smart Systems Technology Business*

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

For the year ended 31 December 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 Previous Year. 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 Previous Year. 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 Previous Year.

Management Discussion and Analysis

During the year, 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 research and development 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 Reporting Year, 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.

The Group achieved growth in sales volume of set-top boxes and broadband network connection products in overseas market. The set-top box business successfully realised stable supply and delivery in regions such as Europe, Latin America, Africa and the Middle East, with an increasing coverage rate and market share among overseas mainstream telecommunications or integrated operators. The broadband connection business also achieved a certain degree of growth and sustained mass supply in India, Southeast Asia, Europe and other regions, leading to a growth trend in overseas business.

3. *New Energy Business*

During the 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 Previous Year. During the Year, 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.

The PRC government has set a clear policy on environmental protection and new energy. With the dual benefits of the carbon peak and carbon neutrality ("Double Carbon") goals and the "County-wide promotion" policy, the scale of China's photovoltaic industry continues to expand, and the residential distributed photovoltaic market has achieved rapid development. According to the National Energy Administration, in 2022, China's newly installed photovoltaic capacity was approximately 87.41 GWh, representing a year-on-year increase of approximately 59.3%; among them, the newly installed distributed photovoltaic capacity was approximately 51.11 GWh, representing a year-on-year increase of approximately 74.5%. In the face of such enormous market potentials, the Group followed the general trend of integrated development of modern energy, smart manufacturing and digital technology, and started with residential photovoltaic and provided complete solutions for power station development, design, construction, operation, management and consulting services to achieve service efficiency and quality control service system. During the year, in addition to building a development, construction, operation and management platform for full-process asset of distributed photovoltaic 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 research and development, 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.

Management Discussion and Analysis

Skyworth Photovoltaic is committed to the layout of comprehensive new energy development, actively developing into a one-stop solution provider from finance, installation to after-sales, and through the innovative model of "Photovoltaic + Inclusive finance + Digital technology", to create a customer-satisfied photovoltaic products and brands. In order to meet the vigorous market development opportunities, the Group will follow the market development trend, give full play to its own product technology strength, continue to deepen the residential photovoltaic business, and gradually develop industrial and commercial photovoltaics businesses, as well as the integrated smart energy management on the consumption side. At the same time, the Group will continue to look for opportunities for strategic cooperation with potential upstream supply chain companies to jointly broaden cooperation ideas in the photovoltaic field and improve market competitiveness, so as to bring higher-quality photovoltaic product solutions to customers and promote the development of a green economy.

4. *Smart Appliances Business*

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

During the year ended 31 December 2022, the Group recorded a revenue of RMB4,393 million from the smart appliances business; representing an increase of RMB18 million or 0.4% as compared to RMB4,375 million recorded in the Previous Year. 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 Previous Year. 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 Previous Year.

During the Reporting Year, the sales in overseas markets declined as compared to the Previous Year due to the impact of the pandemic and the weak export market for home appliances. Nevertheless, the Group continues to increase the research and development of smart products and enhance product competitiveness to promote the sales growth of smart appliances business in the domestic market and continue 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 expand online sales platform customers, strengthen channel operations and optimise sales channels of traditional offline dealer, and thus managed to maintain a steady performance despite the volatile environment caused by recurrent epidemic outbreaks.

In response to external environmental factors and fierce competition in the industry, the Group actively explores the application of new technologies and processes in home appliances, and strives to launch high-quality and innovative technology products according to consumers' needs, so as to consolidate its own competitive advantages and market position. Continuous product research and development has enabled Skyworth Electric Co., Ltd.* (創維電器股份有限公司) ("Skyworth Electric", an indirect non wholly-owned subsidiary of the Company) to successively obtain honorary titles such as Leading Innovative Entrepreneur in Nanjing City (南京市創新型領軍企業), National High-tech Enterprise (國家高新技術企業), Integration of Informatisation and Industrialisation Standard Enterprise issued by the Ministry of Industry and Information Technology (工信部兩化融合貫標企業), Provincial and Municipal Industrial Design Center (省市級工業設計中心) and Provincial and Municipal Engineering Technology Research Center (省市級工程技術研究中心). In 2022, Skyworth Electric continued to deepen product development around the three directions of "health, energy saving, and intelligence", bringing consumers new smart appliances and enhancing the brand value of Skyworth Electric in the smart home appliances market.

Management Discussion and Analysis

5. *Modern Services Business*

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

During the 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 Previous Year. 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 Previous Year. There was no revenue in overseas markets during the Reporting Year (the Previous Year: RMB550 million). 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 Reporting Year recorded a year-on-year decrease as compared with the Previous Year.

During the Reporting Year, 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 segment 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.

In terms of capital operation, the Group continued to take the financial company as the main body, supplemented by venture capital funds and small loans as the financial business platform, and use the advantages of the "integrated foreign and domestic currency capital pools for multinational companies (跨國公司本外幣一體化資金池)" approved by the State Administration of Foreign Exchange to broaden the Group's financing channels. Under the impact of the economic downturn in 2022, the venture capital business steadily managed the investment portfolio held by the Group, and continued to seek high-quality investment opportunities such as semiconductors, new materials, new equipment and other upstream and downstream industry projects.

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

The Group will fully explore the core business advantages, continue to innovate the development model, actively implement organisational optimisation, accelerate the integration and development of new businesses, to create favourable conditions and environment for the future reform and development of the Skyworth Group, as well as to provide supports and empower synergies for the Group's businesses including scientific research, investment, production, procurement and construction.

Gross profit margin

During the year ended 31 December 2022, the overall gross profit margin of the Group was 15.3%, representing a decrease of 1.5 percentage points in comparison to 16.8% recorded in the Previous Year.

Management Discussion and Analysis

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

Expenses

During the year ended 31 December 2022, the Group's selling and distribution expenses amounted to RMB3,439 million, representing a decrease of RMB542 million or 13.6% as compared to RMB3,981 million for the Previous Year. The selling and distribution expenses to revenue ratio for the year ended 31 December 2022 was 6.4%, which decreased by 1.4 percentage points from 7.8% recorded in the Previous Year.

During the year ended 31 December 2022, the Group's general and administrative expenses amounted to RMB1,654 million, representing an increase of RMB175 million or 11.8% as compared to RMB1,479 million for the Previous Year. The general and administrative expenses to revenue ratio for the year ended 31 December 2022 was 3.1%, which slightly increased by 0.2 percentage points from 2.9% recorded in the Previous Year.

The research and development expenses increased due to the Group continued to devote resources to the research and development of premium smart products to improve its corporate competitiveness. During the year ended 31 December 2022, the Group's research and development expenses amounted to RMB2,116 million, representing an increase of RMB19 million or 0.9% as compared to RMB2,097 million for the Previous Year. The research and development expenses to revenue ratio for the year ended 31 December 2022 was 4.0%, which slightly decreased by 0.1 percentage points from 4.1% recorded in the Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 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.

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 (as at 31 December 2021: RMB2,128 million), trade receivables of RMB3 million (as at 31 December 2021: RMB10 million), bills receivables of RMB58 million (as at 31 December 2021: RMB66 million), investment properties of RMB1,135 million (as at 31 December 2021: RMB1,198 million), stock of properties of RMB328 million (as at 31 December 2021: RMB102 million) as well as certain prepaid lease payments on land use rights, lands and properties in mainland China and Hong Kong, with an aggregate net book value of RMB3,129 million (as at 31 December 2021: RMB2,774 million).

As at 31 December 2022, total bank loans amounted to RMB15,257 million (as at 31 December 2021: RMB14,262 million). Corporate bonds (inclusive of interest) and convertible bonds (inclusive of interest) have been fully returned or converted into shares during the Reporting Year (as at 31 December 2021: RMB921 million and RMB962 million). Overall interest-bearing liabilities of the Group were RMB15,257 million (as at 31 December 2021: RMB16,145 million), equity attributable to owners of the Company amounted to RMB17,867 million (as at 31 December 2021: RMB18,045 million). The debt to equity ratio revealed as 69.7% (as at 31 December 2021: 76.6%).

Management Discussion and Analysis

TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in Hong Kong dollars, US dollars and Euros. The Group uses general trade financing to fulfil the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. During the Reporting Year, 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 US exchange rate, exchange risk management became more important. For the year ended 31 December 2022, the net foreign exchange gain generated from general operations was RMB13 million (for the year ended 31 December 2021: loss of RMB51 million).

In addition, the Group still holds the following investments during the reporting year:

(a) Unlisted equity securities

As of 31 December 2022, the Group held investments in 52 unlisted companies. The total value (at fair value) of these investments was RMB2,322 million (reflecting the changes in fair values and cost), of which RMB961 million represented 10% equity interest held by the Group in a PRC investee company. This investee company is principally engaged in manufacture and sale of flat screen displays, display materials, LCD-related products and other electronic accessories

(b) Listed equity securities

As of 31 December 2022, the Group held investments in eight (31 December 2021: nine) listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 31 December 2022	Value of investment as of 31 December 2022 (RMB million)	Value of investment as of 31 December 2021 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Bank of Gansu Co., Ltd	0.66%	93.8	122.9	The Stock Exchange of Hong Kong Limited	Financial services
Jiangsu Broadcasting Cable Information Network Corporation Limited	0.00%	–	0.4	Shanghai Stock Exchange	TV channels, broadband, data services
Amlogic (Shanghai) Co., Ltd.	0.08%	23.5	44.0	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Linklogis Inc.	0.36%	30.4	49.7	The Stock Exchange of Hong Kong Limited	Provide supply chain fintech solutions services
Anhui Coreach Technology Co., Ltd.	1.21%	38.4	50.5	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services
Puya Semiconductor (Shanghai) Co., Ltd.	2.97%	228.1	340.1	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Guizhou Zhenhua E-chem Inc.	0.33%	64.7	64.0	Shanghai Stock Exchange	Research and development, design, production and sales of lithium-ion battery cathode materials
Shanghai Anlogic Infotech Co., Ltd.	2.91%	561.0	697.2	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Huitongda Network Co., Ltd.	1.61%	326.8	–	The Stock Exchange of Hong Kong Limited	Provide a one-stop supply chain trading and service platform
Chigo Holding Limited	3.39%	–	–	The Stock Exchange of Hong Kong Limited (Delisted on 4 April 2022)	Manufacture and sales of air conditioners

Management Discussion and Analysis

To utilise advantages of products from the smart systems technology business and innovative content services, Skyworth Group opted to invest in business partners in relation to building a smart-home platform, aiming to create a new ecosystem for its smart human habitat business. During the Reporting Year, the Group invested in Huitongda Network Co., Ltd., a one-stop supply chain trading and service platform, as a medium to long-term investment to seize the sinking market in China.

In addition to the listed equity securities mentioned above, the Group maintains a stable portfolio of listed equity investments. These listed equity securities are mainly for medium to long-term investment and are concentrated in emerging industries such as semiconductors, new materials, and new equipment that are similar to those of the Group or are in the upstream or downstream industries. Therefore, the Group is able to make reasonable judgments on their performance and compare them with the industry. These high-tech industries are important business sectors advocated by the PRC government, though returns on these investments may still be subject to market uncertainty. The management will take a prudent approach to regularly review these equity investments and implement necessary measures to respond to market changes.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Year, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB1,402 million in construction projects, including the expansion of its production plants in Ningbo, Wuhan, Shenzhen, Guangzhou and Qianhai, and RMB836 million for acquisition of other property, plant and equipment. The Group plans to further invest in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of smart, diversified and internationalised strategy

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 31 December 2022, the Group had around 31,400 employees (as at 31 December 2021: 34,000) 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.

Management Discussion and Analysis

OUTLOOK

Since the outbreak of the COVID-19 pandemic in early 2020, it has continued to have a profound impact on the global economy. In 2022, the United States and other major economies raised interest rates to curb inflation, tense geopolitical situations around the world, on-going Sino-US bilateral trade disputes, and the soaring inflation, which have had a huge impact on the global economy. The Group closely monitored the foreign exchange risks of export trade and imported raw materials, adopted flexible treasury management and cooperated with domestic and overseas financial institutions that offer the most favourable terms to stabilise borrowing costs. Apart from that, under the backdrop of increasing domestic credit risks, in addition to implementing the policy of deepening its cooperation with existing physical dealers and accelerating the expansion of online sales network, the Group focused on risk management of receivable recovery which enabled the Group's business to record revenue growth in 2022 under unfavourable business environments such as weak market demand and continuous challenges.

Currently, the global home appliance consumption market is still in a downturn due to unfavourable global economic factors. Nevertheless, Skyworth Group will continue to develop products with the "5G + AI + Device" technical development idea to promote the research and development and application of new technologies, new materials and new processes, as well as enhance product competitiveness, enterprise innovation and research and development strength. Supporting by the research and development of 5G home access systems and control systems, new generation of smart appliances and other products, the Group's operations will upgrade from manufacturing to modern services, from a hardware manufacturer to a developer and operator of smart home systems. We believe that the new generation of products with high gross profit margin and high output value can help the Group to maintain its leading position in the market and seize more market share of new smart home appliances. On the other hand, as a photovoltaic company that actively responds to the "Double Carbon" goal, Skyworth'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.

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 Group will establish clear positioning and goals for each business sector and even each business unit, and streamline processes to eliminate unnecessary process management and inefficient operating costs, with the aim of achieving effective management of operations. The Group roots in China and keeps a close eye on the world, and will fully leverage its own advantages to form a joint development force, striving to transform and upgrade towards its goals, promoting the Group to achieve higher-quality and more efficient development, and continuously enhancing its ability to create value and brand competitiveness.

Events after the Reporting Period

Reference is made to (i) the announcement of the Company dated 23 December 2022 in relation to, among other things, the Offer, the Whitewash Waiver and the PRC MGO; (ii) the announcement of the Company dated 12 January 2023 in relation to the delay in despatch of the Offer Document; (iii) the announcement of the Company dated 28 March 2023 in relation to the increase of the Offer Price; and (iv) the offer document dated 14 April 2023 issued by the Company in relation to, among other things, the Offer, the Whitewash Waiver and the PRC MGO (the "Offer Document"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Offer Document. The SGM of the Company will be convened on 5 May 2023 (Friday) for approving the ordinary resolutions in connection with the Offer and the PRC MGO, and the special resolution in connection with the Whitewash Waiver.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. Lin Jin, aged 38, is an Executive Director of the Company and was appointed as the Chairman of the Board on 7 July 2022. Mr. Lin graduated from the University of Toronto with a bachelor degree in applied science. He is currently a director in a number of subsidiaries of the Company, including Shenzhen Coocaa Network Technology Co., Ltd.* (深圳市酷開網絡科技股份有限公司) and Skyworth Digital Co. Ltd., a subsidiary of the Company and listed on the Shenzhen Stock Exchange (Stock code: 000810.SZ) ("Skyworth Digital"). He is also currently a director (non-executive) of Skywell New Energy Automobile Co., Ltd.* (開沃新能源汽車有限公司) and Skysource (China) Investment Co., Ltd.* (創源天地 (中國) 投資有限公司) and a number of their respective subsidiaries. Prior to joining the Group in 2011, Mr. Lin worked in MediaTek Inc. as a sales manager from November 2009 to October 2011 and Realtek Semiconductor Corp. as a system development engineer from September 2007 to September 2009. He has more than 10 years of work experience in companies primarily engaged in the business of designing and manufacturing electronics and electronic components. Mr. Lin was awarded the Young Industrialist Awards of Hong Kong by the Federation of Hong Kong Industries in 2021.

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

As at 31 December 2022, Mr. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 32 to 39 of this annual report.

Mr. Liu Tangzhi, aged 60, joined the Group in 1998. Mr. Liu is an Executive Director and a director of certain subsidiaries of the Company. He was appointed as the Chief Executive Officer of the Company on 1 April 2017 and was re-designated as the Vice Chairman of the Board on 30 April 2022. Mr. Liu is the director of Skyworth Group Co., Ltd.* (創維集團有限公司) ("Skyworth Group") and Skyworth Digital.

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

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

As at 31 December 2022, Mr. Liu has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 32 to 39 of this annual report.

Directors and Senior Management Profiles

Mr. Shi Chi, aged 52, is an Executive Director of the Company and was appointed as the Chief Executive Officer of the Company on 30 April 2022. He joined the Group in 2000 and is the chairman of Skyworth Digital, in which Mr. Shi holds 3.2% shareholding. He is also a director of certain subsidiaries of the Company. Mr. Shi is primarily responsible for the Company's daily operation management, promoting the business development and implementation of strategic plans of the Group.

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

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

As at 31 December 2022, Mr. Shi has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of her interests on pages 32 to 39 of this annual report.

Ms. Lin Wei Ping, aged 65, is an Executive Director, a member of each of the Remuneration Committee and Nomination Committee and a director of certain subsidiaries of the Company. Ms. Lin was appointed as the Executive Chairperson of the Company on 1 April 2013 and resigned on 8 July 2016.

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

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

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

As at 31 December 2022, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of her interests on pages 32 to 39 of this annual report.

Directors and Senior Management Profiles

Mr. Lam Shing Choi, Eric, aged 51, is the Company Secretary of the Company and he was appointed as an Executive Director on 28 February 2020.

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

Mr. Lam was an independent non-executive director of AGBA Acquisition Limited, which is listed on NASDAQ Stock Market in the United States of America, from February 2019 to 15 November 2022.

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

As at 31 December 2022, Mr. Lam has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 32 to 39 of this annual report.

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Weibin, aged 61, is an Independent Non-Executive Director, the chairperson of Remuneration Committee, a member of each of the Audit Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 10 March 2000.

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

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

As at 31 December 2022, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 32 to 39 of this annual report.

Mr. Cheong Ying Chew, Henry, aged 75, is an Independent Non-Executive Director, the chairperson of Audit Committee, a member of each of the Remuneration Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 1 January 2015.

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

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

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

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

As at 31 December 2022, Mr. Cheong does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

Directors and Senior Management Profiles

Mr. Hung Ka Hai, Clement, aged 67, is an Independent Non-Executive Director, the chairperson of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee. He was appointed as an Independent Non-Executive Director on 18 March 2020.

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

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

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

- an independent non-executive director of Gome Finance Technology Company Limited (formerly known as Sino Credit Holdings Limited) (stock code: 628) since 31 October 2016;
- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;
- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;
- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 12 June 2019;
- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019; and
- an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 16 July 2021.

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

Mr. Hung was an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (stock code: 859) from 12 January 2018 to 15 June 2020. He was an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) from 31 December 2019 to 30 June 2021. He was an independent non-executive director of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (stock code: 6069, the listing of the shares of which has been transferred to the Main Board from the GEM of the Stock Exchange (stock code: 8469) from 24 October 2019) from 19 June 2017 to 15 July 2022.

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

As at 31 December 2022, Mr. Hung does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

Mr. Wu Wei, aged 56, joined the Group in May 1997. Mr. Wu is a professor-level engineer who graduated from ShanghaiTech University with a bachelor degree in radio electronics. From May 1997 to January 2005, Mr. Wu served as deputy chief engineer and chief engineer of Shenzhen Chuangwei-RGB Electronics Co., Ltd.; from January 2005 to February 2009, he worked as vice president of Skyworth Multimedia (Overseas) Company Limited and general manager of its Research Centre; Mr. Wu was appointed as chief engineer of the TV business unit since February 2009, and he has been serving as chief engineer of Skyworth Group since 2017. Mr. Wu is the director of Skyworth Group since 2021.

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

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

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

Mr. Ying Yiming, aged 47, is the financial controller of the Company.

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

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

* *For identification purposes only*

DIRECTORS' REPORT

Directors' Report

The directors of the Company (the "Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2022 (hereinbelow also referred to as the Reporting Year).

PRINCIPAL ACTIVITIES

The Company is an investment holdings company. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of smart TV systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, photovoltaic products, modern services and trading of other products. Details of the principal activities of the principal subsidiaries, associates and joint ventures of the Group are set out in notes 53 and 21 of the consolidated financial statements, respectively.

BUSINESS REVIEW

A review of the business of the Group for the Reporting Year, including the discussion on the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of the Reporting Year and an indication of the likely future developments, is set out in the "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 7 to 18 of this annual report. The above discussions form part of this Directors' Report. Details about the Group's financial risk management are set out in note 51 to the consolidated financial statements. An analysis of the Group's performance for the Reporting Year using financial key performance indicators is set out in the "Financial Highlights" on page 2 and "Management Discussion and Analysis" on pages 7 to 18 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 23 HK cents per share of the Company, totalling approximately RMB497 million).

DIVIDEND POLICY

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Directors' Report

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

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

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

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

RELATIONSHIP WITH KEY STAKEHOLDERS

(a) Employees

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

(b) Customers

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

(c) Suppliers

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

(d) Shareholders and Investors

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

Directors' Report

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past 5 financial years is set out on pages 179 to 180 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Reporting Year, the Group incurred approximately RMB1,402 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately RMB271 million for the expansion of existing production facilities and setting up of new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 16 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

CORPORATE BONDS

On 15 September 2017, the Company issued secured corporate bonds in the aggregate principal value of RMB2,000 million. The corporate bonds bear an interest at 5.36% per annum with maturity of 5 years, under which the Company has the right to adjust the coupon rate and the bond holders have a sell-back right to the Group at the end of the third year. The purposes for issuing corporate bonds were to adjust the debt structure and supplement the general working capital of the Group. The corporate bonds were listed on the Shenzhen Stock Exchange under the abbreviated bond name "17 Skyworth P1" with the code "112584" on 23 October 2017. The Company adjusted the coupon rate of the corporate bonds to 4.85% per annum on 27 August 2020 and the bond holders are entitled the right to sell-back all or part of the corporate bonds to the Company during the sell-back registration period (1 September 2020 to 7 September 2020) at the sell-back price which equals to the face value of the bond (excluding interest), and the sell-back was settled on 15 September 2020. According to the data provided by the Shenzhen Branch of China Securities Depository and Clearing Company Limited on 11 September 2020, the bond holders sold back "17 Skyworth P1" bonds to the Company and in the aggregate principal amount of RMB1,913,308,000 (excluding interest).

On 15 September 2022, the Company had redeemed the bonds in full at their outstanding principal amount of RMB86.692 million together with interest accrued to the maturity date. The corporate bonds were delisted from the Shenzhen Stock Exchange on the same date.

Details of the corporate bonds and other bonds issued by the Group are set out in note 39 to the consolidated financial statements.

CORPORATE BONDS ISSUED BY A SUBSIDIARY

Skyworth Group Co., Ltd.* (創維集團有限公司) (the "Subsidiary"), a wholly-owned subsidiary of the Company established under the laws of the PRC, issued corporate bonds on 16 March 2020 and the Subsidiary had completed the repurchase of all the corporate bonds and such corporate bonds were cancelled on 25 October 2022.

Details of the corporate bonds issued by the Subsidiary were announced by the Company on 5 March 2020 and 26 October 2022.

SHARE CAPITAL

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

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group during the Reporting Year are set out in the "Consolidated Statement of Changes in Equity" on pages 74 to 75 of this annual report.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company as at 31 December 2022 amounted to approximately RMB1,464 million (2021: RMB2,251 million).

Details of the distributable reserves of the Company during the Reporting Year are set out in note 55 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the Reporting Year, the Board considered that repurchases of Shares would lead to an enhancement of the earnings per Share and overall shareholders return, thus the Company has purchased a total of 107,232,000 Shares of the Company on the Stock Exchange (the "Repurchased Shares") at an aggregate consideration of approximately HK$444.49 million (excluding expenses). All the Repurchased Shares were cancelled as of 9 November 2022. As at 31 December 2022, the total number of Shares in issue was 2,585,201,420.

Details of the repurchase are summarised as follows:

Month of repurchase	Total number of Shares repurchased	Consideration per Share		Aggregate consideration paid
		Highest price (HK$)	Lowest price (HK$)	(HK$)
January 2022	23,554,000	5.50	4.95	121,153,041.00
April 2022	896,000	3.97	3.86	3,524,326.40
May 2022	39,634,000	4.50	4.18	174,498,480.00
August 2022	6,000,000	3.95	3.83	23,576,400.00
September 2022	17,980,000	4.00	3.46	65,532,452.60
October 2022	17,126,000	2.96	2.81	50,138,270.80
November 2022	2,042,000	2.98	2.90	6,066,577.80
Total	**107,232,000**	**–**	**–**	**444,489,548.60**

Save as disclosed above and the redemption of bonds issued by the Company under the section headed "Corporate Bonds" above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the aggregate revenue attributable to the Group's 5 largest customers accounted for 33.0% of the Group's total revenue. The aggregate purchase attributable to the Group's 5 largest suppliers accounted for 18.6% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 5.2% of the total purchases.

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

DONATIONS

During the Reporting Year, the Group made charitable donations of approximately RMB1.2 million (2021: RMB1.3 million).

Directors' Report

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

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

Biographical details of the Directors are set out on pages 19 to 25 of this annual report and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

In accordance with bye-law 84 of the Company's bye-laws, Mr. Liu Tangzhi, Ms. Lin Wei Ping and Mr. Cheong Ying Chew, Henry will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. The Nomination Committee also reviewed Directors' independence on a meeting held on 22 March 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the existing Directors and senior management of the Company are set out on pages 19 to 25 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Directors' interests in the Company's 2014 Share Option Scheme and the 2020 Share Award Scheme (as respectively defined below), and as disclosed in the section headed "Connected Transactions/Contracts of Significance with Controlling Shareholder" in this report in relation to transactions with entities controlled by Mr. Wong Wang Sang, Stephen, who is the controlling shareholder of the Company and the spouse of Ms. Lin Wei Ping, an Executive Director, no transaction, arrangement or contract of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Year or at any time during the Reporting Year.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

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

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

As at 31 December 2022, the interests and short positions that the Directors and the chief executive of the Company had or were deemed to have in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

The Company

Name of Director	Capacity		Number of Shares held	Approximate percentage of the total number of issued Shares *(Note d)*
Lin Jin	Beneficial owner		3,898,719	0.15%
Liu Tangzhi	Beneficial owner		5,000,000	0.19%
Shi Chi	Beneficial owner		9,000,000	0.35%
	Beneficiary of a trust		17,000,000	0.66%
Lin Wei Ping	Beneficial owner		9,160,382	0.35%
	Spousal interest	*(Notes a and b)*	1,238,258,799	47.90%
		(Notes a and c)	1,247,419,181	48.25%
Lam Shing Choi, Eric	Beneficial owner		2,000,000	0.08%
Li Weibin	Beneficial owner		1,000,000	0.04%

Directors' Report

Notes:

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

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

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

(d) The calculation is based on the total number of issued Shares of the Company (i.e. 2,585,201,420 Shares) as at 31 December 2022.

(e) Please refer to the sections below headed "(b) Share Options of the Company" and "(c) Awarded Shares of the Company" for details on the Directors' interest in the underlying shares of the Company.

Associated corporation — Skyworth Digital Co., Ltd.

Name of Director	Capacity	Number of shares held	Approximate percentage of the total number of issued shares *(Note a)*
Liu Tangzhi	Beneficial owner	600,000	0.05%
Shi Chi	Beneficial owner	36,770,524	3.20%

Note:

(a) The calculation is based on the total number of issued shares of Skyworth Digital Co., Ltd. (i.e. 1,150,216,072 shares) as at 31 December 2022.

(b) Share Options of the Company

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

1. *Purpose*

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

2. *Participants*

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any eligible person (the Board will take into account, when considering grants, the requirements under Chapter 17 of the Listing Rules (as amended) as to the class of persons who can be eligible participants with respect to a share scheme) to subscribe at a price determined in accordance with paragraph 7 below for such number of Shares as it may determine in accordance with the terms of the 2014 Share Option Scheme.

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

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

283,100,239 Shares (10.95%).

Directors' Report

4. ***Maximum Entitlement of Each Participant***

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

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

5. ***Time of Exercise of Option***

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

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

6. ***Acceptance of Offers***

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

7. ***The Basis of Determining the Exercise Price***

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

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

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

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

8. ***The Remaining Life of the 2014 Share Option Scheme***

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

Directors' Report

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

DIRECTORS

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding as at 1 January 2022	Granted during the Reporting Year	Exercised during the Reporting Year *(Note b)*	Cancelled/ Lapsed during the Reporting Year *(Note c)*	Outstanding as at 31 December 2022
Directors:								
Lai Weide *(Note d)*								
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	-	-	(2,500,000)	-
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	-	-	(2,500,000)	-
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	-	-	(2,500,000)	-
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	-	-	(2,500,000)	-
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	4,000,000	-	(4,000,000)	-	-
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	-	(3,000,000)	-	-
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	-	(3,000,000)	-	-
Liu Tangzhi								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	4,000,000	-	(4,000,000)	-	-
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	-	(3,000,000)	-	-
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	-	(3,000,000)	-	-
Lam Shing Choi, Eric								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	800,000	-	(800,000)	-	-
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	600,000	-	(600,000)	-	-
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	600,000	-	(600,000)	-	-
(a) Sub-total (Directors)				**32,000,000**	**-**	**(22,000,000)**	**(10,000,000)**	**-**

Directors' Report

EMPLOYEES

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 January 2022	Granted during the Reporting Year	Exercised during the Reporting Year (Note b)	Cancelled/ Lapsed during the Reporting Year (Note c)	Outstanding as at 31 December 2022
Employees:								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	14,178,000	-	(154,000)	(8,430,000)	5,594,000
		22 January 2016 to 31 August 2017	1 September 2017 to 20 August 2024	15,780,000	-	(104,000)	(9,146,000)	6,530,000
		22 January 2016 to 31 August 2018	1 September 2018 to 20 August 2024	25,404,000	-	(236,000)	(14,184,000)	10,984,000
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	-	-	(500,000)	-
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	-	-	(500,000)	-
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	-	-	(500,000)	-
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	-	-	(500,000)	-
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	1,148,000	-	(736,000)	(20,000)	392,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	1,096,000	-	(787,000)	(15,000)	294,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	1,736,000	-	(1,187,000)	(15,000)	534,000
(b) Sub-total (Employees)				**61,342,000**	**-**	**(3,204,000)**	**(33,810,000)**	**24,328,000**
Grand Total: (a) Directors + (b) Employees				**93,342,000**	**-**	**(25,204,000)**	**(43,810,000)**	**24,328,000**

Notes:

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

(b) The weighted average closing price of the Shares immediately before the dates of exercise of options by grantees during the Reporting Year was HK$4.83.

(c) No share options were cancelled during the Reporting Year and all figures in this column report the number of options lapsed in accordance with the terms of the 2014 Share Option Scheme.

(d) Mr. Lai Weide resigned as an Executive Director and the Chairman of the Board with effect from 7 July 2022.

(e) The number of options available for grant under the 2014 Share Option Scheme at the beginning and the end of the financial year is 283,100,239 Shares.

(f) The number of shares that may be issued in respect of options granted under the 2014 Share Option Scheme during the financial year divided by the weighted average number of Shares of the relevant class in issue for the year is 6.6%.

Directors' Report

(c) Awarded Shares of the Company

The Board adopted a share award scheme on 21 October 2020 (the "2020 Share Award Scheme"). A summary of the principal terms of the 2020 Share Award Scheme is set out below:

1. *Purpose*

The purpose of the 2020 Share Award Scheme is to recognise the contributions by selected participants to the Group and to incentivise them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

2. *Participants*

The Board may, from time to time, at their absolute discretion select any eligible participants for participation in the 2020 Share Award Scheme.

The basis of eligibility of any of the eligible participants to the grant of awarded shares shall be determined by the Board from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group.

3. *Total Number of Shares Available for Grant under the 2020 Share Award Scheme and Percentage of Issued Share Capital as at the Date of This Annual Report*

48,060,000 Shares (1.86%).

The awards underlying the 2020 Share Award Scheme are fulfilled by existing Shares purchased from the secondary market by a trustee appointed for this purpose and does not involve new issuances of Shares.

4. *Maximum Entitlement of Each Participant*

The maximum number of Shares to be awarded under the 2020 Share Award Scheme throughout its duration shall not exceed (i) 80,000,000 Shares or (ii) 2% of the issued share capital of the Company from time to time (whichever is the lower). The maximum number of Shares which may be awarded to a selected participant (including vested and non-vested) under the 2020 Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

5. *Time of Vesting*

The awarded shares are vested in a selected participant in accordance with the conditions and timetable as set out in the relevant grant notice issued to the selected participant. Vesting of the awarded shares will be conditional on the selected participant remaining an employee of the Group Company until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the trustee within the period stipulated. A selected participant is not entitled to any distribution (whether in the form of cash or scrip) declared in respect of Share(s) held on trust. In the event that the vesting conditions specified in the grant notice are not fully satisfied prior to or on the relevant vesting date, the award of the awarded shares in respect of the relevant vesting date shall lapse, and such awarded shares shall not vest on the relevant vesting date and shall become returned shares for the purposes of the scheme.

6. *Acceptance of Grant*

Upon receipt of the grant notice, the selected participant shall confirm acceptance of the awarded shares being granted to him/her by signing and returning to the Board the acceptance form attached to the grant notice within 5 business days after the date of the grant notice. No amount is payable on acceptance of the grant of the awarded shares.

Directors' Report

7. ***The Basis of Determining the Purchase Price of Awarded Shares***

The purchase price of the awarded shares (if any) shall be such price determined by the Board or the Committee, based on considerations such as the prevailing closing price of the Shares, the purpose of the award and the characteristics and profile of the selected participant. Such room for discretion provides the Board and the Committee with flexibility to stipulate, if necessary, a purchase price for awarded shares, while balancing the purpose of the award and the interests of Shareholders.

8. ***The Remaining Life of the 2020 Share Award Scheme***

The 2020 Share Award Scheme will remain in force for a period of 10 years commencing on the date on which the 2020 Share Award Scheme is adopted by the Board and shall expire at the close of business on the day immediately preceding the tenth anniversary thereof (i.e. 20 October 2030) unless terminated earlier by the Board.

During the Reporting Year, the Company purchased 10,000,000 shares of the Company on the Stock Exchange through an independent trustee at a total consideration of HK$37,882,620.44 (excluding expenses). As at 31 December 2022, 35,716,000 shares of the Company were held by the independent trustee, for the purpose of the 2020 Share Award Scheme.

Details of the 2020 Share Award Scheme are set out in the announcement of the Company dated 21 October 2020. Particulars of the 2020 Share Award Scheme are set out in note 42 to the consolidated financial statements.

During the reporting period, cash dividend of HK$10,700,000 had been received in respect of the shares of the Company held upon the trust for the 2020 Share Award Scheme and shall form part of the trust fund of such trust. The trustee may, after having taken into consideration the advice of the Company, apply the cash deposited by the Company to purchase shares of the Company in the market, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of the share award scheme, or return such cash or shares to the Company.

The following tables show the movements in the Company's awarded shares granted to the Director and employees under the 2020 Share Award Scheme during the Reporting Year:

DIRECTOR

		Number of awarded shares				
Date of grant	Vesting date	Outstanding as at 1 January 2022	Granted during the Reporting Year	Vested during the Reporting Year	Cancelled/ Lapsed during the Reporting Year *(Note c)*	Outstanding as at 31 December 2022
Shi Chi						
29 August 2022	20 December 2022	-	9,000,000	(9,000,000) *(Note b)*	-	-
	20 December 2023	-	9,000,000	-	-	9,000,000
	20 December 2024	-	8,000,000	-	-	8,000,000
(a) Sub-total (Director)		**-**	**26,000,000**	**(9,000,000)**	**–**	**17,000,000**

Directors' Report

EMPLOYEES

Date of grant	Vesting date	Outstanding as at 1 January 2022	Granted during the Reporting Year	Vested during the Reporting Year *(Note d)*	Cancelled/ Lapsed during the Reporting Year *(Note c)*	Outstanding as at 31 December 2022
		Number of awarded shares				
Employees						
27 October 2022	17 January 2023	–	5,940,000	–	–	5,940,000
(b) Sub-total (Employees)		**-**	**5,940,000**	**-**	**-**	**5,940,000**
Grand Total: (a) Director + (b) Employees		**-**	**31,940,000**	**(9,000,000)**	**-**	**22,940,000**

Notes:

(a) The closing prices of the Shares immediately before 29 August 2022 and 27 October 2022 (i.e. the date on which the respective share awards referred to above were granted) were HK$3.79 and HK$2.97 respectively.

(b) The weighted average closing price of the Shares immediately before the date of vesting was HK$3.01. The fair value of awarded shares granted is HK$34,110,000.

(c) No share awards were cancelled during the Reporting Year.

(d) After the end of the Reporting Year, 5,284,000 awarded shares were vested to the employees on 17 January 2023.

(e) The number of awarded share available for grant under the 2020 Share Award Scheme at the beginning and the end of the financial year is 50,000,000 Shares and 18,060,000 Shares, respectively.

(f) During the financial year, save as disclosed above the awarded shares granted to Mr. Shi Chi, an Executive Director and one of the five highest paid employees, and the other grantees, the Company did not grant any awarded shares to the remaining four highest paid employees.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, had or was deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register maintained by the Company under Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

EMOLUMENT POLICY

The emoluments of the Directors are reviewed by the Remuneration Committee from time to time, with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on pages 45 to 64 of this annual report.

Directors' Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the 5 highest paid employees for the Reporting Year are set out in note 13 to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code (as defined below), the remuneration of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management Profiles" in this annual report for the Reporting Year by band is set out below:

Remuneration band	Number of individual
Nil to RMB1,500,000	1
RMB1,500,001 and above	1

RETIREMENT BENEFITS SCHEMES

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

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or the chief executive of the Company, as at 31 December 2022, the register of interests in shares and short positions maintained by the Company pursuant to Section 336 of the SFO showed that the following persons, who are not a Director or chief executive of the Company, had, or were deemed to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the total number of issued Shares *(Note c)*
Long positions			
Target Success	Trustee *(Note a)*	1,200,958,799	46.46%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.44%
	Spousal interest *(Note b)*	9,160,382	0.35%
	Interest of controlled corporation *(Note a)*	1,200,958,799	46.46%
		1,247,419,181	**48.25%**

Notes:

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

(b) Ms. Lin Wei Ping, the spouse of Mr. Wong Wang Sang, Stephen, beneficially held 9,160,382 Shares.

(c) The calculation is based on the total number of issued shares of the Company (i.e. 2,585,201,420 Shares) as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Directors or the chief executive of the Company were not aware of any other interests or short positions that any person (not being a Director or chief executive of the Company) had, or were deemed to have in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS/CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Connected Transactions

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

1. On 8 June 2022, Nanjing Skyworth Information Technology Institute Co., Ltd.* (南京創維信息技術研究院有限公司) ("Nanjing Skyworth Information") entered into a software development agreement with Nanjing Coolwell Technology Co., Ltd.* (南京酷沃智行科技有限公司) ("Nanjing Coolwell"), pursuant to which Nanjing Coolwell is commissioned to develop for Nanjing Skyworth Information a multimedia smart TV software system for automobile applications, at a consideration of RMB9,030,000 (excluding tax payable) ("Software Development Agreement"). As Nanjing Coolwell is indirectly controlled by Mr. Wong Wang Sang, Stephen ("Mr. Wong"), the controlling shareholder of the Company, it is an associate of Mr. Wong and hence a connected person of the Company under the Listing Rules. Accordingly, the Software Development Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Continuing Connected Transactions

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

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

   The maximum leasing principal amount under the 2019 Leaseback Agreement at any point of time during the Reporting Year was RMB40 million. As of 25 February 2022, all outstanding amount under the 2019 Leaseback Agreement has been repaid, and the total principal amount repaid, together with interest, amounted to approximately RMB300.9 million.

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

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

Directors' Report

3. On 24 February 2022, Shenzhen Chuangwei Financial Leasing entered into three leaseback agreements with Nanjing Golden Dragon Bus, Nanjing Chuangyuan Tiandi Energy Technology Co., Ltd.* (南京創源天地動力科技有限公司) ("Nanjing Chuangyuan Tiandi Energy") and Nanjing Skywell Heavy Industries Co., Ltd.* (南京開沃重工有限公司) ("Nanjing Skywell Heavy Industries") as lessees, ("Feb-2022 Leaseback Agreements"), pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production equipment, project assets, transportation and electricity equipment in favour of the lessees at an initial sale price of RMB135 million commencing on the date of payment of the initial sale price and ends on the date which is three years from the date of the Feb-2022 Leaseback Agreements. Details of the transactions were announced by the Company on 24 February 2022 and 25 February 2022.

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

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

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

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

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

5. On 27 April 2022, Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司) ("Skyworth Automobile") entered into a procurement agreement with Nanjing Golden Dragon Bus ("Procurement Agreement"), pursuant to which Skyworth Automobile will, upon its acceptance of purchase orders placed by Nanjing Golden Dragon Bus, supply automobile components manufactured by it to Nanjing Golden Dragon Bus for a term of one year commencing from 1 January 2022 to 31 December 2022 up to an annual cap of RMB25 million. Details of the transaction were announced by the Company on 27 April 2022.

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

Directors' Report

6. On 8 June 2022, Shenzhen Chuangwei Financial Leasing entered into four leaseback agreements with Nanjing Golden Dragon Bus, Nanjing Chuangyuan Energy Technology Co., Ltd.* (南京創源動力科技有限公司) ("Nanjing Chuangyuan Energy"), Huhehaote Skywell Automobile Co., Ltd.* (呼和浩特開沃汽車有限公司) ("Huhehaote Skywell") and Wuhan Skywell Automobile Co., Ltd.* (武漢開沃汽車有限公司) ("Wuhan Skywell") as lessees, ("Jun–2022 Leaseback Agreements"), pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production, transportation, electricity and office equipment in favour of the lessees at an initial sale price of RMB60 million commencing on the date of payment of the initial sale price and ends on the date which is three years from the date of the Jun–2022 Leaseback Agreements. Details of the transaction were announced by the Company on 8 June 2022.

   As at the end of the Reporting Year, the actual leasing principal amount under the Jun–2022 Leaseback Agreement was RMB57 million. The maximum leasing principal amount under the Jun–2022 Leaseback Agreement at any point of time during the Reporting Year was RMB60 million.

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

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

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

Save as disclosed above, a summary of related party transactions made during the Reporting Year is disclosed in note 52 to the consolidated financial statements.

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 45 to 64 of this annual report.

Directors' Report

AUDIT COMMITTEE

The Audit Committee of the Company comprises of Mr. Cheong Ying Chew, Henry (Chairperson), Mr. Li Weibin and Mr. Hung Ka Hai, Clement. The Audit Committee, together with the Board, have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2022.

AUDITOR

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

By order of the Board

Lin Jin
Chairman of the Board
23 March 2023

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

COMPLIANCE WITH THE CG CODE

During the financial year ended 31 December 2022 (herein below also referred as the Reporting Year) and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code.

In December 2021, the Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code, Appendix 14 of the Listing Rules and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. The following new code provisions under the amended Corporate Governance Code have been adopted and complied with by the Group:

New code provisions	The Group's practices
Align the company's culture with its purpose, values and strategy (Code Provision A.1.1)	A healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with three core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it. For details, please refer to "Culture and Values" section of this Corporate Governance Report.
Establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations (Code Provision D.2.7)	The Company adopted the anti-fraud and anti-corruption policy in March 2022. The policy covers activities such as anti-fraud, anti-corruption, code of conduct, guidance on gifts and gratuities, the Group's expectations and requirements of business ethics, as well as investigation and reporting mechanism of suspected fraud and corruption practices. Any convicted cases will be reported to the Audit Committee. For details, please refer to "Anti-fraud and Anti-corruption Policy" section of this Corporate Governance Report.
Establish whistleblowing policy and system (Code Provision D.2.6)	The Company adopted the internal whistleblowing policy and external whistleblowing policy in March 2022, respectively. Any convicted cases will be reported to the Audit Committee. For details, please refer to "Whistleblowing Policy" section of this Corporate Governance Report.
Communications with shareholders and annual review (Paragraph L of the Mandatory Disclosure Requirement)	The Group's shareholders' communication policy (the "Shareholders' Communication Policy") sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. The Shareholders' Communication Policy is reviewed by the Board on a regular basis. The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the Reporting Year and is effective. The Board is committed to assessing the independence of the independent non-executive Directors annually and ensuring that independent views and input are made available to the Board. For details, please refer to "Corporate Communication with Stakeholders" section of this Corporate Governance Report.

Corporate Governance Report

New code provisions	The Group's practices
Equity-based remuneration (e.g. share options or grants) with performance-related elements should not be granted to independent non-executive directors (Recommended Best Practice E.1.9)	We have a benchmarked approach in determining our independence non-executive Directors' fees, which does not involve equity-based remuneration with performance-related elements. The level of fees payable to independence non-executive Directors is also subject to shareholders' approval.
Annually review the board diversity policy; and disclose the mechanism(s) to ensure independent views and input are available to the board, and annual review of the implementation and effectiveness of such mechanism(s) (Code Provisions B.1.3 and B.1.4)	The Board diversity policy (the "Diversity Policy") was adopted by the Company in November 2015 and is subject to annual review by the Nomination Committee. The Diversity Policy formally recognises the practice of ensuring that independent views and input are made available to the Board; details of which are explained in the section "Board Diversity Policy" in this Corporate Governance Report.
Gender diversity targets at board level and across workforce	The Board currently has one female Director. For details, please refer to "Board Diversity Policy" section of this Corporate Governance Report.
Board level — to set and disclose numerical targets and timelines for achieving gender diversity	As at 31 December 2022, the Group had over 31,000 employees, approximately 38% of whom were female. As at 31 December 2022, the senior management of the Group comprised approximately 8% female members. The Board regularly assesses the Group's diversity profile of all levels of employees and considers the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. The Board considers that the gender ratio of the workforce of the Group, including the Senior Management, is appropriate for the operations of the Group and will strive to maintain this ratio.
Workforce level — to disclose and explain the gender ratio (including senior management), any plans or measurable objectives the company has set for achieving gender diversity (Paragraph J of the Mandatory Disclosure Requirement)	Gender diversity at workforce levels (including senior management) is disclosed in the 2022 Environmental, Social and Governance Report ("2022 ESG Report").
Nomination Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors (Listing Rule 3.27A)	The Nomination Committee, which comprises a majority of independent non-executive Directors, has been chaired by an independent non-executive Director since the Listing. For details, please refer to "Nomination Committee" section of this Corporate Governance Report.
Elaborate the linkage between corporate governance and ESG (Introductory paragraph in the Corporate Governance Code, Principle D.2, Code Provisions D.2.2 and D.2.3)	The linkage is shown in "ESG Governance" section of 2022 ESG Report.
Publish ESG reports at the same time as publication of annual reports (Listing Rule 13.91(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)	The 2022 ESG Report has been published at the same time as the annual report.

Corporate Governance Report

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Integrity and Code of Conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

KEY CORPORATE GOVERNANCE PRINCIPLES

The Board

(1) Responsibilities

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

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

(2) Access for Supporting

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

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

Corporate Governance Report

(3) Board Composition

As at the date of this report, the Board consists of 8 members of which 5 are executive Directors and 3 are independent non-executive Directors. The list of Directors are set out on page 187 of this annual report. After annual assessment by the Nomination Committee during the year, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy. Their biographical details including their respective interests in the Company and their respective relationships with other Directors and senior management of the Group, are set out on pages 19 to 25 of this annual report.

Executive Directors

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

Independent Non-Executive Directors

Currently, the 3 independent non-executive Directors are experienced professionals with different expertise in accounting, legal and strategic management. Their mix of skills and experience, and their independent view would definitely provide constructive comments and suggestions to the Board, contributing to the proper functioning of the Board and safeguarding the interests of the shareholders of the Company in general and the Company as a whole.

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman of the Board meets with the independent non-executive Directors regularly without the presence of the executive Directors.

The Board confirms that the Company has received from each of the independent non-executive Directors a confirmation of independence for the Reporting Year pursuant to Rule 3.13 of the Listing Rules and considers such independent non-executive Directors to be independent.

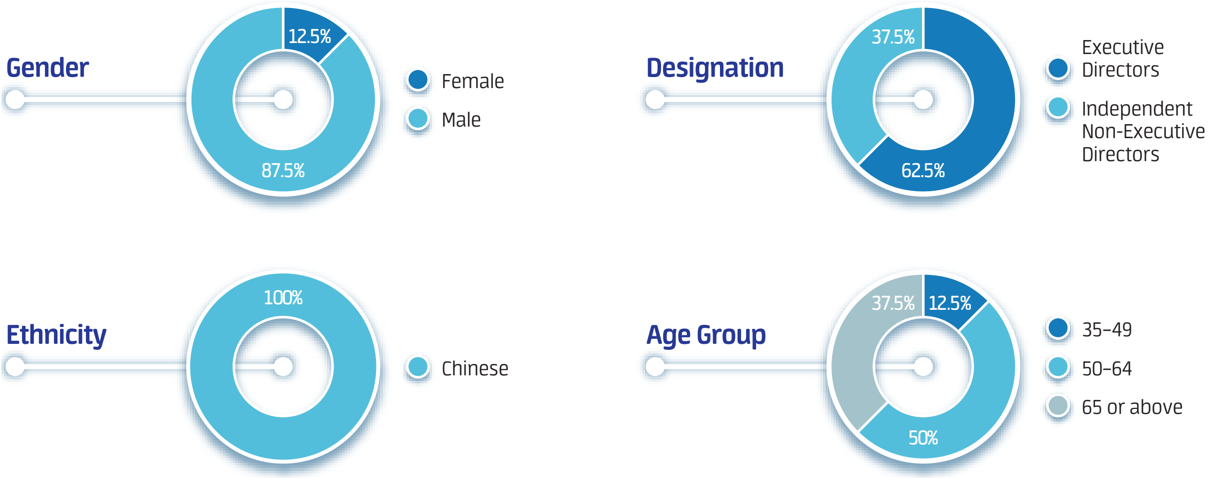
Corporate Governance Report

(4) *Board Diversity Policy*

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

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

The following chart shows the diversity profile of the Board as at the date of this report, with is referred to in the assessment of the progress in achieving diversity:



Biographical details of the Directors are set out on pages 19 to 25 of this annual report and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

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

Corporate Governance Report

(5) *Nomination Policy*

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

Selection Criteria

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

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

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

Nomination Procedures

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

1. The Nomination Committee uses multiple sources to identify the individual(s) who is/are suitably qualified to become Board members.
2. The Nomination Committee reviews the qualification, skills and experience of the individual(s) and, if thought fit, makes recommendation to the Board.
3. The Board considers the individual(s) who is/are recommended by the Nomination Committee by assessing and evaluating his/her qualification, skills and experience and, if thought fit, to approve the appointment of individual(s) as Director.
4. According to the Company's bye-laws, any director appointed to fill the causal vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

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

Corporate Governance Report

(6) Continuous Professional Development

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

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

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

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

Note:

(a) Mr. Lai Weide resigned as an Executive Director of the Company and the Chairman of the Board with effect from 7 July 2022.

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

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

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

Corporate Governance Report

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

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

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

(9) Board Meetings and Corporate Governance Function

The Board held a total of 9 meetings during the Reporting Year. Of these, 4 meetings were held mainly for approving 2021 final results, 2022 interim results and the quarterly results of the Group; the other meetings were held to discuss and consider important issues of the Group and review policies related to internal control and corporate governance.

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

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

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

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

Corporate Governance Report

Attendance Record of Directors and Committee Members

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

	Attendance/Number of meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual general meeting
Executive Directors					
Mr. Lin Jin	8/9	–	–	–	1/1*
Mr. Liu Tangzhi	9/9	–	–	–	1/1*
Mr. Shi Chi	9/9	–	–	–	1/1*
Ms. Lin Wei Ping	8/9	–	5/5	4/4	1/1*
Mr. Lam Shing Choi, Eric	9/9	–	–	–	1/1
Mr. Lai Weide *(Note a)*	6/6	–	–	–	1/1*
Independent Non-Executive Directors					
Mr. Li Weibin	9/9	4/4	5/5	4/4	1/1*
Mr. Cheong Ying Chew, Henry	9/9	4/4	5/5	4/4	1/1
Mr. Hung Ka Hai, Clement	9/9	4/4	5/5	4/4	1/1

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

Note:

(a) Mr. Lai Weide resigned as an Executive Director of the Company and the Chairman of the Board with effect from 7 July 2022.

(10) *General Meetings*

The annual general meeting and other general meetings of the Company are the primary communication with its shareholders. All shareholders of the Company are welcomed to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf. Other than shareholders' participation, independent non-executive Directors should attend general meetings and develop a better understanding of the views of shareholders. During the Reporting Year, other than the annual general meeting, no special general meeting was held.

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

(11) *Securities Transactions of Directors*

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

Corporate Governance Report

Board Committees

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

(1) Executive Committee

The Executive Committee was established by the Board on 5 February 2005 with written terms of reference adopted on the same date. The Executive Committee currently comprises 7 members, including several executive Directors and senior management of the Company.

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

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

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

(2) Audit Committee

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

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

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

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

Corporate Governance Report

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

- reviewed and commented on the Company's annual and interim financial reports;
- reviewed the unaudited 2022 first and third quarterly results of the Company;
- oversaw the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
- reviewed the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;
- discussed the Group's internal audit plan with the Risk Management Department;
- reviewed the continuing connected transactions of the Company; and
- met and communicated with the external auditors for audit works of the Group.

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

(3) Nomination Committee

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

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

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

The Nomination Committee held 4 meetings during the Reporting Year for the purposes, including but not limited to the followings:

- reviewed the structure, size and composition of the Board;
- reviewed and assessed the independence of the independent non-executive Directors;
- considered and made recommendation to the Board on the redesignation of an Executive Director from Chief Executive Officer to the Vice Chairman of the Board, the appointment of Chief Executive Officer, the appointment of Chairman of the Board and chairperson of the Executive Committee; and
- reviewed and made recommendation to the Board on the re-appointment of an Independent Non-executive Director and the re-appointment of the consultant of the Group.

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

(4) Remuneration Committee

The Remuneration Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012, 25 August 2017 and 30 December 2022. The Remuneration Committee currently comprises 4 members. As at the date of this report, the chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Mr. Cheong Ying Chew, Henry, Mr. Hung Ka Hai, Clement and Ms. Lin Wei Ping. Except for Ms. Lin Wei Ping who is an Executive Director, the remaining 3 members of the Remuneration Committee are Independent Non-executive Directors.

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

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- to produce and approve disclosure statements of the Company's remuneration policy and other disclosures in relation to the Remuneration Committee and its work as required by applicable laws and rules where necessary; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Corporate Governance Report

The Remuneration Committee held 5 meetings during the Reporting Year for the purposes of, including but not limited to, the following:

- reviewed and made recommendation to the Board on bonus payable to the Directors and senior management of the Company;
- reviewed and made recommendation to the Board on the scheme of special bonus to the executive teams of the Group for the financial year 2022 and the proposal for the grant of awarded shares; and
- reviewed and made recommendation to the Board on the service contracts of three Executive Directors, the renewal of the appointment letter of an Independent Non-executive Director and the renewal of consultancy contract of the consultant of the Group.

The remuneration committee had reviewed the share awards granted to the Director and the employees of the Group on 29 August 2022 and 27 October 2022, respectively. The vesting of such awarded shares to the selected participants is shorter than 12 months because each of the selected participants had fulfilled their performance target attached to the awards granted. The vesting conditions are based on a set of indicators that are linked with and subject to the overall financial performance targets of the Group. There are no restrictions under the 2020 Share Award Scheme against the adoption of a vesting period of less than 12 months and the remuneration committee is of the view that such arrangement aligns with the purpose of the scheme and that there are other requirements which the awardees would need to fulfill in order for the awards to vest. The grant of the awarded shares to the selected participants recognises their past contributions to the Group's business performance and aims to secure their long-term continuous support and commitments to the Group which are crucial to the future development and business expansions of the Group.

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

(5) Remuneration Policy of the Group

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

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

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

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

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

Corporate Governance Report

Accountability and Audit

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

Financial Reporting

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

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

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

The statement of Messrs Deloitte Touche Tohmatsu, being the external auditors of the Company, reporting their responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on pages 65 to 70 to this annual report.

Internal Controls

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

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

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

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

Corporate Governance Report

Risk Management and Internal Control Framework

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

(1) *Distinct Organisational Structure*

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

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

(2) *Comprehensive Management Reporting*

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

(3) *Regular Risk Assessment*

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

(4) *Regulated Cash and Treasury Management*

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

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

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

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

Corporate Governance Report

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

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

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

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

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

The Internal Audit Department was established since 1996 mainly for examining and evaluating the operations and compliance status of the sales offices and branches in the mainland China TV business unit, which is the largest cash flow and revenue contributor of the Group. Besides, it also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group. During the Reporting Year, the Internal Audit Department also carried out the audit of certain major business units, in order to enhance the management and operational efficiency. Currently, the Internal Audit Department has approximately 25 staff members, most of them continuously travel all over mainland China and overseas to perform their internal audit work.

During the Reporting Year, the Internal Audit Department issued over 32 reports to the Board and senior management on its regular reviews of operations and compliance audits of certain business units, sales offices and branches as well as reports on senior staff leaving their positions.

Internal Audit Plan

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

Risk Management and Internal Control Review

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

Corporate Governance Report

Whistleblowing Policy

The Company adopted an external whistleblowing policy and an internal whistleblowing policy (collectively, the "Whistleblowing Policies") in March 2022, respectively. The purpose of the Whistleblowing Policies is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful or unethical behavior.

The nature, status and the results of the complaints received under the Whistleblowing Policies are reported to the chairperson of the Audit Committee. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered. The Whistleblowing Policies are reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-corruption Policy

The Company adopted an anti-fraud and anti-corruption policy (the "Anti-fraud and Anti-corruption Policy") in March 2022. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Anti-fraud and Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-fraud and Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-fraud and Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-fraud and Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

External Auditor

The Group's external auditor is Messrs Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong ("Deloitte"). The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditor. The Board and the Audit Committee satisfied Deloitte of their findings, independence, objectivity and effectiveness in the annual audit and their audit fees. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 65 to 70 of this annual report. Up to the date of this report, the Audit Committee has considered and approved the engagement of Deloitte as auditor of the Group for the Reporting Year and the corresponding audit fee estimation.

Corporate Governance Report

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

Nature of services	2022 RMB million	2021 RMB million
Audit service *(Note 1)*	**9** *(Note 1)*	8 *(Note 2)*
Non-audit services *(Notes 2 & 3)*	**25** *(Note 2)*	21 *(Note 3)*
Total	**34**	29

Notes:

1. This represents the auditors' remuneration for the audit of the 2022 and 2021 consolidated financial statements respectively as set out in Note 11 of the Company's 2022 audited consolidated financial statements.

2. The non-audit services provided by the auditors to the Group during the financial year ended 31 December 2022 mainly included (i) review of the Group's 2022 interim and quarterly reports and other audit-related assurance services; (ii) tax advisory services; and (iii) other advisory fees in connection with the Group's finance data management platform and finance workflows optimisation projects.

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

Company Secretary

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

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

Corporate Communication with Stakeholders

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

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

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

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

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

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

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

Corporate Governance Report

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

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

Shareholders' Right

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

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

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

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

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

- not less than 100 shareholders of the Company.

The written requisitions must:

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

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

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

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

Constitutional Documents

During the Reporting Year, with a view to enhancing corporate governance, reflecting the latest changes of the applicable laws and regulations (including amendments to the Listing Rules), the Company amended the bye-laws of the Company by way of adopting the new bye-laws in substitution for and to the exclusion of the old bye-laws. The adoption of new bye-laws of the Company was approved by the Shareholders by way of a special resolution at the annual general meeting of the Company on 24 May 2022. Details of the amendment are set out in the circular dated 20 April 2022.

A copy of the constitution documents of the Company is available on the website of the Stock Exchange of Hong Kong Limited and the website of the Company.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Skyworth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 178, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Write-down for inventories of smart TV system business

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

As disclosed in notes 4 and 25 to the consolidated financial statements, the carrying amount of the inventories of the Group as at 31 December 2022 is RMB8,947 million, of which a significant portion is related to the Group's smart TV system business. As further disclosed in note 4 to the consolidated financial statements, an expense of RMB33 million was recognised in profit or loss to write down the cost of inventories to their net realisable values, of which a significant portion is related to the Group's smart TV system business during the year ended 31 December 2022.

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

How our audit addressed the key audit matter

Our procedures in relation to the write-down for inventories of smart TV system business include:

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

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses for trade receivables	
We identified the estimated provision of expected credit losses for trade receivables as a key audit matter due to the significance of trade receivables to the consolidated statement of financial position as a whole, combined with significant management estimation associated with the assessment of impairment of trade receivables. As disclosed in note 27 to the consolidated financial statements, the aggregate carrying amount of trade receivables at amortised cost and at fair value through other comprehensive income is RMB8,066 million (net of allowance for credit losses of RMB724 million). As set out in note 51(b)(ii) to the consolidated financial statements, an impairment loss of RMB21 million was recognised in profit or loss during the year ended 31 December 2022. As disclosed in note 4 to the consolidated financial statements, the impairment loss assessment requires significant management estimation in determining the expected credit losses for trade receivables. The Group uses provision matrix, through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, size and background of debtors, business relationships with the debtors and repayment history and/or past due status of respective trade receivables, to calculate expected credit losses for trade receivables. The estimated loss rates are based on the historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs. In addition, trade receivables that are credit-impaired are assessed for expected credit losses individually with reference to the estimated cash flows to be recovered discounted at the original effective interest rate of the relevant trade debts.	Our procedures in relation to estimated provision of expected credit losses for trade receivables included: • Obtaining an understanding of management's process of assessing the expected credit losses of trade receivables; • Evaluating the appropriateness of groupings of trade debtors having similar loss patterns in the provision matrix and testing the integrity of the information used by management to develop the provision matrix; • Evaluating the reasonableness of management's determination of the estimated loss rates in different categories in the provision matrix with reference to historical default rates and publicly available forward-looking information; and • Evaluating the reasonableness of management's determination of allowance for credit losses for credit-impaired trade receivables with reference to, where applicable, internal credit ratings, size and background of debtors, business relationship with the debtors, the estimated subsequent settlements and other factors.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	NOTES	2022	2021
Revenue			
Sales of goods		**52,889**	50,439
Leases		**539**	467
Interest under effective interest method		**63**	22
Total revenue	5	**53,491**	50,928
Cost of sales		**(45,284)**	(42,380)
Gross profit		**8,207**	8,548
Other income	7	**1,201**	1,284
Other gains and losses	8	**44**	724
Selling and distribution expenses		**(3,439)**	(3,981)
General and administrative expenses		**(1,654)**	(1,479)
Research and development expenses		**(2,116)**	(2,097)
Finance costs	9	**(432)**	(461)
Share of results of associates and joint ventures		**8**	14
Profit before taxation		**1,819**	2,552
Income tax expense	10	**(412)**	(587)
Profit for the year	11	**1,407**	1,965
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**5**	(9)
Fair value loss on trade receivables at fair value through other comprehensive income ("FVTOCI")		**(3)**	(17)
Cumulative (loss) gain reclassified to profit or loss upon disposal of trade receivables at FVTOCI		**(1)**	21
		1	(5)
Items that will not be reclassified to profit or loss:			
Fair value (loss) gain on investments in equity instruments at FVTOCI		**(576)**	381
Income tax relating to item that will not be reclassified subsequently		**76**	(57)
		(500)	324
Other comprehensive (expense) income for the year		**(499)**	319
Total comprehensive income for the year		**908**	2,284
Profit for the year attributable to:			
Owners of the Company		**827**	1,634
Non-controlling interests		**580**	331
		1,407	1,965
Total comprehensive income for the year attributable to:			
Owners of the Company		**326**	1,936
Non-controlling interests		**582**	348
		908	2,284
Earnings per share (expressed in Renminbi cents)			
Basic	15	**31.97**	62.11
Diluted	15	**31.95**	62.03

Consolidated Statement of Financial Position

AT 31 DECEMBER 2022
Amounts expressed in millions of Renminbi

	NOTES	2022	2021
Non-current Assets			
Property, plant and equipment	16	**7,888**	6,619
Right-of-use assets	17	**2,541**	2,539
Deposits paid for purchase of property, plant and equipment		**424**	426
Investment properties	18	**1,410**	1,487
Goodwill	19	**467**	465
Other intangible assets	20	**101**	100
Interests in associates and joint ventures	21	**287**	267
Financial assets at fair value through profit or loss ("FVTPL")	22	**1,987**	1,318
Equity instruments at FVTOCI	22	**1,410**	1,593
Loan receivables	23	**289**	25
Deferred tax assets	24	**877**	683
Other non-current assets	28	**303**	309
		17,984	15,831
Current Assets			
Inventories	25	**8,947**	7,791
Stock of properties	26	**7,349**	5,612
Financial assets at FVTPL	22	**1,042**	1,538
Trade and bills receivables	27	**10,056**	12,142
Other receivables, deposits and prepayments	28	**5,884**	4,092
Loan receivables	23	**489**	977
Prepaid tax		**252**	159
Pledged and restricted bank deposits	29	**3,353**	2,128
Cash and cash equivalents	29	**9,054**	10,611
		46,426	45,050
Current Liabilities			
Trade and bills payables	30	**12,470**	11,869
Other payables	31	**7,611**	6,092
Other financial liabilities	32	**342**	375
Lease liabilities	33	**46**	56
Contract liabilities	34	**4,928**	3,291
Provision	35	**274**	224
Deferred income	36	**171**	210
Tax liabilities		**281**	239
Bank borrowings	37	**9,404**	8,892
Corporate bonds	39	**–**	77
		35,527	31,325
Net Current Assets		**10,899**	13,725
Total Assets less Current Liabilities		**28,883**	29,556

Consolidated Statement of Financial Position

AT 31 DECEMBER 2022
Amounts expressed in millions of Renminbi

	NOTES	2022	2021
Non-current Liabilities			
Other payables	31	**118**	83
Other financial liabilities	32	**97**	340
Lease liabilities	33	**54**	95
Provision	35	**236**	135
Deferred income	36	**278**	265
Bank borrowings	37	**5,853**	5,370
Convertible bonds	38	**–**	956
Corporate bonds	39	**–**	798
Deferred tax liabilities	24	**353**	428
		6,989	8,470
NET ASSETS		**21,894**	21,086
Capital and Reserves			
Share capital	40	**266**	273
Reserves		**17,601**	17,772
Equity attributable to owners of the Company		**17,867**	18,045
Non-controlling interests	54	**4,027**	3,041
		21,894	21,086

The consolidated financial statements on pages 71 to 178 were approved and authorised for issue by the board of directors on 23 March 2023 and are signed on its behalf by:

Lin Jin
DIRECTOR

Shi Chi
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022
Amounts expressed in millions of Renminbi

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022
Amounts expressed in millions of Renminbi

	Attributable to owners of the Company												
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account *(Note (a))*	Capital reserves *(Note (b))*	Exchange reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
Balance at 1 January 2022	273	2,330	91	-	(79)	493	40	2,213	(70)	12,754	18,045	3,041	21,086
Profit for the year	-	-	-	-	-	-	-	-	-	827	827	580	1,407
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	3	-	3	2	5
Fair value loss on receivables and equity instruments at FVTOCI, net of tax	-	-	-	-	-	(503)	-	-	-	-	(503)	-	(503)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Total comprehensive income (expense) for the year	-	-	-	-	-	(504)	-	-	3	827	326	582	908
Recognition of equity-settled share-based payments *(note 42)*	-	-	-	65	-	-	-	-	-	-	65	-	65
Allotment of share awards	-	-	-	(31)	21	-	-	-	-	10	-	-	-
Exercise of share options	2	59	(18)	-	-	-	-	-	-	-	43	-	43
Lapse of share options	-	-	(34)	-	-	-	-	-	-	34	-	-	-
Repurchase and cancellation of shares of the Company *(note 40)*	(9)	(391)	-	-	-	-	-	-	-	-	(400)	-	(400)
Purchase of shares for unvested shares under the share award scheme *(note 42)*	-	-	-	-	(33)	-	-	-	-	-	(33)	-	(33)
Transfer to capital reserves	-	-	-	-	-	-	-	457	-	(457)	-	-	-
Conversion of convertible bonds issued by a subsidiary of the Company	-	-	-	-	-	-	-	480	-	-	480	758	1,238
Dividend recognised as distribution	-	-	-	-	-	-	-	-	-	(566)	(566)	-	(566)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(117)	(117)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	20	20
Acquisition of additional interest in subsidiaries of the Company	-	-	-	-	-	-	-	-	-	(93)	(93)	(131)	(224)
Repurchase of own shares by a subsidiary of the Company	-	-	-	-	-	-	-	-	-	-	-	(126)	(126)
Balance at 31 December 2022	266	1,998	39	34	(91)	(11)	40	3,150	(67)	12,509	17,867	4,027	21,894

Notes:

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

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022
Amounts expressed in millions of Renminbi

	2022	2021
OPERATING ACTIVITIES		
Profit before taxation	1,819	2,552
Adjustments for:		
Amortisation of intangible assets	2	1
Depreciation of right-of-use assets	47	93
Depreciation of property, plant and equipment	619	448
Depreciation of investment properties	87	79
Finance costs	432	461
Government grants related to assets recognised	(76)	(92)
Impairment loss recognised in respect of financial assets	1	299
Interest income	(260)	(317)
Loss on derivative component of convertible bonds	96	153
Gain from changes in fair value of financial assets at FVTPL	(202)	(1,212)
Loss on disposal of property, plant and equipment	2	2
Provision	369	334
Share-based payment expenses	65	4
Share of results of associates and joint ventures	(8)	(14)
Write-down of inventories	33	132
Others	29	58
Operating cash flows before movements in working capital	3,055	2,981
Settlement of derivative financial instruments	(71)	(10)
Increase in inventories	(954)	(1,689)
Increase in stock of properties	(1,737)	(567)
Decrease in trade and bills receivables	1,950	1,327
Decrease (increase) in trade receivables at FVTOCI	91	(181)
Increase in other receivables, deposits and prepayments	(196)	(1,294)
Increase (decrease) in trade and bills payables	586	(47)
Increase in other payables	1,679	1,338
Increase in contract liabilities	1,637	184
Decrease in provision	(218)	(271)
(Decrease) increase in deferred income	(26)	20
Cash generated from operations	5,796	1,791
Interest received	7	57
Hong Kong income tax paid	(18)	8
Overseas income tax paid	(19)	(52)
PRC income tax paid	(613)	(526)
Land appreciation tax paid	(5)	(34)
NET CASH FROM OPERATING ACTIVITIES	5,148	1,244

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022
Amounts expressed in millions of Renminbi

	NOTES	2022	2021
INVESTING ACTIVITIES			
Interest received		**252**	260
Acquisition of right-of-use assets		**(142)**	(179)
Payment for property, plant and equipment		**(2,320)**	(1,918)
Proceeds on disposal of property, plant and equipment		**95**	321
Investment in associates and a joint venture		**(23)**	(54)
Investments in financial assets at FVTPL		**(1,180)**	(2,807)
Proceeds on disposal of financial assets at FVTPL		**1,194**	2,811
Investments in financial assets at FVTOCI		**(345)**	–
Loan advanced		**(1,192)**	(1,455)
Repayments of loan receivables		**1,480**	2,176
Placement of other deposits		**(1,516)**	(680)
Refund of other deposits		**–**	680
Placement of pledged and restricted bank deposits		**(2,704)**	(2,002)
Withdrawal of pledged and restricted bank deposits		**1,479**	1,501
Other investing cash flows		**(129)**	126
NET CASH USED IN INVESTING ACTIVITIES		**(5,051)**	(1,220)
FINANCING ACTIVITIES			
Dividends paid		**(683)**	(84)
Interest paid		**(409)**	(349)
Repurchase of own shares by a subsidiary of the Company		**(126)**	–
Repurchase of own shares by the Company	40	**(400)**	(116)
Exercise of share options		**43**	66
Purchase of shares for unvested shares under the share award scheme of the Company	42	**(33)**	(79)
New borrowings raised		**12,672**	13,080
Repayments of borrowings		**(11,718)**	(10,223)
Payments of lease liabilities		**(65)**	(78)
Redemption of corporate bonds	39	**(876)**	–
Other financing cash flows		**(62)**	149
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,657)**	2,366
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,560)**	2,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**10,611**	8,214
Effect of foreign exchange rate changes		**3**	7
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**9,054**	10,611

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

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

The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of smart TV systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, photovoltaic products, modern services and trading of other products. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 53 and 21 respectively.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

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

Impacts on application of Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories* ("HKAS 2").

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2022. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") *(Continued)*

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries (Continued)

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

Business combination or asset acquisition

Optional concentration test

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

Asset acquisitions

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Business combination or asset acquisition *(Continued)*

Business combinations (Continued)

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Goodwill

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

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

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

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

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

Interests in associates and joint ventures

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Interests in associates and joint ventures *(Continued)*

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

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

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

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

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

Revenue from contracts with customers

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

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

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

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

Variable consideration

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

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

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

Principal versus agent

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

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

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

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

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

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessor

Classification and measurement of leases

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

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

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

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

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessor (Continued)

Lease modification

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

- Operating leases

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

- Finance leases

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

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

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

Sale and leaseback transactions

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

The Group as a buyer-lessor

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Foreign currencies

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

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

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

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

Borrowing costs

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Government grants

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

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

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

Share options granted to non-employees

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

Share awards

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

Property, plant and equipment

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

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investment properties

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

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in notes 29 and 44.

Inventories

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

Stock of properties

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

Properties for/under development are transferred to completed properties upon completion.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Provision

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

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

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

Contingent liabilities

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

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

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

Financial instruments

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

Notes to the Consolidated Financial Statements

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

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

(i) Amortised cost and interest income

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

(ii) Receivables classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

Financial liabilities at amortised cost

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

Convertible bonds

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

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

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

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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

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

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

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

Derivative financial instruments

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

Embedded derivatives

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Write-down for inventories

Inventories are stated at the lower of cost and net realisable values. As at 31 December 2022, the carrying amount of the Group's inventories is RMB8,947 million (2021: RMB7,791 million), of which a significant portion is related to the Group's smart TV system business. During the year ended 31 December 2022, an expense of RMB33 million (2021: RMB132 million) was recognised in profit or loss to write down the cost of inventories to their net realisable values, of which a significant portion is related to the Group's smart TV systems business.

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

Fair value measurement of financial instruments

The Group's financial assets at FVTPL that are either unlisted (including unlisted equity securities and unlisted investment funds) or listed but with restriction for sale amount to RMB2,077 million (2021: RMB2,699 million) and unlisted equity instruments at FVTOCI amount to RMB989 million (2021: RMB1,470 million).

For listed equity securities with restriction for sale, trading of such shares on the relevant stock exchanges is prohibited for pre-determined periods. These shares and other unlisted financial instruments are measured at fair values with fair value being determined based on unobserved inputs using valuation techniques. In estimating the fair value of unlisted equity securities, unlisted investment funds and listed equity securities with restriction for sale, the Group engaged independent qualified external valuers to perform the valuation and worked with the independent qualified external valuers to establish inputs to the valuation. The fair value of these unlisted equity instruments and listed equity securities with restriction for sale was mainly arrived at by using market approach. The valuations are dependent on certain significant unobservable inputs that involve judgements, including trading multiples of comparable companies and discounts for lack of marketability (for unlisted equity instruments) or discount for prohibition for trading (for listed equity securities with restriction for sale). Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 51(d) for further disclosures.

Estimated provision of ECL for trade receivables

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

The aggregate carrying amount of trade receivables at amortised cost and at FVTOCI is RMB8,066 million, net of allowance for credit losses of RMB724 million (2021: RMB9,146 million, net of allowance for credit losses of RMB709 million). An impairment loss of RMB21 million (2021: RMB374 million) was recognised in the profit or loss on trade receivables during the year ended 31 December 2022.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 51(b) and 27 respectively.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

5. REVENUE

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

For the year ended 31 December 2022

	Multimedia business RMB million	Smart systems technology business RMB million	New energy business RMB million	Smart appliances business RMB million	Modern services business and others RMB million	Total RMB million
Type of goods						
Smart TV systems	18,045	84	48	–	56	18,233
Home access systems	30	9,295	–	–	–	9,325
Photovoltaic products	12	–	11,462	–	–	11,474
Smart white appliances	40	–	260	4,150	119	4,569
Intelligent manufacturing	739	1,479	–	–	–	2,218
Internet value-added services of Coocaa system	1,365	–	–	–	–	1,365
Sales of properties	–	–	–	–	208	208
Automotive electronic system	–	308	–	–	–	308
Others *(Note (a))*	2,849	716	164	243	1,217	5,189
Contracts with customers	23,080	11,882	11,934	4,393	1,600	52,889
Leases	–	51	–	–	488	539
Interest under effective interest method *(Note (b))*	–	–	–	–	63	63
Segment revenue	23,080	11,933	11,934	4,393	2,151	53,491
Timing of revenue recognition for contract with customers						
A point in time	22,213	11,882	11,787	4,393	1,263	51,538
Over time	867	–	147	–	337	1,351
Total	23,080	11,882	11,934	4,393	1,600	52,889

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

5. REVENUE *(Continued)*

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

For the year ended 31 December 2021

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

Notes:

(a) Others mainly represents manufacture and sales of lighting products, security system, other electronic products, income from operations and management of photovoltaic power stations, logistic services and trading of other products, etc.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

Manufacture and sales of goods

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

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

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

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

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

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

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

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

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Internet value-added services of Coocaa system

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

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

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the directors of the Company consider that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives not less than 20% of the contract value as deposits from customers for the sales of properties when they sign the sale and purchase agreements and the remaining of the contract value is paid before the completion of the sales of the properties. The deposits and advance payment schemes result in contract liabilities being recognised until the customers obtain control of the properties.

The Group considers the advance payment scheme does not contain significant financing component. For contracts where the period between payment and transfer of the associated properties is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of sales of properties to within one year and more than one year as at 31 December 2022 amounts to RMB2,436 million and RMB2 million respectively (2021: RMB2,098 million and RMB94 million respectively).

For other types of revenue, the expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker ("CODM") (i.e. the executive directors of the Company). Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments in the current year are as follows:

1. Multimedia business — manufacture and sale of smart TV systems for the PRC and overseas markets, intelligent manufacturing, provision of internet value-added services of Coocaa system, among others

2. Smart systems technology business — manufacture and sale of home access systems, intelligent manufacturing, automotive electronic systems, lighting products, security system and other electronic products

3. New energy business — sale and installation of distributed photovoltaic power stations in the customer-side retail sector in the PRC market for residential uses

4. Smart appliances business — manufacture and sale of smart white appliances and other smart appliances such as smart air conditioners, smart refrigerators, smart washing machines, smart kitchen appliances, among others

Each of the operating segments under multimedia, smart systems technology, new energy and smart appliances businesses include operations of manufacturing and/or sales of various products under the respective businesses. Each of these operations is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments as set out above in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

In addition to the above operating and reportable segments, the Group has other operating segments which mainly include sales of properties, loan financing, leasing of properties and trading of other products, among others. These operating segments individually do not meet any of the quantitative thresholds for determining reportable segments in both current and prior year. Accordingly, these operating segments are grouped as "Modern services business and others".

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM no longer reviews such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Multimedia business RMB million	Smart systems technology business RMB million	New energy business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services business and others RMB million	Eliminations RMB million	Total RMB million
For the year ended 31 December 2022								
Revenue								
Segment revenue from external customers	23,080	11,933	11,934	4,393	51,340	2,151	–	53,491
Inter-segment revenue	207	94	25	87	413	1,343	(1,756)	–
Total segment revenue	23,287	12,027	11,959	4,480	51,753	3,494	(1,756)	53,491
Results								
Segment results	395	819	431	102	1,747	696	–	2,443
Interest income								260
Other gains or losses								59
Unallocated corporate income								26
Unallocated corporate expenses								(545)
Finance costs								(432)
Share of results of associates and joint ventures								8
Consolidated profit before taxation of the Group								1,819

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Multimedia business RMB million	Smart systems technology business RMB million	New energy business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services business and others RMB million	Eliminations RMB million	Total RMB million
For the year ended 31 December 2021								
Revenue								
Segment revenue from external customers	27,370	10,911	4,101	4,375	46,757	4,171	–	50,928
Inter-segment revenue	106	240	1	90	437	4,832	(5,269)	–
Total segment revenue	27,476	11,151	4,102	4,465	47,194	9,003	(5,269)	50,928
Results								
Segment results	236	268	286	61	851	1,157	–	2,008
Interest income								295
Other gains or losses								1,067
Unallocated corporate income								46
Unallocated corporate expenses								(417)
Finance costs								(461)
Share of results of associates and joint ventures								14
Consolidated profit before taxation of the Group								2,552

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT INFORMATION *(Continued)*

Other segment information

	Multimedia business RMB million	Smart systems technology business RMB million	New energy business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services business and others RMB million	Total RMB million
For the year ended 31 December 2022							
Included in measure of segment results:							
Amortisation of intangible assets	–	–	–	2	2	–	2
Depreciation of property, plant and equipment	89	155	–	64	308	311	619
Depreciation of right-of-use assets	–	11	3	2	16	31	47
Depreciation of investment properties	–	–	–	–	–	87	87
Impairment loss recognised (reversed) in respect of trade receivables at amortised cost and at FVTOCI	32	(29)	–	3	6	15	21
Impairment loss reversed in respect of bills receivables	–	(2)	–	–	(2)	–	(2)
Impairment loss reversed in respect of loan receivables	–	–	–	–	–	(20)	(20)
Impairment loss recognised (reversed) in respect of other financial assets	8	(9)	–	–	(1)	3	2
Write-down of inventories	1	34	–	(1)	34	(1)	33
For the year ended 31 December 2021							
Included in measure of segment results:							
Amortisation of intangible assets	1	–	–	–	1	–	1
Depreciation of property, plant and equipment	70	129	–	72	271	177	448
Depreciation of right-of-use assets	29	25	3	2	59	34	93
Depreciation of investment properties	–	–	–	–	–	79	79
Impairment loss recognised (reversed) in respect of trade receivables at amortised cost and at FVTOCI	26	294	–	(1)	319	55	374
Impairment loss reversed in respect of bills receivables	(55)	(19)	–	–	(74)	–	(74)
Impairment loss reversed in respect of loan receivables	–	–	–	–	–	(10)	(10)
Impairment loss recognised in respect of other financial assets	7	2	–	–	9	–	9
Write-down of inventories	92	35	1	4	132	–	132

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC, Asia (other than the PRC), Americas, Europe, Africa and other regions.

For segments other than sales of properties included in modern services business and others, the Group's geographical analysis of revenue from external customers is determined based on the location of customers. For sales of properties included in modern service business and others, the Group's revenue from external customers is determined based on the location of assets. Information about its non-current assets by physical location of the assets is also detailed below.

	Revenue from external customers		Non-current assets *(Note (a))*	
	2022 RMB million	2021 RMB million	**2022 RMB million**	2021 RMB million
PRC	**36,564**	33,220	**12,620**	11,649
Asia (other than the PRC) *(Note (b))*	**9,868**	11,214	**529**	292
Europe	**2,048**	1,928	**29**	36
Americas	**1,885**	1,626	**2**	–
Africa	**1,585**	1,318	**–**	–
Other regions	**1,541**	1,622	**52**	47
	53,491	50,928	**13,232**	12,024

Notes:

(a) Non-current assets excluded financial instruments and deferred tax assets.

(b) Asia (other than the PRC) mainly includes Vietnam, Indonesia and India, each of which individually contributed less than 10% of total revenue.

Information about major customers

During the year ended 31 December 2022, one (2021: nil) customer has accounted for over 10% of the Group's total revenue amounting to RMB11,926 million (2021: N/A).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

7. OTHER INCOME

	2022 RMB million	2021 RMB million
Government grants *(note 36)*		
— related to assets	**76**	92
— related to expense items	**376**	349
	452	441
Interest income from		
— bank deposits	**245**	189
— loan receivables	**8**	71
— others	**7**	35
	260	295
Value-added-tax ("VAT") refund	**243**	258
Others	**246**	290
	1,201	1,284

8. OTHER GAINS AND LOSSES

	2022 RMB million	2021 RMB million
Other gains (losses) comprise of:		
Gain from changes in fair value of financial assets at FVTPL	**202**	1,212
Changes in fair value of derivative financial instruments		
— loss on derivative component of convertible bonds *(note 38)*	**(96)**	(153)
— (loss) gain from changes in fair value of other derivative financial instruments	**(47)**	8
Impairment loss (recognised) reversed, net, in respect of		
— trade receivables	**(21)**	(374)
— bills receivables	**2**	74
— loan receivables	**20**	10
— other financial assets	**(2)**	(9)
Others	**(14)**	(44)
	44	724

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

9. FINANCE COSTS

	2022 RMB million	2021 RMB million
Interest on:		
— borrowings	**347**	339
— convertible bonds *(note 38)*	**22**	51
— corporate bonds *(note 39)*	**40**	49
— others	**23**	22
	432	461

10. INCOME TAX EXPENSE

	2022 RMB million	2021 RMB million
Tax charge (credit):		
PRC Enterprise Income Tax ("EIT")	**498**	454
PRC land appreciation tax ("LAT")	**5**	34
PRC withholding tax	**89**	–
Hong Kong Profits Tax	**6**	14
Taxation arising in other jurisdictions	**6**	36
Deferred taxation	**(192)**	49
	412	587

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. Pursuant to Caishui [2018] No. 99 and Caishui [2021] No. 13, certain PRC subsidiaries are entitled to an additional 100% (2021: 100%) tax deduction on eligible research costs incurred by them for both years.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **RMB million**	2021 RMB million
Profit before taxation	**1,819**	2,552
Tax at applicable tax rate at 25% *(Note)*	**455**	638
Tax effect of expenses not deductible for tax purpose	**92**	100
Tax effect of income not taxable for tax purpose	**(29)**	(27)
Tax effect of additional tax deduction of research costs	**(443)**	(151)
Tax effect of tax losses and deductible temporary difference not recognised	**347**	120
Utilisation of tax losses previously not recognised	**(28)**	(63)
Tax effect of share of results of associates and joint ventures	**(2)**	(4)
PRC LAT	**5**	34
Tax effect of PRC LAT	**(1)**	(9)
PRC withholding tax	**89**	–
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and overseas	**(2)**	(1)
Tax effect of income tax at concessionary rate	**(57)**	(52)
Others	**(14)**	2
Income tax expense for the year	**412**	587

Note: The applicable tax rate is with reference to the prevailing PRC tax rate of 25% under the EIT Law and Implementation Regulation of the EIT Law for the year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

11. PROFIT FOR THE YEAR

	2022 RMB million	2021 RMB million
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of RMB33 million (2021: RMB132 million)	**44,957**	40,987
Cost of stock of properties recognised as an expense	**112**	1,189
Depreciation of right-of-use assets	**133**	140
Less: capitalised as cost of inventories	**(1)**	(2)
capitalised as cost of construction in progress	**(85)**	(45)
	47	93
Depreciation of investment properties	**87**	79
Depreciation of property, plant and equipment	**860**	686
Less: capitalised as cost of inventories	**(241)**	(238)
	619	448
Amortisation of intangible assets	**2**	1
Staff costs:		
— Directors' and chief executive's emoluments *(note 12)*	**96**	88
— Related staff costs for research and development activities	**1,196**	1,129
— Other staffs salaries, bonus, retirement benefits and others	**3,577**	3,479
	4,869	4,696
Less: capitalised as		
— Cost of inventories	**(1,137)**	(1,153)
— Stock of properties	**(12)**	(13)
— Property, plant and equipment	**(5)**	(2)
	3,715	3,528
Auditors' remunerations	**9**	8
Provision *(note 35)*	**369**	334
Rental income from leases less related outgoings of RMB215 million (2021: RMB204 million)	**(328)**	(263)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2022 RMB'000	2021 RMB'000
Directors' fees	**4,293**	3,809
Other emoluments:		
Basic salaries and allowances	**14,222**	13,028
Performance related incentive payments *(Note)*	**46,463**	69,277
Retirement benefits scheme contributions	**373**	412
Share-based payments	**30,770**	1,331
	96,121	87,857

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments for any of the current or prior year.

The emoluments paid or payable to each of the directors and the chief executive of the Company are set out below:

	Directors' fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Performance related incentive payments RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2022						
Executive directors *(Note (a))*:						
Lin Jin *(Note (b))*	622	2,492	62	11,303	–	14,479
Liu Tangzhi *(Note (c))*	622	3,056	109	2,753	–	6,540
Shi Chi *(Note (d))*	398	1,913	93	18,948	30,770	52,122
Lin Wei Ping	502	2,552	94	3,493	–	6,641
Lam Shing Choi, Eric	502	1,770	15	1,789	–	4,076
Lai Weide *(Note (e))*	288	2,439	–	8,177	–	10,904
	2,934	14,222	373	46,463	30,770	94,762
Independent non-executive directors *(Note (f))*:						
Li Weibin	453	–	–	–	–	453
Cheong Ying Chew, Henry	453	–	–	–	–	453
Hung Ka Hai, Clement	453	–	–	–	–	453
	1,359	–	–	–	–	1,359
Total directors' emoluments	4,293	14,222	373	46,463	30,770	96,121

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	Directors' fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Performance related incentive payments RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2021						
Executive directors *(Note (a))*:						
Lin Jin *(Note (b))*	499	1,664	39	6,355	–	8,557
Liu Tangzhi *(Note (c))*	499	3,114	93	10,499	605	14,810
Shi Chi *(Note (d))*	–	2,037	51	9,832	–	11,920
Lin Wei Ping	499	2,493	94	8,482	–	11,568
Lam Shing Choi, Eric	499	1,595	15	4,726	121	6,956
Lai Weide *(Note (e))*	499	2,125	120	29,383	605	32,732
	2,495	13,028	412	69,277	1,331	86,543
Independent non-executive directors *(Note (f))*:						
Li Weibin	438	–	–	–	–	438
Cheong Ying Chew, Henry	438	–	–	–	–	438
Hung Ka Hai, Clement	438	–	–	–	–	438
	1,314	–	–	–	–	1,314
Total directors' emoluments	3,809	13,028	412	69,277	1,331	87,857

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the Group.

(b) Lin Jin was appointed as Chairman of the Company on 7 July 2022.

(c) Liu Tangzhi was the Chief Executive Officer of the Group until 30 April 2022, and was redesignated as Vice Chairman since then. His emoluments disclosed above include those for services rendered by him as the Chief Executive Officer and Vice Chairman of the Company.

(d) Shi Chi was appointed as Chief Executive Officer of the Company on 30 April 2022. His emoluments disclosed above include those for service rendered by him as the Chief Executive Officer and executive director of the Company.

(e) Lai Weide retired as an executive director of the Company on 7 July 2022.

(f) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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13. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included two (2021: four) existing directors and one retired director (2021: nil), details of whose emoluments are set out in note 12 above. Details of the emoluments of the remaining highest paid employee who is neither an existing director nor chief executive of the Company are as follows:

	2022 RMB million	2021 RMB million
Basic salaries, allowances and benefits in kind	3	3
Performance related incentive payments *(Note)*	15	8
Share-based payments	1	–
	19	11

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the individual.

The number of the highest paid employee who is not a director of the Company whose remuneration fell within the following bands is as follows:

	2022 No. of employee	2021 No. of employee
HK$10,000,001 to HK$10,500,000	1	–
HK$11,500,001 to HK$12,000,000	1	–
HK$13,500,001 to HK$14,000,000	–	1

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employee) as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

14. DIVIDEND

	2022 RMB million	2021 RMB million
Dividend recognised as distribution during the year:		
2022 interim dividend — 3 HK cents (2021: nil) per share	69	–
2021 final dividend — 23 HK cents (2021: 2020 final dividend of nil) per share	–	497
	69	497

The Board has determined not to declare final dividend for the year ended 31 December 2022 (2021: final dividend of 23 HK cents, totalling approximately RMB497 million).

No interim dividend was paid or proposed during the year ended 31 December 2021.

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15. EARNINGS PER SHARE

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

	2022 RMB million	2021 RMB million
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**827**	1,634

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,586,593,994**	2,630,727,623
Effect of dilutive potential ordinary shares in respect of outstanding share options of the Company	**2,056,943**	3,682,946
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,588,650,937**	2,634,410,569

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the year ended 31 December 2022 and 2021. The computation of diluted earnings per share for the year ended 31 December 2022 and 2021 does not assume the conversion of convertible bonds of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non wholly-owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange as the conversion of convertible bonds would result in an increase in earnings per share of the Company for year ended 31 December 2022 and 2021.

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

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB million	Construction in progress RMB million	Plant and machinery RMB million	Furniture, equipment, motor vehicles and others RMB million	Total RMB million
COST					
At 1 January 2021	4,534	935	2,655	1,584	9,708
Additions	198	1,086	361	185	1,830
Reclassification	351	(282)	89	(158)	–
Disposals	(7)	–	(164)	(205)	(376)
Exchange realignment	(5)	–	(4)	(3)	(12)
At 31 December 2021	**5,071**	**1,739**	**2,937**	**1,403**	**11,150**
Additions	**399**	**1,402**	**271**	**166**	**2,238**
Reclassification	**995**	**(1,002)**	**1**	**6**	**–**
Transfer to investment properties	**(18)**	**(6)**	**–**	**–**	**(24)**
Disposals	**(149)**	**–**	**(201)**	**(76)**	**(426)**
Exchange realignment	**12**	**–**	**–**	**2**	**14**
At 31 December 2022	**6,310**	**2,133**	**3,008**	**1,501**	**12,952**
DEPRECIATION					
At 1 January 2021	1,522	–	1,395	988	3,905
Provided for the year	258	–	271	157	686
Reclassification	123	–	6	(129)	–
Eliminated on disposals	(1)	–	(2)	(50)	(53)
Exchange realignment	(2)	–	(3)	(2)	(7)
At 31 December 2021	**1,900**	**–**	**1,667**	**964**	**4,531**
Provided for the year	**427**	**–**	**274**	**159**	**860**
Transfer to investment properties	**(14)**	**–**	**–**	**–**	**(14)**
Eliminated on disposals	**(86)**	**–**	**(178)**	**(65)**	**(329)**
Exchange realignment	**7**	**–**	**–**	**9**	**16**
At 31 December 2022	**2,234**	**–**	**1,763**	**1,067**	**5,064**
CARRYING VALUES					
At 31 December 2022	**4,076**	**2,133**	**1,245**	**434**	**7,888**
At 31 December 2021	3,171	1,739	1,270	439	6,619

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16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases or 20 to 50 years
Plant and machinery	10% to 50%
Furniture, equipment, motor vehicles and others	20% to 50%

17. RIGHT-OF-USE ASSETS

For the years ended 31 December 2022 and 2021, the Group leases various offices, warehouses and retail stores for its operations. Lease contracts for leased properties are entered into for fixed term of 1 to 15 years, and majority of the contracts have no extension or termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

	Leasehold lands RMB million	Leased properties RMB million	Total RMB million
As at 31 December 2022			
Carrying amount	**2,449**	**92**	**2,541**
As at 31 December 2021			
Carrying amount	2,395	144	2,539

	2022 RMB million	2021 RMB million
Expense relating to short-term leases	**69**	123
Total cash outflow for leases	**276**	390
Additions to right-of-use assets	**180**	237

The Group regularly entered into short-term leases mainly for buildings, motor vehicles, office equipment and properties. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Details of the depreciation charges of the Group's right-of-use assets are set out in note 11.

17. RIGHT-OF-USE ASSETS *(Continued)*

Restrictions or covenants on leases

Lease liabilities of RMB100 million (2021: RMB151 million) are recognised with related right-of-use assets of RMB92 million (2021: RMB144 million) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Save as set out in note 44, leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 33.

18. INVESTMENT PROPERTIES

	RMB million
COST	
At 1 January 2021 and 31 December 2021	1,746
Transfer from property, plant and equipment	24
At 31 December 2022	**1,770**
DEPRECIATION	
At 1 January 2021	180
Provided for the year	79
At 31 December 2021	259
Provided for the year	87
Transfer from property, plant and equipment	14
At 31 December 2022	**360**
CARRYING VALUES	
At 31 December 2022	**1,410**
At 31 December 2021	1,487

The above investment properties are depreciated on a straight-line basis over the shorter of the terms of the leases or 20 to 50 years.

The investment properties shown above represent leasehold land and buildings in Hong Kong and the PRC.

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 5 to 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

During the year ended 31 December 2022, the Group's investment properties amounting to RMB10 million (2021: nil) were transferred from property, plant and equipment as a result of end of owner-occupation and represent leasehold land and buildings in the PRC.

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18. INVESTMENT PROPERTIES *(Continued)*

Fair value of investment properties

The fair value of the Group's investment properties at 31 December 2022 was RMB4,834 million (2021: RMB4,564 million). The fair values at 31 December 2022 and 2021 have been arrived at based on valuations carried out by ValQuest Advisory (Hong Kong) Limited, an independent valuer not connected with the Group.

At 31 December 2022 and 2021, the fair value of the investment properties located in Hong Kong is determined based on direct comparison method whereby comparison based on price information of comparable properties is obtained. Comparable properties of similar size, types of properties and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values and the valuation is classified as Level 3 of the fair value hierarchy.

At 31 December 2022 and 2021, the valuation of the investment properties located in the PRC is arrived at using income capitalisation method, by capitalising the estimated market rents of the property by referring to the rentals of comparable properties in the subject locality using appropriate capitalisation rates, and is classified as Level 3 of the fair value hierarchy.

	Carrying amount 31 December		Level 3 fair value 31 December		Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
	2022 RMB million	2021 RMB million	2022 RMB million	2021 RMB million				
Industrial properties located in the PRC	**1,406**	1,483	**4,796**	4,522	Income capitalisation method – the estimated market rent of the property	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of property, and prevailing market condition, of 7% (2021: 7%)	The higher the capitalisation rate used would result in a decrease in fair value	A slight increase in the rent rate used would result in a significant increase in fair value, and vice versa
Industrial properties located in Hong Kong	**4**	4	**38**	42	Direct comparison method – market unit rate	Market unit rate, taking into account the size and location, between investment properties, ranging from RMB6,804 per sq. ft. to RMB7,275 per sq. ft. (2021: RMB6,808 per sq. ft. to RMB7,735 per sq. ft.	The higher the market unit rate, the higher the fair value	
	1,410	1,487	**4,834**	4,564				

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

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19. GOODWILL

	2022 RMB million	2021 RMB million
Arising from acquisition of:		
— Skyworth Digital *(Note (a))*	**286**	286
— Strong Media Group Limited ("Strong Media") *(Note (b))*	**79**	77
— others	**102**	102
	467	465

For the purposes of impairment testing, goodwill has been allocated to individual cash-generating units ("CGUs").

During the year ended 31 December 2022, management of the Group determines that there is no impairment of any of its CGUs containing goodwill (2021: nil).

The basis of the recoverable amounts of the CGUs of Skyworth Digital and Strong Media and their major underlying assumptions are summarised below:

(a) For the purpose of impairment testing on the goodwill arising from acquisition of Skyworth Digital for the operation of digital set-top boxes business for the years ended 31 December 2022 and 2021, the recoverable amount of the CGU has been determined by the fair value less cost of disposal. The fair value less cost of disposal of the CGU is determined with reference to the share price of Skyworth Digital at 31 December 2022 and 2021, less the transaction costs for disposing the shares of Skyworth Digital.

(b) For the purpose of impairment testing on the goodwill arising from acquisition of Strong Media and intangible assets with indefinite useful life as disclosed in note 20 have been allocated to this CGU, the recoverable amount of the CGU has been determined by a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a pre-tax discount rate of 15.4% (2021: 14.3%). Cash flows beyond the five-year period are extrapolated with zero (2021: zero) growth. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation, have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

20. OTHER INTANGIBLE ASSETS

	Patents RMB million *(Note (a))*	Trademarks RMB million *(Note (b))*	Total RMB million
CARRYING VALUES			
At 31 December 2022	**4**	**97**	**101**
At 31 December 2021	3	97	100

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20. OTHER INTANGIBLE ASSETS *(Continued)*

Notes:

(a) The patents have finite useful lives and are amortised at 10% to 20% on a straight-line basis.

(b) Trademarks of RMB88 million were purchased as part of a business combination related to Strong Media during the year ended 31 March 2016 and of RMB9 million as part of another business combination during the year ended 31 December 2020.

The trademarks have legal lives ranging from 10 to 21 years but are renewable upon expiration at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the management of the Group considers that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows to the Group. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Details of impairment testing for the trademarks related to Strong Media are set out in note 19.

21. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2022 RMB million	2021 RMB million
Interests in associates *(Note (a))*	272	250
Interests in joint ventures *(Note (b))*	15	17
	287	267

Notes:

(a) All of the Group's associates are accounted for using the equity method in these consolidated financial statements. The Group considers none of its associates is individually material nor principally affected the results or net assets of the Group. The aggregate information of associates that are not individually material is as follows:

	2022 RMB million	2021 RMB million
The Group's share of profit and total comprehensive income for the year	9	14

(b) The Group's joint ventures are accounted for using the equity method in these consolidated financial statements. The Group considers none of its joint ventures is individually material nor principally affected the results or net assets of the Group. The aggregate information of joint ventures that are not individually material is as follows:

	2022 RMB million	2021 RMB million
The Group's share of loss and total comprehensive expense for the year	(1)	–

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22. FINANCIAL ASSETS AT FVTPL/EQUITY INSTRUMENTS AT FVTOCI

	2022 RMB million	2021 RMB million
Financial assets at FVTPL		
Listed equity securities, at fair values		
— in the PRC	**917**	1,196
— in Hong Kong	**30**	50
Unlisted equity securities, at fair values		
— in the PRC	**1,951**	1,316
Unlisted securities, at fair values		
— Investment funds	**112**	282
Derivative financial instruments *(note 51(d))*	**19**	12
	3,029	2,856
Analysed for reporting purpose as		
Non-current assets	**1,987**	1,318
Current assets	**1,042**	1,538
	3,029	2,856
Equity instruments at FVTOCI *(Note)*		
Unlisted equity securities, at fair values		
— in the PRC	**989**	1,470
Listed equity securities, at fair values		
— in Hong Kong	**421**	123
Analysed for reporting purpose as non-current assets	**1,410**	1,593

Note: The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

23. LOAN RECEIVABLES

	2022 RMB million	2021 RMB million
Fixed-rate loan receivables		
Secured	**724**	646
Unsecured	**54**	356
	778	1,002
Analysed for reporting purpose as		
Non-current assets	**289**	25
Current assets	**489**	977
	778	1,002

Notes to the Consolidated Financial Statements

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23. LOAN RECEIVABLES *(Continued)*

As at 31 December 2022, loan receivables of RMB696 million (2021: RMB245 million) are advanced by certain subsidiaries of the Company with principal activity of loan financing, in which the corresponding interest income is included as revenue. The remaining balances of RMB82 million (2021: RMB757 million) are advanced by other subsidiaries, the related interest income is included as other income.

Included in the carrying amount of loan receivables as at 31 December 2022 is allowance for credit losses of RMB62 million (2021: RMB124 million). Details of the impairment assessment are set out in note 51(b).

As at 31 December 2022, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB70 million (2021: RMB23 million) which has been past due 90 days or more as at the reporting date and are secured by equity instruments of an entity related to the relevant loan debtor and properties. The directors of the Company consider credit risks have increased significantly and those with evidence indicating that these debtors are in severe financial difficulties and are considered as credit-impaired.

The secured portion of the Group's loan receivables are secured by borrowers' charges over equity instruments, trade receivables, motor vehicles, properties, land use rights and plant and machineries.

Included in the carrying amount of loan receivables as at 31 December 2022 is an amount of RMB302 million (2021: RMB37 million) due from related parties (as at 31 December 2021: a related party) controlled by a substantial shareholder of the Company which is secured by equipment and motor vehicles of the said party and guaranteed by the said substantial shareholder of the Company, interest bearing at 7% to 8% (2021: 8%) per annum and repayable in instalments up to 8 June 2025 (2021: 25 April 2022). The amount as at 31 December 2021 were fully repaid during the current year.

Included in the carrying amounts of loan receivables as at 31 December 2022 of RMB141 million (2021: RMB258 million) due from third parties and are secured by motor vehicles of these third parties and guaranteed by a substantial shareholder of the Company in respect of amounts owed to the Group, interest-bearing at 7% to 8% (2021: 8%) per annum and repayable in instalments up to final maturity dates ranging from 1 March 2023 to 20 September 2025 (2021: 28 March 2022 to 4 July 2022).

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	2022 **RMB million**	2021 RMB million
Fixed-rate loan receivables:		
Within one year	**489**	977
More than one year but not exceeding two years	**246**	13
More than two years but not exceeding five years	**43**	12
	778	1,002

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

	2022	2021
Effective interest rate:		
Fixed-rate loan receivables	**4.80%–12.00%**	4.90%–12.00%

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24. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB million	2021 RMB million
Deferred tax assets	**(877)**	(683)
Deferred tax liabilities	**353**	428
	(524)	(255)

	2022 RMB million	2021 RMB million
The balances of the major deferred tax liabilities (assets) recognised are as follows:		
Fair value adjustments on financial assets at FVTPL and equity instruments at FVTOCI	**286**	360
Accrued sales rebate	**(190)**	(159)
Provision of ECL on financial assets	**(136)**	(158)
Provision of write-down of inventories	**(59)**	(69)
Deferred income	**(37)**	(28)
Provision for warranty	**(91)**	(58)
Tax losses	**(253)**	(178)

25. INVENTORIES

	2022 RMB million	2021 RMB million
Raw materials	**2,659**	2,308
Work in progress	**2,908**	1,226
Finished goods	**3,380**	4,257
	8,947	7,791

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26. STOCK OF PROPERTIES

	2022 RMB million	2021 RMB million
For development	–	576
Under development	7,015	4,710
Completed	334	326
	7,349	5,612

Stock of properties under development amounting to RMB1,492 million (2021: RMB94 million) and the entire balance for development as at 31 December 2022 are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of RMB2,332 million (2021: RMB1,820 million) received from purchasers at the end of the reporting period are included in contract liabilities as disclosed in note 34.

Analysis of leasehold lands:

	2022 RMB million	2021 RMB million
Carrying amount of leasehold lands included in the stock of properties above	5,337	4,670
Total cash outflow for the year	667	1,015
Additions for the year	667	1,015

The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands during the year taking into account the estimated residual values as at the end of the reporting period.

27. TRADE AND BILLS RECEIVABLES

	2022 RMB million	2021 RMB million
Trade receivables at amortised cost		
— goods and services	8,197	9,162
— lease receivables	143	136
	8,340	9,298
Less: allowance for credit losses	(724)	(709)
	7,616	8,589
Trade receivables at FVTOCI	450	557
	8,066	9,146
Bills receivables	1,990	2,998
Less: allowance for credit losses	–	(2)
	1,990	2,996
	10,056	12,142

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB8,762 million.

27. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2022 RMB million	2021 RMB million
Within 30 days	**3,803**	4,866
31–60 days	**1,566**	1,716
61–90 days	**662**	823
91–180 days	**1,071**	939
181–270 days	**337**	338
271–365 days	**164**	233
Over 365 days	**463**	231
	8,066	9,146

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,368 million (2021: RMB2,826 million) which are past due as at the reporting date. Out of the past due balances, RMB276 million (2021: RMB178 million) has been past due 90 days or more and is not considered as in default based on historical experience. Other than two land parcels (2021: two land parcels) pledged for security of certain trade receivables, the Group does not hold any collateral over these balances.

As at 31 December 2022, included in the Group's trade receivables are amounts due from an associate and a related party of RMB223 million (2021: RMB155 million) and RMB10 million (2021: RMB23 million). The credit period is 45 days. No allowance for credit losses is made for the years ended 31 December 2022 and 2021. The following is an aged analysis presented based on the invoice date at the end of the reporting period:

	2022 RMB million	2021 RMB million
Within 30 days	**168**	141
31 to 60 days	**65**	37
	233	178

For customers who used bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. The dates of issuance of all bills receivables are within one year at the end of the reporting period.

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27. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2022 RMB million	2021 RMB million
Within 30 days	172	357
31–60 days	273	465
61–90 days	669	753
91 days or over	864	1,355
Bills endorsed to suppliers with recourse	12	66
	1,990	2,996

As at 31 December 2022, bills receivables above of RMB12 million (2021: RMB66 million) are endorsed to suppliers on a full recourse basis. Since the substantial risks and rewards of the ownership of these bills receivables have not been transferred to the relevant counterparties, the Group continues to recognise the full carrying amounts of these endorsed receivables above and the full carrying amount of the trade payables in note 30.

The maturity dates of these bills endorsed to suppliers with recourse are within one year at the end of the reporting period. All bills receivables at the end of the reporting period are not yet due. These bills receivables and associated liabilities are carried at amortised cost in the Group's consolidated statement of financial position. The directors of the Company consider that the carrying amounts of such bills receivables and associated liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Details of impairment assessment of trade and bills receivables are set out in note 51(b).

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are analysed as follows:

	2022 RMB million	2021 RMB million
Purchase deposits paid for materials	1,302	742
Deposit placed with a financial institution for potential acquisition of additional interest in a subsidiary	1,516	–
VAT and other tax receivables	1,485	1,450
Consideration receivables for disposal of a subsidiary	366	366
Other deposits paid and prepayments	789	760
Other receivables	729	1,083
	6,187	4,401
Analysed for reporting purpose as		
Current assets	5,884	4,092
Non-current assets	303	309
	6,187	4,401

Details of impairment assessment of deposit placed with a financial institution for potential acquisition of additional interest in a subsidiary and consideration receivables for disposal of a subsidiary and other receivables are set out in note 51(b).

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29. PLEDGED AND RESTRICTED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at variable market rates ranging from 0.01% to 2.75% per annum (2021: 0.01% to 2.75% per annum).

Pledged bank deposit is pledged to secure certain bank borrowings and carries interest at market rate 2.2% per annum (2021: 2.2% per annum).

Included in pledged and restricted bank deposits are balances which, in accordance with the applicable prevailing government regulations, are placed in restricted bank accounts, amounting to RMB266 million (2021: RMB491 million), which can only be applied in the designated property development projects.

Pursuant to agreements entered into by the Group and several counterparties, a total amount of RMB1,710 million (2021: RMB609 million) has been placed with a designated bank account where any withdrawal is restricted. The amount is therefore included in the pledged and restricted bank deposits on the consolidated statement of financial position.

In addition, restricted bank deposits amounting to RMB297 million (2021: RMB312 million) represent reserve deposits placed with the People's Bank of China ("PBOC") by a subsidiary of the Company registered as a non-bank financial institution with limited liability established under the relevant PRC law. The balances of these reserve deposits were calculated at certain percentage of qualified deposits placed by customers of that finance company as determined by the PBOC against unexpected events such as unusually large net withdrawal by customers. These reserve deposits are required by local regulation and not available for the Group's daily operations.

Details of impairment assessment are set out in note 51(b).

30. TRADE AND BILLS PAYABLES

	2022 RMB million	2021 RMB million
Trade payables	**8,650**	8,736
Bills payables	**3,820**	3,133
	12,470	11,869

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

	2022 RMB million	2021 RMB million
Within 30 days	**4,611**	4,571
31–60 days	**1,437**	1,743
61–90 days	**948**	970
91 days or over	**1,654**	1,452
	8,650	8,736

The credit periods of trade payables ranged from 30 days to 90 days.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

30. TRADE AND BILLS PAYABLES *(Continued)*

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

	2022 RMB million	2021 RMB million
Within 30 days	**661**	531
31–60 days	**695**	482
61–90 days	**561**	467
91 days or over	**1,903**	1,653
	3,820	3,133

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

31. OTHER PAYABLES

	2022 RMB million	2021 RMB million
Provision for rebates *(Note)*	**1,269**	1,369
Accrued staff costs	**1,102**	1,043
Accrued selling and distribution expenses	**291**	268
Deposits received from sub-contractors	**1,513**	607
Payables for purchase of property, plant and equipment	**362**	445
Rental deposits received	**161**	104
VAT and other tax payables	**764**	396
Other deposits received	**290**	351
Accruals and other payables	**1,977**	1,592
	7,729	6,175
Analysed for reporting propose as		
Current liabilities	**7,611**	6,092
Non-current liabilities	**118**	83
	7,729	6,175

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

32. OTHER FINANCIAL LIABILITIES

	2022 RMB million	2021 RMB million
Advance from a third party *(Note (a))*	**210**	208
Derivative financial instruments *(note 51(d))*	**68**	278
Others *(Note (b))*	**161**	229
	439	715
Analysed for reporting purpose as		
Current liabilities	**342**	375
Non-current liabilities	**97**	340
	439	715

Notes:

(a) The amount is unsecured, interest-bearing and repayable on demand.

(b) Included in the balance is an interest-free loan of RMB100 million received from government in 2019. During the year ended 31 December 2019, the Group entered into an interest-free loan agreement with the county government of Quanjiao (全椒縣人民政府), Anhui Province, the PRC, amounted to a total of RMB500 million in supporting the Group's certain capital investments in the Quanjiao County. According to the agreement, a branch of the county government of Quanjiao shall make advances to the Group in stages that is in line with various investment milestones to be achieved by the Group. An amount of RMB100 million has been received by the Group during the year ended 31 December 2019 and the amount is payable within three years from the date of receipt. In the opinion of the directors, the difference between proceeds received and the fair value of the loan is insignificant.

The amount was fully settled in January 2023.

33. LEASE LIABILITIES

	2022 RMB million	2021 RMB million
Within one year	**46**	56
More than one year but not exceeding two years	**18**	54
More than two years but not exceeding five years	**32**	41
Over five years	**4**	–
	100	151
Less: amount due for settlement with 12 months shown under current liabilities	**(46)**	(56)
Amount due for settlement after 12 months shown under non-current liabilities	**54**	95

The weighted average incremental borrowing rates applied to lease liabilities range from 2% to 5% (2021: 2% to 5%).

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34. CONTRACT LIABILITIES

	2022 RMB million	2021 RMB million
Deposits received for:		
— sales of goods and provision of services	**2,596**	1,471
— sales of properties	**2,332**	1,820
	4,928	3,291
Revenue recognised that was included in the contract liabilities at the beginning of the year	**3,270**	3,074

As at 1 January 2021, contract liabilities amounted to RMB3,107 million.

When the Group receives deposits from customers for the sales of goods and provision of services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits. The Group receives 10% to 100% deposit on acceptance of orders from certain customers.

The Group receives not less than 20% of the contract value as deposits from customers for the sales of properties when they sign the sale and purchase agreements and the remaining of the contract value is paid before the completion of the sales of the properties. The deposits and advance payment schemes result in contract liabilities being recognised until the customers obtain control of the properties.

35. PROVISION

	2022 RMB million	2021 RMB million
At 1 January	**359**	302
Additional provision *(note 11)*	**369**	334
Utilised	**(220)**	(271)
Exchange realignment	**2**	(6)
At 31 December	**510**	359
Analysed for reporting purposes as:		
Current liabilities	**274**	224
Non-current liabilities	**236**	135
	510	359

The Group provides product warranty to its customers depending on the product type, under which faulty products are repaired or replaced. The estimate of the provision for the warranty is based on sales volumes and past experience of the level of repairs and returns. The Group also provides guarantee for the performance of the photovoltaic power stations sold based on the sales volumes and past experiences of levels of non-performance. These estimations are reviewed on an ongoing basis and revised by reference to the current defective/non-performance rates of products sold.

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36. DEFERRED INCOME

	2022 RMB million	2021 RMB million
Analysed for reporting purposes as:		
Current liabilities	**171**	210
Non-current liabilities	**278**	265
	449	475

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery and the related expenses to be incurred for the development of new products or technology. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities. The policy has resulted in a credit to profit or loss of RMB452 million (2021: RMB441 million) during the year ended 31 December 2022.

37. BANK BORROWINGS

	2022 RMB million	2021 RMB million
Bank borrowings comprise the following:		
Secured	**5,758**	6,853
Unsecured	**9,499**	7,409
	15,257	14,262
Fixed-rate borrowings	**12,254**	12,184
Floating-rate borrowings	**3,003**	2,078
	15,257	14,262
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**9,404**	8,892
More than one year but not exceeding two years	**2,051**	2,043
More than two years but not exceeding five years	**1,709**	2,180
Over five years	**2,093**	1,147
	15,257	14,262
Less: Amounts due within one year shown under current liabilities	**(9,404)**	(8,892)
Amounts shown under non-current liabilities	**5,853**	5,370

The Group's variable-rate borrowings carry interest at Euro Interbank Offered Rate ("EURIBOR"), London Interbank Offered Rate ("LIBOR") or Loan Prime Rate ("LPR") in the PRC plus specific margins.

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37. BANK BORROWINGS *(Continued)*

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**0.50%–6.50%**	0.40% to 5.37%
Floating-rate borrowings	**1.11%–7.00%**	1.11% to 6.83%

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	USD RMB million	**EUR** RMB million
As at 31 December 2022	**1,968**	**100**
As at 31 December 2021	4,196	88

38. CONVERTIBLE BONDS

On 15 April 2019, Skyworth Digital issued 10,400,000 unsecured convertible bonds at a par value of RMB100 each. The convertible bonds are interest bearing at 0.40%, 0.60%, 1.00%, 1.50%, 1.80% and 2.00% per annum for the first, second, third, fourth, fifth and sixth year per annum respectively with a maturity date on the sixth anniversary on the date of their issue (i.e. 15 April 2025) and entitle the holders to convert them, in whole or in part, into ordinary shares of Skyworth Digital at an initial conversion price of RMB11.56 per share (subject to anti-dilutive provision) at any time from the first trading day immediately after the expiry of six months from the date of issuance of the convertible bonds until maturity date. The conversion price shall be adjusted if (i) Skyworth Digital resolved to issue bonus shares, increased its share capital, placing or issue of new shares (other than issue of conversion shares) or the distribution of cash dividends or (ii) subject to the approval by a two-third majority of the shareholders of Skyworth Digital present at a general meeting, the conversion price may be adjusted downwards if the closing price of the A-shares of Skyworth Digital as quoted on the Shenzhen Stock Exchange for at least 10 trading days during a consecutive period of 20 trading days are less than 90% of the prevailing conversion price at that time. Interest will be paid annually up until settlement date. The redemption price will be par value of the convertible bonds and the interest for that period.

Skyworth Digital has the right to redeem all or part of the convertible bonds at any time during the conversion period if the closing prices of Skyworth Digital as quoted on the Shenzhen Stock Exchange for any 15 trading days in a consecutive period of 30 trading days are higher than or equal to 130% of the conversion price at the time or the outstanding amount of the convertible bonds is less than RMB30 million. The bondholders shall have the right to request for Skyworth Digital to repurchase all or any part of the outstanding convertible bonds at the face value together with the coupon rate due for that period if the closing price of Skyworth Digital as quoted on the Shenzhen Stock Exchange is less than 70% of the conversion price at the time for any 30 consecutive trading days during the fifth and sixth year or there is any substantial change to the use of proceeds from the issue of the convertible bonds.

During the year ended 31 December 2022, Skyworth Digital exercised the mandatory redemption clause pursuant to the relevant convertible bond agreements with a notice period of 3 weeks to the bondholders. As at 31 December 2022, all convertible bonds that were not converted by their holders to ordinary shares of Skyworth Digital upon the expiry of the above notice period have been redeemed by Skyworth Digital.

38. CONVERTIBLE BONDS *(Continued)*

The convertible bonds contain two components, debt component and derivative (including conversion and early redemption options) components. The effective interest rate of the debt component is 5.62%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The movements of the debt and derivative components (included in other financial liabilities) of the convertible bonds for the year are set out as below:

	Debt component RMB million	**Derivative component** RMB million
At 1 January 2021	913	19
Interest on convertible bonds *(note 9)*	51	–
Less: included as interest payable on convertible bonds	(8)	–
Fair value change *(note 8)*	–	153
At 31 December 2021	**956**	**172**
Conversion	**(970)**	**(268)**
Redemption	**(5)**	**–**
Interest on convertible bonds *(note 9)*	**22**	**–**
Interest paid	**(3)**	**–**
Fair value change *(note 8)*	**–**	**96**
At 31 December 2022	**–**	**–**

39. CORPORATE BONDS

	2022 **RMB million**	2021 RMB million
Corporate bonds comprise the following:		
5.36% bonds issued by the Company due in 2022, secured	**–**	77
5.5% bonds issued by a subsidiary of the Company due in 2023, unsecured	**–**	798
	–	875
Analysed for reporting purposes as:		
Current liabilities	**–**	77
Non-current liabilities	**–**	798
	–	875

All of the Group's corporate bonds have been early redeemed pursuant to the relevant corporate bond agreements during the year ended 31 December 2022.

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39. CORPORATE BONDS *(Continued)*

The movements of the corporate bonds for the year are set out as below:

	2022 RMB million	2021 RMB million
At 1 January	**875**	874
Redemption	**(876)**	–
Interest on corporate bonds *(note 9)*	**40**	49
Interest paid	**(39)**	(48)
At 31 December	**–**	875

40. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital RMB million
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	**10,000,000,000**	**1,063**
Issued and fully paid:		
At 1 January 2021	2,668,129,420	273
Purchase of own shares for cancellation *(Note)*	(29,056,000)	(2)
Issue of shares upon exercise of share options of the Company	28,156,000	2
At 31 December 2021	2,667,229,420	273
Purchase of own shares for cancellation *(Note)*	**(107,232,000)**	**(9)**
Issue of shares upon exercise of share options of the Company	**25,204,000**	**2**
At 31 December 2022	**2,585,201,420**	**266**

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40. SHARE CAPITAL OF THE COMPANY *(Continued)*

Note:

During the year ended 31 December 2022 and 2021, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

For the year ended 31 December 2022

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	RMB million
January 2022	23,554,000	5.50	4.95	108
April 2022	896,000	3.97	3.86	3
May 2022	39,634,000	4.50	4.18	159
August 2022	6,000,000	3.95	3.83	21
September 2022	17,980,000	4.00	3.46	59
October 2022	17,126,000	2.96	2.81	45
November 2022	2,042,000	2.98	2.90	5
	107,232,000			400

For the year ended 31 December 2021

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	RMB million
November 2021	15,630,000	4.99	4.32	63
December 2021	13,426,000	4.91	4.60	53
	29,056,000			116

41. SHARE OPTIONS

The existing Share Option Scheme (the "2014 Share Option Scheme") was approved by the shareholders on 20 August 2014 for the purpose of providing incentives to directors, eligible employees and selected eligible persons. Under the 2014 Share Option Scheme, the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employees, whether full time or part time, of any members of the Group. All of the options, if not otherwise exercised, amended or cancelled, lapsed on 20 August 2024 under the 2014 Share Option Scheme.

Under the 2014 Share Option Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the aforesaid scheme of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of the 2014 Share Option Scheme of the Company, if any, must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the 2014 Share Option Scheme or exceed any of the refreshed limit.

No option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the 2014 Share Option Scheme of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

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41. SHARE OPTIONS *(Continued)*

The total number of share options that were granted and remained outstanding under the 2014 Share Option Scheme of the Company is 24,328,000 (2021: 93,342,000), representing approximately 0.94% (2021: 3.50%) of the issued share capital of the Company as at 31 December 2022.

The following tables show the movements in the Company's share options granted under the 2014 Share Option Scheme:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 January 2021	Exercised during the year	Outstanding at 31 December 2021 and 1 January 2022	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2022
22 January 2016	4.226	22 January 2016 to 30 August 2016	1 September 2016 to 20 August 2024	14,852,000	(674,000)	**14,178,000**	(494,000)	(13,684,000)	**–**
		22 January 2016 to 30 August 2017	1 September 2017 to 20 August 2024	17,154,000	(1,374,000)	**15,780,000**	–	(15,780,000)	**–**
		22 January 2016 to 30 August 2018	1 September 2018 to 20 August 2024	25,692,000	(288,000)	**25,404,000**	–	(2,296,000)	**23,108,000**
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	**2,500,000**	–	(2,500,000)	**–**
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	**2,500,000**	–	(2,500,000)	**–**
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	**2,500,000**	–	(2,500,000)	**–**
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	**2,500,000**	–	(2,500,000)	**–**
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	–	**500,000**	–	(500,000)	**–**
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	–	**500,000**	–	(500,000)	**–**
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	–	**500,000**	–	(500,000)	**–**
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	–	**500,000**	–	(500,000)	**–**
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	20,720,000	(10,772,000)	**9,948,000**	(9,898,000)	(50,000)	**–**
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	15,540,000	(7,844,000)	**7,696,000**	(7,696,000)	–	**–**
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	15,540,000	(7,204,000)	**8,336,000**	(7,116,000)	–	**1,220,000**
				121,498,000	(28,156,000)	**93,342,000**	(25,204,000)	(43,810,000)	**24,328,000**

42. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 to account for its share options and share awards, as well as Skyworth Digital's share awards.

	2022 RMB million	2021 RMB million
The Group's share-based payment expenses are as follows:		
Share options of the Company	–	4
Share awards of the Company	51	–
Share incentive plans of subsidiaries of the Company	14	–
	65	4

Share options of the Company

The particulars of the share option scheme of the Company, and the details of and the movements in share options during the year ended 31 December 2022 and 2021 are disclosed in note 41. A summary is presented below:

	2022		2021	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	93,342,000	4.017	121,498,000	3.737
Exercised during the year	(25,204,000)	2.710	(28,156,000)	2.808
Lapsed during the year	(43,810,000)	4.696	–	–
Outstanding at the end of the year	24,328,000	4.148	93,342,000	4.017
Exercisable at the end of the year	24,328,000		93,342,000	

In respect of the share options exercised during the year, the weighted average share price at dates of exercise was HK$4.890 (2021: HK$5.289).

The share options outstanding as at 31 December 2022 have a weighted average remaining contractual life of 1.64 years (2021: 2.64 years) and the exercise prices of which range from HK$2.680 to HK$4.226 (2021: HK$2.680 to HK$6.320).

Share awards of the Company

On 21 October 2020, an employees' share award scheme (the "2020 Share Award Scheme") was adopted by the Company. The 2020 Share Award Scheme is valid and effective for a period of 10 years commencing from 21 October 2020. Pursuant to the rules of this scheme, the Group has set up a trust for the purpose of administering the 2020 Share Award Scheme and holding the awarded shares before they vest. During the year ended 31 December 2022, 10,000,000 (2021: 40,000,000) shares of the Company were acquired through the 2020 Share Award Scheme at a total consideration of RMB33 million (2021: RMB79 million). During the year ended 31 December 2022, 31,284,000 (2021: nil) awarded shares of the Company under the 2020 Share Award Scheme were granted. 9,000,000 awarded shares (2021: nil) were vested during the year and the remaining 14,284,000 awarded shares (2021: nil) and 8,000,000 awarded shares (2021: nil) will be vested in 2023 and 2024, respectively.

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43. RETIREMENT BENEFITS SCHEMES

The employees of the Company's Hong Kong subsidiaries participate in a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") or a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK$1,500 per month. The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employees' basic salary. The pension costs charged to profit or loss represent contributions payable to these funds by the Group at rates specified in the rules of these schemes.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The aggregate retirement benefits scheme contributions and pension costs for the Group's employees, net of forfeited contributions, which have been dealt with in profit or loss, are as follows:

	2022 RMB million	2021 RMB million
Retirement benefit scheme contributions in Hong Kong	**–**	1
Pension costs in the PRC	**393**	363
Total retirement benefit scheme contributions	**393**	364

At both 31 December 2022 and 2021, there were no forfeited contributions can be used to offset future employers' contributions.

44. PLEDGE OF AND RESTRICTION ON ASSETS

At 31 December 2022, the Group's borrowings were pledged and secured by the following:

	2022 RMB million	2021 RMB million
Right-of-use assets, leasehold land and buildings and construction in progress	**3,129**	2,774
Investment properties	**1,135**	1,198
Stock of properties	**328**	102
Trade and bills receivables	**61**	76
	4,653	4,150

The pledged and restricted bank deposits as set out in the consolidated statement of financial position are pledged to secure bank borrowings or placed in restricted bank accounts in accordance with the applicable regulations and requirements. Details of these bank deposits are set out in note 29.

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45. CONTINGENT LIABILITIES

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

46. OPERATING LEASE ARRANGEMENTS

The Group as lessor

During the year, the Group earned rental income from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to twenty years.

Minimum lease payments receivable on leases are as follows:

	2022 RMB million	2021 RMB million
Within one year	**247**	391
In the second year	**179**	253
In the third year	**144**	166
In the fourth year	**96**	127
In the fifth year	**62**	86
After five years	**236**	293
	964	1,316

47. CAPITAL COMMITMENTS

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

	2022 RMB million	2021 RMB million
Contracted but not provided for, in respect of acquisition of property, plant and equipment	**1,610**	1,789

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48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables RMB million	Interest payables RMB million	Other financial liabilities (excluding derivative financial instruments) RMB million	Lease liabilities RMB million	Bank borrowings RMB million	Debt component of convertible bonds RMB million	Derivative component of convertible bonds RMB million	Corporate bonds RMB million	Total RMB million
At 1 January 2021	–	50	297	195	11,387	913	19	874	13,735
Non cash transactions and movements:									
Dividend recognised as distribution	84	–	–	–	–	–	–	–	84
Finance costs *(note 9)*	–	8	12	10	339	43	–	49	461
New leases entered	–	–	–	58	–	–	–	–	58
Termination of lease	–	–	–	(24)	–	–	–	–	(24)
Change in fair value of derivative financial instruments *(note 38)*	–	–	–	–	–	–	153	–	153
Transfer to interest payable	–	74	–	–	(74)	–	–	–	–
Exchange realignment	–	–	–	–	(42)	–	–	–	(42)
Financing cash flows:									
Dividend paid	(84)	–	–	–	–	–	–	–	(84)
Interest paid	–	(86)	–	(10)	(205)	–	–	(48)	(349)
Repayments of lease liabilities	–	–	–	(78)	–	–	–	–	(78)
New bank borrowings raised	–	–	–	–	13,080	–	–	–	13,080
Repayments of bank borrowings	–	–	–	–	(10,223)	–	–	–	(10,223)
Increase in other financial liabilities (excluding derivative financial instruments)	–	–	128	–	–	–	–	–	128
At 31 December 2021	–	46	437	151	14,262	956	172	875	16,899

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48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Dividend payables RMB million	Interest payables RMB million	Other financial liabilities (excluding derivative financial instruments) RMB million	Lease liabilities RMB million	Bank borrowings RMB million	Debt component of convertible bonds RMB million	Derivative component of convertible bonds RMB million	Corporate bonds RMB million	Total RMB million
At 31 December 2021	–	46	437	151	14,262	956	172	875	16,899
Non cash transactions and movements:									
Dividend recognised as distribution	683	–	–	–	–	–	–	–	683
Finance costs *(note 9)*	–	–	16	7	347	22	–	40	432
New leases entered	–	–	–	38	–	–	–	–	38
Termination of lease	–	–	–	(25)	–	–	–	–	(25)
Change in fair value of derivative financial instruments *(note 38)*	–	–	–	–	–	–	96	–	96
Conversion of convertible bonds issued by a subsidiary of the Company	–	–	–	–	–	(970)	(268)	–	(1,238)
Exchange realignment	–	–	–	1	8	–	–	–	9
Financing cash flows:									
Dividend paid	(683)	–	–	–	–	–	–	–	(683)
Interest paid	–	(46)	–	(7)	(314)	(3)	–	(39)	(409)
Repayments of lease liabilities	–	–	–	(65)	–	–	–	–	(65)
New bank borrowings raised	–	–	–	–	12,672	–	–	–	12,672
Repayments of bank borrowings	–	–	–	–	(11,718)	–	–	–	(11,718)
Decrease in other financial liabilities (excluding derivative financial instruments)	–	–	(82)	–	–	–	–	–	(82)
Redemption of corporate bonds	–	–	–	–	–	–	–	(876)	(876)
Redemption of convertible bonds	–	–	–	–	–	(5)	–	–	(5)
At 31 December 2022	–	–	371	100	15,257	–	–	–	15,728

49. NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group entered into new lease agreements for the use of leased properties for 2 years to 5 years (2021: 2 years to 5 years). On the lease commencement, the Group recognised RMB38 million right-of-use assets and RMB38 million lease liabilities (2021: RMB58 million right-of-use assets and RMB58 million lease liabilities).

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50. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

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

51. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB million	2021 RMB million
Financial assets		
Financial assets at amortised cost	**25,381**	26,967
Trade receivables at FVTOCI	**450**	557
Financial assets at FVTPL	**3,029**	2,856
Equity instruments at FVTOCI	**1,410**	1,593
Financial liabilities		
Amortised cost	**31,775**	31,040
Derivative financial instruments	**68**	278

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, loan receivables, trade and bills receivables, trade receivables at FVTOCI, other receivables, pledged and restricted bank deposits, bank balances and cash, trade and bills payables, other payables, lease liabilities, derivative financial instruments, bank borrowings, corporate bonds, convertible bonds and other financial liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate, interest rate and other price.

Currency risk

Majority of the subsidiaries of the Company operate in Mainland China and most of their transactions are denominated in US$, HK$, EUR and RMB. The Group is exposed to foreign exchange risk primarily through sales and purchases, capital expenditure and expenses transactions that are denominated in currencies other than the functional currency of the subsidiaries. The Group considers its foreign currency exposure is mainly arising from the exposure of RMB against US$, RMB against HK$, EUR against HK$ and HK$ against RMB. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time.

The Group also regularly monitors its portfolio of customers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

In addition, the Group enters into foreign currency forward contracts and cross currency swap contracts to eliminate the currency risk exposure. The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 RMB million	2021 RMB million	**2022 RMB million**	2021 RMB million
US$	**1,581**	2,298	**2,487**	4,636
HK$	**360**	48	**7**	9
EUR	**140**	43	**108**	88
RMB	**19**	7	**46**	108

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51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk (Continued)

Currency risk (Continued)

Currency risk sensitivity analysis

The directors of the Company considered that the Group's exposure of currency risks on HK$ against RMB, US$ against HK$ and EUR against HK$ are limited as amounts involved are immaterial. Accordingly, no sensitivity to fluctuation in HK$ against RMB, US$ against HK$ or EUR against HK$ is presented.

The Group exposes to fluctuations in US$ and EUR against RMB. The following table only details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in US$ and EUR against RMB 5% (2021: 5%) is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2021: 5%) change in foreign currency rates. The foreign currency denominated monetary assets and monetary liabilities mainly include trade and bills receivables, other receivables, bank balances and cash, trade payables, other payables, as well as bank borrowings. A positive number below indicates an increase in profit for the year where US$ and EUR weakens 5% (2021: 5%) against RMB. For a 5% (2021: 5%) strengthening of US$ and EUR against RMB, there would be equal and opposite impact on the profit for the year.

	2022 **RMB million**	2021 RMB million
Profit for the year		
US$ against RMB	**22**	88
EUR against RMB	**(1)**	2

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and liabilities, as the exposure at the end of the reporting period does not represent the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its pledged and restricted bank deposits, bank balances and bank borrowings are subject to floating interest rates (see note 37 for details of the bank borrowings).

The Group is exposed to fair value interest rate risk in relation to certain of its pledged and restricted bank deposits, loan receivables, corporate bonds, convertible bonds, other financial liabilities, lease liabilities and bank borrowings which are interest bearing at fixed rates.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook and by entering into interest rate swap contracts to minimise the interest rate risk exposures. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The management considers that the exposure to cash flow interest rate risk in relation to pledged and restricted bank deposits, and bank balances is minimal, accordingly, no sensitivity analysis is presented for both years.

The Group's cash flow interest rate risk is mainly related to the fluctuation of EURIBOR, LIBOR and LPR against the Group's bank borrowings.

51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk (Continued)

Interest rate risk (Continued)

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for bank borrowings at the end of the reporting period and assumed the amounts outstanding at the end of the reporting period were outstanding for the whole year and held constant throughout the financial year. If interest rates on floating-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the year would decrease/increase by RMB15 million (2021: RMB8 million).

Other price risk

(I) Price risk on listed and unlisted equity securities and unlisted investment funds

The Group is exposed to other price risk through its investments in listed and unlisted equity securities and unlisted investment funds (as disclosed in note 22). In addition, the Group has appointed the management to monitor the price risk and will consider hedging the risk exposure should the need arise.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2021: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2022 would increase/decrease by RMB110 million (2021: RMB124 million) as a result of the changes in financial assets at FVTPL; and

- FVTOCI reserve would increase/decrease by RMB61 million (2021: RMB68 million) as a result of the changes in fair value of equity instruments at FVTOCI.

(ii) Credit risk and impairment assessment

Credit risk management

As at 31 December 2022, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and taking into consideration of the collaterals, if any, from the counterparties.

In order to minimise the credit risk of trade receivable, the management of the Group has certain procedures for determination of credit limits and credit approvals. Before accepting any new customer, the sales department of the Group performs assessments on the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

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51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Credit risk management (Continued)

In order to minimise the credit risk on bills received from customers, the Group will only accept settlement by acceptance bills issued by certain banks with high credit ratings for certain larger customers of the Group, up to pre-determined credit limits set out by the Group. Acceptance bills issued by certain banks in the PRC with lower credit ratings are generally not accepted by the Group. The Group will also monitor and update the credit limits of individual customers by taking into consideration of their credit ratings from time to time. In this regard, the directors of the Company consider that the Group's credit risk associated with its bills receivable is limited.

The credit risk on other receivables is limited because the directors of the Company closely monitor the settlement therefrom and expect that the general economic conditions will not be significantly changed within 12 months after the reporting date.

For loan receivables, the management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the management, the credit risk for loan receivables is minimised taking into consideration of the estimated values of the collaterals held by the Group and the credit quality of the borrowers.

The pledged and restricted bank deposits and bank balances are placed in a number of counterparties, most of which are licensed banks with high credit ratings. As such, the credit risk on liquid funds is limited.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 79% (2021: 80%) and 100% (2021: 100%) of the total trade and bills receivables and loan receivables respectively at the end of the reporting period. The Group has concentration of credit risk as 28% (2021: 37%) of its loan receivables were due from a related party controlled by a substantial shareholder of the Company and the other two largest borrowers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties, customers and industries.

51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Impairment assessment under HKFRS 9

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
P 1	The counterparty has no history of default or has a low risk of default and is considered to have the strongest financial strength. Typical counterparties include state owned enterprises, listed companies, subsidiaries of listed companies and large private companies with over 3 years business relationship	Lifetime ECL — not credit-impaired	12m ECL *(Note)*
P 2	The counterparty has no history of default or has a low risk of default and is financially strong. Typical counterparties include large private companies with less than 3 years business relationship and small private companies with over 3 years business relationship	Lifetime ECL — not credit-impaired	12m ECL *(Note)*
P 3	The counterparty has no history of default or has a low risk of default but is not included in categories P1 or P2 above. Typical counterparties include small private companies with less than 3 years business relationship	Lifetime ECL — not credit-impaired	12m ECL *(Note)*
P 4	There is evidence indicating the asset is credit-impaired but the Group has realistic prospect of recovery	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
P 5	There is evidence indicating the asset is credit-impaired for more than 12 months and the Group has less prospect of recovery	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
P 6	There is evidence indicating that the debtor is in severe financial difficulty	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: In cases where evidences show significant increase in credit risk since initial recognition through information developed internally or external sources, these other financial assets would be assessed on the basis of lifetime ECL (not credit impaired).

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51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment (Continued)

Impairment assessment under HKFRS 9 (Continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and FVTOCI which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount RMB million	2022 Gross carrying amount RMB million	2021 Gross carrying amount RMB million	2021 Gross carrying amount RMB million
Trade and bills receivables	27	P1	Lifetime ECL – not credit-impaired	**6,709**		8,667	
		P2	Lifetime ECL – not credit-impaired	**1,057**		1,149	
		P3	Lifetime ECL – not credit-impaired	**1,342**		1,216	
		P4	Lifetime ECL – credit-impaired	**686**		1,233	
		P5	Lifetime ECL – credit-impaired	**403**		40	
		P6	Lifetime ECL – credit-impaired	**583**	**10,780**	548	12,853
Loan receivables	23	P1	12m ECL	**489**		893	
		P2	12m ECL	**–**		102	
		P3	12m ECL	**238**		8	
		P5	Lifetime ECL – credit-impaired	**65**		34	
		P6	Lifetime ECL – credit-impaired	**48**	**840**	89	1,126
Other receivables	28	P1	12m ECL	**2,443**		1,431	
		P2	12m ECL	**54**		42	
		P3	12m ECL	**82**		45	
		P4	Lifetime ECL – credit-impaired	**7**		8	
		P5	Lifetime ECL – credit-impaired	**13**		2	
		P6	Lifetime ECL – credit-impaired	**134**	**2,733**	129	1,657
Pledged and restricted bank deposits	29	*(Note)*	12m ECL	**3,353**	**3,353**	2,128	2,128
Bank balances and cash	29	*(Note)*	12m ECL	**9,054**	**9,054**	10,611	10,611

Note: The counterparties are licensed banks with high credit ratings and the risk of default on liquid funds is limited.

51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Impairment assessment under HKFRS 9 (Continued)

As part of the credit risk management, the Group applies internal credit rating to its customers and other counterparties. The following table provides information about the exposure to credit risk which is assessed based on provision matrix as at the end of the reporting period. Credit-impaired trade and bills receivables, loan receivables, other receivables with gross carrying amounts of RMB1,672 million, RMB113 million and RMB154 million, respectively as at 31 December 2022 (2021: RMB1,821 million, RMB123 million and RMB139 million, respectively) were assessed individually.

Internal credit rating	Average loss rate	Gross carrying amount Trade and bills receivables RMB million	 Loan receivables RMB million	 Other receivables RMB million
As at 31 December 2022				
P1	0.06%	**6,709**	**489**	**2,443**
P2	2.36%	**1,057**	**–**	**54**
P3	4.98%	**1,342**	**238**	**82**
		9,108	**727**	**2,579**
As at 31 December 2021				
P1	0.05%	8,667	893	1,431
P2	2.74%	1,149	102	42
P3	5.23%	1,216	8	45
		11,032	1,003	1,518

The estimated loss rates are estimated based on average of market corporate default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, impairment allowance of RMB21 million (2021: RMB374 million) for trade receivables at amortised cost and reversal of impairment allowance for bills receivables of RMB2 million (2021: reversal of impairment allowance of RMB74 million) has been made.

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51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment (Continued)

Impairment assessment under HKFRS 9 (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB million	Lifetime ECL (credit-impaired) RMB million	Total RMB million
As at 1 January 2021	88	376	464
Transfer to credit-impaired *(Note (a))*	(10)	10	–
Impairment loss (reversed) recognised, net *(Note (b))*	(23)	323	300
Written-off *(Note (c))*	–	(53)	(53)
As at 31 December 2021	**55**	**656**	**711**
Transfer to credit-impaired *(Note (a))*	**(20)**	**20**	**–**
Impairment loss (reversed) recognised, net *(Note (b))*	**(11)**	**30**	**19**
Written-off *(Note (c))*	**–**	**(6)**	**(6)**
As at 31 December 2022	**24**	**700**	**724**

Notes:

(a) Certain trade receivables are defaulted and transferred to credit-impaired during the years ended 31 December 2022 and 2021.

(b) The Group reversed certain impairment loss due to settlement in full of the relevant trade receivables during the years ended 31 December 2022 and 2021.

(c) The Group writes off a trade receivable when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL and 12m ECL that has been recognised for loan receivables.

	12m ECL RMB million	Lifetime ECL (credit-impaired) RMB million	Total RMB million
As at 1 January 2021	3	131	134
Impairment loss recognised (reversed), net	22	(32)	(10)
As at 31 December 2021	**25**	**99**	**124**
Impairment loss recognised (reversed), net	**(19)**	**(1)**	**(20)**
Written-off	**(2)**	**(40)**	**(42)**
As at 31 December 2022	**4**	**58**	**62**

Notes to the Consolidated Financial Statements

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51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Impairment assessment under HKFRS 9 (Continued)

The Group writes off a loan receivable when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery such as when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the borrowers to recover the amount due.

In addition, the Group recognised impairment for credit losses for its credit-impaired other receivables amounted to RMB3 million (2021: RMB5 million) and reversed impairment for not credit-impaired other receivables amounted to RMB1 million (2021: recognised RMB4 million) for the year ended 31 December 2022 under lifetime ECL and 12m ECL respectively. The Group does not write off impairment for credit losses for its credit-impaired other receivables (2021: RMB1 million) for the year ended 31 December 2022 under lifetime ECL.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows (inflows) on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Notes to the Consolidated Financial Statements

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51. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 1 month RMB million	1 to 3 months RMB million	Over 3 months but not more than 1 year RMB million	1 to 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2022 RMB million
31 December 2022								
Non-derivative financial liabilities								
Trade and bills payables	–	5,372	3,625	3,151	322	–	12,470	12,470
Other payables	–	2,187	235	1,126	–	–	3,548	3,548
Other financial liabilities	–	94	4	2	61	–	161	161
Other financial liabilities	8%	210	–	–	–	–	210	210
Bank borrowings – variable rate	3.82%	75	151	686	1,046	1,552	3,510	3,003
Bank borrowings – fixed rate	3.26%	695	1,451	6,646	2,956	1,013	12,761	12,254
Lease liabilities	4.85%	3	8	35	60	5	111	100
		8,636	5,474	11,646	4,445	2,570	32,771	31,746
Derivatives financial instruments, net								
Foreign currency forward contracts		28	3	36	1	–	68	68
		28	3	36	1	–	68	68

	Weighted average effective interest rate	Repayable on demand or less than 1 month RMB million	1 to 3 months RMB million	Over 3 months but not more than 1 year RMB million	1 to 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2021 RMB million
31 December 2021								
Non-derivative financial liabilities								
Trade and bills payables	–	4,946	3,512	3,239	172	–	11,869	11,869
Other payables	–	1,608	31	851	–	–	2,490	2,490
Other financial liabilities	–	14	–	100	59	–	173	173
Other financial liabilities	7.35%	–	–	280	–	–	280	264
Bank borrowings – variable rate	3.00%	60	85	385	1,432	207	2,169	2,078
Bank borrowings – fixed rate	2.80%	699	1,400	6,386	2,996	1,412	12,893	12,184
Debt component of convertible bonds	5.62%	–	–	10	1,230	–	1,240	956
Corporate bonds	5.65%	–	–	94	844	–	938	875
Lease liabilities	4.66%	14	3	42	112	–	171	151
		7,341	5,031	11,387	6,845	1,619	32,223	31,040
Derivatives financial instruments, net								
Foreign currency forward contracts		42	–	5	33	–	80	80
Cross-currency swap contract		–	–	–	26	–	26	26
		42	–	5	59	–	106	106

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

51. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As listed in note 37, several of the Group's variable-rate borrowings carrying interest at EURIBOR and LIBOR may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of EURIBORs/LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to transition the majority of its remaining IBOR-linked contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from IBOR to alternative reference rate at an agreed point in time.

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51. FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements of financial instruments

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed below.

No changes in the business or economic circumstances that significantly affect the fair value of financial instruments are considered by the directors of the Company.

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

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2022				
Financial assets				
Financial assets at FVTPL	**933**	**19**	**2,077**	**3,029**
Equity instruments at FVTOCI	**421**	**–**	**989**	**1,410**
Trade receivables at FVTOCI	**–**	**–**	**450**	**450**
	1,354	**19**	**3,516**	**4,889**
Financial liabilities				
Derivative financial instruments	**–**	**(68)**	**–**	**(68)**
At 31 December 2021				
Financial assets				
Financial assets at FVTPL	145	12	2,699	2,856
Equity instruments at FVTOCI	123	–	1,470	1,593
Trade receivables at FVTOCI	–	557	–	557
	268	569	4,169	5,006
Financial liabilities				
Derivative financial instruments	–	(106)	(172)	(278)

51. FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements of financial instruments *(Continued)*

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

Financial assets/(financial liabilities)	Fair value as at 31 December 2022 RMB million	Fair value as at 31 December 2021 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL				
Listed equity securities	**933**	145	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**1,951**	1,316	Level 3 *(Note (a))*	Market approach
				Valuations are derived by the earnings attributable to owners of the investments, trading multiples of comparable companies and discounts for lack of marketability.
Unlisted investment funds	**112**	282	Level 3 *(Note (b))*	Discounted cash flow
				Future cash flows are estimated based on expected applicable yield of the underlying investment portfolios and adjustments of related expenses, discounted at rates that reflect the credit risk of various counterparties.
Listed equity securities with restriction for sale	**14**	1,101	Level 3 *(Note (c))*	Quoted bid prices of the same listed entities in an active market and adjusted for the factor of trading restrictions.
	3,010	2,844		
Equity instruments at FVTOCI				
Unlisted equity securities	**989**	1,470	Level 3 *(Note (d))*	Market approach
				Valuations are derived by the earnings attributable to owners of the investments, trading multiples of comparable companies and discounts for lack of marketability.
Listed equity securities	**421**	123	Level 1	Quoted bid prices in an active market
	1,410	1,593		
Trade receivables at FVTOCI				
Trade receivables	**450**	557	Level 2	Discounted cash flow
				Future cash flows are estimated based on expected settlement and discounted at rates that reflect the credit risk of the counterparties.
Derivative financial instruments				
Foreign currency forward contracts – assets (included in financial assets at FVTPL)	**19**	12	Level 2	Discounted cash flow
Foreign currency forward contracts – liabilities (included in other financial liabilities)	**(68)**	(80)	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties.

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51. FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements of financial instruments *(Continued)*

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

Financial assets/(financial liabilities)	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2022 RMB million	2021 RMB million		
Cross-currency swap contract – liabilities (included in other financial liabilities)	**–**	(26)	Level 2	Discounted cash flow Future cash flows are estimated based on observable spot and forward exchange rates and the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
Derivative component of the convertible bonds (included in other financial liabilities)	**–**	(172)	Level 3 *(Note (e))*	Binomial option pricing model Fair value is estimated based on share price of Skyworth Digital, exercise price, risk free rate, expected volatility and dividend yield.
	(49)	(266)		

Notes:

(a) Discount for lack of marketability of 25% (2021: 25%) is the key unobservable input used in the valuation. A slight decrease in discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTPL, and vice versa. A 5% (2021: 5%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTPL by RMB27 million (2021: RMB240 million).

(b) Expected yield of 5% (2021: 5%) is the key unobservable input used in the valuation. A slight increase in the expected yield would result in a significant increase in the fair value measurement of the unlisted investment fund, and vice versa. A 5% (2021: 5%) increase in the expected yield holding all other variables constant would increase the carrying amount of the unlisted investment funds by RMB2 million (2021: RMB2 million).

(c) Discount for prohibition of trading on the same listed entities of 6% (2021: 11–14%) is the key unobservable input used in the valuation. A slight decrease in discount for prohibition of trading used in valuation would result in a significant increase in the fair value measurement of the listed equity securities with restriction for sale at FVTPL, and vice versa. A 5% (2021: 5%) decrease in the discount for prohibition of trading holding all other variables constant would increase the carrying amount of the listed equity securities with restriction for sale at FVTPL by RMB1 million (2021: RMB63 million).

(d) Discount for lack of marketability of 14% (2021: 15%) is the key unobservable input used in the valuation. A slight decrease in discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTOCI, and vice versa. A 5% (2021: 5%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTOCI by RMB20 million (2021: RMB38 million).

(e) As at 31 December 2021, expected volatility of the share price of Skyworth Digital of 15% is the key unobservable input used in the valuation. A slight increase in the expected volatility of Skyworth Digital used in isolation would result in significant increase in the fair value measurement of the derivative component of the convertible bonds, and vice versa. A 5% increase in the share price of Skyworth Digital and 2% increase in expected volatility of the share price holding all other variables constant would increase the carrying amount of the derivative component of the convertible bonds by RMB63 million and RMB69 million, respectively. As at 31 December 2022, all convertible bonds that were not converted by their holders to ordinary shares of Skyworth Digital upon the expiry of the notice period have been redeemed by Skyworth Digital.

51. FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value measurements of financial instruments *(Continued)*

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

Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI	Financial assets at FVTPL		
	Unlisted equity securities RMB million	**Unlisted equity securities** RMB million	**Unlisted funds** RMB million	**Listed equity securities with restriction for sale** RMB million
At 1 January 2021	1,088	1,076	167	–
Gain from changes in fair value of equity instruments at FVTPL	–	131	–	1,002
Fair value gain on investments in equity instruments at FVTOCI	384	–	–	–
Transfer	–	(99)	–	99
Transfer out of level 3 *(Note)*	–	(43)	–	–
Investments	3	440	2,364	–
Disposals	(5)	(189)	(2,249)	–
At 31 December 2021	**1,470**	**1,316**	**282**	**1,101**
Gain (loss) from changes in fair value of equity instruments at FVTPL	**–**	**324**	**–**	**(91)**
Fair value loss on investments in equity instruments at FVTOCI	**(506)**	**–**	**–**	**–**
Transfer out of level 3 *(Note)*	**–**	**–**	**–**	**(839)**
Investments	**25**	**356**	**821**	**–**
Disposals	**–**	**(45)**	**(991)**	**(157)**
At 31 December 2022	**989**	**1,951**	**112**	**14**

Note: During the years ended 31 December 2022 and 2021, certain equity securities were transferred out of Level 3 of the fair value hierarchy upon the listing of the equity securities or expiration of the period that trading of the relevant shares was prohibited on the relevant stock exchanges.

All gains and losses included in OCI relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "FVTOCI reserve".

Reconciliation of Level 3 fair value measurement of financial liability, representing the derivative component of the convertible bonds, is disclosed in note 38.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except for bank borrowings at fixed rates, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the bank borrowings and corporate bonds (categorised with Level 2 hierarchy) and fair value of debt component of convertible bonds (categorised with Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rates that reflects the credit risk of the relevant entities of the Group.

52. RELATED PARTY DISCLOSURES

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

	2022 RMB million	2021 RMB million
Associates		
Sales of finished goods	**567**	787
Joint ventures		
Repair and maintenance service fee income	**–**	1
Sales of finished goods	**1**	1
IT services fee expense	**2**	2
Other related parties		
Sale of automobile components to a related party *(Note a)*	**10**	–
Sale of electronic products to a related party *(Note b)*	**126**	172
Consideration for transfer of the title and interest in certain trademarks owned by the Group to a related party (included in other income) *(Note a)*	**–**	28
Interest income arising from loan receivables from related parties *(Note a)*	**16**	9
Purchase of motor vehicles from a related party *(Note a)*	**–**	4
Consultancy fee paid to a substantial shareholder of the Company	**3**	2
Service fees paid for the development of a software system *(Note a)*	**3**	–

Notes:

(a) The relevant related parties are controlled by a substantial shareholder of the Company. Please refer to sections headed "Connected Transactions/contracts of significance with Controlling Shareholder" in the Directors' Report for the details.

(b) The relevant related party is controlled by the spouse of a director of the Company. Please refer to the section headed "Connected Transactions/contracts of significance with Controlling Shareholder" in the Directors' Report for details.

Compensation of key management personnel

The remuneration of directors and other members of key management including chief executive of the Company during the year was as follows:

	2022 RMB million	2021 RMB million
Short-term benefits	**89**	120
Post-employment benefits	**1**	1
Share-based payments	**31**	2
	121	123

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

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53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 December 2022 and 2021 which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ establishment/operation	Issued and fully paid share capital/ paid up registered capital	Effective interest held by the Company (Note (a))		Principal activities
			2022	2021	
Skyworth Holdings Limited 創維控股有限公司	Samoa/Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Skyworth Enterprises Limited 創維實業有限公司	Samoa/Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Skyworth Investment (Holdings) Limited 創維投資(控股)有限公司	The British Virgin Islands/ Hong Kong	Ordinary shares HK$893 Preference shares HK$990	**100%**	100%	Investment holding
Skyworth Intellectual Property Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Intellectual property holding
Winform Inc.	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Property holding
Skyworth Moulds Industrial Company Limited	The British Virgin Islands/ Hong Kong	Ordinary shares US$10	**100%**	100%	Investment holding
Skyworth Display Technology Holdings Limited 創維光顯科技控股有限公司	Bermuda/Hong Kong	Ordinary shares HK$100,000	**100%**	100%	Investment holding
Skyworth Electronic Appliance Limited 創維電器有限公司	Hong Kong	Ordinary shares HK$93,114,000	**100%**	100%	Investment holding
Skyworth TV Holdings Limited 創維電視控股有限公司	Hong Kong	Ordinary shares HK$30,600,000 Non-voting deferred shares HK$2,500,000 *(Note (b))*	**100%**	100%	Investment holding
Weirong International Limited 維融國際有限公司 (previously known as Skyworth Multimedia International Limited 創維多媒體國際有限公司)	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Limited 創維海外有限公司	Hong Kong	Ordinary shares HK$2	**100%**	100%	Trading of consumer electronic products
Skyworth Financial Management Company Limited 創維財資管理有限公司	Hong Kong	Ordinary shares HK$500,000,000	**100%**	100%	Treasury management and investment holding
Skyworth International Trading Limited 創維國際貿易有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Trading
深圳創維－RGB電子有限公司	PRC *(Note (c))*	Registered capital RMB700,000,000	**100%**	100%	Manufacture and sale of consumer electronic products
新創維電器(深圳)有限公司	PRC *(Note (d))*	Registered capital US$21,180,000	**100%**	100%	Manufacture of consumer electronic products and property holding

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment/operation	Issued and fully paid share capital/ paid up registered capital	Effective interest held by the Company (Note (a))		Principal activities
			2022	2021	
呼和浩特市創維建設發展有限公司	PRC *(Note (c))*	Registered capital US$24,400,000	**100%**	100%	Manufacture and sale of consumer electronic products
創維集團科技園管理有限公司	PRC *(Note (c))*	Registered capital US$39,500,000	**100%**	100%	Manufacture of consumer electronic products and property holding
創維集團有限公司	PRC *(Note (c))*	Registered capital HK$1,830,000,000	**100%**	100%	Investment holding
Skyworth Digital	PRC *(Note (f))*	Registered capital RMB1,063,237,105	**52.55% *(Note (g))***	56.85% *(Note (g))*	Investment holding
深圳創維數字技術有限公司	PRC *(Note (e))*	Registered capital RMB300,000,000	**52.55% *(Note (g))***	56.85% *(Note (g))*	Manufacture and sale of consumer electronic products and research and products development
Strong Media Group Limited	The British Virgin Islands/ Austria	Ordinary shares EUR84	**42% *(Note (g))***	45.5% *(Note (g))*	Sale and distribution of reception facilities of digital televisions
深圳市酷開網絡科技股份有限公司 ("Coocaa Technology")	PRC *(Note (e))*	Registered capital RMB360,009,000	**57.0%**	57.0%	Manufacturing and sale of consumer electronic products
創維液晶器件(深圳)有限公司	PRC *(Note (d))*	Registered capital HK$25,000,000	**52.55% *(Note (g))***	56.85% *(Note (g))*	Manufacture and sale of consumer electronic products and research and products development
創維電器股份有限公司	PRC *(Note (e))*	Registered capital RMB193,500,000	**74.7%**	74.7%	Manufacture and sale of consumer electronic products and research and products development
深圳創維光伏科技有限公司	PRC	Registered capital RMB50,000,000	**72%**	70%	Investment holding and trading of photovoltaic products
南京創維光伏科技有限公司	PRC	Registered capital RMB10,000,000	**72%**	70%	Trading of photovoltaic products
創維集團建設發展有限公司	PRC	Registered capital RMB675,000,000	**100%**	100%	Investment holding and property developments
創維集團財務有限公司	PRC *(Note (d))*	Registered capital RMB1,152,670,000	**97.3%**	97.5%	Financing
深圳創維科技咨詢有限公司	PRC *(Note (d))*	Registered capital RMB100,000,000	**100%**	100%	Investment holding

Notes to the Consolidated Financial Statements

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53. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) The Company directly holds the entire interest in Skyworth Holdings Limited. The interests of all other companies are indirectly held by the Company.

(b) The non-voting deferred shares practically carry no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

(c) The subsidiaries are sino-foreign equity joint ventures registered in the PRC.

(d) The subsidiaries are wholly foreign owned enterprises registered in the PRC.

(e) The subsidiary is a joint stock limited company registered in the PRC.

(f) The subsidiary is a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange.

(g) The effective interest held by the Company included 0.01% (2021: 0.01%) equity interest held under treasury shares of a subsidiary of the Company for the purpose of the restricted share incentive scheme of Skyworth Digital as set out in note 42.

None of the subsidiaries had issued any debt securities outstanding at 31 December 2022 and 2021 or at any time during the year, except for the issuance of convertible bonds by Skyworth Digital and issuance of certain corporate bonds by a subsidiary as disclosed in notes 38 and 39 respectively in which the Company has no interest.

At the end of the reporting period, the Company has other subsidiaries that are considered to be not material to the Group. A majority of these subsidiaries operate in the PRC.

54. NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 RMB million**	2021 RMB million	**2022 RMB million**	2021 RMB million
Skyworth Digital	PRC	**47.45%**	43.15%	**374**	176	**2,861**	1,999
Coocaa Technology	PRC	**43.0%**	43.0%	**104**	133	**1,057**	980
Individually immaterial subsidiaries with non-controlling interest				**108**	22	**109**	62
				586	331	**4,027**	3,041

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Notes to the Consolidated Financial Statements

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54. NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	Skyworth Digital		Coocaa Technology	
	2022 RMB million	2021 RMB million	**2022 RMB million**	2021 RMB million
Non-current assets	**1,542**	1,614	**1,461**	1,597
Current assets	**9,269**	9,583	**1,636**	1,318
Current liabilities	**(4,641)**	(5,525)	**(609)**	(591)
Non-current liabilities	**(155)**	(1,114)	**(73)**	(79)
	6,015	4,558	**2,415**	2,245
Equity attributable to owners of the Company	**3,154**	2,559	**1,358**	1,265
Non-controlling interests of Skyworth Digital/Coocaa Technology	**2,847**	1,967	**1,026**	956
Non-controlling interest of subsidiaries of Skyworth Digital/Coocaa Technology	**14**	32	**31**	24
	6,015	4,558	**2,415**	2,245
Revenue	**12,009**	10,847	**1,500**	1,382
Expenses	**(11,203)**	(10,432)	**(1,267)**	(1,084)
Profit for the year	**806**	415	**233**	298
Profit (loss) attributable to:				
Owners of the Company	**432**	239	**129**	165
Non-controlling interests of Skyworth Digital/Coocaa Technology	**391**	183	**98**	124
Non-controlling interests of subsidiaries of Skyworth Digital/Coocaa Technology	**(17)**	(7)	**6**	9
Profit for the year	**806**	415	**233**	298
Other comprehensive (expense) income attributable to:				
Owners of the Company	**(17)**	2	**–**	–
Non-controlling interests of Skyworth Digital/Coocaa Technology	**(15)**	2	**–**	–
Other comprehensive (expense) income for the year	**(32)**	4	**–**	–
Total comprehensive income (expense) attributable to:				
Owners of the Company	**415**	241	**129**	165
Non-controlling interests of Skyworth Digital/Coocaa Technology	**376**	185	**98**	124
Non-controlling interests of subsidiaries of Skyworth Digital/Coocaa Technology	**(17)**	(7)	**6**	9
Total comprehensive income for the year	**774**	419	**233**	298
Dividends paid to non controlling interest of Skyworth Digital/Coocaa Technology	**46**	–	**27**	–
Net cash inflow (outflow) from:				
Operating activities	**1,610**	190	**305**	328
Investing activities	**(153)**	(177)	**216**	(1,068)
Financing activities	**(916)**	141	**(72)**	(53)
Net cash inflow (outflow)	**541**	154	**449**	(793)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

55. FINANCIAL INFORMATION OF THE COMPANY

The following is the statement of financial position of the Company:

	2022 RMB million	2021 RMB million
Non-current Asset		
Interests in subsidiaries	**7,356**	7,232
Current Assets		
Other receivables	**4**	–
Amounts due from subsidiaries	**14**	62
Bank balances and cash	**1**	49
	19	111
Current Liabilities		
Other payables	**94**	112
Amounts due to subsidiaries	**3,585**	2,288
Corporate bonds	**–**	77
	3,679	2,477
Net Current Liabilities	**(3,660)**	(2,366)
Total Assets less Current Liabilities	**3,696**	4,866
Net Assets	**3,696**	4,866
Capital and Reserves		
Share capital	**266**	273
Reserves	**3,430**	4,593
	3,696	4,866

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

55. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

The followings are the movements in reserves of the Company for both years:

	Share premium RMB million	Share option reserve RMB million	Share award reserve RMB million	Shares held for share award scheme RMB million	Surplus account RMB million	Accumulated profits RMB million	Total RMB million
Balance at 1 January 2021	2,360	107	–	–	1,006	1,392	4,865
Loss and total comprehensive expense for the year	–	–	–	–	–	(147)	(147)
Recognition of equity-settled share-based payments *(note 42)*	–	4	–	–	–	–	4
Purchase of shares for unvested shares under share award scheme of the Company	–	–	–	(79)	–	–	(79)
Exercise of share options	84	(20)	–	–	–	–	64
Repurchase of shares	(114)	–	–	–	–	–	(114)
Balance at 31 December 2021	**2,330**	**91**	**–**	**(79)**	**1,006**	**1,245**	**4,593**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(255)**	**(255)**
Recognition of equity-settled share-based payments *(note 42)*	**–**	**–**	**51**	**–**	**–**	**–**	**51**
Purchase of shares for unvested shares under share award scheme of the Company	**–**	**–**	**–**	**(33)**	**–**	**–**	**(33)**
Exercise of share options	**59**	**(18)**	**–**	**–**	**–**	**–**	**41**
Allotment of share awards	**–**	**–**	**(31)**	**21**	**–**	**–**	**(10)**
Repurchase of shares	**(391)**	**–**	**–**	**–**	**–**	**–**	**(391)**
Lapse of share option	**–**	**(34)**	**–**	**–**	**–**	**34**	**–**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(566)**	**(566)**
Balance at 31 December 2022	**1,998**	**39**	**20**	**(91)**	**1,006**	**458**	**3,430**

Financial Summary

RESULTS

	For the year ended 31 December				For the nine months ended 31 December
	2022	2021	2020	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	**53,491**	50,928	40,093	37,277	30,192
Cost of sales	**(45,284)**	(42,380)	(32,929)	(29,775)	(24,534)
Gross profit	**8,207**	8,548	7,164	7,502	5,658
Other income	**1,201**	1,284	1,233	1,071	628
Other gains and losses	**44**	724	965	52	(290)
Selling and distribution expenses	**(3,439)**	(3,981)	(3,477)	(3,757)	(2,862)
General and administrative expenses	**(1,654)**	(1,479)	(1,415)	(1,014)	(833)
Research and development expenses	**(2,116)**	(2,097)	(1,865)	(1,843)	(1,327)
Finance costs	**(432)**	(461)	(440)	(484)	(335)
Share of results of associates and joint ventures	**8**	14	15	26	9
Profit before taxation	**1,819**	2,552	2,180	1,553	648
Income tax expense	**(412)**	(587)	(345)	(522)	(95)
Profit for the year	**1,407**	1,965	1,835	1,031	553
Attributable to:					
Owners of the Company	**827**	1,634	1,440	747	420
Non-controlling interests	**580**	331	395	284	133
	1,407	1,965	1,835	1,031	553

Financial Summary

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
Total consolidated assets	**64,410**	60,881	53,684	47,538	45,160
Total consolidated liabilities	**(42,516)**	(39,795)	(34,693)	(29,395)	(27,805)
Net assets	**21,894**	21,086	18,991	18,143	17,355
Attributable to:					
Owners of the Company	**17,867**	18,045	16,310	15,992	15,470
Non-controlling interests	**4,027**	3,041	2,681	2,151	1,885
	21,894	21,086	18,991	18,143	17,355

Financial Review

Amounts expressed in RMB millions (except for share data and items specifically stated)

	Year ended 31 December				Nine months ended 31 December
	2022	2021	2020	2019	2018
OPERATING RESULTS					
Revenue	**53,491**	50,928	40,093	37,277	30,192
EBIT	**2,251**	3,013	2,620	2,023	973
Profit attributable to owners of the Company	**827**	1,634	1,440	747	420
DATA PER SHARE					
Earnings per share — Basic (RMB cents)	**31.97**	62.11	49.23	24.61	13.85
Dividend per share (HK cents)	**3.0**	23.0	–	–	6.0
Dividend payout ratio	**8.5%**	30.4%	0.0%	0.0%	38.3%
KEY STATISTICS					
Equity attributable to owners of the Company	**17,867**	18,045	16,310	15,992	15,470
Working capital****	**10,899**	13,725	11,410	7,388	8,636
Cash position*	**12,407**	12,739	9,841	6,102	3,772
Borrowings	**15,257**	14,262	11,387	8,177	6,324
Corporate bonds (inclusive of interest)	**–**	921	920	2,029	2,026
Convertible bonds (inclusive of interest)	**–**	962	917	907	–
Bills receivables	**1,990**	2,996	4,489	4,835	6,942
Trade receivables	**8,066**	9,146	9,162	9,430	9,474
Inventories	**8,947**	7,791	6,004	4,909	6,031
Depreciation and amortisation	**1,082**	906	917	870	541
KEY RATIOS					
ROE (%)	**4.6**	9.5	8.9	4.7	2.7
ROA (%)	**2.2**	3.4	3.6	2.2	1.2
Debt to equity (%)**	**69.7**	76.6	69.6	61.4	48.1
Current ratio (times)	**1.3**	1.4	1.4	1.3	1.4
Trade receivables turnover period excluding portion arising from discounted bills receivables (days)***	**76**	92	127	150	131
Inventories turnover period (days)***	**71**	64	64	72	65
Gross profit margin (%)	**15.3**	16.8	17.9	20.1	18.7
EBITDA margin (%)	**5.6**	7.1	8.1	7.8	5.0
EBIT margin (%)	**4.2**	5.9	6.5	5.5	3.2
Profits margin (%)	**2.6**	3.9	4.6	2.8	1.8

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

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

*** Calculation based on average inventory; average sum of bills receivables and trade receivables

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

Completed Properties for Sale

	Property name	Location
1	Skyworth Lehuocheng (創維樂活城)	No. 26, Tuanshan West Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province
2	Skyworth Wenhui Court (創維文匯苑)	No. 1 Qunli Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province
3	Phase 1 of Chuangwei Jingyuan (創維璟園一期)	Plot 2-1, No. 29 Jingfa Avenue, Yichun City, Jiangxi Province
4	Phase 2 of Chuangwei Jingyuan (創維璟園二期)	Plot 2-2, No. 29 Jingfa Avenue, Yichun City, Jiangxi Province

Completed Properties for Sale

Lease expiry	Group's interest (%)	Gross floor area attributable to the Group (square meter)	Attributable gross floor area (square meter)				Land lot No.
			Residential	Commercial	Industrial	Carpark	
2082	100%	9,207.63	124.67	211.86	–	8,871.10	24108005054-1\241080054-2
2056/2086	100%	53,179.93	14,425.00	20,307.83	–	18,447.10	320117103021GB00014\ 320117103021GB00015
2082	100%	6,842.48	–	3,458.48	–	3,384.00	360902002001GB00108
2082	100%	10,215.50	686.17	8,093.33	–	1,436.00	360902002001GB00233

Properties under Development

	Location	Property name	Lease expiry	Group's interest (%)	Site area (square meter)
1	No. 1 Qunli Road, Lishui Economic Development Zone, Nanjing City, Jiangsu Province	Skyworth Wenhui Court (創維文匯苑) (Phase 5)	2056	100%	2,163.73
2	Skyworth Lake-Viewing Mansion Project (創維觀湖苑項目), Quanjiao County Development Zone, Chuzhou City, Anhui Province	Skyworth Lake-Viewing Mansion (創維觀湖苑)	2058/2088	100%	497,559.00
3	江蘇省南京市溧水區永陽街道青年路以北, 鐘靈北路以西	創維文悦府	2091	90%	42,539.94
4	South of Chenguang Street and East of Keerqin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古呼和浩特市賽罕區晨光街以南、科爾沁南路以東)	Ruyi Shijia (如意世家)	2090	100%	119,847.60
5	South of Jinyuan Road and West of Jingdu Road, Yichun Economic and Technological Development Zone, Jiangxi Province (江西省宜春經濟技術開發區金園路南側，經都路西側地段)	Skyworth Yuyuan (創維瑜園)	2088	100%	59,407.00
6	South of Yuanshan East Road and East of Duoshenglou Road, Yichun City, Jiangxi Province (江西省宜春市袁山東路南側、多勝樓路東側地段)	Skyworth Yunxitai (創維雲熙台)	2090	100%	26,865.00
7	East of Zhaolong Road, South of Planned First Road and West of Planned Second Road, Zhuangshi Street, Zhenhai District, Ningbo City, Zhejiang Province (浙江省寧波市鎮海區莊市街道兆龍路東側、規劃一路南側、規劃二路西側)	Ningbo Skyworth Shuangzhi Shuangchuang Industrial Park (寧波雙智雙創產業園)	2059	100%	48,544.00
8	East of Zhaolong Road, South of Qingquan Road, West of Planned Second Road and North of Planned First Road, Zhuangshi Street, Zhenhai District, Ningbo City, Zhejiang Province (浙江省寧波市鎮海區莊市街道兆龍路東側、清泉路南側、規劃思路西側、規劃一路北側)	Ningbo Chongwen Garden (寧波崇文花園)	2089	100%	52,612.00
9	湖北省武漢市東西湖區新城十四路以西、金山大道以北	武漢漢華世家	2092	100%	113,917.00

Properties under Development

Gross floor area attributable to the Group *(square meter)*	Attributable gross floor area *(square meter)*					Stage of completion	Estimated completion date	Land lot No.
	Residential	Commercial	Carpark	Kindergarten	Others			
3,952.16	–	–	–	–	3,952.16	Planning and design stage	Completion date undetermined	320117103021GB00015
823,413.00	696,844.00	23,847.00	102,722.00	–	–	The project is divided into eight phases, with phase 1 under construction	Completion date undetermined	341124013010GB00001\00008\00010\00011
98,026.27	88,041.13	843.07	8,246.00	–	896.07	The above works are currently under construction	March 2025	320117100039GB00026
321,021.60	217,464.10	9,807.68	66,449.46	3,168.78	24,131.58	The above works are currently under construction	July 2026	150105401002GB00056
131,601.00	115,923.00	–	15,678.00	–	–	The above works are currently under construction	November 2023	360902002001GB00235
50,066.12	45,841.12	–	4,225.00	–	–	The above works are currently under construction	November 2023	360902006007GB00611
112,414.95	–	75,531.88	34,881.55	–	2,001.52	The above works are currently under construction	June 2023	330211004007GB00350
136,878.07	86,256.15	1,902.99	39,513.81	4,018.32	5,186.80	The above works are currently under construction	May 2023	330211004007GB00349
337,405.97	233,347.90	4,600.00	75,127.83	3,600.00	20,730.24	The above works are currently under construction	31 December 2026	420112409003GB00068

Investor Relations

CALENDAR OF MAJOR IR ACTIVITIES

January — December 2022

Month	Events
March	• 2021 Annual Results Announcement • 2021 Annual Results Investor Briefing (Virtual Conference) • 2021 Annual Results Roadshow (Virtual Conference/Conference Call)
April	• 2021 Annual Results Roadshow (Virtual Conference/Conference Call) • 2022 First Quarterly Results Announcement
May	• Annual General Meeting
August	• 2022 Interim Results Announcement • Investor meeting (Conference Call), arranged by China International Capital Corporation Limited • Investor meeting (Conference Call), arranged by First Shanghai Securities Limited • Investor meeting (Conference Call), arranged by TF International Securities Group Limited
September	• Investor meeting (Virtual Conference), arranged by Mizuho Securities Asia Limited
October	• 2022 Third Quarterly Results Announcement
November	• Investor meeting (Conference Call), arranged by China International Capital Corporation Limited • Investor meeting (Conference Call), arranged by TF International Securities Group Limited

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

MEMBERS OF COMMITTEES

Audit Committee

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

Executive Committee

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

Nomination Committee

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

Remuneration Committee

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

COMPANY SECRETARY

Mr. Lam Shing Choi, Eric

AUTHORISED REPRESENTATIVES

Ms. Lin Wei Ping
Mr. Lam Shing Choi, Eric

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISOR

Reed Smith Richards Butler LLP

PRINCIPAL BANKERS

Bank of China Limited
Bank of Communications Co., Ltd.
China CITIC Bank International Limited
China Construction Bank Corporation
China Development Bank
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Postal Savings Bank of China Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1601–04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–16
17th Floor Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

SHARES LISTING

Shares of the Company are listed on
The Stock Exchange of Hong Kong Limited
Stock Code: 00751

IMPORTANT INFORMATION

Results Announcement Date
Annual Results: 23 March 2023

COMPANY WEBSITE

http://www.skyworth.com

SKYWORTH

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