SKYWORTH GROUP LIMITED
創 維 集 團 有 限 公 司

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Highlights of Results

The Group recorded the following results for the Current Period:

- Revenue amounted to RMB22,567 million (64.9% of which was recorded from sales in the mainland China market). The revenue of the Same Period of Previous Year was RMB15,979 million.

- Revenue from multimedia business and smart systems technology business accounted for 60.5% and 20.4% of the Group's total revenue, respectively; compared to 58.8% and 23.8% in the Same Period of Previous Year, respectively.

- Gross profit achieved RMB3,745 million, while the gross profit margin was 16.6%. The gross profit margin of the Same Period of Previous Year was 19.3%.

- Profit for the year and profit for the year attributable to owners of the Company amounted to RMB610 million and RMB409 million, respectively.

- Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period (six months ended 30 June 2020: nil). Subject to the then prevailing market conditions, the Company may utilise cash to conduct corporate exercise including share buy-back.

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited interim results of the Group for the six months period from 1 January to 30 June 2021 (the "six months ended 30 June 2021" or "Current Period"), together with the comparative figures for the corresponding period in 2020 (the "six months ended 30 June 2020" or "Same Period of Previous Year"). The interim results have been reviewed by the audit committee of the Company (the "Audit Committee") and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	NOTES	Six months ended 30 June 2021 (unaudited)	30 June 2020 (unaudited)
Revenue			
Sales of goods		22,325	15,765
Leases		229	201
Interest under effective interest method		13	13
Total revenue	3	22,567	15,979
Cost of sales		(18,822)	(12,893)
Gross profit		3,745	3,086
Other income		603	520
Other gains and losses		160	336
Impairment loss recognised in respect of financial assets, net		(10)	(33)
Selling and distribution expenses		(1,855)	(1,495)
General and administrative expenses		(615)	(587)
Research and development expenses		(980)	(814)
Finance costs		(238)	(255)
Share of results of associates		3	(4)
Share of results of joint ventures		(1)	1
Profit before taxation		812	755
Income tax expense	5	(202)	(182)
Profit for the period	6	610	573
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1)	(14)
Fair value loss on trade receivables at fair value through other comprehensive income ("FVTOCI")		(10)	-
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI		13	-
		2	(14)
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) on investments in equity instruments at FVTOCI		523	(590)
Income tax relating to item that will not be reclassified subsequently		(82)	89
		441	(501)
Other comprehensive income (expense) for the period		443	(515)
Total comprehensive income for the period		1,053	58

	NOTE	Six months ended 30 June 2021 (unaudited)	30 June 2020 (unaudited)
Profit for the period attributable to:			
Owners of the Company		409	391
Non-controlling interests		201	182
		610	573
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		849	(111)
Non-controlling interests		204	169
		1,053	58
Earnings per share (expressed in Renminbi cents)			
Basic	8	15.54	12.87
Diluted	8	14.44	12.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

Amounts expressed in millions of Renminbi

	NOTES	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Non-current Assets			
Property, plant and equipment		6,032	5,803
Right-of-use assets		2,431	2,470
Deposits paid for purchase of property, plant and equipment		230	132
Investment properties		1,526	1,566
Goodwill		445	447
Intangible assets		99	99
Interests in associates		215	197
Interests in joint ventures		17	17
Financial assets at fair value through profit or loss ("FVTPL")		1,012	1,032
Equity instruments at FVTOCI		1,738	1,216
Finance lease receivables		1	1
Loan receivables	9	332	598
Deferred tax assets		599	498
		14,677	14,076
Current Assets			
Inventories		8,746	6,004
Stock of properties		5,011	5,045
Investments in debt securities		23	-
Financial assets at FVTPL		1,337	607
Trade and bills receivables	10	12,315	13,251
Trade receivables at FVTOCI	10	216	400
Other receivables, deposits and prepayments		3,489	2,890
Finance lease receivables		127	127
Loan receivables		1,318	1,115
Derivative financial instruments		10	9
Prepaid tax		138	119
Pledged bank deposits		622	1,309
Restricted bank deposits		235	318
Bank balances and cash		8,385	8,214
		41,972	39,408
Assets classified as held-for-sale		-	200
		41,972	39,608

	NOTES	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Current Liabilities			
Trade and bills payables	11	11,932	11,899
Other payables	12	4,616	4,672
Other financial liabilities		203	199
Derivative financial instruments		15	25
Lease liabilities		49	54
Contract liabilities		2,930	3,107
Provision for warranty		207	205
Tax liabilities		173	265
Bank borrowings		8,195	7,401
Deferred income		210	180
		28,530	28,007
Liabilities associated with assets classified as held-for-sale		-	84
		28,530	28,091
Net Current Assets		13,442	11,517
Total Assets less Current Liabilities		28,119	25,593
Non-current Liabilities			
Other financial liabilities		98	98
Lease liabilities		141	141
Provision for warranty		94	97
Corporate bonds		875	874
Bank borrowings		5,385	3,986
Convertible bonds		934	913
Deferred income		290	270
Deferred tax liabilities		228	120
Derivative financial instruments		142	103
		8,187	6,602
NET ASSETS		19,932	18,991
Capital and Reserves			
Share capital		273	273
Reserves		16,779	16,037
Equity attributable to owners of the Company		17,052	16,310
Non-controlling interests		2,880	2,681
		19,932	18,991

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent liabilities at the end of the reporting period and the reported amount of revenue and expenses during the reporting period.

The Group's operations are seasonal. The revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 December 2020.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT PERIOD

The continuous spread of the COVID-19 epidemic around the world has continued to cause uncertainties in the business environment of the Group. The impact of the COVID-19 epidemic on the Group's overseas business is expected to last for a period of time, but the duration and extent of which are difficult to predict, and are depending on the continued developments of the situations. However, with China, Germany, the United Kingdom, the United States and Russia and other advanced countries taking the lead, a number of COVID-19 vaccines have been successfully developed. Yet, the Group considers that the pandemic still has a long way to run. Despite the rollout of COVID-19 vaccines, it will still take some time for most people to be vaccinated and the Group expects that there will be no "herd immunity" in the near future. In view of this, the Group carefully studies the situation, come up with countermeasures, and continues to formulate adjustment plans in terms of product structure and business structure; improve product quality, and reduce operating costs; accelerate the work of reorganisation and integration; take advantage of opportunities, actively expand the market, and boost revenue to reduce the financial impact of the challenges. As the operations of most of the Group's customers, suppliers, associates, joint ventures and investees are located in mainland China, the negative impact of the COVID-19 epidemic on entities, such as the Group, will be mitigated to the greatest extent as long as the COVID-19 epidemic is continued to be under control in mainland China.

The directors of the Company are currently assessing the impact of the COVID-19 epidemic on the Group's financial performance, but they also expect that the COVID-19 epidemic will have an impact on the Group's consolidated results for 2021.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

For the six months ended 30 June 2021 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Modern services and others RMB million	Total RMB million
Type of goods					
Smart TV systems	10,626	86	-	38	10,750
Home access systems	36	2,872	-	-	2,908
Smart white appliances	30	-	1,998	11	2,039
Intelligent manufacturing	596	932	-	-	1,528
Internet valued-added services of Coocaa system	605	-	-	-	605
Sales of properties	-	-	-	1,046	1,046
Automotive electronic systems	-	109	-	-	109
Photovoltaic products	829	-	-	-	829
Others (Note (1))	933	571	202	805	2,511
Contracts with customers (Note (2))	13,655	4,570	2,200	1,900	22,325
Leases	-	29	-	200	229
Interest under effective interest method (Note (3))	-	-	-	13	13
Segment revenue	13,655	4,599	2,200	2,113	22,567

For the six months ended 30 June 2020 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Modern services and others RMB million	Total RMB million
Type of goods					
Smart TV systems	7,986	55	-	37	8,078
Home access systems	16	2,386	-	-	2,402
Smart white appliances	40	-	1,740	-	1,780
Intelligent manufacturing	32	747	-	-	779
Internet valued-added services of Coocaa system	506	-	-	-	506
Sales of properties	-	-	-	35	35
Automotive electronic systems	-	29	-	-	29
Others (Note (1))	814	560	140	642	2,156
Contracts with customers (Note (2))	9,394	3,777	1,880	714	15,765
Leases	-	28	-	173	201
Interest under effective interest method (Note (3))	-	-	-	13	13
Segment revenue	9,394	3,805	1,880	900	15,979

Notes:

(1) Others mainly represents manufacture and sales of lighting products, security system and other electronic products and trading of other products, etc..

(2) Except for certain revenue generated from internet valued-added services of Coocaa system which is recognised over time, the revenue from sales of goods is recognised at a point in time under HKFRS 15 *Revenue from contracts with customers*.

(3) Interest represents interest income from loan receivables and finance lease receivables amounted to RMB13 million (for the six months ended 30 June 2020: RMB13 million), under group entities in which the loan financing is a principal activity.

4. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker ("CODM") (i.e. the executive directors of the Company).

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Multimedia business - manufacture and sale of smart TV systems for the People's Republic of China (the "PRC") and overseas markets, intelligent manufacturing, provision and sales of internet valued-added services of Coocaa system and sales of photovoltaic products

2. Smart systems technology business - manufacture and sale of home access systems, intelligent manufacturing, automotive electronic systems, lighting products, security system and other electronic products

3. Smart appliances business - manufacture and sale of smart white appliances and other smart appliances

In addition to the above reportable segments, the Group has other operating segments which mainly include sales of properties, loan financing and trading of other products, among others. These operating segments individually do not meet any of the quantitative thresholds for determining reportable segments. Accordingly, these operating segments are grouped as "Modern service and others".

Segment information about these business is presented below.

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

For the six months ended 30 June 2021 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services and others RMB million	Eliminations RMB million	Total RMB million
Revenue							
Segment revenue from external customers	13,655	4,599	2,200	20,454	2,113	-	22,567
Inter-segment revenue	44	114	45	203	2,678	(2,881)	-
Total segment revenue	13,699	4,713	2,245	20,657	4,791	(2,881)	22,567
Results							
Segment results (Note)	91	188	42	321	536	-	857
Interest income							144
Other gains and losses							156
Unallocated corporate income							26
Unallocated corporate expenses							(135)
Finance costs							(238)
Share of results of associates							3
Share of results of joint ventures							(1)
Consolidated profit before taxation of the Group							812

4. SEGMENT INFORMATION - continued

For the six months ended 30 June 2020 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services and others RMB million	Eliminations RMB million	Total RMB million
Revenue							
Segment revenue from external customers	9,394	3,805	1,880	15,079	900	-	15,979
Inter-segment revenue	39	92	29	160	1,994	(2,154)	-
Total segment revenue	9,433	3,897	1,909	15,239	2,894	(2,154)	15,979
Results							
Segment results (Note)	259*	184	57	500	51	-	551
Interest income							139
Other gains and losses							407
Unallocated corporate income							34
Unallocated corporate expenses							(118)
Finance costs							(255)
Share of results of associates							(4)
Share of results of joint ventures							1
Consolidated profit before taxation of the Group							755

* During the six months ended 30 June 2020, an amount of RMB358 million was adjusted to revenue to that period for sales made in prior years as a result of collection in the six months ended 30 June 2020 upon the finalisation of settlement with the relevant government authority. Accordingly, the net amount of approximately RMB286 million (after deducting related expenses) was recognised and included in the segment result of multimedia business segment.

Note: Unrealised profit and loss arising from inter-segment revenue is included in segment results of each segment.

Included in modern services and others, segment results related to "sales of properties" amounted to RMB340 million (for the six months ended 30 June 2020: loss of RMB24 million).

Segment results represent the profit earned by each segment without allocation of interest income, certain other gains or losses, certain corporate income and expenses, finance costs and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. INCOME TAX EXPENSE

	Six months ended 30 June 2021 RMB million (unaudited)	Six months ended 30 June 2020 RMB million (unaudited)
The tax charge (credit) comprises:		
PRC Enterprise Income Tax ("EIT")	203	172
Hong Kong Profits Tax	11	3
Taxation arising in other jurisdictions	43	-
PRC land appreciation tax ("LAT")	21	3
Deferred taxation	(76)	4
	202	182

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2021 and 2020.

5. INCOME TAX EXPENSE - continued

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to Enterprise Income Tax pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. In August 2018, a new notice with the name of Caishui [2018] No. 99 "Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses" was released, and certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research costs incurred by them for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June 2021 RMB million (unaudited)	Six months ended 30 June 2020 RMB million (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of RMB60 million (for the six months ended 30 June 2020: RMB29 million)	18,139	12,804
Cost of stock of properties recognised as an expense	676	13
Depreciation of property, plant and equipment	363	344
Less: Capitalised as cost of inventories	(116)	(111)
	247	233
Depreciation of right-of-use assets	70	70
Less: Capitalised as cost of inventories	(1)	(2)
Capitalised as cost of construction in progress	(22)	(24)
	47	44
Depreciation of investment properties	40	36
Staff costs, including directors' emoluments	2,247	1,844
Less: Capitalised as cost of inventories	(574)	(449)
Capitalised as cost of stocks of properties	(5)	(1)
Capitalised as cost of construction in progress	(1)	(7)
	1,667	1,387
Rental income from leases less related outgoings of RMB99 million (for the six months ended 30 June 2020: RMB97 million)	(130)	(104)
Gain from changes in fair value of financial assets at FVTPL (included in other gains and losses)	(197)	(203)
Loss (gain) from changes in fair value of derivatives (included in other gains and losses)	42	(53)
Gain on disposal of a subsidiary (included in other gains and losses)	-	(151)

7. DIVIDENDS

The board of directors has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2021 to the shareholders of the Company (for the six months ended 30 June 2020: nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June 2021 RMB million (unaudited)	Six months ended 30 June 2020 RMB million (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	409	391
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange	-	(1)
Effect of dilutive potential ordinary shares on convertible bonds	(29)	(22)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	380	368
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,631,476,890	3,037,798,995
Effect of dilutive potential ordinary shares in respect of outstanding share awards	-	1,523,413
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,631,476,890	3,039,322,408

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the six months ended 30 June 2021 and 2020.

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust.

9. LOAN RECEIVABLES

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Fixed-rate loan receivables		
Secured	1,519	1,625
Unsecured	131	88
	1,650	1,713
Analysed for reporting purpose as		
Non-current assets	332	598
Current assets	1,318	1,115
	1,650	1,713

Included in the carrying amount of loan receivables as at 30 June 2021 is allowance for credit losses of RMB135 million (as at 31 December 2020: RMB134 million).

Included in the Group's loan receivables balance with aggregate carrying amount of RMB1,519 million (as at 31 December 2020: RMB1,625 million) are secured by borrowers' charge over equity instruments, trade receivables, motor vehicles, properties, land use rights and plant and machineries.

Included in the carrying amount of loan receivables as at 30 June 2021 is an amount of approximately RMB97 million (as at 31 December 2020: RMB160 million) due from a related party controlled by a substantial shareholder of the Company which is secured by equipment and motor vehicles of the said related party and guaranteed by the said substantial shareholder of the Company, interest bearing at 8% per annum and repayable by monthly installments up to 25 April 2022.

Included in the carrying amounts of loan receivables of approximately RMB493 million (as at 31 December 2020: RMB609 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 8% per annum and repayable on final maturity dates ranging from 4 March 2022 to 4 July 2022.

9. LOAN RECEIVABLES - continued

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Fixed-rate loan receivables:		
Within one year	1,318	1,115
In more than one year but not more than two years	297	197
In more than two years but not more than five years	35	401
	1,650	1,713

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	As at 30 June 2021	As at 31 December 2020
Effective interest rate:		
Fixed-rate loan receivables	4.45% - 12.00%	3.90% - 12.00%

10. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Trade receivables at amortised cost		
- goods and services	9,418	9,031
- lease receivables	134	119
	9,552	9,150
Less: allowance for credit losses	(387)	(388)
	9,165	8,762
Bills receivables	3,223	4,565
Less: allowance for credit losses	(73)	(76)
	3,150	4,489
	12,315	13,251
Trade receivables at FVTOCI		
- goods and services	216	400

10. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI - continued

The following is an aged analysis of trade receivables at amortised cost and trade receivables at FVTOCI, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Within 30 days	4,307	4,718
31 to 60 days	1,816	2,038
61 to 90 days	944	746
91 to 180 days	1,132	804
181 to 270 days	563	285
271 to 365 days	210	145
Over 365 days	409	426
Trade receivables	9,381	9,162

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

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Within 30 days	635	636
31 to 60 days	558	637
61 to 90 days	512	1,107
91 days or over	1,225	1,389
Bills discounted to banks and endorsed to suppliers with recourse	220	720
	3,150	4,489

The carrying values of above bills discounted to banks and endorsed to suppliers with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivables. Accordingly, the liabilities associated with such bills, mainly borrowings, are recognised in the condensed consolidated financial statements as well.

The maturity dates of bills discounted to banks and endorsed to suppliers with recourse are within six months at the end of the reporting period.

10. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI - continued

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

As at 30 June 2021, included in the trade and bills receivables is an amount due from an associate of RMB269 million (as at 31 December 2020: RMB107 million) with RMB73 million aged within 30 days, RMB170 million aged from 31 to 60 days and RMB26 million aged from 61 to 90 days (as at 31 December 2020: RMB55 million aged within 30 days, RMB52 million aged from 31 to 60 days).

11. TRADE AND BILLS PAYABLES

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Trade payables	8,888	9,084
Bills payables	3,044	2,815
	11,932	11,899

Note: As at 30 June 2021, included in the balance of trade payables was RMB23 million (as at 31 December 2020: RMB30 million), which had been settled by endorsed bills for which the maturity dates of the relevant bills receivables have not yet fallen due as at the end of each reporting period.

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

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Within 30 days	4,458	4,858
31 to 60 days	1,730	2,228
61 to 90 days	970	879
91 days or over	1,730	1,119
Trade payables	8,888	9,084

11. TRADE AND BILLS PAYABLES - continued

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

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Within 30 days	176	513
31 to 60 days	498	560
61 to 90 days	604	485
91 days or over	1,766	1,257
	3,044	2,815

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

12. OTHER PAYABLES

Other payables mainly includes:	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Accruals and other payables	1,578	1,566
Accrued staff costs	715	893
Accrued selling and distribution expenses	264	265
Other deposits received	669	403
Payables for purchase of property, plant and equipment	265	284
Provision for rebates (Note)	942	1,031

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

13. PLEDGE OF ASSETS

As at 30 June 2021, the Group's borrowings were secured by the following:

(a) legal charges over right of use assets and leasehold land and buildings with carrying value of RMB1,739 million (as at 31 December 2020: RMB1,479 million) and RMB1,466 million (as at 31 December 2020: RMB1,051 million), respectively;

(b) investment properties with carrying value of RMB1,231 million (as at 31 December 2020: RMB1,263 million);

(c) pledged bank deposits of RMB622 million (as at 31 December 2020: RMB1,309 million);

(d) trade receivable of RMB2 million (as at 31 December 2020: RMB17 million); and

13. PLEDGE OF ASSETS - continued

(e) bills receivables of RMB227 million (as at 31 December 2020: RMB778 million).

In addition, the Group's corporate bonds are secured by the equity interest of a subsidiary.

BUSINESS PERFORMANCE REVIEW

Revenue

For the six months ended 30 June 2021, the Group's overall revenue amounted to RMB22,567 million, compared with an overall revenue of RMB15,979 million over the Same Period of Previous Year.

During the Current Period, the Coronavirus ("COVID-19") epidemic persisted and the Delta variant has spread throughout many foreign countries. At the same time, Chinese economy stepped into a new stage, while the TV industry players were competing for existing customers, lacking momentum of scale growth. Under the intensified competition among brands, Skyworth adhered to its development philosophy of "leading technology" and "health technology", and prioritised consumers' experience and improvement of product competitiveness. Meanwhile, domestic household's ownership of TV increased in recent years, facilitated the rapid development of content service. In the first half of 2021, Skyworth Group continued to adjust its five-year development plan, in order to strengthen the synergies among different businesses internally, define the direction of development, enhance the determination of development and standardise actions of the enterprise for development. With a focus on professional development, the reform and transformation of the enterprise will be accelerated, and thus a balanced growth in overall revenue and a steady improvement in corporate efficiency will be achieved.

Regarding its smart TV systems business, Skyworth determined to develop its four major businesses, namely, domestic household business, domestic commercial business, OEM business and overseas OEM/brand business. Skyworth also consolidated and raised its market share by the launch of products with good value for money leveraging on its advantages as an early mover in the OLED TV industry. The Group's multimedia business, smart systems technology business and smart appliances business were hit by the outbreak of COVID-19 in the Same Period of Previous Year. Despite the impacts from the fluctuation of the epidemic in the Current Period, global economy has been recovering gradually due to the launch of vaccine and the rise in vaccination rate. The overall revenue of the Group amounted to RMB22,567 million, up 41.2% as compared to the Same Period of Previous Year. However, under the COVID-19 epidemic, prices of raw materials of the global household appliances industry increased in general and profit margin went down. The gross profit margin for the Current Period was 16.6%, down 2.7 percentage points as compared to the Same Period of Previous Year.

For the six months ended 30 June 2021 and 2020, the Group's smart TV systems sales volumes by market were as follows:

	Six months ended 30 June 2021 ***Unit ('000)***	Six months ended 30 June 2020 *Unit ('000)*	***Six months ended 30 June 2021 vs Six months ended 30 June 2020 Increase/ (decrease)***
PRC Market	**2,881**	3,415	(15.6%)
Overseas Markets	**3,852**	3,613	6.6%
Total smart TV systems sales volume	**6,733**	7,028	(4.2%)

(a) Business Review by Geographical Segment

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

Mainland China Market

For the six months ended 30 June 2021, revenue from the mainland China market amounted to approximately RMB14,641 million, representing an increase of RMB4,244 million or 40.8% as compared to RMB10,397 million for the Same Period of Previous Year.

During the Current Period, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 58.0% (the Same Period of Previous Year: 58.5%), 20.2% (the Same Period of Previous Year: 22.3%) and 9.5% (the Same Period of Previous Year: 11.9%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 12.3% (the Same Period of Previous Year: 7.3%).

Overseas Markets

For the six months ended 30 June 2021, revenue from overseas markets amounted to RMB7,926 million, accounted for 35.1% of the Group's overall revenue, representing an increase of RMB2,344 million or 42.0% as compared to RMB5,582 million recorded in the Same Period of Previous Year. The Group optimised its sales channels in overseas markets to reduce the negative impact of COVID-19, resulting in a considerable growth in revenue overseas during the Current Period.

Geographical distribution of revenue in overseas markets

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

	Six months ended 30 June	
	2021	2020
	(%)	(%)
Asia (excluding Middle East)	**60**	58
Europe	**12**	14
Middle East	**10**	12
America	**10**	6
Africa	**7**	9
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 announced its overall strategic direction for upgrading through reformation for five years (also known as the "1334 Strategy"), covering four key business sectors, including: 1. Multimedia Business, 2. Smart Systems Technology Business, 3. Smart Appliances Business, 4. Modern Services Business.

1. Multimedia Business

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

For the six months ended 30 June 2021, the Group's multimedia business recorded revenue of RMB13,655 million, representing an increase of RMB4,261 million or 45.4% as compared to RMB9,394 million recorded in the Same Period of Previous Year.

1.1 Smart TV Systems Products (PRC Market)
For the six months ended 30 June 2021, the Group's smart TV systems products recorded revenue of RMB5,868 million in the mainland China market, representing an increase of RMB708 million or 13.7% as compared to RMB5,160 million recorded in the Same Period of Previous Year.

During the Current Period, the Group established its "5G+AI+Terminal" technology development strategy to seize new opportunities of traditional home appliances brought by new technology, with focuses on consumer experience and product enhancement to create sustainable competitiveness for the future. The material initiatives included the industry-leading flicker-free backlit display technology, reinforcing the idea of "No flickering backlight, no harm to your eyes" and the brand concept of healthy technology. The monitor-level colour inversion technology created ultimate experience in the cinema for the audience. The ultra-high contrast system technology provided perfect longitudinal picture quality. The ultra-high zonal backlighting system could save energy by approximately 25%, dissipate heat evenly, prevent local overheating and prolong the life of the light board by 10%. Such a technology reflected the corporate's conduct and responsibility regarding carbon neutrality. The sound quality of high-end products equipped with sound generation technology for piezoelectric screen was significantly improved, in spite of the trend of pursuing a thin and furniture-like design. In addition, the Group launched the 8K OLED W92, OLED W82, the world's first model with adjustable curvature, and the Q41Pro series of TVs in 2021. As the flagship product with cutting-edge technology of the year, W92 featured 2.1.2 glass diaphragm sound system, illuminated lighting and PTZ camera, in line with the “NO Gap” design concept. Equipped with innovative bendable screens, rotating base, PTZ camera and the 2.1 built-in super bass, W82 created perfect user experience of electric games and 3D movies. In addition to its young and energetic outlook, the Q41Pro series was equipped with the new AI SR super resolution technology, featuring flicker-free and blue light filter functions to protect users' eyes. As one of the pioneers in the OLED TV market in China, the Group has released a total of 16 generations, 23 series and 38 models of OLED TV products in the past nine years since 2013. According to All View Cloud (AVC)'s statistics on OLED TV market retail volume from January to June 2021, the Group had a market share of 41.6%, representing an increase of 4.4 percentage points year-on-year, reflecting the Group's continuous leading position in the OLED market.

During the Current Period, the Group adjusted its sales strategy and shifted its focus to high-end OLED TV products in response to the sluggish growth in the PRC market. Although the Group's sales volume in the PRC market dropped by 15.6% year-on-year, the increase in sales of high-end OLED TV products led to an increase in the average unit price, resulting in a significant increase in sales revenue. In response to the impact of the epidemic and the intense competition in the market, the Group will continue to adjust its sales strategy and unit prices accordingly to increase its market share.

1.2 Smart TV Systems Products (Overseas Markets)
For the six months ended 30 June 2021, the Group's smart TV systems products recorded revenue of RMB4,758 million in overseas markets, representing an increase of RMB1,932 million or 68.4% as compared to RMB2,826 million recorded in the Same Period of Previous Year.

During the Current Period, the COVID-19 epidemic persisted and most overseas countries suffered from the Delta variant, leading to lock-downs to different extent. The Group continued to adopt relatively stable and prudent sales strategies and optimised its customers and sales channels in different countries, resulting in a continuous growth in the international TV market. During the Current Period, the Group launched two new OLED products which were quickly recognised by the market. Benefited from the expansion of e-commerce, the overall overseas brand business of the Group maintained a rapid growth and actively expanded into new markets, such as Southern Europe, Eastern Europe, Russia, Northeastern Asia, Central America and South America. "Skyworth" brand business grew by 13.1% during the Current Period.

By sponsoring the famous Italian football club Juventus and the AFF Championship, Skyworth's brand awareness and image were enhanced among consumers, and the Group was able to set foot in core e-commerce channels in Vietnam and Italy. The Group also achieved significant increment of sales volume in both India and Indonesia by improving production efficiency and product quality, and keeping up with customers' expectations of rising costs.

1.3 Internet Valued-added Services of Coocaa System
For the six months ended 30 June 2021, the Group recorded a growth of RMB99 million or 19.6% in revenue from the internet value-added services of Coocaa System, which increased to RMB605 million from RMB506 million in the Same Period of Previous Year.

As the network and telecommunication technologies in PRC gradually transits from 4G to 5G, rapid growths will be observed for internet-based online content services. For the six months ended 30 June 2021, the accumulated smart terminal of Coocaa System in the PRC market was over 96 million. The Group's industrial deployment strategy of "Hardware + Content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.*（北京愛奇藝科技有限公司）("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited*（百度控股有限公司）("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited*（深圳市酷開網絡科技有限公司）("Shenzhen Coocaa", an indirect non-wholly owned subsidiary of the Company).

As the system supporting carrier of smart terminal, not only has Shenzhen Coocaa promoted the innovation and collaboration of large-screen and home internet businesses, it has also assisted the long-term development in the industry of smart human habitat and made a leap-forward enhancement of our operating efficiency. With a team engaged in scaled large-screen internet operation, Coocaa enjoyed the advantages of Coocaa system, including a flexible technology structure, reliable and secured connections, accurate data and algorithm, and efficient technical application flexibility. Leveraging on its quality of internet products based on the co-development according to customers' experience, successful exploration of user's statistical value and precise digital marketing by cooperating with its strategic partners, Coocaa was recognised by the industry players and users. In particular, during the COVID-19 outbreak, when Chinese citizens went out less and their time spent in watching TV at home increased significantly, "Otaku economy" drove a consistent growth in revenue from content-based operations. It is our opinion that building on technologies of greater sophistication and reliability, our smart home and smart city businesses will enjoy accelerated development through collaborative projects with strategic partners including internet giants and internet TV service providers.

1.4 Photovoltaic Power Business
For the six months ended 30 June 2021, the Group recorded a revenue of RMB829 million from the photovoltaic power business, compared to no such business in Same Period of Previous Year.

In the wake of global climate change, major countries have put forward their new energy strategies. Since the "13th Five-Year" Plan, the PRC government's policy direction on environmental protection and new energy has been clear. In view of the huge market potential ahead, the Group is actively considering entering the clean energy industry. After several years of study, the Group has decided to make photovoltaic power system integration, the most commercialised and standardised industry, as the entry point. Within the photovoltaic power industry, distributed photovoltaic power has become the ultimate early-stage main business choice of the Group as it is the sector closest to the ultimate downstream market and the customer-side retail sector that the Group is familiar with. The Group plans to start with residential photovoltaic power and gradually develop its business into industrial and commercial photovoltaic powers as well as integrated smart energy management on the consumption side, gradually developing into an industry leader on the Internet of the clean energy industry on the consumption side.

2. Smart Systems Technology Business

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

For the six months ended 30 June 2021, revenue recorded for smart systems technology business in the mainland China market amounted to RMB2,959 million, representing an increase of RMB641 million or 27.7% from RMB2,318 million recorded in the Same Period of Previous Year. The revenue recorded in overseas markets amounted to RMB1,640 million, representing an increase of RMB153 million or 10.3% from RMB1,487 million recorded in the Same Period of Previous Year.

During the Current Period, both the smart terminal and broadband connection businesses recorded significant growth as the Group overcame the impact of tight raw materials supply, overseas epidemic situation and logistics interruption, and benefited from the global coverage of broadband, fibre-optic, digitalisation and IP. Leveraging on its market share in the smart set-top box market, the Group won several tenders of the smart gateway products of next-generation communications technology. The VR business won the tender for the research and development project of China Mobile's 2021 Cloud XR terminal HD video technology software, preparing the system platform for hardware implementation. Meanwhile, the Group continued to deliver shipments of smart set-top boxes, smart gateways, PONs, Cable Modems and routers. Sales of Internet OTT audio-visual and camera products continued to grow.

The sales of set-top boxes and broadband network connection products in overseas market was growing. The Group maintained a strong position in the Indian and African markets, achieved mass production and orders breakthrough from European mainstream operators, and delivered steady volumes to Southeast Asian and Latin American markets, leading to a year-on-year growth in overseas results.

3. Smart Appliances Business

Smart appliances business includes, among the others, smart air conditioners, smart refrigerators, smart washing machines and smart kitchen appliances.

For the six months ended 30 June 2021, revenue recorded for smart appliance products in the mainland China market amounted to RMB1,395 million, representing an increase of RMB159 million or 12.9% as compared to RMB1,236 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB805 million, representing an increase of RMB161 million or 25.0% as compared to RMB644 million recorded in the Same Period of Previous Year.

During the six months ended 30 June 2021, amid the COVID-19 epidemic, Skyworth overcame various difficulties to achieve sales growth in both domestic and overseas smart appliance markets. It continued to expand its e-commerce business while taking various measures to mitigate the impact of the epidemic on offline channels, so that its performance was satisfactory during the fluctuated epidemic.

Through continuous investment, Skyworth Electronic has increased its input in research and development of smart, healthy and energy-saving products to enhance their intelligence and excellence, and thus competitiveness. With joint efforts of the local government and the Group, the Skyworth Chuzhou production base with a construction area of 270,000 square meters was put into full operation in March 2021, facilitating the advancement of the Group's smart manufacturing technology and promoting the upgrade of I-DD technology and the research and development of key technologies such as the new generation of smart air conditioners, thereby taking the smart appliance business to a new level. The production base in close proximity to core suppliers helped to improve production capacity comprehensively and achieve cost reduction.

Skyworth will continue to focus on "Building a smart home control centre" as its core vision, through which its AIoT ecosystem can also be enriched by using the Swaiot PANEL mobile smart screen. Riding on its growing momentum in 2020, Skyworth will put efforts on maintaining market and customers' recognition on its products, such as the "Free Fresh (自由鮮)" series of refrigerators, Level 3 frequency conversion air conditioners (三級變頻空調), DD direct-drive front load washing machine (DD 直驅滾筒洗衣機) and top load washing machines with rotary waterfall washing technology (漩瀑波輪洗衣機).

4. Modern Services Business

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

For the six months ended 30 June 2021, revenue recorded for modern services business in the mainland China market amounted to RMB1,751 million, representing an increase of RMB993 million or 131.0% as compared to RMB758 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB236 million, representing an increase of RMB95 million or 67.4% as compared to RMB141 million recorded in the Same Period of Previous Year.

The Group has determined the development direction of the segments of modern services business and accelerated its integration of different segments of modern services business under COVID-19 epidemic. It also strengthened the supply chain management and facilitated the strategic cooperation with major suppliers to provide diversified services to customers. In view of this, the Group optimised different segments under modern services business during the Current Period, such as financial services, macro-logistics services, supply chain operation, foreign trading, as well as park-based property management and construction development. The Group has established a clear development model for the modern services business, namely, the establishment of a financial business platform with financial companies as the main body and supplemented by venture capital and small loans to broaden the Group's financing channels; formulation of a specific plan for the development of macro-logistics service of the Group to promote the development of supply chain logistics, factory logistics, sales and after-sales logistics for a full business integration; set up of branches for the development of supply chain business centering on the corporate internal support; professional restructuring of the development and operation business of the science and technology park by making full use of the construction opportunities of the three major bases to drive the development of Skyworth's smart human habitat industry, including green buildings, smart control systems and terminals, and a variety of content services. Leveraging on the construction of industrial parks at strategic locations across the country, the Group actively adjusted its asset structure and built its value-adding modern services business catering to ever changing market conditions.

Gross Profit Margin

For the six months ended 30 June 2021, the overall gross profit margin of the Group was 16.6%, representing a decrease of 2.7 percent points in comparison to 19.3% recorded in the Same Period of Previous Year.

In order to ensure robust operations across the Group, we continued to refine operations management, adopting multiple integrated methods to increase the gross profit margin of our products and reduce group-wide operating costs. During the Current Period, due to the continuous impact of COVID-19, a lot of activities in upstream supply chain were restricted, leading to increasing costs. The prices of upstream materials for smart TV system products, such as glass and ICs, continued to increase, with some materials climbing by more than 50%, which lowered the gross profit margin of smart TV system products. Prices of raw materials of other businesses, such as copper and IC, also went up, affecting the gross profit margin of smart home appliances. In the first half of the year, the Group implemented various measures to cope with rising costs of raw materials and intensified competition, including strict control of selling price, increment of proportion of products with high gross profit margin and higher research and development input for improvement of product quality, to enhance the pricing power and gross profit margins of the Group.

Expenses

For the six months ended 30 June 2021, the Group's selling and distribution expenses amounted to RMB1,855 million, representing an increase of RMB360 million or 24.1% as compared to RMB1,495 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the six months ended 30 June 2021 was 8.2%, which decreased by 1.2 percentage points from 9.4% recorded in the Same Period of Previous Year.

For the six months ended 30 June 2021, the Group's general and administrative expenses amounted to RMB615 million, representing an increase of RMB28 million or 4.8% compared with RMB587 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the six months ended 30 June 2021 was 2.7%, down 1.0 percentage point from 3.7% recorded in the Same Period of Previous Year.

The Group continued to devote resources during the Current Period to the research and development of premium smart products, to improve its corporate competitiveness. In the first half of 2021, despite the impact of COVID-19 on global economy, China's economy showed an obvious recovery trend due to its effective pandemic prevention measures and high vaccination rate. As a result, the Group increased its investment in research and development as compared to the Same Period of Previous Year. For the six months ended 30 June 2021, the Group's research and development expenses amounted to RMB980 million, representing an increase of RMB166 million or 20.4% as compared to RMB814 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the six months ended 30 June 2021 was 4.3%, which dropped by 0.8 percentage point from 5.1% recorded in the Same Period of Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 30 June 2021, net current assets amounted to RMB13,442 million, representing an increase of RMB1,925 million or 16.7% as compared to RMB11,517 million as at 31 December 2020. As at 30 June 2021, bank balances and cash amounted to RMB8,385 million, representing an increase of RMB171 million or 2.1% as compared to RMB8,214 million as at 31 December 2020. As at 30 June 2021, pledged bank deposits amounted to RMB622 million, representing a decrease of RMB687 million or 52.5% as compared to RMB1,309 million as at 31 December 2020. As at 30 June 2021, restricted bank deposits amounted to RMB235 million, representing a decrease of RMB83 million or 26.1% as compared to RMB318 million as at 31 December 2020.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 30 June 2021, such secured assets included bank deposits of RMB622 million (as at 31 December 2020: RMB1,309 million), trade receivables of RMB2 million (as at 31 December 2020: RMB17 million), bills receivables of RMB227 million (as at 31 December 2020: RMB778 million), as well as certain prepaid lease payments on land use rights, lands, properties and investment properties in mainland China and Hong Kong, with an aggregate net book value of RMB4,436 million (as at 31 December 2020: RMB3,793 million).

As at 30 June 2021, total bank loans amounted to RMB13,580 million (as at 31 December 2020: RMB11,387 million), corporate bonds (inclusive of interest) amounted to RMB901 million (as at 31 December 2020: RMB920 million) and convertible bonds (inclusive of interest) amounted to RMB936 million (as at 31 December 2020: RMB917 million). Overall interest-bearing liabilities of the Group were RMB15,417 million (as at 31 December 2020: RMB13,224 million), equity attributable to owners of the Company amounted to RMB17,052 million (as at 31 December 2020: RMB16,130 million). The debt to equity ratio revealed as 77.3% (as at 31 December 2020: 69.6%).

TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in Hong Kong dollars, US dollars and Euros. The Group uses general trade financing to fulfil the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. The management of the Group regularly reviews changes in foreign exchange rates and its interest rate exposures, in order to determine the need for foreign exchange hedging. However, a number of uncertainties, such as the fluctuating COVID-19 epidemic, the spread of Delta variant across the world, the sustained international tension, the gloomy future of global economy and unstable interest-rate trend in the US, have added to the difficulty in predicting future changes in exchange rates. For the six months ended 30 June 2021, the Group recorded a net exchange loss of RMB1 million (six months ended 30 June 2020: loss of RMB47 million) associated with general operation.

In addition, the Group still held the following investments during the Current Period:

(a) Unlisted equity securities

As at 30 June 2021, the Group held investments in 46 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB2,796 million, of which RMB1,633 million represented 10% equity interest held by the Group in a PRC investee company. This investee company is principally engaged in manufacture and sale of flat screen displays, display materials, LCD-related products and other electronic accessories.

(b) Listed equity securities

As of 30 June 2021, the Group held investments in six listed equity securities, details of which are as follows:

Listed company	**Shareholding percentage as of 30 June 2021**	**Value of investment as of 30 June 2021 (RMB million)**	**Value of investment as of 31 December 2020 (RMB million)**	**Exchange on which the securities are listed**	**Principal business of the listed company**
Chigo Holding Limited	3.39%	-	-	The Stock Exchange of Hong Kong Limited	Manufacture and sale of air-conditioners
Bank of Gansu Co., Ltd.	0.66%	102.6	128.2	The Stock Exchange of Hong Kong Limited	Financial services
Jiangsu Broadcasting Cable Information Network Corporation Limited	0.80%	122.0	132.4	Shanghai Stock Exchange	TV channels, broadband, data services
Amlogic (Shanghai) Co., Ltd.	0.39%	171.2	126.5	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Three's Company Media Group Co., Ltd.	0.74%	79.4	87.1	Shanghai Stock Exchange	Marketing services
Linklogis Inc.	0.46%	112.5	42.8 (Note: the Company was not listed in 2020)	The Stock Exchange of Hong Kong Limited	Providing fintech solutions services for supply chain
Anhui Coreach Technology Co., Ltd.	1.21%	49.7	50.0	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services

To utilise advantages of products from the smart systems technology business and innovative content services, Skyworth Group opted to invest in business partners in relation to building a smart-home platform, aiming to create a new ecosystem for its smart human habitat business. Building on scenarios related to smart household services, Shenzhen Coocaa will explore the feasibility of expanding operation scale for the smart human habitat business. Through strategic partnerships with financial institutions, coupled with the know-how of Skyworth and Coocaa in providing customised and targeted smart-home content services, the Group planned to tap into the business sector of financial technology services, aiming to build a high-tech smart household service platform that covers the three key areas of home entertainment, consumer and financial services. Since Skyworth and Coocaa also proposed to improve experience for home users and enhance service capacity of their own OTT platforms through in-depth cooperation with financial institutions in mobile payment, Skyworth Group therefore made a medium to long-term investment in Bank of Gansu Co., Ltd.

In addition, the smart life platform provided by Skyworth covered scenarios such as family, office and hotel. As a carrier of content service platforms, not only has Coocaa promoted the innovation and operation of large-screen and home internet businesses, it has also realised the diversified mobile application of smart home and office and made a leap-forward enhancement for operating efficiency. With a team engaged in scaled large-screen internet operation, Coocaa leverages on the advantages of its system, including a comprehensive range of contents, a powerful platform, as well as highly accurate and smart artificial intelligence. With its internet-based products designed around user experience, outstanding process of user traffic, precise advertisement delivery and management, as well as standardised encryption management for advertising traffic, Coocaa has won industry recognition and wide praise among customers. We are of the view that the medium and long-term investment in Three's Company Media Group Co., Ltd. can promote the business development of Coocaa.

The management looks upon the other listed equity securities as medium to long-term investments, whose businesses are similar to those of the Group. The Group's judgment on their results coincides with the whole electronic industry, which is one of the main business sectors being advocated by the PRC government, though returns from these investments might still be subject to market uncertainties. The management will take a prudent approach in dealing with these investments and take necessary actions to cope with market changes.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Period, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB409 million in buildings and construction projects, including the expansion of its production plants in Ningbo, Nanjing, Guangzhou and Qianhai, and RMB197 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 products.

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 30 June 2021, the Group had around 33,000 employees (as at 31 December 2020: 36,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 29 branches and 204 sales offices. The Group places high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in an effort to motivate and recognise staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical updates on the latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group continues to strengthen the infrastructure of human resources, provides guidance on position titles, salary norms, and gradually establishes a long-term centralised mechanism for the selection, training and development of industry leaders. It also sets up a specified department to enhance the professionalism of general staff and the leadership skills of its senior management.

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

OUTLOOK

As proposed by the board of directors of the Group, Skyworth aims to achieve “efficiency enhancement” in 2021. Under the dynamic circumstances, each business unit of the Group focuses on innovation, reform, investment and development, implement the Group's development policy and accelerate the promotion of synergistic development from manufacturing to modern services, from hardware to software, and from terminal products to smart systems, with an aim of demonstrating the brand strength of Skyworth Group under diversified scenarios to maximise corporate value. In the first half of 2021, the Group maintained good progress in its development in the post-epidemic era. The Group will make objective judgements in a prudent manner based on the analysis of the geopolitical impacts and market changes in the post-epidemic era. According to the current situation, the Group will adjust its operation plans of scientific research, production, marketing, procurement and construction, produce according to demand, control expenses strictly, increase income and reduce costs. On one hand, the Group will seize market opportunities to dive deeper into domestic market focusing on developing 5G application products. On the other hand, the Group will actively expand overseas markets by establishing production bases in Southeast Asia, India and Africa and proactively develop OEM business to utilise the advantages of production capacity of each production base.

The Group will define products based on the current market trend and the idea of “5G+AI+terminal” technology development, and accelerate the development and application of new technologies, materials and processes, to enhance product competitiveness and corporate innovation. The research and development of 5G smart TV, 5G home access systems, home smart control systems, new generations of smart appliances and other products shall be expedited to form new product series and continuously seize market share.

Focused on the development strategies and leveraging on the leading position in the TV and digital technology industries of Skyworth Group, we 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 the core, we can achieve the one-stop smart control for home, office and vehicle, providing borderless and interactive sharing experience.

EVENTS AFTER THE REPORTING PERIOD

The spread of COVID-19 and its variants around the world has caused continuous uncertainties in the business environment. COVID-19 epidemic has not caused any material financial difficulties of the Group up to the date of this report, but it is expected that our overseas business would be affected in 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.

CORPORATE GOVERNANCE STANDARDS

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

During the Current Period and up to the date of this announcement, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provision A.6.7 of the CG Code as an independent non-executive Director (who is the chairperson of the remuneration committee of the Company) was unable to attend the annual general meeting of the Company held on 20 May 2021 as he had other prior business engagement.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2020 annual report.

AUDIT COMMITTEE

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

During the Current Period and up to the date of this announcement, the Audit Committee held 3 meetings and performed the following duties:

(a) to review and comment on the Company's annual and interim financial reports;
(b) to review the unaudited 2021 first quarterly results of the Company;
(c) to oversee the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
(d) to review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;
(e) to discuss on the Group's internal audit plan with the Risk Management Department;
(f) to review the continuing connected transactions; and
(g) to meet and communicate with the external auditors for audit works of the Group.

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

The Company has adopted the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the Current Period.

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

During the Current Period, the Company has purchased 40,000,000 Shares of the Company in the market for the purpose of the 2020 share award scheme of the Company through an independent trustee.

Save as disclosed above, during the Current Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period (for the six months ended 30 June 2020: nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (http://investor.skyworth.com/en/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The Company's 2021 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the shareholders of the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to 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 Current Period.

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

Hong Kong, 27 August 2021

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*