

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

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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.

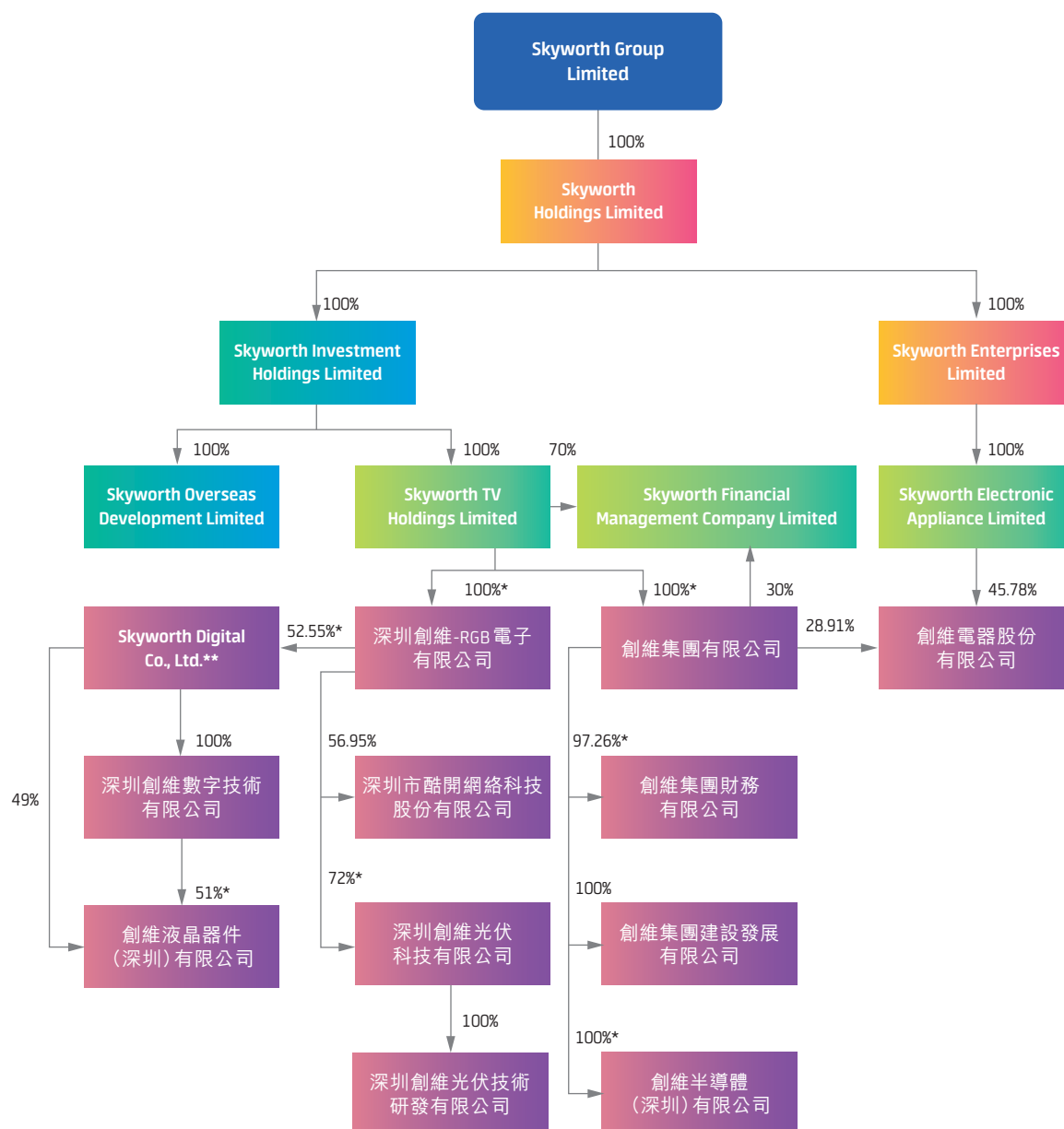
After 35 years of arduous entrepreneurial journey, Skyworth has transformed from a single household appliances enterprise into a technology enterprise group with integrated development of consumer electronics, household appliances, intelligent manufacturing, new energy and other businesses. In 2023, 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.