SKYWORTH GROUP LIMITED
創維集團有限公司

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

UNAUDITED RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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

Highlights of Results

	Three months ended 31 March		
	2022	2021	
	RMB million	RMB million	Change
Total Revenue	**10,890**	9,943	9.5%
Gross profit	**1,787**	1,687	5.9%
Profit for the period	**170**	284	-40.1%
Profit for the period attributable to owners of the Company	**69**	170	-59.4%

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

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2022 (the "**Period**") together with the comparative figures for the three months ended 31 March 2021 (the "**Same Period of Previous Year**"). The three months results have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Company's auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the condensed consolidated statement of financial position as of 31 March 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the three-month period then ended in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2022

Amounts expressed in millions of Renminbi

	Three months ended 31 March 2022 (unaudited)	Three months ended 31 March 2021 (unaudited)
Revenue		
Sales of goods	10,750	9,823
Leases	130	114
Interest under effective interest method	10	6
Total revenue	10,890	9,943
Cost of sales	(9,103)	(8,256)
Gross profit	1,787	1,687
Other income	351	315
Other gains and losses	(256)	159
Selling and distribution expenses	(750)	(889)
General and administrative expenses	(351)	(305)
Research and development expenses	(465)	(492)
Finance costs	(120)	(120)
Share of results of associates and joint ventures	(6)	1
Profit before taxation	190	356
Income tax expense	(20)	(72)
Profit for the period	170	284

	Three months ended 31 March 2022 (unaudited)	Three months ended 31 March 2021 (unaudited)
Other comprehensive (expense) income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(2)	(8)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at fair value through other comprehensive income ("FVTOCI")	1	5
Income tax relating to item that will be reclassified subsequently	-	(1)
	(1)	(4)
Items that will not be reclassified to profit or loss:		
Fair value (loss) gain on investments in equity instruments at FVTOCI	(317)	197
Income tax relating to item that will not be reclassified subsequently	39	(31)
	(278)	166
Other comprehensive (expense) income for the period	(279)	162
Total comprehensive (expense) income for the period	(109)	446
Profit for the period attributable to:		
Owners of the Company	69	170
Non-controlling interests	101	114
	170	284
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(212)	330
Non-controlling interests	103	116
	(109)	446
Earnings per share (expressed in Renminbi cents)		
Basic	2.63	6.45
Diluted	2.62	6.45

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

Amounts expressed in millions of Renminbi

	As at 31 March 2022 (unaudited)	As at 31 December 2021 (audited)
Non-current Assets		
Property, plant and equipment	6,774	6,619
Right-of-use assets	2,606	2,539
Deposits paid for purchase of property, plant and equipment	482	426
Investment properties	1,470	1,487
Goodwill	463	465
Other intangible assets	98	100
Interests in associates and joint ventures	266	267
Financial assets at fair value through profit or loss (“FVTPL”)	1,638	1,318
Equity instruments at FVTOCI	1,594	1,593
Loan receivables	254	25
Deferred tax assets	728	683
Other non-current assets	339	309
	16,712	15,831
Current Assets		
Inventories	8,716	7,791
Stock of properties	6,303	5,612
Financial assets at FVTPL	1,326	1,538
Trade and bills receivables	11,363	12,142
Other receivables, deposits and prepayments	4,861	4,092
Loan receivables	604	977
Prepaid tax	231	159
Pledged and restricted bank deposits	2,298	2,128
Bank balances and cash	9,652	10,611
	45,354	45,050

	As at 31 March 2022 (unaudited)	As at 31 December 2021 (audited)
Current Liabilities		
Trade and bills payables	12,359	11,869
Other payables	5,757	6,092
Other financial liabilities	374	375
Lease liabilities	53	56
Contract liabilities	4,214	3,291
Provision for warranty	274	224
Deferred income	175	210
Tax liabilities	217	239
Bank borrowings	9,115	8,892
Corporate bonds	846	77
	33,384	31,325
Net Current Assets	11,970	13,725
Total Assets less Current Liabilities	28,682	29,556
Non-current Liabilities		
Other payables	113	83
Other financial liabilities	454	340
Lease liabilities	83	95
Provision for warranty	104	135
Deferred income	292	265
Bank borrowings	5,417	5,370
Convertible bonds	965	956
Corporate bonds	-	798
Deferred tax liabilities	346	428
	7,774	8,470
NET ASSETS	20,908	21,086
Capital and Reserves		
Share capital	272	273
Reserves	17,490	17,772
Equity attributable to owners of the Company	17,762	18,045
Non-controlling interests	3,146	3,041
	20,908	21,086

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2022
Amounts expressed in millions of Renminbi

	Three months ended 31 March 2022 (unaudited)	Three months ended 31 March 2021 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	210	(1,061)
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	71	74
Acquisition of right-of-use assets	(99)	-
Purchase of and deposit paid for property, plant and equipment	(524)	(365)
Loans advanced	(251)	(82)
Repayments of loan receivables	403	68
Investments in financial assets at FVTPL	(806)	(572)
Proceeds on disposal of financial assets at FVTPL	480	171
Investments in financial assets at FVTOCI	(320)	-
Placement of pledged and restricted bank deposits	(529)	(55)
Placement of other deposit	-	(680)
Withdrawal of pledged and restricted bank deposits	359	474
Other investing cash flows	(3)	(37)
	(1,219)	(1,004)
NET CASH FROM FINANCING ACTIVITIES		
Interest paid	(145)	(151)
Repurchase of shares by the Company	(121)	-
New borrowings raised	3,707	6,275
Repayments of borrowings	(3,429)	(4,289)
Payments of lease liabilities	(16)	(21)
Other financing cash flows	47	(83)
	43	1,731
NET DECREASE IN CASH AND CASH EQUIVALENTS	(966)	(334)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	10,611	8,214
Effect of foreign exchange rate changes	7	45
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	9,652	7,925

BUSINESS PERFORMANCE REVIEW

Revenue

For the three months ended 31 March 2022, the Group's overall revenue amounted to RMB10,890 million, compared with an overall revenue of RMB9,943 million for the three months ended 31 March 2021.

For the three months ended 31 March 2022 and 2021, the Group's smart TV systems sales volumes by market are as follows:

	Three months ended 31 March 2022 *Unit ('000)*	Three months ended 31 March 2021 *Unit ('000)*	**Three months ended 31 March 2022 vs Three months ended 31 March 2021** *Increase/ (decrease)*
PRC market	**1,167**	1,250	**(6.6%)**
Overseas markets	**1,614**	1,991	**(18.9%)**
Total smart TV systems sales volume	**2,781**	3,404	**(18.3%)**

(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 three months ended 31 March 2022, revenue from the mainland China market amounted to RMB7,361 million, representing an increase of RMB1,114 million or 17.8% compared with RMB6,247 million for the Same Period of Previous Year.

During the Period, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 40.3% (the Same Period of Previous Year: 58.6%), 23.8% (the Same Period of Previous Year: 23.7%) and 10.1% (the Same Period of Previous Year: 9.4%) of its revenue from the mainland China market, while the new energy business accounted for 20.6% (the Same Period of Previous Year: 2.5%) and modern services business and other operations accounted for the remaining 5.2% (the Same Period of Previous Year: 5.8%) of revenue from the mainland China market.

Overseas Markets
For the three months ended 31 March 2022, revenue from overseas markets amounted to RMB3,529 million, equivalent to 32.4% of the Group's overall revenue, representing a decrease of RMB167 million or 4.5% compared with RMB3,696 million recorded in the Same Period of Previous Year.

Geographical distribution of revenue in overseas markets

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

	Three months ended 31 March	
	2022	2021
	(%)	(%)
Asia (excluding Middle East)	**56**	57
Europe	**12**	11
Americas	**12**	11
Africa	**10**	7
Middle East	**9**	13
Oceania	**1**	1
	100	100

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

(b) Business Review by Business Sectors

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

1. Multimedia business

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

For the three months ended 31 March 2022, the Group's multimedia business recorded revenue of RMB5,184 million, representing a decrease of RMB969 million or 15.7% compared with RMB6,153 million recorded in the Same Period of Previous Year.

1.1 Smart TV Systems Products (PRC Market)

For the three months ended 31 March 2022, the Group's smart TV systems products recorded revenue of RMB2,252 million in the mainland China market, representing a decrease of RMB535 million or 19.2% compared with RMB2,787 million recorded in the Same Period of Previous Year.

During the Period, due to the continuous impact from the coronavirus pneumonia variant virus Omicron, the sales volume of the Group in the PRC market decreased by 6.6% year-on-year. In response to the impact of the pandemic and fierce market competition, the Group will continue to make corresponding changes to its sales strategy, shift its focus to high-end TV products such as OLED TV and adjust the unit rates to increase its market share.

1.2 Smart TV Systems Products (Overseas Markets)

For the three months ended 31 March 2022, the Group's smart TV systems products recorded revenue of RMB1,659 million in overseas markets, representing a decrease of RMB603 million or 26.7% compared with RMB2,262 million recorded in the Same Period of Previous Year.

During the Period, the COVID-19 epidemic was worsened and most overseas countries were still affected by Omicron. In the face of certain unfavourable factors such as the high sea freight prices and the serious cargo transportation disruptions, the sales volume of the Group in overseas markets decreased by 18.9% year-on-year. In response to the impact of the pandemic, the Group will continue to optimise its customers and sales channels in different countries, and will actively expand the e-commerce business, in order to mitigate the negative impacts of the ongoing epidemic on offline businesses.

1.3 Internet value-added services of Coocaa System

For the three months ended 31 March 2022, the Group recorded a decrease of RMB6 million or 1.6% in revenue from the internet value-added services of Coocaa System, which decreased to RMB370 million from RMB376 million in the Same Period of Previous Year.

As the PRC gradually transits from 4G to 5G for its internet and telecommunication technologies, rapid growths will be observed for internet-based online content services. As at 31 March 2022, the accumulated smart terminals of Coocaa System in the PRC market was over 128 million. The Group's industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.* (北京愛奇藝科技有限公司), an affiliate of Tencent Holdings Limited and an affiliate of Baidu Holdings Limited* (百度控股有限公司) have all successively invested in Shenzhen Coocaa Network Technology Company Limited* (深圳市酷開網絡科技股份有限公司) ("Coocaa Technology", an indirect non-wholly owned subsidiary of the Company).

During the Period, due to the impact of the COVID-19 epidemic, Chinese citizens went out less and their time spent in watching TV at home increased significantly, which results a continuous growth in revenue from content-based operations together with the number of active users of the Coocaa System. However, under the impact of the COVID-19 epidemic, the revenue from advertisement decreased by 25.8% year-on-year, resulting in a slight decline in overall revenue compared to the Same Period of Pervious Year.

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 three months ended 31 March 2022, revenue recorded for the Group's smart systems technology business amounted to RMB2,750 million, representing an increase of RMB490 million or 21.7% from RMB2,260 million recorded in the Same Period of Previous Year. In particular, revenue recorded in the mainland China market amounted to RMB1,753 million, representing an increase of RMB276 million or 18.7% from RMB1,477 million recorded in the Same Period of Previous Year. Revenue recorded in overseas markets amounted to RMB997 million, representing an increase of RMB214 million or 27.3% from RMB783 million recorded in the Same Period of Previous Year.

3. Smart Appliances Business

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

For the three months ended 31 March 2022, revenue recorded for the Group's smart appliances business amounted to RMB991 million, representing an increase of RMB30 million or 3.1% from RMB961 million recorded in the Same Period of Previous Year. In particular, revenue recorded in the mainland China market amounted to RMB741 million, representing an increase of RMB150 million or 25.4% compared with RMB591 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB250 million, representing a decrease of RMB120 million or 32.4% compared with RMB370 million recorded in the Same Period of Previous Year.

Due to the rapid growth of Skyworth Electric's own brand and its ODM business in recent years, in order to remove business capacity constraints, step up the research and development of smart products, improve the intelligence and high-end level of products as well as enhance product competitiveness, Skyworth Electric Co., Ltd.* (創維電器股份有限公司) ("Skyworth Electric"), an indirect non-wholly owned subsidiary of the Company, will carry forward the application for the proposed separate listing on the Shenzhen Stock Exchange ("SZSE") this year. The proceeds from the listing on the SZSE will strongly support Skyworth Electric to continue its steady development of smart appliances in the future. The proceeds will be used for the production of popular products such as commercial freezers, multi-door refrigerators, clothes dryers and Gemini washing machines. An advanced research and development centre will be also constructed in the industrial park in Nanjing, further strengthening the research and development capabilities of Skyworth Electric. The Group will continue to develop new products, strengthen channel operations and achieve large-scale manufacturing with excellent operational capabilities, manufacturing so as to continue to grow its business scale.

4. New Energy Business

For the three months ended 31 March 2022, revenue recorded for new energy business of the Group amounted to RMB1,516 million, representing a substantial increase of RMB1,361 million or 878.1% compared with RMB155 million recorded in the Same Period of Previous Year.

Due to global climate change, major countries have put forward their own new energy strategies. According to the "13th Five-Year" Plan, the PRC government has set a clear policy on environmental protection and new energy. In the face of such enormous market potentials, the Group has been actively considering entering the clean energy industry. Riding on the general trend of integrated development of modern energy, smart manufacturing and digital technology, the Group started with residential photovoltaic and provided complete solutions for power station development, design, construction, operation, management and consulting services. Based on the energy Internet of Things, the Group also built a development, construction, operation and management platform for full-process assets of smart clean energy. During the Period, the Group's total installed capacity of distributed photovoltaic power stations remained at the top level in the industry, with an increase of more than 20,000 residential photovoltaic power stations have been put into operation and connected to the power grid. In addition, the Group has cooperated with financial institution to provide finance lease services for the construction of photovoltaic power stations. The Group is devoted to developing itself into a one-stop solution provider from finance, installation to after-sales based on the business model of "Internet + Photovoltaic + People-benefiting Financial Services".

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

5. Modern Services Business

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

The Group's modern services business is mainly based in the mainland China market. For the three months ended 31 March 2022, revenue recorded for modern services business in the mainland China market amounted to RMB338 million, representing an increase of RMB1 million or 0.3% compared with RMB337 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to zero, representing a decrease of RMB11 million or 100.0% compared with RMB11 million recorded in the Same Period of Previous Year.

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

Gross Profit Margin

For the three months ended 31 March 2022, the overall gross profit margin of the Group was 16.4%, representing a decrease of 0.6 percentage points in comparison to 17.0% recorded in the Same Period of Previous Year.

During the Period, the gross profit margin decreased slightly compared with the Same Period of Previous Year, which is mainly due to the impact of the epidemic on global supply chain, the prices of upstream materials such as copper and ICs continued to remain at a relatively high level, which lowered the gross profit margin of smart TV system, smart systems technology and smart appliances products. Furthermore, the Group's new businesses such as photovoltaic products are in the stage of rapid development, and therefore the gross profit margin is relatively lower than the average level of the Group.

The Group adopted various measures to cope with the challenges arising from rising material prices and industry competition, including strengthening its sales price control, increasing the proportion of products with high gross profit margin and increasing its investment in product research and development to improve product quality, thereby enhancing the Group's pricing power and gross profit level.

Other Gains and Losses

For the three months ended 31 March 2022, the Group's other gains and losses was a net loss of RMB256 million, representing a decrease of RMB415 million compared with a net gain of RMB159 million for the Same Period of Previous Year. In particular, changes in fair value of financial assets at FVTPL was a loss of RMB212 million, representing a decrease of RMB309 million compared with a gain of RMB97 million for the Same Period of Previous Year. Changes in fair value of derivative component of convertible bonds was a loss of RMB99 million, representing a decrease of RMB102 million compared with a gain of RMB3 million for the Same Period of Previous Year.

Expenses

For the three months ended 31 March 2022, the Group's selling and distribution expenses amounted to RMB750 million, representing a decrease of RMB139 million or 15.6% compared with RMB889 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the three months ended 31 March 2022 was 6.9%, which decreased by 2.0 percentage points from 8.9% recorded in the Same Period of Previous Year.

For the three months ended 31 March 2022, the Group's general and administrative expenses amounted to RMB351 million, representing an increase of RMB46 million or 15.1% compared with RMB305 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the three months ended 31 March 2022 was 3.2%, which increased by 0.1 percentage points from 3.1% recorded in the Same Period of Previous Year.

The Group continued to devote enormous resources during the Period to the research and development of premium smart products and the improvement of its corporate competitiveness. For the three months ended 31 March 2022, the Group's research and development expenses amounted to RMB465 million, representing a decrease of RMB27 million or 5.5% compared with RMB492 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the three months ended 31 March 2022 was 4.3%, which dropped by 0.6 percentage points from 4.9% recorded in the Same Period of Previous Year.

OUTLOOK

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

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

EVENTS AFTER THE REPORTING PERIOD

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

APPRECIATION

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

By order of the Board
Skyworth Group Limited
Lai Weide
Chairman of the Board

Hong Kong, 27 April 2022

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

** For identification purposes only*