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 2024

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, photovoltaic products, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, modern services and trading of other products.

Highlights of Results

	Six months ended 30 June		
	2024	2023	
	RMB million	RMB million	Change
Revenue	**30,153**	32,300	-6.6%
Gross profit	**4,289**	4,198	2.2%
Profit for the period	**714**	616	15.9%
Profit for the period attributable to owners of the Company	**384**	302	27.2%
Proposed interim dividend per share (HK cents)	**-**	3	N/A

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. 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 ended 30 June 2024 (the "Current Period"), together with the comparative figures for the corresponding period in 2023 (the "six months ended 30 June 2023" 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 2024 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 2024

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

	NOTES	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Revenue			
Sales of goods		29,834	32,006
Leases		265	252
Interest under effective interest method		54	42
Total revenue	3	30,153	32,300
Cost of sales		(25,864)	(28,102)
Gross profit		4,289	4,198
Other income		685	512
Other gains and losses		(119)	91
Selling and distribution expenses		(1,785)	(1,816)
General and administrative expenses		(838)	(857)
Research and development expenses		(981)	(1,010)
Finance costs		(253)	(276)
Share of results of associates and joint ventures		(29)	(21)
Profit before taxation		969	821
Income tax expense	5	(255)	(205)
Profit for the period	6	714	616
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2)	6
Fair value change on trade receivables at fair value through other comprehensive income (“FVTOCI”)		(4)	1
		(6)	7
Items that will not be reclassified to profit or loss:			
Fair value (loss) gain on investments in equity instruments at FVTOCI		(331)	189
Income tax relating to item that will not be reclassified subsequently		31	(41)
		(300)	148
Other comprehensive (expense) income for the period		(306)	155
Total comprehensive income for the period		408	771

	NOTE	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Profit for the period attributable to:			
Owners of the Company		384	302
Non-controlling interests		330	314
		714	616
Total comprehensive income for the period attributable to:			
Owners of the Company		80	454
Non-controlling interests		328	317
		408	771
Earnings per share (expressed in Renminbi cents)			
Basic	8	16.31	11.95
Diluted	8	16.31	11.95

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

Amounts expressed in millions of Renminbi

	NOTE	As at 30 June 2024 (unaudited)	As at 31 December 2023 (audited)
Non-current Assets			
Property, plant and equipment		9,767	9,576
Right-of-use assets		2,686	2,728
Deposits paid for purchase of property, plant and equipment		340	420
Investment properties		1,490	1,517
Goodwill		471	473
Other intangible assets		108	104
Interests in associates and joint ventures		442	466
Other financial assets		3,437	3,616
Trade and other receivables	9	842	565
Deferred tax assets		1,120	1,019
		20,703	20,484
Current Assets			
Inventories and other contract costs		12,488	10,205
Stock of properties		5,944	6,033
Other financial assets		701	712
Trade and other receivables	9	17,065	17,015
Prepaid tax		181	137
Pledged and restricted bank deposits		3,574	3,461
Cash and cash equivalents		8,678	9,114
		48,631	46,677

	NOTE	As at 30 June 2024 (unaudited)	As at 31 December 2023 (audited)
Current Liabilities			
Trade and other payables	10	25,065	26,566
Other financial liabilities		272	214
Lease liabilities		48	74
Deferred income		107	91
Tax liabilities		211	265
Bank borrowings		11,170	8,218
		36,873	35,428
Net Current Assets		11,758	11,249
Total Assets less Current Liabilities		32,461	31,733
Non-current Liabilities			
Trade and other payables	10	1,296	1,019
Other financial liabilities		-	57
Lease liabilities		57	70
Deferred income		528	395
Bank borrowings		7,787	7,097
Deferred tax liabilities		277	338
		9,945	8,976
NET ASSETS		22,516	22,757
Capital and Reserves			
Share capital		243	250
Reserves		17,624	17,889
Equity attributable to owners of the Company		17,867	18,139
Non-controlling interests		4,649	4,618
		22,516	22,757

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 D2 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 2023.

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 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 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except for the two amendments to HKAS1 mentioned in the Group's annual financial statements for the year ended 31 December 2023, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

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

For the six months ended 30 June 2024 (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))	15,017	4,322	9,015	970	29,324
Internet value-added services of Coocaa system	583	-	-	-	583
Contracts with customers	15,600	4,322	9,015	970	29,907
Leases	-	13	-	252	265
Interest under effective interest method (Note (ii))	-	-	-	54	54
Subtotal	15,600	4,335	9,015	1,276	30,226
Less: other business tax	(25)	(8)	(31)	(9)	(73)
Segment revenue	15,575	4,327	8,984	1,267	30,153

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

Notes:

i. Manufacture and sales of goods mainly include manufacture and sales of 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.

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 and commercial uses

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 2024 (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	15,575	4,327	8,984	28,886	1,267	-	30,153
Inter-segment revenue	153	68	-	221	331	(552)	-
Total segment revenue	15,728	4,395	8,984	29,107	1,598	(552)	30,153
Results							
Segment results	468	101	520	1,089	350	-	1,439
Interest income							99
Other gains and losses							(119)
Finance costs							(253)
Share of results of associates and joint ventures							(29)
Unallocated corporate income/expenses							(168)
Consolidated profit before taxation of the Group							969

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

5. INCOME TAX EXPENSE

	Six months ended 30 June 2024 RMB million (unaudited)	Six months ended 30 June 2023 RMB million (unaudited)
Tax charge (credit):		
PRC Enterprise Income Tax ("EIT")	337	308
PRC land appreciation tax ("LAT")	30	(7)
Hong Kong Profits Tax	2	7
Taxation arising in other jurisdictions	15	13
Deferred taxation	(129)	(116)
	255	205

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2024 and 2023.

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 Cai Shui [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 2023: 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 2024 RMB million (unaudited)	Six months ended 30 June 2023 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 RMB68 million (for the six months ended 30 June 2023: reversal of write-down of inventories of RMB7 million)	25,489	27,982
Cost of stock of properties recognised as an expense including write-down of stock of properties of RMB139 million (for the six months ended 30 June 2023: nil)	304	29
Depreciation of right-of-use assets	69	67
Less: capitalised as cost of inventories	(13)	(9)
capitalised as cost of construction in progress	(26)	(28)
	30	30
Depreciation of investment properties	28	44
Depreciation of property, plant and equipment	386	387
Less: capitalised as cost of inventories	(134)	(146)
	252	241
Staff costs, including directors' emoluments	2,503	2,523
Less: capitalised as		
- Cost of inventories	(672)	(667)
- Stock of properties	(9)	(8)
- Property, plant and equipment	(9)	(11)
	1,813	1,837
Rental income from leases less related outgoings of RMB71 million (for the six months ended 30 June 2023: RMB91 million)	(194)	(161)
Loss (gain) from changes in fair value of financial assets at FVTPL (included in other gains and losses)	94	(55)
(Gain) loss from changes in fair value of derivative financial instruments (included in other gains and losses)	(15)	117

7. DIVIDENDS

During the current interim period, a final dividend of 5 HK cents per share in respect of the year ended 31 December 2023 (2023: no final dividend in respect of the year ended 31 December 2022) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB111 million.

The board of directors has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2024 to the shareholders of the Company (2023: 3 HK cents per share, in an aggregate amount of RMB65 million).

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 2024 RMB million (unaudited)	Six months ended 30 June 2023 RMB million (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	384	302
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,354,599,893	2,527,074,348
Effect of dilutive potential ordinary shares in respect of outstanding share options of the Company	78,751	435,516
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,354,678,644	2,527,509,864

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 2024 and 2023.

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 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Trade and bills receivables (Note (i))	11,514	11,467
Loan receivables (Note (ii))	944	895
Purchase deposits paid for materials	1,652	1,686
VAT and other tax recoverables	1,837	1,576
Consideration receivables for disposal of a subsidiary	291	366
Other deposits paid and prepayments	941	761
Other receivables	728	829
	17,907	17,580

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 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Trade receivables at amortised cost		
- goods and services	10,092	10,073
- lease receivables	166	163
	10,258	10,236
Less: allowance for credit losses	(703)	(753)
	9,555	9,483
Trade receivables at FVTOCI	531	215
Bills receivables	1,428	1,769
	11,514	11,467

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

	As at 30 June 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Within 30 days	4,423	4,608
31 to 60 days	2,335	1,841
61 to 90 days	1,151	1,079
91 to 180 days	791	1,105
181 to 270 days	678	338
271 to 365 days	191	185
Over 365 days	1,220	1,295
	10,789	10,451

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 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Within 30 days	228	254
31 to 60 days	242	225
61 to 90 days	252	364
91 days or over	706	926
	1,428	1,769

As at 30 June 2024, included in the trade receivables are amounts due from an associate and related parties (as at 31 December 2023: an associate and related parties) of RMB90 million (as at 31 December 2023: RMB202 million) and RMB10 million (as at 31 December 2023: RMB10 million) respectively with aggregative amounts of RMB85 million aged within 30 days, RMB14 million aged from 31 to 60 days and RMB1 million aged from 91 to 180 days (as at 31 December 2023: RMB113 million aged within 30 days and RMB89 million aged from 31 to 60 days and RMB10 million from 61 to 90 days). The credit period is 45 days. No allowance for credit losses is made for the six months ended 30 June 2024 and 2023.

ii. Loan receivables

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

	As at 30 June 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Fixed-rate loan receivables		
Secured	892	829
Unsecured	52	66
	944	895
Analysed for reporting purpose as		
Current assets	674	818
Non-current assets	270	77
	944	895

Included in the carrying amount of loan receivables as at 30 June 2024 is allowance for credit losses of RMB61 million (as at 31 December 2023: RMB60 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 2024 is an amount of approximately RMB247 million (as at 31 December 2023: RMB241 million) due from 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 6% (as at 31 December 2023: 7%) per annum and repayable by instalments up to 2027 (as at 31 December 2023: up to 2025).

Included in the carrying amount of loan receivables as at 30 June 2024 of approximately RMB215 million (as at 31 December 2023: RMB105 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 2023: 7% to 8%) per annum and repayable by instalments up to final maturity dates ranging from 2025 to 2027 (as at 31 December 2023: ranging from 2024 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 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Fixed-rate loan receivables:		
Within one year	674	818
In more than one year but not exceeding two years	258	60
In more than two years but not exceeding five years	12	17
	944	895

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 2024	As at 31 December 2023
Effective interest rate:		
Fixed-rate loan receivables	3.35% - 12.00%	4.20% - 12.00%

10. TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Trade payables (Note (i))	11,789	11,531
Bills payables (Note (ii))	3,919	5,423
Provision for warranty	507	474
Provision for rebates (Note (iii))	594	858
Contract liabilities	1,939	1,544
Accrued staff costs	945	1,251
Accrued selling and distribution expenses	387	391
Deposits received from sub-contractors	2,738	2,634
Payables for purchase of property, plant and equipment	616	707
Rental deposits received	176	178
VAT and other tax payables	450	572
Other deposits received	58	62
Accruals and other payables	2,243	1,960
	26,361	27,585
Analysed for reporting propose as		
Current liabilities	25,065	26,566
Non-current liabilities	1,296	1,019
	26,361	27,585

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 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Within 30 days	5,559	5,012
31 to 60 days	2,577	2,146
61 to 90 days	1,422	1,247
91 days or over	2,231	3,126
	11,789	11,531

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

	As at 30 June 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Within 30 days	561	726
31 to 60 days	613	1,041
61 to 90 days	634	1,076
91 days or over	2,111	2,580
	3,919	5,423

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 2024 RMB million (unaudited)	As at 31 December 2023 RMB million (audited)
Right-of-use assets, leasehold land and buildings and machines	4,004	4,805
Investment properties	1,062	1,082
Stock of properties	1,999	1,673
Trade and bills receivables	8	213
	7,073	7,773

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.

In addition to the above, the equity of a subsidiary as at 30 June 2024 and 31 December 2023 was also pledged to a bank for facility provided to the Group.

BUSINESS PERFORMANCE REVIEW

Revenue

For the six months ended 30 June 2024 (the "Current Period"), the Group's overall revenue amounted to RMB30,153 million, representing a decrease of RMB2,147 million or 6.6% compared with an overall revenue of RMB32,300 million for the Same Period of Previous Year. During the Current Period, the Group continued to deepen its strengths and seek breakthroughs in the face of a volatile global market and weak domestic demand. The Group quickly adjusted its strategies against the adversity and improved its overall operating efficiency by reducing operating costs and enhancing resource efficiency. Under the current macroeconomic uncertainties, the Group managed to maintain a stable performance and achieved a net profit of RMB714 million, demonstrating an increase of RMB98 million or 15.9% compared with RMB616 million for the Same Period of Previous Year. The gross profit margin of the Group for the Current Period was 14.2%, representing an increase of 1.2 percentage points as compared to 13.0% for the Same Period of Previous Year.

The global economy is under a steady but slow recovery. With the energy crisis caused by the ongoing Russia-Ukraine War, increased geopolitical conflicts and tensions, and the Federal Reserve's continuous interest rate hike cycle, overall market sentiment remains weak and the global economy is still under pressure. In the face of the continuously weak market, the Group continued to drive industrial transformation and innovative development in its business strategies, while keeping a close eye on the latest market development, from the digital innovation of smart household 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, pursue forward-looking layout to advance its business, and continue to realise its global development strategy by adopting diversified and multi-channel strategies.

During the Current Period, the market uncertainty intensified the pressure on businesses, which further dampened consumer demand and posed challenges to the Group's business environment. In this regard, Skyworth took initiative to promote the green development of the Double Carbon strategy, and facilitated the innovative, healthy and sustainable development of the global ultra-high-definition video industry. It also continued to make optimisation in various aspects such as technological innovation, quality requirements and users-first philosophy, in order to remain competitive in the ever-changing market.

For the below analysis, other business tax of RMB73 million during the Current Period (the Same Period of Previous Year: RMB51 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, Europe and Americas, and Africa, with mainland China being the primary market.

Mainland China Market

For the six months ended 30 June 2024, revenue from the mainland China market amounted to RMB22,706 million, representing a decrease of RMB2,437 million or 9.7% as compared to RMB25,143 million for the Same Period of Previous Year. After several years of rapid growth, the new energy business was constrained by electricity policy and local grid capacity, resulting in a decline in revenue as compared to the Same Period of Previous Year.

During the Current Period, the Group's smart household appliances business, smart systems technology business and new energy business each accounted for 43.8% (the Same Period of Previous Year: 36.5%), 11.5% (the Same Period of Previous Year: 12.2%) and 39.7% (the Same Period of Previous Year: 48.2%) of its revenue from the mainland China market, while the modern services business and others attributed the remaining 5.0% (the Same Period of Previous Year: 3.1%).

Overseas Markets

For the six months ended 30 June 2024, revenue from overseas markets amounted to RMB7,520 million, accounting for 24.9% of the Group's overall revenue and representing an increase of RMB312 million or 4.3% from RMB7,208 million for the Same Period of Previous Year. During the Current Period, foreign economies remained under pressure, and the Russia-Ukraine War remained uncertain. As a result, there was no significant increase in consumer purchasing power and desire in the Asian markets. As global sports events were held successively in 2024, the Group successfully expanded its business in the European and African markets, with its highly intelligent and user-friendly smart appliances product design that catered to the sports events.

Geographical Distribution of Revenue in Overseas Markets

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

	Six months ended 30 June	
	2024	2023
	(%)	(%)
Asia	**51**	58
Europe	**22**	17
Americas	**14**	14
Africa	**11**	10
Oceania	**2**	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, enabling various business units 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 2024, the Group's smart household appliances business recorded revenue of RMB15,600 million, representing an increase of RMB1,436 million or 10.1% as compared to RMB14,164 million recorded in the Same Period of Previous Year.

1.1 Smart TV Systems Products (Mainland China Market)

For the six months ended 30 June 2024, the Group's smart TV systems products recorded revenue of RMB5,548 million in the mainland China market, representing an increase of RMB1,013 million or 22.3% as compared to RMB4,535 million recorded in the Same Period of Previous Year.

In the first half of 2024, the Group consistently focused on the core value of TVs and its user's experience, while actively responding to the fast-changing global environment of technology. The Group strived to make innovation and breakthroughs mainly in high image quality, high sound quality, home-integrated design, high-performance connectivity, system software and other technologies, to continuously enhance the core competitiveness of its products.

During the Current Period, the Group focused on the development of ultra-multi-zone Mini LED display systems, paper-like display technologies, red-light eye protection quantum films and other TV products, providing differentiated solutions to meet the requirements for different dimming zone, brightness and colour gamut. The Group developed a variety of acoustic technologies, such as ultra-multi-audio drivers, large-diameter speakers, and precise spectral positioning algorithms, to provide users with premium and rich sound quality. At the same time, the Group developed and applied various large-screen connection and interaction technologies for multi-category in multiple scenarios, to enrich the product's application scenarios and broaden the boundaries. The Group's strategy of adhering to "high-end", "differentiation" and "large-screen" has started to bear fruit. A number of new large-sized and high-end TV products were launched during the Current Period, and continued to be well received by users. Skyworth Wallpaper TVs occupied the top 7 places in the "Home Appliances Sales Ranking for JD.com's 618 Promotion (Art TVs - Accumulation Ranking) (618 京東家電競速榜（藝術電視ー累計榜）)" and dominated the top 2 positions on the ranking list. As a pioneer in promoting 100-inch ultra-large screen, Skyworth made an industry breakthrough in the ultra-large screen market. According to industry data, its 100-inch TV ranking the top one in terms of sales volume web-wide, ranking in the preferred choice in the domestic TV brand industry. During the Current Period, the Group's domestic shipment of TVs with 65-inch or above accounted for over 40%, leading to a steady increase in the overall average selling price.

The Group continued to expand the product layout of Wallpaper TV with the launch of A7E/A7E Pro and Q8E/Q9E. Featuring "ultra-thin flush wall mounting and home integration" and optional decorative picture frames, these products could satisfy users' diverse needs for artistic home vibes and scenes, realising the perfect combination of space utilisation and user experience. After deepening its promotion, Skyworth Wallpaper TV Series achieved remarkable market results in the first half of 2024. It not only acquired a number of national patents for invention, but also led the industry trend with its excellent product quality, audio and visual experience and unique design concepts, winning the trust and recognition from high-end users. In addition, at the Appliance & Electronics World Expo 2024 (AWE 2024), the Group highlighted the launch of A5D Pro, being the first Mini LED TV with built-in soundbars in the industry. In addition to Dolby Atmos + DTS decoding compatibility on software, the Group continued to team up with the legendary audio brand harman/kardon, to provide users with an even more excellent theater-grade audio-visual experience.

Skyworth insisted on independent innovation and continued to lead the industry trend. In the midst of the AI (artificial intelligence) boom, the self-developed end-to-end AIGC (Artificial Intelligence Generated Content) technology, which is based on a multimodal large model, has realised that interactive content can be produced by AI for various of applications. These significant technological breakthroughs brought noticeable advantages to the Group's products, and the Group are expected to occupy a favourable position in the intensely competitive market. In respect of channel distribution, the Group has deepened its customer census and customer development in large county and rural markets, strengthened multi-category channel matrix and focused on improving the lagging regions. The e-commerce channel has achieved a breakthrough in high-end and high-priced products through differentiated product layout and restructuring of product sales.

1.2 Smart TV Systems Products (Overseas Markets)
For the six months ended 30 June 2024, the Group's smart TV systems products recorded revenue of RMB3,950 million in overseas markets, representing an increase of RMB119 million or 3.1% as compared to RMB3,831 million recorded in the Same Period of Previous Year.

During the Current Period, the Group seized global expansion opportunities and launched various products in overseas markets, such as Musician TV Series G6E and G7E, Portable TV P2E and Art TV P6E. Among them, Portable TV and Art TV Series were well received in multiple countries.

Against the backdrop of intensifying international competition and increasing uncertainties in the trading environment, overseas household appliances markets were still in the face of various uncertainties and challenges. Besides, as the Red Sea situation had a material impact on global shipping, rising supply chain costs and the continued US dollar appreciation have also increased complexity in overseas business. The Group has made timely adjustments to its supply chain and marketing strategies, and safeguarded its relative cost advantage in the supply chain by strengthening cooperation with shipping companies. The Group also actively explored e-commerce markets such as Vietnam and Europe, and further strengthened Skyworth's brand influence by organising new product launches, new product promotions and roadshows and other activities, thereby driving the growth of its own brand business against the headwind.

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

For the six months ended 30 June 2024, revenue recorded for smart appliance products in the mainland China market amounted to RMB2,935 million, representing an increase of RMB110 million or 3.9% as compared to RMB2,825 million recorded in the Same Period of Previous Year. The Group continued to apply its diversification strategy to expand into overseas markets. Revenue in overseas markets amounted to RMB1,250 million, representing an increase of RMB441 million or 54.5% as compared to RMB809 million recorded in the Same Period of Previous Year. The increase in revenue was mainly due to the continuous increase in order demand for air conditioners and washing machines.

During the Current Period, the Group continued to strengthen its research and development of smart products and enhanced its product competitiveness. New products such as zero-embedded refrigerators, dual-drive split cabin washing machines, mini washing machines with 1KG capacity and portable air-conditioners were well recognised by consumers. Among them, key products such as drum washing machines and air conditioners recorded strong sales performance during the Current Period, driving sales growth of the smart appliances business in the domestic and overseas markets. In addition, the Group strove to expand its online e-commerce business, actively expanded customers on online sales platforms, and strengthened its product quality and own brand image, thus achieving a significant growth in revenue from overseas markets.

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. During the Current Period, Coocaa Technology has been committed to the research and development and application of AI technology, and significantly enhanced users' audio-visual experience through its application of smart poster and smart short video edit technologies. Based on the large model AI technology, the functional experience of TVs has been enhanced in terms of voice dialogue, child education and content search. 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 2024, revenue recorded for the Group's smart systems technology business in the mainland China market amounted to RMB2,618 million, representing a decrease of RMB438 million or 14.3% from RMB3,056 million recorded in the Same Period of Previous Year. Revenue recorded in overseas markets amounted to RMB1,717 million, representing a decrease of RMB348 million or 16.9% from RMB2,065 million recorded in the Same Period of Previous Year.

During the Current Period, sales prices of set-top boxes and broadband network access system products were under downward pressure due to intense market competition and market demand falling short of expectations. The Group proactively dropped some low-margin orders to avoid engaging in unhealthy price competition. However, the Group managed to increased its market shares for broadband network access system products, with a 100% tender success rate for procurement projects in the domestic telecommunication operator market. The 8K ultra-high-definition set-top box project also received bulk orders from China Mobile in Henan, Hebei and other locations. During the Current Period, the Group deployed products powered by "smart hardware + AI technology operation", including the launch of a new generation of Pancake MR (Mixed Reality) products and upgrading the development for XR (Extended Reality) series products. Development of FTTR (Fiber-to-the-Room) products in the domestic telecommunication operator market was completed, and contract orders from key strategic overseas customers were also increasing aggressively. The grand new gaming set-top boxes with AI function, lens and NPU (Neural Processing Unit) edge computing capacity, realised large-volume shipment and sales in North Americas.

In respect of the professional display business, the automotive smart display business continued to obtain a number of key designated projects from core customers. Integration systems for automotive human-computer interaction display assembly system, automotive smart display systems and other products also had strong competitiveness in the market, further enhancing its market share and market position. With the implementation of favourable policies to promote vehicle consumption, it is expected to further release the consumption potential, promoting the steady growth of the Group's automotive electronic display integration business. In addition, as a part of the transformation to actively develop the industrial control module business, the Group further focused on the development of large-scale industries (drones, smart homes, smart cash registers, new energy, etc.) and specifically cultivated the medical and robotics industries, striving to accelerate the technological deployment and market development of new products in industrial control and IoT (Internet of Things) industries.

3. New Energy Business

For the six months ended 30 June 2024, the Group recorded a revenue of RMB9,015 million from the new energy business, representing a decrease of RMB3,119 million or 25.7% as compared with RMB12,134 million recorded in the Same Period of Previous Year. During the Current Period, more than 86,000 new residential photovoltaic power stations were put into operation and connected to the power grid, accumulating more than 528,000 residential photovoltaic power stations that have been built and under grid-connected operation. Total installed capacity of residential distributed photovoltaic equipment and industrial and commercial distributed photovoltaic equipment exceeded 2.8 GW.

The Chinese government's policy direction on environmental protection and new energy is clear. Under the dual benefits of the Double Carbon goal and the "County-wide promotion" policy, the scale of photovoltaic industry in the PRC continues to expand. With the rapid development of the new energy industry and the explosive growth of residential distributed photovoltaics, Skyworth, having made deployment for the new energy business in advance and relying on the brand advantages of having been deeply engaged in the home appliances business for more than 30 years, has successfully pioneered the industry with the innovative business model of "Photovoltaics + Inclusive development + Digital technology". It offers 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, and facilitate village revitalisation and high-quality economic development. After four years of development, the new energy business has now become the "second growth curve" of Skyworth Group. In the residential business segment, the Group has introduced two models of "Cooperative Construction" and "Operating Lease" based on market orientation and user demands, and continued to upgrade its products. The "six series", including "Xiao Yang Lou" (小陽樓), "Golden House Pro" (金裝房Pro), " Xiang Yang Yuan" (向陽院),"Zero Carbon Garden" (零碳園), "Yue Yang Ting" (悅陽亭), and "Rainbow House Pro" (彩虹屋Pro), cater to the diverse needs of users in different regions and housing types and effectively increase rooftop utilisation rates, ensuring continuous benefits for users in terms of electricity generation. In addition to building a development, construction, operation and management platform for full-process asset of distributed photovoltaic power stations, 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.

Under the rapid growth trend of installed capacity in the residential photovoltaic industry, grid constraints and intensified market competition have become two major difficulties in the development of the domestic residential photovoltaic industry. Therefore, Skyworth Photovoltaics has been actively exploring the industrial and commercial business segment, developing practical photovoltaic power stations based on different building types in the industrial and commercial sectors. The Group has newly announced "three models and four series" under the industrial and commercial business segment during the Current Period. Three new industrial and commercial business models, namely "E-Enterprise Development" (E企發), "E-Enterprise Saving" (E 企省) and "E-Enterprise Sharing" (E 企享), are designed to develop diversified business types based on different needs of property owners, striving to achieve social and economic benefits. The "four major products" include "Zero Carbon Zone" (零碳吧), "Zero Carbon Park" (零碳園), "Golden Dragon Scale" (金龍鱗) and "Green Stations" (綠行驛站), all of which are in the form of customised products to meet the needs of different enterprises in terms of their station construction environment, and empower the zero-carbon transformation of park-level property owners.

The photovoltaic market continues to offer strategic opportunities intertwined with risks and challenges. The Group has not only penetrated into the upstream of the photovoltaic industry chain, but has also been actively expanding its energy storage business and advancing the overseas development of the new energy business. The Group is expanding into research and development and manufacture of photovoltaic brackets, modules, inverters and energy storage businesses, and is designing, developing and manufacturing high-efficiency modules, inverters, brackets and other core equipment for photovoltaic power stations starting from Europe and further in a global deployment. Skyworth's energy storage business focuses on four major business segments, namely industrial and commercial, residential, portable and base station backup, to provide comprehensive energy storage solutions to global customers. The Group will continue to leverage on its own strength of product technology to promote diversified green and low-carbon development, and broaden the application scenarios of the new energy business. It will also facilitate high-quality business development while insisting on quality first and prioritising efficiency, so as to become a pioneer of sustainable development in the industry.

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 2024, revenue recorded for modern services business and other businesses in the mainland China market amounted to RMB1,137 million, representing an increase of RMB349 million or 44.3% as compared to RMB788 million recorded in the Same Period of Previous Year. Revenue in overseas markets during the Current Period amounted to RMB139 million, representing a decrease of RMB5 million or 3.5% from RMB144 million recorded in the Same Period of Previous Year. The completion and delivery of property development projects in Ningbo and Inner Mongolia regions, and the successful development of new customers under the logistics business, have made a significant contribution to the revenue growth of the modern services business during the Current Period.

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 business units under modern services business, including financial services, macro-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 brought 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.

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, with an aim 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 2024, the overall gross profit margin of the Group was 14.2%, representing an increase of 1.2 percentage points in comparison to 13.0% recorded in the Same Period of Previous Year.

In the first half of 2024, consumer confidence in PRC's household appliances industry remained relatively weak. After adjusting its marketing strategy and promoting its brands, the Group has appropriately reduced its OEM business and focused on the sales of its own brands and high-end product markets, resulting in an improvement in gross profit. In addition, more financing partners were introduced to the new energy business and costs of key raw materials continued to decline during the Current Period, which made a positive impact on the improvement of gross profit margin. 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 2024, the Group's selling and distribution expenses amounted to RMB1,785 million, representing a decrease of RMB31 million or 1.7% as compared to RMB1,816 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the six months ended 30 June 2024 was 5.9%, which increased by 0.3 percentage points from 5.6% recorded in the Same Period of Previous Year.

For the six months ended 30 June 2024, the Group's general and administrative expenses amounted to RMB838 million, representing a decrease of RMB19 million or 2.2% compared with RMB857 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the six months ended 30 June 2024 was 2.8%, which increased by 0.1 percentage points from 2.7% 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 and product advantages. For the six months ended 30 June 2024, the Group's research and development expenses amounted to RMB981 million, representing a decrease of RMB29 million or 2.9% as compared to RMB1,010 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the six months ended 30 June 2024 was 3.3%, which increased by 0.2 percentage points from 3.1% 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 2024, net current assets amounted to RMB11,758 million, representing an increase of RMB509 million or 4.5% as compared to RMB11,249 million as at 31 December 2023. As at 30 June 2024, bank balances and cash amounted to RMB8,678 million, representing a decrease of RMB436 million or 4.8% as compared to

RMB9,114 million as at 31 December 2023. As at 30 June 2024, pledged and restricted bank deposits amounted to RMB3,574 million in aggregate, representing an increase of RMB113 million or 3.3% as compared to RMB3,461 million as at 31 December 2023.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 30 June 2024, such secured or restricted assets included bank deposits of RMB3,574 million (as at 31 December 2023: RMB3,461 million), investment properties of RMB1,062 million (as at 31 December 2023: RMB1,082 million), stock of properties of RMB1,999 million (as at 31 December 2023: RMB1,673 million), as well as certain prepaid lease payments on land use rights, lands and properties and construction in progress in mainland China and Hong Kong, with an aggregate net book value of RMB4,004 million (as at 31 December 2023: RMB4,805 million). As at 30 June 2024 and 31 December 2023, secured and restricted bills receivables amounted to RMB8 million and RMB213 million respectively.

As at 30 June 2024, total bank loans and overall interest-bearing liabilities of the Group amounted to RMB18,957 million (as at 31 December 2023: RMB15,315 million), equity attributable to owners of the Company amounted to RMB17,867 million (as at 31 December 2023: RMB18,139 million). The debt to equity ratio revealed as 84.2% (as at 31 December 2023: 67.3%).

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 decision of U.S. Federal Reserve to cut interest rates has a significant impact on the currency markets in major economies around the world and on the exchange rates of various foreign currencies. 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 2024, the Group recorded a net exchange loss generated from general operations of RMB9 million (six months ended 30 June 2023: gain of RMB147 million).

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

(a) Unlisted equity securities
As at 30 June 2024, the Group held investments in 67 unlisted companies. The total value (at fair value) of these investments (reflecting the changes in fair value and costs) was RMB3,157 million, of which RMB740 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 2024, the Group held investments in ten (as at 31 December 2023: ten) listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 30 June 2024	Value of investment as of 30 June 2024 (RMB million)	Value of investment as of 31 December 2023 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Bank of Gansu Co., Ltd.	0.66%	29.9	31.7	The Stock Exchange of Hong Kong Limited	Financial services
Amlogic (Shanghai) Co., Ltd.	0.08%	19.8	20.9	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Linklogis Inc.	1.00%	16.5	11.9	The Stock Exchange of Hong Kong Limited	Provide supply chain fintech solutions services
Anhui Coreach Technology Co., Ltd.	1.00%	37.1	57.4	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services
Puya Semiconductor (Shanghai) Co., Ltd.	0.08%	84.1	133.7	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Guizhou Zhenhua E-chem Inc.	0.33%	14.0	29.5	Shanghai Stock Exchange	Research and development, design, production and sales of lithium-ion battery cathode materials
Shanghai Anlogic Infotech Co., Ltd.	1.86%	189.3	274.0	Shanghai Stock Exchange	Research, design, development and manufacture of chips
United Nova Technology Co., Ltd. (formerly known as Semiconductor Manufacturing Electronics (Shaoxing) Corporation)	0.10%	31.0	38.1	Shanghai Stock Exchange	Research, design, development and manufacture of chips

Grand Kangxi Communication Technologies (Shanghai) Co., Ltd.	0.42%	20.6	31.7	Shanghai Stock Exchange	Research, design, development and manufacture of wireless network equipment related chips
Huitongda Network Co., Ltd.	1.61%	212.8	249.5	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 RMB359 million in main buildings and construction projects, including the expansion of its production plants in Ningbo, Wuhan, Shenzhen, Guangzhou and Huizhou, and RMB342 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 2024, the Group had around 28,200 employees (as at 31 December 2023: 31,200) 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

Though the trading supply chain has been affected by the global economic and geopolitical turmoil, resulting in a decline in consumer purchasing power and a volatile business environment, and the domestic and international environment for PRC's economic development remains complicated, the Group remains cautiously optimistic about the market prospect for the industries in which it operates, and its goals for each industry remain clear.

We believe that achieving important corporate indicators of improved per capita output by 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 products, as well as ensure the stable growth of the smart household appliances business as the fundamentals of the Group. In the first half of 2024, the Group established a Large Supply Chain Collaboration Team, a Multi-category Promotion Department and a Technology Development Leading Team, to continue to develop products with the technological development concept of "5G + AI + Device", and promote the integration of technological innovation resources, realising the technological integration of all categories of products. The Group also consistently focuses on enhancing core competitiveness of the brand, and accurately understands users' needs. With the combination of strategic marketing and technological innovation and iterations, the Group continues the promotion of categories with competitive advantages. The Group is also actively embracing the changes brought about by AI applications, integrating digital technology and systematic development and management, and stepping up the research and development for AI and AIGC-related application functions and scenarios, providing consumers with borderless and interactive new experience, and further enhancing the competitiveness of its products.

In recent years, Skyworth has been accurately studying and analysing forward-looking trends, expanding from TVs to smart household appliances and smart devices, and further crossing industry to successfully enter the new energy sector, developing a distinctive path "From Smart Appliances to Double Carbon Ecology". As a photovoltaic enterprise that actively responds to the Double Carbon goal, Skyworth's new energy business stands firmly at the forefront of technological innovation and green lifestyles. The Group is also actively exploring overseas business opportunities. Leveraging China's increasing influence in overseas markets, the Group vigorously promotes the joint overseas expansion of "Smart Appliances + Photovoltaics + Energy Storage", to empower synergies and accelerate the establishment and improvement of the production and operation management system as well as the supply chain management system for the global market. This year, the Group announced a strategy of "integration of source, grid, load and storage", resolving to coordinate the four major elements of power supply, power grid, power load and energy storage, integrate photovoltaic power generation, energy storage and charging technologies, to realise integrated operation solutions. Such move will promote the construction of green and low-carbon ecological parks, and make deployment from civil to commercial use and from China to the globe.

Based in China and facing the world, the Group will give full play to its own advantages and enhance the mutual empowerment among the Group's business units to promote the diversified development of various industries, and generate value for users and markets in different regions through continuous technological and product innovation. The Group will keep a close eye on changes in the market and make timely adjustments to its operating strategies. It will build a strong brand image and brand competitiveness with flexible product solutions, high-quality products, excellent quality control system and efficient operation and maintenance services. The Group is well poised to embrace the market trend and opportunities to maximise the Group's operational efficiency and financial performance.

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 (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") .

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.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2023 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

During the Current Period, the Board considered that repurchases of Shares would lead to an enhancement of the earnings per Share and overall shareholders return, thus the Company has purchased a total of 98,330,000 Shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK$298.46 million (excluding expenses). 67,732,000 Shares were cancelled as of 28 June 2024 and 30,598,000 Shares were cancelled as of 11 July 2024. As at 30 June 2024, the total number of Shares in issue was 2,335,071,420.

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

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 2023: 3 HK cents per share of the Company).

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 2024 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, 27 August 2024

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*