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 2023

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

Highlights of Results

	Six months ended 30 June		
	2023	2022	
	RMB million	RMB million	Change
Revenue	**32,300**	24,284	33.0%
Gross profit	**4,198**	3,879	8.2%
Profit for the period	**616**	631	-2.4%
Profit for the period attributable to owners of the Company	**302**	339	-10.9%
Proposed interim dividend per share (HK cents)	**3**	3	-

The Board has approved that the Company will utilise cash to conduct share buy-back, subject to the then prevailing market conditions. For the six months ended 30 June 2023, apart from the buy-back of a total of 100,000,000 Shares pursuant to the general offer as set out in the Company's offer document dated 14 April 2023, the Company has not made any repurchases of its own shares on the market.

In line with the Company's dividend policy, the Board will consider payment of dividend taking into account factors such as the distributable profits, cash flow, liquidity and financial position, current and future operations, capital requirements and surplus of the Company, as well as dividends received from Company's subsidiaries and associates. The Board approved the payment of an interim dividend for the six months ended 30 June 2023 in the amount of 3 HK cents per Share. For the year ended 31 December 2022, the Company declared and paid total dividend amounting to approximately RMB69 million (i.e. interim dividend of 3 HK cents per Share), which represents approximately 8.34% of the net profits of Group attributable to the shareholders of the Company for that financial year.

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 ended 30 June 2023 (the "Current Period"), together with the comparative figures for the corresponding period in 2022 (the "six months ended 30 June 2022" or "Same Period of Previous Year"). The interim results have been reviewed by the audit committee of the Company (the "Audit Committee"). The Company's auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and notes to condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

	NOTES	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Revenue			
Sales of goods		32,006	23,982
Leases		252	267
Interest under effective interest method		42	35
Total revenue	3	32,300	24,284
Cost of sales		(28,102)	(20,405)
Gross profit		4,198	3,879
Other income		512	627
Other gains and losses		91	(118)
Selling and distribution expenses		(1,816)	(1,604)
General and administrative expenses		(857)	(696)
Research and development expenses		(1,010)	(1,001)
Finance costs		(276)	(243)
Share of results of associates and joint ventures		(21)	(15)
Profit before taxation		821	829
Income tax expense	5	(205)	(198)
Profit for the period	6	616	631
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		6	(2)
Fair value gain on trade receivables at fair value through other comprehensive income ("FVTOCI")		1	2
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI		-	(2)
		7	(2)
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) on investments in equity instruments at FVTOCI		189	(436)
Income tax relating to item that will not be reclassified subsequently		(41)	77
		148	(359)
Other comprehensive income (expense) for the period		155	(361)
Total comprehensive income for the period		771	270

	NOTE	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Profit for the period attributable to:			
Owners of the Company		302	339
Non-controlling interests		314	292
		616	631
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		454	(25)
Non-controlling interests		317	295
		771	270
Earnings per share (expressed in Renminbi cents)			
Basic	8	11.95	12.98
Diluted	8	11.95	12.96

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

Amounts expressed in millions of Renminbi

	NOTE	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Non-current Assets			
Property, plant and equipment		8,425	7,888
Right-of-use assets		2,519	2,541
Deposits paid for purchase of property, plant and equipment		487	424
Investment properties		1,535	1,410
Goodwill		473	467
Other intangible assets		101	101
Interests in associates and joint ventures		393	287
Other financial assets		3,770	3,397
Trade and other receivables	9	586	592
Deferred tax assets		973	877
		19,262	17,984
Current Assets			
Inventories		9,460	8,947
Stock of properties		8,060	7,349
Other financial assets		749	1,042
Trade and other receivables	9	18,998	16,429
Prepaid tax		268	252
Pledged and restricted bank deposits		2,992	3,353
Cash and cash equivalents		10,412	9,054
		50,939	46,426

	NOTE	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Current Liabilities			
Trade and other payables	10	28,485	25,283
Other financial liabilities		228	342
Lease liabilities		46	46
Deferred income		81	171
Tax liabilities		254	281
Bank borrowings		10,526	9,404
		39,620	35,527
Net Current Assets		11,319	10,899
Total Assets less Current Liabilities		30,581	28,883
Non-current Liabilities			
Trade and other payables	10	882	354
Other financial liabilities		57	97
Lease liabilities		40	54
Deferred income		387	278
Bank borrowings		6,780	5,853
Deferred tax liabilities		378	353
		8,524	6,989
NET ASSETS		22,057	21,894
Capital and Reserves			
Share capital		257	266
Reserves		17,608	17,601
Equity attributable to owners of the Company		17,865	17,867
Non-controlling interests		4,192	4,027
		22,057	21,894

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 2022.

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.

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and 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.

2. PRINCIPAL ACCOUNTING POLICIES – continued

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

3. REVENUE

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

For the six months ended 30 June 2023 (unaudited)

	Smart household appliances business RMB million	Smart systems technology business RMB million	New energy business RMB million	Modern services business and others RMB million	Total RMB million
Type of goods/services					
Sales of goods and services (Note (i))	13,482	5,105	12,134	654	31,375
Internet value-added services of Coocaa system	682	-	-	-	682
Contracts with customers	14,164	5,105	12,134	654	32,057
Leases	-	16	-	236	252
Interest under effective interest method (Note (ii))	-	-	-	42	42
Subtotal	14,164	5,121	12,134	932	32,351
Less: other business tax	(19)	(13)	(12)	(7)	(51)
Segment revenue	14,145	5,108	12,122	925	32,300

3. REVENUE – continued

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

For the six months ended 30 June 2022 (unaudited and restated, see note 4)

	Smart household appliances business RMB million	Smart systems technology business RMB million	New energy business RMB million	Modern services business and others RMB million	Total RMB million
Type of goods/services					
Sales of goods and services (Note (i))	12,327	6,184	4,210	644	23,365
Internet value-added services of Coocaa system	664	-	-	-	664
Contracts with customers	12,991	6,184	4,210	644	24,029
Leases	-	26	-	241	267
Interest under effective interest method (Note (ii))	-	-	-	35	35
Subtotal	12,991	6,210	4,210	920	24,331
Less: other business tax	(22)	(11)	(5)	(9)	(47)
Segment revenue	12,969	6,199	4,205	911	24,284

Notes:

i. Manufacture and sales of goods mainly include manufactures and sells smart TV systems, home access systems (mainly digital set-top boxes), smart white appliances, intelligent manufacturing (mainly LCD modules), lighting products, automotive electronic systems, security system and other electronic products, sales of properties; and sales of photovoltaic products and other products.

ii. Amount represents interest income from loan receivables 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). Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reportable segments of the Group.

In the current year, the Group reorganised its internal reporting structure, which resulted in changes to the composition of its reportable segments. The "Multimedia Business" segment and the "Smart Appliances Business" segment in the previous reporting structure are combined and presented as the "Smart Household Appliances Business" segment to better reflect the relevant businesses of the Group, assessments of performance across different operating units and allocations of resources thereto. Prior year segment disclosures are restated to conform with the current year presentation.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* in the current interim period are as follows:

1.	Smart Household Appliances Business	-	manufacture and sale of smart TV systems, smart white appliances and other smart appliances such as smart air conditioners, smart refrigerators, smart washing machines, smart kitchen appliances in the People's Republic of China (the "PRC") and overseas markets, intelligent manufacturing, provision and sales of internet value-added services of Coocaa system in the PRC, among others
2.	Smart Systems Technology Business	-	manufacture and sale of home access systems, intelligent manufacturing, automotive electronic systems, lighting products, security system and other electronic products
3.	New Energy Business	-	sale and installation of distributed photovoltaic power stations in the customer - side retail sector in the PRC market for residential use

Each of the operating segments under smart household appliances, smart systems technology and new energy businesses include operations of manufacturing and/or sales of various products under the respective businesses. Each of these operations is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments as set out above in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. SEGMENT INFORMATION – continued

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

For the six months ended 30 June 2023 (unaudited)

	Smart household appliances business RMB million	Smart systems technology business RMB million	New energy business RMB million	Total reportable segments RMB million	Modern services business and others RMB million	Eliminations RMB million	Total RMB million
Revenue							
Segment revenue from external customers	14,145	5,108	12,122	31,375	925	-	32,300
Inter-segment revenue	454	102	11	567	355	(922)	-
Total segment revenue	14,599	5,210	12,133	31,942	1,280	(922)	32,300
Results							
Segment results	148	271	439	858	184	-	1,042
Interest income							127
Other gains and losses							91
Finance costs							(276)
Share of results of associates and joint ventures							(21)
Unallocated corporate income/expenses							(142)
Consolidated profit before taxation of the Group							821

For the six months ended 30 June 2022 (unaudited and restated)

	Smart household appliances business RMB million	Smart systems technology business RMB million	New energy business RMB million	Total reportable segments RMB million	Modern services business and others RMB million	Eliminations RMB million	Total RMB million
Revenue							
Segment revenue from external customers	12,969	6,199	4,205	23,373	911	-	24,284
Inter-segment revenue	83	40	1	124	659	(783)	-
Total segment revenue	13,052	6,239	4,206	23,497	1,570	(783)	24,284
Results							
Segment results	231	466	160	857	334	-	1,191
Interest income							128
Other gains and losses							(118)
Finance costs							(243)
Share of results of associates and joint ventures							(15)
Unallocated corporate income/expenses							(114)
Consolidated profit before taxation of the Group							829

5. INCOME TAX EXPENSE

	Six months ended 30 June 2023 RMB million (unaudited)	Six months ended 30 June 2022 RMB million (unaudited)
Tax charge (credit):		
PRC Enterprise Income Tax ("EIT")	308	264
PRC land appreciation tax ("LAT")	(7)	1
Hong Kong Profits Tax	7	3
Taxation arising in other jurisdictions	13	8
Deferred taxation	(116)	(78)
	205	198

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2023 and 2022.

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%.

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

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed to foreign investors out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. In March 2023, a new notice with the name of Caishui [2023] No. 7 "Notice on Further Improvements to Policies for Weighted Pre-tax Deduction of Research and Development Expenses" was released, certain PRC subsidiaries are entitled to an additional 100% (for the six months ended 30 June 2022: 100%) tax deduction on eligible research costs incurred by them.

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 2023 RMB million (unaudited)	Six months ended 30 June 2022 RMB million (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including reversal of write-down of inventories of RMB7 million (for the six months ended 30 June 2022: write-down of inventories of RMB14 million)	27,982	20,279
Cost of stock of properties recognised as an expense	29	18
Depreciation of right-of-use assets	67	67
Less: capitalised as cost of inventories	(9)	(1)
capitalised as cost of construction in progress	(28)	(21)
	30	45
Depreciation of investment properties	44	44
Depreciation of property, plant and equipment	387	396
Less: capitalised as cost of inventories	(146)	(124)
	241	272
Staff costs, including directors' emoluments	2,523	2,245
Less: capitalised as		
- cost of inventories	(667)	(542)
- stock of properties	(8)	(7)
- property, plant and equipment	(11)	(2)
	1,837	1,694
Rental income from leases less related outgoings of RMB91 million (for the six months ended 30 June 2022: RMB108 million)	(161)	(159)
(Gain) loss from changes in fair value of financial assets at FVTPL (included in other gains and losses)	(55)	43
Loss from changes in fair value of derivative financial instruments (included in other gains and losses)	117	106

7. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2022 (2022: a final dividend of 23 HK cents per share in respect of the year ended 31 December 2021) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the prior interim period amounted to RMB497 million.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of 3 HK cents per share, in an aggregate amount of RMB68 million (2022: 3 HK cents per share, in an aggregate amount of RMB69 million) will be paid to owners of the Company whose names appear in the register of members of the Company.

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 2023 RMB million (unaudited)	30 June 2022 RMB million (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	302	339
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,527,074,348	2,610,935,961
Effect of dilutive potential ordinary shares in respect of outstanding share options of the Company	435,516	4,807,877
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,527,509,864	2,615,743,838

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the six months ended 30 June 2023 and 2022. The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the conversion of convertible bonds of Skyworth Digital Co., Ltd., an indirect non-wholly-owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange, as the conversion of convertible bonds would result in an increase in earnings per share of the Company for the six months ended 30 June 2022.

The weighted average number of ordinary shares shown above has been adjusted for the repurchase of shares.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Trade and bills receivables (Note (i))	11,213	10,056
Loan receivables (Note (ii))	785	778
Purchase deposits paid for materials	2,180	1,302
Deposit placed with a financial institution for potential acquisition of additional interest in a subsidiary	1,516	1,516
VAT and other tax recoverables	1,655	1,485
Consideration receivables for disposal of a subsidiary	366	366
Other deposits paid and prepayments	891	789
Other receivables	978	729
	19,584	17,021

Notes:

i. Trade and bills receivables

The following set out the details of the Group's trade and bills receivables at amortised cost and at FVTOCI:

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Trade receivables at amortised cost		
- goods and services	9,620	8,197
- lease receivables	154	143
	9,774	8,340
Less: allowance for credit losses	(699)	(724)
	9,075	7,616
Trade receivables at FVTOCI	421	450
Bills receivables	1,717	1,990
	11,213	10,056

The following is an aged analysis of trade receivables at amortised cost and at FVTOCI before allowance for doubtful debt:

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Within 30 days	4,574	3,830
31 to 60 days	1,838	1,575
61 to 90 days	1,534	666
91 to 180 days	241	1,101
181 to 270 days	557	367
271 to 365 days	225	173
Over 365 days	1,226	1,078
	10,195	8,790

9. TRADE AND OTHER RECEIVABLES – continued

Notes: - continued

i. Trade and bills receivables - continued

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

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Within 30 days	612	172
31 to 60 days	106	273
61 to 90 days	389	669
91 days or over	610	864
Bills endorsed to suppliers with recourse	-	12
	1,717	1,990

As at 30 June 2023, no bills receivables (as at 31 December 2022: RMB12 million) is endorsed to suppliers on a full recourse basis. Since the substantial risks and rewards of the ownership of these bills receivables have not been transferred to the relevant counterparties, the Group continues to recognise the full carrying amounts of these endorsed receivables above and the full carrying amount of the trade payables in note 10 for endorsed bill receivables as at 31 December 2022.

The maturity dates of these bills endorsed to suppliers with recourse are within one year at the end of the reporting period. All bills receivables at the end of the reporting period are not yet due.

As at 30 June 2023, included in the trade receivables are amounts due from an associate and related parties (as at 31 December 2022: a related party) of RMB126 million (as at 31 December 2022: RMB223 million) and RMB16 million (as at 31 December 2022: RMB10 million), with RMB129 million aged within 30 days, RMB10 million aged from 31 to 60 days and RMB3 million aged from 91 to 180 days (as at 31 December 2022: RMB168 million aged within 30 days and RMB65 million aged from 31 to 60 days). The credit period is 45 days. No allowance for credit losses is made for the six months ended 30 June 2023 and 2022.

ii. Loan receivables

The following set out the details of the Group's loan receivables:

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Fixed-rate loan receivables		
Secured	715	724
Unsecured	70	54
	785	778
Analysed for reporting purpose as		
Non-current assets	160	289
Current assets	625	489
	785	778

Included in the carrying amount of loan receivables as at 30 June 2023 is allowance for credit losses of RMB62 million (as at 31 December 2022: RMB62 million).

The secured portion of the Group's loan receivables are secured by borrowers' charges over equity instruments, trade receivables, motor vehicles, properties, land use rights and plant and machineries.

Included in the carrying amount of loan receivables as at 30 June 2023 is an amount of approximately RMB293 million (as at 31 December 2022: RMB302 million) due from related parties (as at 31 December 2022: related parties) controlled by a substantial shareholder of the Company which is secured by equipment and motor vehicles of the said related parties and guaranteed by the said substantial shareholder of the Company, interest bearing at 7% to 8% (as at 31 December 2022: 7% to 8%) per annum and repayable by instalments up to 2025 (as at 31 December 2022: up to 2025).

Included in the carrying amount of loan receivables as at 30 June 2023 of approximately RMB166 million (as at 31 December 2022: RMB141 million) due from third parties and are secured by motor vehicles of these third parties and guaranteed by related parties controlled by a substantial shareholder of the Company in respect of amounts owed to the Group, interest bearing at 7% to 9% (as at 31 December 2022: 7% to 8%) per annum and repayable in instalments up to final maturity dates ranging from 2023 to 2026 (as at 31 December 2022: 2023 to 2025).

9. TRADE AND OTHER RECEIVABLES – continued

Notes: - continued

ii. 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 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Fixed-rate loan receivables:		
Within one year	625	489
In more than one year but not exceeding two years	156	246
In more than two years but not exceeding five years	4	43
	785	778

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 2023	As at 31 December 2022
Effective interest rate:		
Fixed-rate loan receivables	4.29% - 12.00%	4.80% - 12.00%

10. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Trade payables (Note (i))	11,372	8,650
Bills payables (Note (ii))	3,675	3,820
Provision for warranty	656	510
Provision for rebates (Note (iii))	824	1,269
Contract liabilities	6,010	4,928
Accrued staff costs	1,040	1,102
Accrued selling and distribution expenses	340	291
Deposits received from sub-contractors	2,298	1,513
Payables for purchase of property, plant and equipment	475	362
Rental deposits received	175	161
VAT and other tax payables	773	764
Other deposits received	62	290
Accruals and other payables	1,667	1,977
	29,367	25,637
Analysed for reporting propose as		
Current liabilities	28,485	25,283
Non-current liabilities	882	354
	29,367	25,637

10. TRADE AND OTHER PAYABLES – continued

Notes:

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

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Within 30 days	4,374	4,611
31 to 60 days	2,567	1,437
61 to 90 days	1,586	948
91 days or over	2,845	1,654
	11,372	8,650

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

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Within 30 days	725	661
31 to 60 days	511	695
61 to 90 days	646	561
91 days or over	1,793	1,903
	3,675	3,820

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

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

11. PLEDGE OF AND RESTRICTION ON ASSETS

At the end of reporting period, the Group's borrowings were pledged and secured by the following:

	As at 30 June 2023 RMB million (unaudited)	As at 31 December 2022 RMB million (audited)
Right-of-use assets, leasehold land and buildings and machines	4,561	3,129
Investment properties	1,102	1,135
Stock of properties	373	328
Trade and bills receivables	-	61
	6,036	4,653

The pledged and restricted bank deposits as set out in the condensed consolidated financial statements are pledged to secure bank borrowings or placed in restricted bank accounts in accordance with the applicable regulations and requirements.

BUSINESS PERFORMANCE REVIEW

Revenue

Despite multiple uncertainties and challenges of the post-pandemic era, the Group maintained positive growth with a clear product positioning and a strategic plan with product competitiveness. For the six months ended 30 June 2023 (the "Current Period"), the Group's overall revenue amounted to RMB32,300 million, demonstrating a strong growth of RMB8,016 million or 33.0% compared with an overall revenue of RMB24,284 million for the Same Period of Previous Year.

China's economy is gradually recovering following the post-epidemic reopening. Nevertheless, with the energy crisis caused by the ongoing Russia-Ukraine War, the Federal Reserve's continuous interest rate hike cycle and the confidence crisis arising from bankruptcy in the US banking industry, all of which have brought more uncertainties to the global economy. Also, the global asset prices continued to fluctuate, to a certain extent, restrained the economic rebound in terms of strength and speed. In the face of the ever-changing market, the Group will continue to drive industrial transformation and innovative development in its business strategies. At the same time, the Group will pay close attention to the latest market development, from the digital innovation of smart home appliances to the achievement of the carbon peak and carbon neutrality ("Double Carbon") goal by the new energy industry as a green development drive. The Group attaches great importance to the innovation of self-developed technology and the high-quality development of the industry. Through forward-looking layout, the Group has been led to expand its business horizontally and vertically, making a step-by-step progress and achievement of the global development strategy by adopting diversified and multi-channel strategies.

During the Current Period, Skyworth further expedited the green development of the Double Carbon strategy and facilitated the innovative, healthy and sustainable development of the global ultra-high-definition video industry, as well as created synergy and a win-win situation in various aspects such as technological innovation, quality requirements and users-first philosophy. The Group strived to develop new channels with full speed. The increasing number of the scale of new energy business and installed capacities of additional photovoltaic power stations drove a double-digit growth of the overall revenue of the Group. However, geopolitical tensions, rising capitalisation costs due to increased bank borrowing costs following the interest rate hike, rising raw material prices in general for home appliances as a result of supply chain disruptions, also, higher upstream costs for photovoltaic business, all of these factors have been squeezing corporate profit margins. The gross profit margin of the Group for the Current Period was 13.0%, representing a decrease of 3.0 percentage points as compared to 16.0% for the Same Period of Previous Year.

For the below analysis, other business tax of RMB51 million (the Same period of Previous Year: RMB47 million) was not deducted from the revenue by geographical segment and revenue by business sectors.

(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 2023, revenue from the mainland China market amounted to approximately RMB25,143 million, representing an increase of RMB8,986 million or 55.6% as compared to RMB16,157 million for the Same Period of Previous Year, mainly due to the fact that the new energy business continued to maintain a strong upward trend in the Current Period, which further increased the contribution to the revenue of the Group.

During the Current Period, the Group's smart household appliances business, smart systems technology business and new energy business each accounted for 36.5% (the Same Period of Previous Year: 45.5%), 12.2% (the Same Period of Previous Year: 23.3%) and 48.2% (the Same Period of Previous Year: 26.1%) of its revenue from the mainland China market, while the modern services business and other operations attributed the remaining 3.1% (the Same Period of Previous Year: 5.1%).

Overseas Markets

For the six months ended 30 June 2023, revenue from overseas markets amounted to RMB7,208 million, accounting for 22.3% of the Group's overall revenue and representing a decrease of RMB966 million or 11.8% from RMB8,174 million for the Same Period of Previous Year. Given the cumulative and lagged effects of interest rate hikes, the foreign economy was under pressure. Meanwhile, the high inflation pressure caused by the increasing Russo-Ukrainian conflict has caused a decline in consumer purchasing power and confidence index. The Group adjusted its marketing strategies in a timely manner, including multi-channel expansion and market expansion, continuous enhancement of product intelligence level, launching new products and designs that are more user-friendly and caring to mitigate the adverse impact of economic downturn on offline business.

Geographical distribution of revenue in overseas markets

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

	Six months ended 30 June	
	2023	2022
	(%)	(%)
Asia	**58**	66
Europe	**17**	10
America	**14**	12
Africa	**10**	11
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

In response to the needs of corporate development and the enhancement of management efficiency, the Group announced its four major business sectors following integration and optimisation including: 1. Smart Household Appliances Business, 2. Smart Systems Technology Business, 3. New Energy Business and 4. Modern Services Business, mainly for the merge of the original "Multimedia Business" and "Smart Appliances Business" segment into the "Smart Household Appliances Business" segment, enabling various business units in the smart household appliances industry to integrate resources and exert synergies.

1. Smart Household Appliances Business

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

For the six months ended 30 June 2023, the Group's smart household appliances business recorded revenue of RMB14,164 million, representing an increase of RMB1,173 million or 9.0% as compared to RMB12,991 million recorded in the Same Period of Previous Year.

1.1 Smart TV Systems Products (PRC Market)
For the six months ended 30 June 2023, the Group's smart TV systems products recorded revenue of RMB4,535 million in the mainland China market, representing an increase of RMB71 million or 1.6% as compared to RMB4,464 million recorded in the Same Period of Previous Year.

During the Current Period, the Group focused on the development of new products and technologies such as ultra-multi-zone AM mini LED display systems, multi-layer large-diameter speaker, ultra-large-sized wallpaper TV, and anti-blue light eyes protection product, so as to achieve the finest picture quality, extraordinary sound effects, rapid intelligent interaction and ultra-thin seamless wall craftsmanship. The Group integrated the concept of health technology into audiovisual products, providing consumers with immersive viewing experience while pioneering a new philosophy and set a new healthy aesthetics trend of household design for products.

With wide recognition of a previous generation of Wallpaper TV Q53 series from the market, the Group continued to expand the layout of product series of its flagship Wallpaper TV. During the Current Period, the Group launched a brand new Wallpaper TV Series A7D/A7D Pro combining technology and art, and featuring "ultra-thin flush wall mounting and dynamic artistic screen". This series has a specification of "ultra-thin flush wall mounting", suitable for diversified home decoration scenarios satisfying users' diverse needs for artistic home vibes and scenes. In addition, in terms of product development for the elderly, Skyworth continued to adhere to the concept of health technology to constantly launch new products that adapt to the times, and introduced the TV Series P60 Pro designed for the elderly with heart rate and blood oxygen monitoring and analysis functions, which received positive market feedback.

Furthermore, the Group released the industry's first chip-on-glass active matrix glass-based Mini LED professional design display product D80 during the Current Period. Based on its powerful hardware of 4K resolution and 144Hz fresh rate, also with the use of 3D LUT movie-level colour adjustment technology, this product features such as advanced precise light control, high brightness, high contrast, high colour domain and long life, enabling creators to edit and create professional images efficiently.

The Group will seize the opportunities arising from the economic recovery. Based on the concept of "products empowered by technology innovation", the Group will always uphold values of "comprehensive health, AI entertainment and ultimate aesthetics" in 2023. By focusing on user experience and solid product quality, the Group will present the concept of "health care, home entertainment and ultimate aesthetics" in an all-round way through new products and new technologies, so as to form a scientific strategic plan with competitive products.

1.2 Smart TV Systems Products (Overseas Markets)
For the six months ended 30 June 2023, the Group's smart TV systems products recorded revenue of RMB3,831 million in overseas markets, representing a decrease of RMB88 million or 2.2% as compared to RMB3,919 million recorded in the Same Period of Previous Year.

As the global economy is still in the recovery period after the pandemic, hit by negative factors such as the ongoing Russia-Ukraine War and the unstable Sino-US relations, consumer purchasing power has not increased significantly, it still takes time for home appliance products with a relatively lagging replacement cycle, such as TV, to resume growth. The Group will continue to expand its channels and markets by the following ways: brand branches actively carry out global businesses to expand the number and types of channels; new stores were opened while old stores were revived, specifically, stores were renovated for more than five years, injecting vitality into brands; smart TV system Coolita has become even more stronger through highly effective online and offline promotional channels. In addition, the Group has achieved the first launch in Europe with Roku TV in the end of 2022. Moreover, with the German local brand METZ Blue and Roku Operation System (OS), the Group has created the most suitable minimalist operating system in Germany in 2023, further gaining the influence of Skyworth brand in overseas markets.

1.3 Smart Appliances Products

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

For the six months ended 30 June 2023, revenue recorded for smart appliance products in the mainland China market amounted to RMB2,825 million, representing an increase of RMB1,330 million or 89.0% as compared to RMB1,495 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB809 million, representing an increase of RMB200 million or 32.8% as compared to RMB609 million recorded in the Same Period of Previous Year. Such increase was mainly due to the considerable increase in demand for orders for air conditioners and washing machines, the sales of the Current Period increased significantly compared with the Same Period of the Previous Year.

During the Current Period, the Group continued to put more effort in the research and development of smart products and enhanced its product competitiveness to drive sales growth of the smart appliances business in the domestic market. Given that the Group strove to expand its online e-commerce business, as well as actively expanding its online sales platform customers, strengthening its channel operations and optimising its traditional offline distributor sales channels, the Group managed to record a stable growth in revenue even when the home appliances market was in difficult conditions.

1.4 Internet Connection Services of Coocaa System

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 six months ended 30 June 2023, the accumulated smart devices of Coocaa System in the PRC market were over 183 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), an affiliate of Tencent Holdings Limited and an affiliate of Baidu Holdings Limited* (百度控股有限公司) have all successively invested in Coocaa Technology.

2. Smart Systems Technology Business

Smart systems technology business covers, among others, smart set-top boxes and solutions, broadband network access systems, intelligent manufacturing, automotive electronic systems and other electronic products.

For the six months ended 30 June 2023, revenue recorded for the Group's smart systems technology business in the mainland China market amounted to RMB3,056 million, representing a decrease of RMB706 million or 18.8% from RMB3,762 million recorded in the Same Period of Previous Year. Revenue recorded in overseas markets amounted to RMB2,065 million, representing a decrease of RMB383 million or 15.6% from RMB2,448 million recorded in the Same Period of Previous Year.

Affected by the generally insufficient domestic and foreign consumer demand, the overall revenue experienced a year-on-year decrease during the Current Period. However, the broadband network access system revenue increased year-on-year. On one hand, the number and share of domestic bidding orders for smart set-top boxes and solutions increased. On the other hand, mainly affected by the insufficient overseas consumer demand caused by the inflation in Europe and the United States, and the Federal Reserve's interest rate hike cycle led to insufficient demand for overseas consumption, order demand and unit selling price, yet overseas gross profit margins are increasing year-on-year. The Group remains the major supplier of the three major telecommunication operators in the domestic market of smart set-top boxes. The Group is also a stable and leading supplier of broadband network connectivity products to the top three telecommunication operators in the domestic market and achieved a strong growth in overseas broadband network connection product market. During the Period, the Group's main products, set-top boxes and network connectivity devices, leveraged their market share advantages and won a number of tender projects from the three major domestic telecommunications operators.

In order to cope with the challenges such as the economic downturn in the macro environment and the weak consumer market, the Group actively explored new markets, new customers and improved product structure to seize market opportunities and increase market share while actively responding to the challenges of the external environment. The Group will actively explore key customers in emerging overseas markets such as Europe, Australia and Latin America. The Group will continue to invest resources in the research and development of virtual reality technologies such as VR/MR, so as to capture new markets locally and overseas by applying Pancake optical technology in light all-in-one VR/MR device series, thus continue to increase market share.

3. New Energy Business

For the six months ended 30 June 2023, the Group recorded a revenue of RMB12,134 million from the new energy business, representing a significant increase of RMB7,924 million or 188.2% as compared with RMB4,210 million recorded in the Same Period of Previous Year. During the Current Period, more than 130,000 new residential photovoltaic power stations were put into operation and connected to the power grid, with accumulate more than 339,000 residential photovoltaic power stations have been built and under grid-connected operation, showing the high-quality development of new energy business by seizing opportunities and riding on the momentum.

The Chinese government's policy direction on environmental protection and new energy is clear. Under the dual benefits of the Double Carbon goals and the "County-wide promotion" policy, the scale of photovoltaic industry in the PRC continues to expand. Since the fourth quarter of 2022, the prices of major raw materials such as silicon materials and silicon wafers have begun to fall due to sufficient production capacity, which is conducive to the rapid growth of the residential distributed photovoltaic market. According to the National Energy Administration, newly installed photovoltaic capacity in the PRC in the first half of 2023 was approximately 78.42 GW, representing a year-on-year increase of approximately 154%, of which the newly installed distributed photovoltaic capacity was approximately 40.96 GW, representing a year-on-year increase of approximately 108%. With the brand advantage of having been deeply engaged in the home appliances business for more than 30 years, the Group has successfully entered into the new energy field with immense market potential and sustainable development. The Group also follows the general trend of the integrated development of modern energy, smart manufacturing and digital technology, and takes residential photovoltaic as the starting point to offer a complete solution for a series of aspects such as power station development, design, construction, operation, management and consulting services, so as to achieve a service system of efficient service and quality control. In addition to building a development, construction, operation and management platform for full-process asset of distributed photovoltaic power stations, the Group upgraded its products according to market orientation and user needs. During the Current Period, the high-quality residential building integrated photovoltaic (BIPV) power station product specially developed by the Group, "Xiao Yang Lou" (小陽樓), which combines photovoltaic panels with roof buildings and is applicable for house types such as self-built villas and cast-in-situ flat roofs, as if building an extra level for houses for free. In order to maintain the quality above industry standards, the Group focused on technological innovation and research and development, and the self-developed "Photovoltaic Power Station Automation Design System" continued to customise and design products with higher degree of accuracy and safety based on users' roof structure. The Group's self-developed smart operation and maintenance system also effectively integrates photovoltaic information with advanced internet technology and digital information technology, which fully realised the real-time digital management of home photovoltaic power stations.

Skyworth Photovoltaics is committed to the layout of comprehensive new energy development, and actively develops into a one-stop solution provider from finance, installation to after-sales. As a pioneer in the industry, it has established an innovative business model of "Photovoltaics + Inclusive development + Digital technology" and created a satisfying photovoltaics products and brands for customers. In order to seize the opportunities arising from the booming market development, the Group will leverage on its own strength of product technology, continue to develop the residential photovoltaic business, and gradually develop businesses such as industrial and commercial photovoltaics and integrated smart energy management on the consumption side. The Group will continue to promote diversified green and low-carbon development, broaden the application scenarios of the new energy business, and promote high-quality economic development while ecology remaining a top priority, so as to become a pioneer of sustainable development in the industry and continue to create value for the society.

4. Modern Services Business and Others

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

For the six months ended 30 June 2023, revenue recorded for modern services business and other businesses in the mainland China market amounted to RMB788 million, representing a decrease of RMB36 million or 4.4% as compared to RMB824 million recorded in the Same Period of Previous Year. Revenue in overseas markets during the Current Period amounted to RMB144 million, representing an increase of RMB48 million or 50.0% from RMB96 million recorded in the Same Period of Previous Year.

During the Current Period, the modern services business continued to focus on supply chain management and promote strategic cooperation with major suppliers to provide diversified services to customers. Under this philosophy, the professional teams of various segment under modern services business, including financial services, marco-logistics services, supply chain operation, foreign trades, park-based property management, park construction and development, have made significant contributions to the Group's external business and the supply chain and operation ecology among various business units within the Group. Among them, the home appliance maintenance and repair business bought good after-sales service experience to consumers, and also provided feedback and improvement suggestions from users on the Group's products to various business units. In addition to offering high-quality services and integrating resources in warehouses in various domestic regions, the logistics company also provide support to the rapid growth of the new energy business through its comprehensive supply chain logistics, factory logistics, sales and after-sales logistics.

In terms of capital operation, the Group continued to focus on the financial business platform with the finance company as the main body, supplemented by venture capital funds and small loans, and expanded the financing channels of the Group by leveraging on 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. The venture capital business managed the investment portfolio held by the Group and continued to seek high-quality investment opportunities in projects from upstream and downstream or emerging industries such as semiconductors, new materials, new equipment, supply chain transactions and service platforms.

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

For the six months ended 30 June 2023, the overall gross profit margin of the Group was 13.0%, representing a decrease of 3.0 percentage points in comparison to 16.0% recorded in the Same Period of Previous Year.

In the first half of 2023, the impact of the pandemic gradually weakened and the pressure on the global supply chain alleviated. However, with the expected recovery in consumption, the rising demand for inventories from various electronics industries has driven up the cost of raw materials. During the Current Period, given the decrease in the overall shipment volume of upstream suppliers and the increase in demand for large-sized screens in the TV market, the price of TV panels continued its upward trend from the end of 2022 to the end of the Current Period, and rising costs exerted pressure on the gross profit margin. In addition, as the new energy business is in a period of rapid growth, its gross profit margin is lower than that of other business segments of the Group. Its significant year-on-year growth in sales also led to a slight decrease in the overall gross profit margin of the Group. The Group will continue to promote the refined management of operations, adopt various comprehensive measures to improve the gross profit margin of products, reduce the operating costs of enterprises, and ensure the sound operation of its enterprises.

Expenses

For the six months ended 30 June 2023, the Group's selling and distribution expenses amounted to RMB1,816 million, representing an increase of RMB212 million or 13.2% as compared to RMB1,604 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the six months ended 30 June 2023 was 5.6%, which decreased by 1.0 percentage points from 6.6% recorded in the Same Period of Previous Year.

For the six months ended 30 June 2023, the Group's general and administrative expenses amounted to RMB857 million, representing an increase of RMB161 million or 23.1% compared with RMB696 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the six months ended 30 June 2023 was 2.7%, which decreased by 0.2 percentage points from 2.9% 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 and product advantages, the Group's investment in research and development during the Current Period approximated that of the Same Period of Previous Year. For the six months ended 30 June 2023, the Group's research and development expenses amounted to RMB1,010 million, representing an increase of RMB9 million or 0.9% as compared to RMB1,001 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the six months ended 30 June 2023 was 3.1%, which dropped by 1.0 percentage points from 4.1% 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 2023, net current assets amounted to RMB11,319 million, representing an increase of RMB420 million or 3.9% as compared to RMB10,899 million as at 31 December 2022. As at 30 June 2023, bank balances and cash amounted to RMB10,412 million, representing an increase of RMB1,358 million or 15.0% as compared to RMB9,054 million as at 31 December 2022. As at 30 June 2023, pledged and restricted bank deposits amounted to RMB2,992 million, representing a decrease of RMB361 million or 10.8% as compared to RMB3,353 million as at 31 December 2022.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 30 June 2023, such secured and restricted assets included bank deposits of RMB2,992 million (as at 31 December 2022: RMB3,353 million), investment properties of RMB1,102 million (as at 31 December 2022: RMB1,135 million), stock of properties of RMB373 million (as at 31 December 2022: RMB328 million) as well as certain prepaid lease payments on land use rights, lands and properties in mainland China and Hong Kong, with an aggregate net book value of RMB4,561 million (as at 31 December 2022: RMB3,129 million). As at 31 December 2022, secured and restricted trade receivables and bills receivables amounted to RMB3 million and RMB58 million respectively.

As at 30 June 2023, total bank loans and overall interest-bearing liabilities of the Group amounted to RMB17,306 million (as at 31 December 2022: RMB15,257 million), equity attributable to owners of the Company amounted to RMB17,865 million (as at 31 December 2022: RMB17,867 million). The debt to owners equity ratio revealed as 78.5% (as at 31 December 2022: 69.7%).

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. Since the U.S. Federal Reserve raised interest rates, the trend of exchange rates of various foreign currencies, especially the U.S. dollar, are still fluctuated and unpredictable. During the Current Period, the management of the Group continued to focus on changes in foreign exchange rates and onshore and offshore interest rate, in order to determine the need for foreign exchange hedging. For the six months ended 30 June 2023, the Group recorded a net exchange gain generated from general operations of RMB147 million (six months ended 30 June 2022: loss of RMB34 million).

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

(a) Unlisted equity securities
As at 30 June 2023, the Group held investments in 62 unlisted companies. The total value (at fair value) of these investments (reflecting the changes in fair value and costs) was RMB3,425 million, of which RMB1,243 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 2023, the Group held investments in nine (as at 31 December 2022: eight) listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 30 June 2023	Value of investment as of 30 June 2023 (RMB million)	Value of investment as of 31 December 2022 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Bank of Gansu Co., Ltd.	0.66%	73.8	93.8	The Stock Exchange of Hong Kong Limited	Financial services
Amlogic (Shanghai) Co., Ltd.	0.08%	28.1	23.5	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Linklogis Inc.	0.36%	21.4	30.4	The Stock Exchange of Hong Kong Limited	Provide supply chain fintech solutions services
Anhui Coreach Technology Co., Ltd.	1.21%	55.0	38.4	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services
Puya Semiconductor (Shanghai) Co., Ltd.	1.81%	145.8	228.1	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Guizhou Zhenhua E-chem Inc.	0.33%	44.3	64.7	Shanghai Stock Exchange	Research and development, design, production and sales of lithium-ion battery cathode materials
Shanghai Anlogic Infotech Co., Ltd.	1.86%	412.6	561.0	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Semiconductor Manufacturing Electronics (ShaoXing) Corporation	0.11%	40.8	-	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Huitongda Network Co., Ltd.	1.61%	264.2	326.8	The Stock Exchange of Hong Kong Limited	Provide a one-stop supply chain trading and service platform

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.

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Current Period, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB735 million in buildings and construction projects, including the expansion of its production plants in Ningbo, Wuhan, Shenzhen, Guangzhou, Qianhai and Huizhou, and RMB212 million for acquisition of other property, plant and equipment. The Group plans to further invest in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of smart, diversified and internationalised strategy.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 30 June 2023, the Group had around 29,700 employees (as at 31 December 2022: 31,400) in the PRC (Hong Kong and Macau inclusive) and overseas, among which more than 90% of Skyworth employees are located in business and production locations in various provinces and cities in China, and the rest are stationed in the Hong Kong head office or overseas branches, including Southeast Asian countries, such as the Philippines, Indonesia, Thailand, Vietnam, Malaysia, as well as European and American markets such as Germany, the Netherlands, France, Italy, the United Kingdom and the United States. 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

Looking forward to the second half of 2023, despite the fact that the COVID-19 uncertainties no longer lingered, challenges such as geopolitical risks, weak global consumer market, fierce price war in the industry and product competition remains. Nonetheless, driven by the huge demand for intelligent manufacturing, digital economy and green environmental protection industries in China's economic and social development and the strong support policies of the Chinese government, the Group will continue to develop products with the technological development concept of "5G + AI + Device", promote the research and development and application of new technologies, new materials and new processes, and enhance product competitiveness, corporate innovation and research and development capabilities. With the research and development of products such as 5G home access system and control system and new generation of smart appliances, it will consolidate its advantages as a smart home system developer and operator.

We believe that reducing inefficiency and optimising resource allocation, and focusing on the development of new generation products with high gross profit margin and high output value enable the Group to maintain its market leadership and seize more market share of new smart home appliances. On the other hand, the Group will continue to firmly grasp the opportunities arising from the digitisation, smartisation and low-carbonisation of the global economy. Leveraging on its leading position in the smart home appliances industry and digital technology industry in the PRC, the Group has collaborated with hardware and software to meet the needs of multiple scenarios. Based on the three major 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 users with borderless and interactive sharing experience.

"Green and low-carbon" has become a matter of concern at the 2023 NPC&CPPCC Annual Sessions; the path to optimise and adjust the energy structure and accelerate the cohesion of broad social consensus to promote the transformation of the energy structure is increasingly clear. With the deep understanding of the concept of green and low-carbon by general public, the trend of green consumption upgrading of residents has become more prominent, and the replacement of high-carbon industries by low-carbon industries has become an irresistible trend in the era. As a photovoltaic enterprise that actively responds to the Double Carbon goal, Skyworth's new energy business will continue to adhere to technological innovation and long-term sustainability. The Group will continue to build a strong brand image with flexible product solutions, high-quality products, excellent quality control system, efficient operation and maintenance services, and implement effective scientific and technological management to build a complete and industry-leading digital management platform, maximising the benefits of photovoltaic power stations and empowering the sustainable and healthy development of the photovoltaic industry.

Based in China and facing the world, the Group will give full play to its own advantages to form a joint force for development and promote the diversified development of various industries of the Group. It will move towards higher quality and more efficient business transformation and upgrading development, so as to comprehensively enhance its value creation capability and brand competitiveness.

EVENTS AFTER THE REPORTING PERIOD

Up to the end of the Current Period and up to the date of this announcement, the Group did not have any material events.

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 C.1.6 of the CG Code.

Pursuant to code provision C.1.6 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Mr. Li Weibin, an Independent Non-executive Director, was unable to attend the special general meeting and annual general meeting of the Company held on 5 May 2023 and 24 May 2023, respectively, due to other prior business engagements.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2022 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 2 meetings and performed the following duties:

(a) to review and comment on the Company's annual and interim financial reports;
(b) to oversee the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
(c) 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;
(d) to discuss on the Group's internal audit plan with the Risk Management Department;
(e) to review the continuing connected transactions; and
(f) 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

On 23 December 2022, the Company published an announcement in relation to (i) an offer made by CLSA Limited on behalf of the Company to buyback for cancellation, subject to the conditions, up to a maximum of 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the date of such announcement, at the price of HK$3.8 per Share (the "Offer"); and (ii) a conditional very substantial acquisition for the Company (the "PRC MGO"). On 28 March 2023, the Company published an announcement regarding the increase of offer price of the Offer, of which the offer price increased from HK$3.8 to HK$5.0 per Share. The Offer was made in full compliance with the Share Buybacks Code. The consideration for the Offer, being a total of HK$500 million, was paid in cash and will be funded by internal resources of the Group. The Offer, the application of whitewash waiver and the PRC MGO were approved by the shareholders at the special general meeting of the Company held on 5 May 2023. The completion of the Offer and cancellation of the 100,000,000 Shares bought-back by the Company took place on Wednesday, 31 May 2023. For more information, please refer to the announcements of the Company dated 23 December 2022, 12 January 2023, 12 February 2023, 12 March 2023, 28 March 2023, 14 April 2023, 5 May 2023, 10 May 2023, 19 May 2023 and 31 May 2023, and the circular of the Company dated 14 April 2023.

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

INTERIM DIVIDEND

The Board has proposed an interim dividend for the Current Period of 3 HK cents (in cash) per share of the Company (for the six months ended 30 June 2022: 3 HK cents per share of the Company), totalling approximately RMB68 million (for the six months ended 30 June 2022: approximately RMB69 million) as at the date of this announcement to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 13 September 2023, Wednesday.

CLOSURE OF THE REGISTER OF MEMBERS FOR INTERIM DIVIDEND

The register of members of the Company will be closed from 11 September 2023, Monday to 13 September 2023, Wednesday (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the interim dividend payable on or around 22 September 2023, Friday, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 8 September 2023, Friday.

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 2023 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 our shareholders 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
Lin Jin
Chairman of the Board

Hong Kong, 25 August 2023

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

** For identification purposes only*