SKYWORTH GROUP LIMITED
創維集團有限公司

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

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Highlights of Results

The Group recorded the following results for the Reporting Year:

- Revenue amounted to RMB37,277 million (69.8% of which was recorded from sales in the mainland China market). The revenue of the Previous Period amounted to RMB30,192 million.
- Revenue from multimedia business and smart systems technology business accounted for 57.7% and 25.8% of the Group's total revenue, respectively; compared to 61.8% and 21.8% in the Previous Period, respectively.
- Gross profit achieved RMB7,502 million, while the gross profit margin was 20.1%. The gross profit margin of the Previous Period was 18.7%.
- Profit for the year and profit for the year attributable to owners of the Company amounted to RMB1,031 million and RMB747 million, respectively.
- The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019. Subject to the then prevailing market conditions, the Company may utilise cash to conduct corporate exercise including share buy-back.

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of the Company has not been completed. In the meantime, the board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 (the "**Reporting Year**") together with the comparative figures for the nine months ended 31 December 2018 (the "**Previous Period**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	NOTES	Year ended 31 December 2019 (Unaudited)	Nine months ended 31 December 2018 (Audited)
Revenue			
Contracts with customers		36,802	29,736
Leases		408	272
Interest under effective interest method		67	184
Total revenue	3	37,277	30,192
Cost of sales		(29,775)	(24,534)
Gross profit		7,502	5,658
Other income		1,071	628
Other gains and losses	5(a)	275	(13)
Impairment loss recognised in respect of financial assets	5(b)	(223)	(277)
Selling and distribution expenses		(3,757)	(2,862)
General and administrative expenses		(1,014)	(833)
Research and development expenses		(1,843)	(1,327)
Finance costs		(484)	(335)
Share of results of associates		21	9
Share of results of joint ventures		5	-
Profit before taxation		1,553	648
Income tax expense	6	(522)	(95)
Profit for the year/period	7	1,031	553
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		24	(132)
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(141)	(1,763)
Income tax relating to item that will not reclassified subsequently		21	264
		(120)	(1,499)
Other comprehensive expense for the year/period		(96)	(1,631)
Total comprehensive income (expense) for the year/period		935	(1,078)

	NOTE	Year ended 31 December 2019 (Unaudited)	Nine months ended 31 December 2018 (Audited)
Profit for the year/period attributable to:			
Owners of the Company		747	420
Non-controlling interests		284	133
		1,031	553
Total comprehensive income (expense) for the year/period attributable to:			
Owners of the Company		642	(1,199)
Non-controlling interests		293	121
		935	(1,078)
Earnings per share (expressed in Renminbi cents)			
Basic	9	24.61	13.85
Diluted	9	24.52	11.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

Amounts expressed in millions of Renminbi

	NOTE	As at 31 December 2019 (Unaudited)	As at 31 December 2018 (Audited)
Non-current Assets			
Property, plant and equipment		7,040	6,571
Right-of-use assets		2,496	-
Deposits paid for purchase of property, plant and equipment		299	360
Investment properties		4	4
Prepaid lease payments on land use rights		-	2,331
Goodwill		410	384
Intangible assets		91	92
Interests in associates		196	79
Interests in joint ventures		19	22
Equity instruments at fair value through profit or loss ("FVTPL")		1,005	463
Equity instruments at FVTOCI		1,523	1,494
Finance lease receivables		5	-
Loan receivables		585	41
Deferred tax assets		500	555
		14,173	12,396
Current Assets			
Inventories		4,909	6,031
Stock of properties		4,171	866
Prepaid lease payments on land use rights		-	50
Investments in debt securities		83	158
Financial assets at FVTPL		50	37
Trade receivables	10	14,265	16,416
Other receivables, deposits and prepayments		2,045	2,545
Loan receivables		1,540	2,730
Finance lease receivables		125	128
Prepaid tax		75	31
Pledged bank deposits		885	123
Restricted bank deposits		411	335
Bank balances and cash		4,806	3,314
		33,365	32,764

	NOTES	As at 31 December 2019 (Unaudited)	As at 31 December 2018 (Audited)
Current Liabilities			
Trade payables	11	6,559	6,635
Other payables		4,264	3,821
Bills payables	12	3,500	6,182
Derivative financial instruments		4	3
Lease liabilities		34	-
Contract liabilities		1,951	1,443
Corporate bonds		1,990	-
Provision for warranty		181	143
Amount due to a non-controlling shareholder of a subsidiary		-	50
Tax liabilities		189	117
Borrowings		7,135	5,590
Deferred income		170	144
		25,977	24,128
Net Current Assets		7,388	8,636
Total Assets less Current Liabilities		21,561	21,032
Non-current Liabilities			
Other financial liabilities		285	173
Lease liabilities		112	-
Provision for warranty		91	80
Borrowings		1,042	734
Convertible bonds		924	-
Corporate bonds		-	1,990
Deferred income		426	522
Deferred tax liabilities		262	178
Derivative financial instruments		276	-
		3,418	3,677
NET ASSETS		18,143	17,355
Capital and Reserves			
Share capital		308	308
Reserves		15,684	15,162
Equity attributable to owners of the Company		15,992	15,470
Non-controlling interests		2,151	1,885
		18,143	17,355

NOTES:

1. GENERAL

Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 31 May 2019, the English name of the Company was changed from "Skyworth Digital Holdings Limited" to "Skyworth Group Limited" and the Chinese name "創維集團有限公司" was adopted as a secondary name of the Company. The change of name and adoption of secondary name were made both effective from 11 June 2019.

Change of financial year end date

Starting from the annual consolidated financial statements for the nine-month period ended 31 December 2018, the financial year end date of the Company was changed from 31 March to 31 December to align with the financial year end date of the Company's principal operating subsidiaries established in the PRC for which their accounts are statutorily required to be prepared with a financial year end date of 31 December. Accordingly, the consolidated financial statements for the current year covers the twelve-month period from 1 January 2019 to 31 December 2019. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covers the nine-month period from 1 April 2018 to 31 December 2018, which may therefore not be comparable with amounts shown for the current year.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 Leases - continued

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 Leases - continued

As a lessee - continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is ranging from 4.75% to 5.00%.

	1 January 2019 RMB million
Operating lease commitments as at 31 December 2018 (Audited)	165
Lease liabilities discounted at relevant incremental borrowing rates	146
Less: Recognition exemption - short-term leases	(24)
Lease liabilities as at 1 January 2019 (Unaudited)	122
Analysed as:	
Current	52
Non-current	70
	122

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	1 January 2019 RMB million
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	122
Reclassified from prepaid lease payments on land use rights	2,381
	2,503
By class:	
Leasehold lands	2,381
Land and buildings	122
	2,503

Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments on land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB50 million and RMB2,331 million respectively were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 Leases - continued

As a lessee – continued

Effective from 1 January 2019, leasehold lands which were classified as stock of properties are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets at transition. No adjustment has been made to refundable rental deposits paid and right-of-use assets since the discounting effect is not significant.

Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. During the current year, several sales and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under HKFRS 9 *Financial Instruments* ("HKFRS 9").

The following tables summarise the impacts on the Group's consolidated statement of financial position as at 31 December 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 Leases - continued

Sales and leaseback transactions – continued

The Group acts as a buyer-lessor – continued

Impact on the consolidated statement of financial position

	As reported RMB million (Audited)	Adjustments RMB million (Unaudited)	Amounts without application of HKFRS 16 RMB million (Unaudited)
Non-current Assets			
Loan receivables	585	(575)	10
Finance lease receivables	5	575	580
Current Assets			
Loan receivables	1,540	(25)	1,515
Finance lease receivables	125	25	150

The transition to HKFRS 16 has no material impact on accumulated profits at 1 January 2019 and financial statements disclosure during the current year.

3. REVENUE

(a) Disaggregation of revenue from contracts with customers, rental and interest

For the year ended 31 December 2019

	Multimedia business RMB million (Unaudited)	Smart systems technology business RMB million (Unaudited)	Smart appliances business RMB million (Unaudited)	Modern services and others RMB million (Unaudited)	Total RMB million (Unaudited)
Type of goods					
Smart TV systems	19,555	198	-	112	19,865
Home access systems	12	6,256	-	-	6,268
Smart white appliances	100	-	4,016	2	4,118
Intelligent manufacturing	44	1,684	-	-	1,728
Internet valued-added services of Coocaa system	826	-	-	-	826
Sales of properties	-	-	-	528	528
Automotive electronic systems	-	55	-	-	55
Others (Note (2))	968	1,346	279	821	3,414
Contracts with customers (Note (3))	21,505	9,539	4,295	1,463	36,802
Rental	-	59	-	349	408
Interest (Note (4))	-	-	-	67	67
Segment revenue	21,505	9,598	4,295	1,879	37,277

For the nine months ended 31 December 2018 (restated) (Note (1))

	Multimedia business RMB million (Audited)	Smart Systems technology business RMB million (Audited)	Smart appliances business RMB million (Audited)	Modern services and others RMB million (Audited)	Total RMB million (Audited)
Type of goods					
Smart TV systems	17,725	-	-	-	17,725
Home Access systems	-	4,938	-	-	4,938
Smart white appliances	-	-	2,101	-	2,101
Intelligent manufacturing	27	799	-	-	826
Internet valued-added services of Coocaa system	447	-	-	-	447
Sales of properties	-	-	-	778	778
Automotive electronic systems	-	129	-	-	129
Others (Note (2))	439	667	212	1,474	2,792
Contracts with customers (Note (3))	18,638	6,533	2,313	2,252	29,736
Rental	8	40	-	224	272
Interest (Note (4))	-	-	-	184	184
Segment revenue	18,646	6,573	2,313	2,660	30,192

Notes:

(1) In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments and groupings on types of goods. Details of the change is set out in note 4. Prior period segment disclosures have been represented to confirm with the current year's presentation.

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

(3) Except for certain revenue generated from internet valued-added services of Coocaa System which is recognised over time, the revenue from sales of goods are recognised at a point in time under HKFRS 15.

(4) Interest represents interest income from loan receivables and finance lease receivables amounted to RMB67 million (for the nine months ended 31 December 2018: RMB184 million), under group entities in which the loan financing is a principal activity.

3. REVENUE - continued

(ii) Performance obligations for contracts with customers

Manufacture and sales of goods

The Group manufactures and sells smart TV systems, home access systems (mainly digital set-top boxes), smart white appliances, smart manufacturing (mainly LCD modules), lighting products, security system and other electronic products etc. and trading of other products, to the customers or directly to retail customers either through its own retail outlets and through internet sales.

For sales to the customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Sales of smart TV systems, intelligent manufacturing, smart white appliances, lighting products, security system and other electronic products etc. in the PRC are generally settled by payment on delivery or bills issued by banks with maturity dates ranging from 90 to 180 days. Sales to certain retailers in the PRC are made with credit terms of one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined based on the sales volume of the respective offices.

For sales of home access systems, the credit terms are normally ranging from 90 to 270 days.

Export sales of the Group are mainly by letters of credit with credit term ranging from 30 to 90 days.

For sales to retail customers through the Group's own retail outlets, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For sales to retail customers through internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

3. REVENUE - continued

(ii) Performance obligations for contracts with customers - continued

Manufacture and sales of goods - continued

The amount of consideration the Group receives and revenue the Group recognises varies with changes in sales rebates the Group offers to the customers. The Group estimates the sales rebates based on analysis of historical experience, and adjusts for the most likely amount of consideration to be received. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebates which is estimated based on experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Refund liabilities (included in other payables) is recognised for expected rebates to customers in relation to sales made at the end of the reporting period. No element of financing is deemed present as the sales rebates are payable on demand from customers.

Under the Group's standard contract terms, customers have a right to exchange for dissimilar products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The directors considered that there will have no significant reversal of revenue as of the end of the reporting period for exchange of products.

Sales-related warranties associated with electronic products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the directors of the Company considered that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

3. REVENUE - continued

(ii) Performance obligations for contracts with customers - continued

Sales of properties - continued

The Group receives 30% to 70% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes do not contain significant financing component and accordingly the amount of consideration is not adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Trading of other products

For trading of other products, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers' specific location. The credit terms are normally ranging from 120 to 270 days.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 is within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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). In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The purpose of the change is to align to CODM's current review on each business units to be consistent with the Group's overall strategic direction, and the changes mainly include combining manufacturing and sales of different products into multimedia business segment, smart systems technology business segment and smart appliances business segment as described below. Prior period segment disclosures have been represented to conform to the current year's presentation.

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

1.	Multimedia business	- manufacture and sale of smart TV systems for the PRC and overseas markets and provision and sales of internet valued-added services of Coocaa system
2.	Smart systems technology business	- manufacture and sale of home access systems, intelligent manufacturing, automotive electronic systems and other electronic products
3.	Smart appliances business	- manufacture and sale of smart white appliances and other smart appliances

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

4. SEGMENT INFORMATION - continued

Segment revenue and results

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

For the year ended 31 December 2019

	Multimedia business RMB million (Unaudited)	Smart systems technology business RMB million (Unaudited)	Smart appliances business RMB million (Unaudited)	Total reportable segments RMB million (Unaudited)	Modern services and others RMB million (Unaudited)	Eliminations RMB million (Unaudited)	Total RMB million (Unaudited)
Revenue							
Segment revenue from external customers	21,505	9,598	4,295	35,398	1,879	-	37,277
Inter-segment revenue	144	199	85	428	3,837	(4,265)	-
Total segment revenue	21,649	9,797	4,380	35,826	5,716	(4,265)	37,277
Results							
Segment results (Note)	360	723	101	1,184	646	-	1,830
Interest income							241
Other gains or losses							250
Unallocated corporate income							25
Unallocated corporate expenses							(335)
Finance costs							(484)
Share of results of associates							21
Share of results of joint ventures							5
Consolidated profit before taxation of the Group							1,553

For the nine months ended 31 December 2018 (restated)

	Multimedia business RMB million (Audited)	Smart systems technology business RMB million (Audited)	Smart appliances business RMB million (Audited)	Total reportable segments RMB million (Audited)	Modern services and others RMB million (Audited)	Eliminations RMB million (Audited)	Total RMB million (Audited)
Revenue							
Segment revenue from external customers	18,646	6,573	2,313	27,532	2,660	-	30,192
Inter-segment revenue	39	209	288	536	2,999	(3,535)	-
Total segment revenue	18,685	6,782	2,601	28,068	5,659	(3,535)	30,192
Results							
Segment results (Note)	403	247	52	702	161	-	863
Interest income							106
Other gains or losses							(16)
Unallocated corporate income							251
Unallocated corporate expenses							(230)
Finance costs							(335)
Share of results of associates							9
Consolidated profit before taxation of the Group							648

Note: No inter-segment transactions have been included in measuring the segment results.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of interest income, certain other gains or losses, certain corporate income and expenses, finance costs and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. SEGMENT INFORMATION - continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 December 2019

	Multimedia business RMB million (Unaudited)	Smart systems technology business RMB million (Unaudited)	Smart appliances RMB million (Unaudited)	Total reportable segments RMB million (Unaudited)	Modern services and others RMB million (Unaudited)	Total RMB million (Unaudited)
Assets						
Segment assets	12,273	8,410	1,996	22,679	14,865	37,544
Goodwill						410
Interests in associates						196
Interests in joint ventures						19
Unallocated corporate assets						9,369
Total consolidated assets						47,538
Liabilities						
Segment liabilities	4,128	4,137	1,650	9,915	7,155	17,070
Unallocated corporate liabilities						12,325
Total consolidated liabilities						29,395

As at 31 December 2018 (restated)

	Multimedia business RMB million (Audited)	Smart systems technology business RMB million (Audited)	Smart appliances RMB million (Audited)	Total reportable segments RMB million (Audited)	Modern services and others RMB million (Audited)	Total RMB million (Audited)
Assets						
Segment assets	14,439	7,244	2,242	23,925	14,240	38,165
Goodwill						384
Interests in associates						79
Interests in joint ventures						22
Unallocated corporate assets						6,510
Total consolidated assets						45,160
Liabilities						
Segment liabilities	6,021	4,124	1,967	12,112	6,415	18,527
Unallocated corporate liabilities						9,278
Total consolidated liabilities						27,805

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets other than inter-segment assets are allocated to reportable segments other than goodwill, interests in associates and joint ventures, equity instruments at FVTPL, equity instruments at FVTOCI, deferred tax assets, investments in debt securities, financial assets at FVTPL, prepaid tax, pledged bank deposits, restricted bank deposits, and bank balances and cash; and

- all liabilities other than inter-segment liabilities are allocated to reportable segments other than derivative financial instruments, tax liabilities, borrowings, deferred income, corporate bonds, convertible bonds and deferred tax liabilities.

4. SEGMENT INFORMATION - continued

Other segment information

For the year ended 31 December 2019

	Multimedia business RMB million (Unaudited)	Smart systems technology business RMB million (Unaudited)	Smart appliances business RMB million (Unaudited)	Total reportable segments RMB million (Unaudited)	Modern services and others RMB million (Unaudited)	Total RMB million (Unaudited)
Included in measure of segment results or segment assets:						
Amortisation of intangible assets	1	-	-	1	-	1
Capital expenditure on						
- Property, plant and equipment	269	206	129	604	629	1,233
- Right-of-use assets	54	33	-	87	64	151
Depreciation of property, plant and equipment	78	152	67	297	214	511
Depreciation of right-of-use assets	44	23	1	68	68	136
Loss on disposal of property, plant and equipment	6	-	-	6	-	6
Impairment loss recognised in respect of investments in debt securities	-	-	-	-	8	8
Impairment loss recognised in respect of trade receivables	15	91	4	110	-	110
Impairment loss recognised in respect of loan receivables	-	-	-	-	35	35
Impairment loss recognised in respect of other receivables	-	-	-	-	67	67
Impairment loss recognised in respect of finance lease receivables	-	-	-	-	3	3
Write-down of inventories	93	41	4	138	25	163

For the nine months ended 31 December 2018 (restated)

	Multimedia business RMB million (Audited)	Smart systems technology business RMB million (Audited)	Smart appliances business RMB million (Audited)	Total reportable segments RMB million (Audited)	Modern services and others RMB million (Audited)	Total RMB million (Audited)
Included in measure of segment results or segment assets:						
Amortisation of intangible assets	2	-	-	2	-	2
Capital expenditure on						
- Property, plant and equipment	222	180	93	495	365	860
- Prepaid lease payments on land use rights	-	-	-	-	63	63
Depreciation of property, plant and equipment	72	101	41	214	130	344
Loss on disposal of property, plant and equipment	25	2	-	27	-	27
Impairment loss recognised in respect of investments in debt securities	-	-	-	-	34	34
Impairment loss recognised in respect of trade receivables	14	83	-	97	-	97
Impairment loss recognised in respect of loan receivables	-	-	-	-	131	131
Impairment loss recognised in respect of other receivables	9	1	-	10	1	11
Impairment loss recognised in respect of finance lease receivables	-	-	-	-	4	4
Release of prepaid lease payments on land use rights	6	1	1	8	42	50
Write-down of inventories	24	16	4	44	2	46

4. SEGMENT INFORMATION - continued

Geographical information

The Group's operations are located in the PRC, Asia region (other than the PRC), America, Europe and other regions.

For segments other than sales of properties included in modern service and others, the Group's geographical analysis of revenue from external customers is determined based on the location of customers. For the sales of properties included in modern services and others, the Group's revenue from external customers is determined based on the location of assets. Information about its non-current assets by physical location of the assets is also detailed below.

	Revenue from external customers		Non-current assets (Note 1)	
	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)	As at 31 December 2019 RMB million (Unaudited)	As at 31 December 2018 RMB million (Audited)
PRC	26,006	22,279	9,823	9,050
Asia region (other than the PRC) (Note 2)	6,115	4,410	643	747
America	709	372	-	-
Europe	1,637	970	17	16
Other regions	2,810	2,161	72	30
	37,277	30,192	10,555	9,843

Notes:

1. Non-current assets excluded equity instruments at FVTPL, equity instruments at FVTOCI, loan receivables and deferred tax assets.

2. Asia region (other than PRC) includes Vietnam, Indonesia, India, etc, which individually contributed less than 10% of total revenue.

Information about major customers

There was no customer who individually accounted for over 10% of the total revenue during both year/period.

5. OTHER GAINS AND LOSSES AND IMPAIRMENT LOSS RECOGNISED IN RESPECT OF FINANCIAL ASSETS

(a) Other gains and losses

	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)
Other gains and losses comprise of:		
Exchange gain, net	59	67
(Loss) gain from change in fair value of derivative financial instruments	(137)	10
Gain on disposal of a joint venture	3	1
Gain (loss) from changes in fair value of equity instruments at FVTPL	387	(26)
Loss on disposal of a subsidiary (note 14)	-	(30)
Loss on disposal of financial assets at amortised cost	(31)	-
Loss on disposal of land use rights	-	(8)
Loss on disposal of property, plant and equipment	(6)	(27)
	275	(13)

(b) Impairment loss recognised in respect of financial assets

	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)
Impairment loss recognised in respect of financial assets comprise of:		
Impairment loss recognised in respect of finance lease receivables	(3)	(4)
Impairment loss recognised in respect of investments in debt securities	(8)	(34)
Impairment loss recognised in respect of loan receivables	(35)	(131)
Impairment loss recognised in respect of other receivables	(67)	(11)
Impairment loss recognised in respect of trade receivables	(110)	(97)
	(223)	(277)

6. INCOME TAX EXPENSE

	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)
PRC Enterprise Income Tax ("EIT")		
Current year/period	308	232
Overprovision in prior years	-	(8)
	308	224
PRC withholding tax	26	53
Hong Kong Profits Tax		
Current year/period	5	7
Taxation arising in other jurisdictions		
Current year/period	6	2
Land appreciation tax ("LAT")	14	25
Deferred taxation	163	(216)
	522	95

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 the year/period. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

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

6. INCOME TAX EXPENSE - continued

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

Deferred tax is recognised based on the tax rates that are expected to apply to the year/period when the asset is realised or the liability is settled.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to 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. RMB26 million (for the nine months ended 31 December 2018: RMB53 million) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the year ended 31 December 2019.

In August 2018, a new notice with the name of Caishui [2018] No. 99 "Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses" was released, according to which certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research costs incurred by them for the year ended 31 December 2019 and the nine months ended 31 December 2018.

7. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)
Profit for the year/period has been arrived at after charging (crediting):		
Amortisation of intangible assets	1	2
Auditors' remunerations	9	6
Cost of inventories recognised as an expense including write-down of inventories of RMB163 million (for the nine months ended 31 December 2018: RMB46 million)	29,310	23,870
Cost of stock of properties recognised as an expense	322	568
Depreciation of right-of-use assets	136	-
Depreciation of property, plant and equipment	733	489
Less: capitalised in cost of inventories	(222)	(145)
	511	344
Operating lease rentals in respect of land and buildings		
- included in selling and distribution expenses	-	98
- included in general and administrative expenses	-	36
	-	134
Release of prepaid lease payments on land use rights	-	50
Rental income from leasing of properties less related outgoings of RMB144 million (for the nine months ended 31 December 2018: RMB97 million)	(264)	(175)
Research and development costs recognised as an expense (including staff costs of RMB950 million (for the nine months ended 31 December 2018: RMB628 million))	1,843	1,327
Staff costs:		
- Directors' and chief executive's emoluments	44	38
- Related staff costs for research and development activities	950	628
- Other staffs salaries, bonus, retirement benefits and others	3,274	2,026
	4,268	2,692
Less capitalised in:		
- Cost of inventories	(1,023)	(733)
- Stock of properties	(6)	-
- Property, plant and equipment	(11)	-
	3,228	1,959

8. DIVIDENDS

	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)
Dividends recognised as distribution during the year/period:		
2018 Final - 6 HK cents (for the nine months ended 31 December 2018: 2017 Final dividend 9 HK cents) per share	160	241

The Board has determined not to declare any dividend for the year ended 31 December 2019 with a view to preserving cash for the Group's development and corporate planning (for the nine months ended 31 December 2018: 6.0 HK cents, totalling approximately RMB 157 million).

No interim dividend was paid or proposed during the year ended 31 December 2019 and the nine months ended 31 December 2018.

The final dividend paid during the year ended 31 December 2019 and the nine months ended 31 December 2018 was distributed in the form of cash.

9. 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:

	Year ended 31 December 2019 RMB million (Unaudited)	Nine months ended 31 December 2018 RMB million (Audited)
Earnings		
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	747	420
Effect of dilutive potential ordinary shares arising from:		
- restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange	(2)	(67)
Profit for the year/period attributable to owners of the Company for the purpose of diluted earnings per share	745	353

9. EARNINGS PER SHARE - continued

	Year ended 31 December 2019 (Unaudited)	Nine months ended 31 December 2018 (Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,035,576,545	3,032,208,819
Effect of dilutive potential ordinary shares in respect of outstanding share options	-	1,699,643
Effect of dilutive potential ordinary shares in respect of outstanding share awards	3,212,895	1,801,311
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,038,789,440	3,035,709,773

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 year ended 31 December 2019 and the nine months ended 31 December 2018 and the conversion of Skyworth Digital's convertible bonds which results in an increase in earnings per share for the year ended 31 December 2019.

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

10. TRADE RECEIVABLES

	As at 31 December 2019 RMB million (Unaudited)	As at 31 December 2018 RMB million (Audited)
Trade receivables		
- goods and services	9,727	9,719
- lease receivables	101	52
	9,828	9,771
Less: allowance for credit losses	(398)	(297)
	9,430	9,474
Bills receivables	4,835	6,942
	14,265	16,416

As at 1 April 2018, trade receivables from contracts with customers amounted to RMB7,146 million.

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

	As at 31 December 2019 RMB million (Unaudited)	As at 31 December 2018 RMB million (Audited)
Within 30 days	4,386	4,610
31 to 60 days	1,329	1,795
61 to 90 days	889	824
91 to 180 days	1,252	854
181 to 270 days	506	505
271 to 365 days	383	348
Over 365 days	685	538
Trade receivables	9,430	9,474
Bills receivables	4,835	6,942
	14,265	16,416

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,229 million (2018: RMB1,938 million) which are past due as at the reporting date. Out of the past due balances, RMB1,094 million (2018: RMB951 million) has been past due 90 days or more and is not considered as in default based on historical experience. Other than bills received, the Group does not hold any collateral over these balances.

10. TRADE RECEIVABLES - continued

For customers who used bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. The date of issuance of all bills receivables are within one year at the end of the reporting period.

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

	As at 31 December 2019 RMB million (Unaudited)	As at 31 December 2018 RMB million (Audited)
Within 30 days	419	916
31 to 60 days	558	817
61 to 90 days	946	1,434
91 days or over	2,226	3,275
Bills discounted to banks with recourse	686	500
	4,835	6,942

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

As at 31 December 2019, total bills received amounting to RMB84 million (2018: RMB8 million), were further endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of each reporting period.

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

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

At 31 December 2019, other than bills discounted or endorsed as disclosed above, carrying amount of trade receivables amounted to RMB19 million (2018: RMB25 million) have been pledged as security for the Group's borrowings.

11. TRADE PAYABLES

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

	As at 31 December 2019 RMB million (Unaudited)	As at 31 December 2018 RMB million (Audited)
Within 30 days	3,291	4,237
31 to 60 days	1,664	1,343
61 to 90 days	1,012	656
91 days or over	592	399
Trade payables (Note (1))	6,559	6,635

Note:

(1) As at 31 December 2019, RMB84 million of trade payables (2018: RMB8 million) which had been settled by endorsed bills for which the maturity dates of the bills receivables have not yet fallen due as at the end of each reporting period.

12. BILLS PAYABLES

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

	As at 31 December 2019 RMB million (Unaudited)	As at 31 December 2018 RMB million (Audited)
Within 30 days	622	979
31 to 60 days	784	885
61 to 90 days	549	864
91 days or over	1,545	3,454
	3,500	6,182

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

13. PLEDGE OF ASSETS

At 31 December 2019, the Group's borrowings were secured by the following:

(a) legal charges over right of use assets (2018: prepaid lease payments on land use rights), and leasehold land and buildings with carrying value of RMB202 million (2018: RMB17 million) and RMB202 million (2018: RMB225 million), respectively;

(b) pledged bank deposits of RMB885 million (2018: RMB123 million);

(c) trade receivables of RMB19 million (2018: RMB25 million); and

(d) bills receivables of RMB686 million (2018: RMB500 million).

14. ACQUISITION OF A SUBSIDIARY AND DISPOSAL OF A SUBSIDIARY

(a) Acquisition of 深圳神彩物流有限公司 ("神彩物流")

On 22 February 2019, a sales and purchase agreement was entered into between (i) Skyworth Group Co., Ltd ("SGCL"), a subsidiary of the Company, and (ii) China Electronics Corporation (the "Seller"), in relation to the acquisition of equity interest in 神彩物流 by SGCL from the Seller.

Pursuant to the sales and purchase agreement, SGCL acquired 100% equity interest in 神彩物流.

On 1 March 2019, all the conditions precedent under the sales and purchase agreement have been fulfilled. 神彩物流 becomes an indirect wholly-owned subsidiary of the Company thereafter.

The total consideration for the acquisition is RMB38 million, which is satisfied in cash.

神彩物流 is principally engaged in the business of provision of logistics services. Acquisition of 神彩物流 is to accelerate the strategic layout and improve the logistics performance of the Group in the PRC.

Acquisition-related costs relating the above acquisition are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The net assets acquired in the transaction were as follows:

	RMB million (Unaudited)
Non-current Asset	
Property, plant and equipment	18
Current Assets	
Inventories	38
Trade receivables	43
Other receivables, deposits and prepayments	20
Bank balances and cash	52
Current Liabilities	
Trade payables	(28)
Other payables	(60)
Bank borrowings	(60)
Non-current Liability	
Deferred tax liabilities	(1)
	22

14. ACQUISITION OF A SUBSIDIARY AND DISPOSAL OF A SUBSIDIARY - continued

(a) Acquisition of 深圳神彩物流有限公司 ("神彩物流") - continued

The trade receivables acquired with a fair value of RMB43 million at the date of acquisition had gross contractual amounts of RMB43 million. The best estimate at acquisition date of contractual cash flows not expected to be collected is insignificant.

The goodwill arising on the acquisition is as follows:

	RMB million (Unaudited)
Consideration	38
Less: Net assets acquired	(22)
Goodwill arising on acquisition	16

Goodwill arose in the acquisition of 神彩物流 because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of 神彩物流. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

Net cash inflow arising on acquisition is as follows:

	RMB million (Unaudited)
Cash consideration paid	(38)
Less: bank balances and cash acquired	52
Net cash inflow for the year	14

Included in the profit during the year ended 31 December 2019 is RMB7 million attributable to 神彩物流. Revenue during the year ended 31 December 2019 includes RMB185 million is attributable to 神彩物流.

Had the acquisition been completed on 1 January 2019, total group revenue during the year ended 31 December 2019 would have been RMB37,320 million, and profit during the year ended 31 December 2019 would have been RMB1,028 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

(b) Disposal of 遂寧錦華紡織有限公司 ("Suining")

On 11 June 2018, the Group disposed 94% equity interest in a non-wholly owned subsidiary, Suining, which engaged in spinning, weaving, manufacture and sales of textiles at a consideration of RMB30 million.

The assets and liabilities over which control was lost at the date of disposal are as follow:

	RMB million (Audited)
Property, plant and equipment	62
Prepaid lease payments on land use rights	74
Equity instruments at FVTPL	1
Inventories	23
Trade receivables	46
Bank balances and cash	16
Trade payables	(31)
Borrowings	(160)
Deferred income	(8)
	23

The loss on disposal of a subsidiary arising on the disposal is as follows:

	RMB million (Audited)
Consideration	30
Less: Net assets disposed of	(23)
Less: Derecognised goodwill	(39)
Add: Non-controlling interests	2
Loss on disposal of Suining	(30)

Net cash inflow arising on the disposal is as follows:

	RMB million (Audited)
Cash consideration received	30
Less: bank balances and cash disposed	(16)
Net cash inflow for the period	14

BUSINESS PERFORMANCE REVIEW

The Group resolved on 4 July 2018 to change the financial year end date of the Company from 31 March to 31 December. As this is the first full 12-month financial year after the change, reporting period of the financial statements presented therefore covers the twelve months from 1 January to 31 December 2019 (the "Reporting Year"), while relevant comparative figures cover the nine months from 1 April to 31 December 2018.

To facilitate a better understanding of the Group's operating results in the new financial year, the Group also presents, on a voluntary basis, the unaudited financial results for the Reporting Year and the twelve months from 1 January to 31 December 2018 (the "Same Period of Previous Year") for comparison.

The unaudited financial results for the twelve months from 1 January to 31 December 2019 and those from 1 January to 31 December 2018 are as follows:

	1 January to 31 December 2019	1 January to 31 December 2018	1 January to 31 December 2019 vs 1 January to 31 December 2018
	RMB million	RMB million	Increase/(decrease)
Revenue	**37,277**	38,978	**(4.4%)**
Gross profit	**7,502**	7,194	**4.3%**
Gross profit margin	**20.1%**	18.5%	**1.6p.p.**
Selling and distribution expenses	**(3,757)**	(3,689)	**1.8%**
General and administrative expenses	**(1,014)**	(1,076)	**(5.8%)**
Research and development expenses	**(1,843)**	(1,688)	**9.2%**
Profit before taxation	**1,553**	1,033	**50.3%**
Income tax expense	**(522)**	(194)	**169.1%**
Profit for the year	**1,031**	839	**22.9%**

Revenue

For the twelve months ended 31 December 2019, the Group's overall revenue amounted to RMB37,277 million (nine months ended 31 December 2018: RMB30,192 million), representing a decrease of RMB1,701 million or 4.4% compared with RMB38,978 million recorded in the Same Period of Previous Year.

As the PRC enters a new economic cycle, the TV industry now operates in a stage where players compete for existing customers, while facing a sequential lack of momentum for economies of scale. In view of the increasingly fierce competition among brands, Skyworth has adhered to its development philosophy of being a “technological leader” and developing “health-focused technologies”, remaining focused on the improvement of consumer experience and product competitiveness. Throughout 2019, Skyworth Group consistently implemented its “1334 strategy” for business development, managing to complete transformation in three key areas: namely from manufacturing to modern services, from hardware to software, and from terminal products to smart systems. Skyworth Group also promoted adjustments to its organisational structure, which contributed to a balanced growth in overall revenue and a steady improvement in group-wide efficiency.

For its smart TV systems business, Skyworth leveraged on its advantages as an early mover to accelerate the penetration of its OLED TV products. Despite declining revenue recorded amidst negative growth in overall market sales, the smart TV systems business was able to further strengthen and increase its market share through the introduction of products offering greater value. Meanwhile, not only did the Group record fast growth in revenue from internet value-added services of Coocaa system during the year, it also delivered significant growths in its smart systems technology business and smart appliances businesses. As a result, the Group’s overall revenue remained stable on a year-on-year basis, declining by a mild 4.4% from the Same Period of Pervious Year to RMB37,277 million. Notwithstanding a shrinking market size for the industry, the Group still managed to strengthen its integrated management covering R&D, production and sales, which in turn, led to enhanced overall operating efficiency and improved product profitability. For the Reporting Year, the Group’s gross profit margin grew by 1.6 percentage points from the Same Period of Previous Year to 20.1%.

(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 twelve months ended 31 December 2019, revenue from the mainland China market amounted to approximately RMB26,006 million (nine months ended 31 December 2018: RMB22,279 million), representing a decrease of RMB2,230 million or 7.9% compared with RMB28,236 million recorded in the Same Period of Previous Year.

During the Reporting Year, the Group’s multimedia business, smart systems technology business and smart appliances business each accounted for 59.2% (from 1 January to 31 December 2018: 59.2%), 21.9% (from 1 January to 31 December 2018: 20.3%) and 11.8% (from 1 January to 31 December 2018: 9.9%) of its revenue from the mainland China market, while Modern Services business and other operations attributed the remaining 7.1% (from 1 January to 31 December 2018: 10.6%).

Overseas Markets

For the twelve months ended 31 December 2019, revenue from overseas markets amounted to RMB11,271 million (nine months ended 31 December 2018: RMB7,913 million), equivalent to 30.2% of the Group’s overall revenue, representing an increase of RMB529 million or 4.9% compared with RMB10,742 million recorded in the Same Period of Previous Year. In pursuit of greater stability, the Group’s OEM operation in overseas markets adjusted its customer and order structure during the previous periods, which is effective. The revenue from overseas markets stabilised and recorded a modest increase during the Reporting Year.

Geographical distribution of revenue in overseas markets

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

	Twelve months ended 31 December	
	2019	2018
	(%)	(%)
Asia (excluding Middle East)	54	52
Middle East	12	14
Africa	12	13
Europe	15	12
America	6	8
Oceania	1	1
	100	100

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

(b) Business Review by Business Sector

The Group has announced its overall strategic direction for upgrading through reformation for the next five years (also known as the "1334 Strategy"), covering four key business sectors, including: 1. Multimedia business; 2. Smart systems technology business; 3. Smart appliances business; and 4. Modern services business.

1. Multimedia Business

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

For the twelve months ended 31 December 2019, the Group's revenue of multimedia business recorded revenue of RMB21,505 million (nine months ended 31 December 2018: RMB18,646 million) in the mainland China market, representing a decrease of RMB3,290 million or 13.3% compared with RMB24,795 million recorded in the Same Period of Previous Year.

For the twelve months from 1 January to 31 December 2019 and those from 1 January to 31 December 2018, the Group's smart TV systems sales volume by product and market are as follows:

	1 January to 31 December 2019	**1 January to 31 December 2018**	**January to December 2019 vs January to December 2018**
	Unit ('000)	*Unit ('000)*	***Increase/(decrease)***
PRC Market	**9,031**	**8,804**	**2.6%**
Including:			
- 4K smart TV systems	***4,992***	***5,003***	***(0.2%)***
-Non-4K smart TV systems	***4,039***	***3,801***	***6.3%***
Overseas Markets	**6,775**	**6,512**	**4.0%**
Total smart TV systems sales volume	**15,806**	**15,316**	**3.2%**

1.1 Smart TV systems products (PRC Market)
For the twelve months ended 31 December 2019, the Group's smart TV systems products recorded revenue of RMB13,648 million in the mainland China market (nine months ended 31 December 2018: RMB12,473 million), representing a decrease of RMB2,553 million or 15.8% compared with RMB16,201 million recorded in the Same Period of Previous Year.

During the Reporting Year, as the PRC grew more mature for deploying the next generation of technologies (such as 5G, AI and VR), the TV industry was preparing for new opportunities to be presented by another round of consumption upgrading. The Group aims to build sustainable competitiveness geared for future success through its long-standing commitment to improving consumer experience and product strengths. Through its self-developed AI-empowered image sensor chip – "hummingbird" Pro, and the "Skyworth 30+" image refining technology, the Group effectively addressed image distortion through real-time in-depth colour compensation, allowing its smart TV systems products to deliver refined and more natural colours. Moreover, by using SOBiF technology to reduce image retention, the Group also found a solution to burn-in on OLED screens from prolonged use, delivering improved image quality. To seize new opportunities with smart TV systems becoming the control centre for smart home, the Group also worked on the interconnection among products from different brands and the integration of various home appliances into a single smart ecosystem through its two key technologies known as Swaiot and TrensAI. Meanwhile, as the first mainland-based manufacturer to successfully achieve mass production of OLED screens, the Company has developed and launched 9 new models of OLED TV featuring industry-leading technologies as of the date of this announcement, enabling the Group's smart TV systems business to secure a leading position in mainland China's OLED market. According to the statistics from All View Cloud (AVC) on OLED market retail volume from January to December 2019, the Group ranked first among domestic brands with a market share of 39.6%.

For the twelve months ended 31 December 2019, while the Group's sales volume increased by 2.6% year on year, the sales volume of 4K smart TV systems, however, decreased slightly by 0.2% year on year. Meanwhile, the sales volume of non-4K smart TV systems also outperformed the overall mainland China market, delivering a year-on-year growth of 6.3%. However, as the Group adjusted its marketing strategies and unit rates to cope with fierce competition in the marketplace and increase market share, revenue recorded by its smart TV systems products in the mainland China market for the Reporting Year declined as compared with the Same Period of Previous Year.

1.2 Smart TV Systems Products (Overseas Markets)
For the twelve months ended 31 December 2019, the Group's smart TV systems products recorded revenue of RMB5,907 million (nine months ended 31 December 2018: RMB5,252 million) in overseas markets, representing a decrease of RMB1,404 million or 19.2% compared with RMB7,311 million recorded in the Same Period of Previous Year.

During the Reporting Year, overall performance of the international TV market remained sluggish amidst the US-China trade war and decelerated growths in key global economies. As the market gradually enters a new stage where players must compete for existing customers while coping with differentiating needs and accelerated innovation, many household appliance companies will face a bottleneck in improving economies of scale. In adopting relatively stable and conservative sales strategies, the Group cancelled projects of low profit margin in certain overseas markets as part of its strategic decision, focusing instead on opportunities in consumption presented by emerging countries, as well as the optimisation of its sales channels and structures.

Through the model of original design manufacturer ("ODM") and the establishment of overseas sales offices, the Group made substantial investments in promotional and marketing campaigns, which led to its increased popularity and visibility in overseas markets, with ASEAN countries reporting the most pronounced improvement in brand image. In Indonesia and the Philippines, the Group was among the first to launch online e-commerce business, which contributed to its top ranking in smart TV systems sales for online channels; it also became a key partner for Google in developing Android TV and AIOT smart home businesses. In India, the Group made strategic adjustment and improvement to its key channels, which entailed an in-depth optimisation of its customer structure to focus on premium customers, including the addition of VJSALE – the largest retail chain in south India, and FILPKART – India's largest e-commerce brand.

1.3 Internet value-added Services of Coocaa System

For the twelve months ended 31 December 2019, the Group recorded a significant growth of RMB276 million or 50.2% in revenue from the internet value-added services of Coocaa System, which increased to RMB826 million (nine months ended 31 December 2018: RMB447 million) from RMB550 million in Same Period of Previous Year.

As at 31 December 2019, the total activated smart terminal of Coocaa System in the PRC market was approximately 44.30 million, the monthly active volume of smart terminal was approximately 28.94 million, while the average daily active volume was approximately 15.53 million. As the PRC gradually transits from 4G to 5G for its internet and telecommunication technologies, rapid growths will be observed for internet-based online content services. Our industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.*（北京愛奇藝科技有限公司）("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited*（百度控股有限公司）("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited*（深圳市酷開網絡科技有限公司）("Coocaa", an indirect non-wholly owned subsidiary of the Company).

As a carrier of content service platforms, not only has Coocaa promoted the innovation and operation of large-screen and home internet businesses, it has also assisted our long-term development in the industry of smart human habitat and made a leap-forward enhancement for our operating efficiency. With a team engaged in scaled large-screen internet operation, Coocaa leverages on the advantages of its system, including a comprehensive range of contents, a powerful platform, as well as highly accurate and smart artificial intelligence. With its internet-based products designed around user experience, outstanding process of user traffic, in-depth exploration of statistical value, precise advertisement delivery and management, as well as standardised encryption management for advertising traffic, Coocaa has won industry recognition and wide approval among customers, especially during the COVID-19 outbreak, when "otaku economy" drove an explosive growth in revenue from content-based operations. It is our opinion that building on technologies of greater sophistication and reliability, our smart home and smart city businesses will enjoy accelerated development through collaborative projects with internet giants.

Smart Systems Technology Business

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

For the twelve months ended 31 December 2019, revenue recorded for Smart Systems Technology business in the mainland China market amounted to RMB5,699 million (nine months ended 31 December 2018: RMB4,388 million), representing a decrease of RMB32 million or 0.6% from RMB5,731 million recorded in the Same Period of Previous Year. For the twelve months ended 31 December 2019, revenue recorded for Smart Systems Technology business in overseas markets amounted to RMB3,899 million (nine months ended 31 December 2018: RMB2,185 million), representing an increase of RMB1,103 million or 39.4% from RMB2,796 million recorded in the Same Period of Previous Year.

** For identification purpose only*

During the Reporting Year, by actively promoting the development of its principal businesses, such as home terminal boxes, smart access devices and general-purpose smart terminal products, the Group recorded broad-based growth in results across its operations with broadcast operators, the top three telecom operators in the PRC, as well as those in the domestic internet OTT retail market and its four main overseas markets around the globe. In light of the implementation of a nationwide action plan regarding the ultra-high-definition industry, the Group actively assisted in upgrading optical networks for broadcast operators, successfully secured wholesales for its 4K ultra-high-definition boxes, integrated terminals, broadband access equipment and gateways. In anticipation of the imminent 5G era, the Group formed strategic partnerships with the top three telecom operators in the PRC to accelerate the construction of its smart home ecosystem and build smart home portals (entertainment portal, access portal and control portal), which saw sales multiplying for many of its products, such as ultra-high-definition video boxes, smart network multipathing and IOT general-purpose smart terminals. In the domestic internet OTT retail market, Skyworth adopted a parallel approach in developing its own brands and cooperative brands with Tencent Penguin Aurora, achieving integrated sales across e-commerce platforms (such as JD.com, Tmall, Suning) and offline channels. Lastly, by further expanding into the traditional Pay TV market overseas, actively diversifying its strategic channel partnerships (such as Google and Netflix) and participating in optical fibre upgrades for overseas operators, not only did the Group manage to increase hardware sales for Passive Optical Network, WiFi router, 4G wireless router, Home Networking and Cable Modem 3.1, its overseas smart systems technology business also recorded an exceptional performance, topping global sales for the first time.

Having proposed an advanced concept for smart home-based appliances, the Group introduced the world’s first smart control centre (system) integrating many advanced technologies and equipped with multiple functions (such as voice and touch control). This product then led a group-wide upgrade in Skyworth for its entire smart home appliance portfolio, the objective of which was to build a home-based modern industry for smart human habitat with unique Skyworth features. Going forward, the Group will provide greater support for research and development of the Skyworth smart human habitat system, whose technologies will be used to drive the smartisation of terminal products and the development of the smart human habitat industry.

Smart Appliances Business

Smart appliances business covers, among others, smart air conditioners, smart refrigerators and smart washers.

For the twelve months ended 31 December 2019, revenue recorded for smart appliance products in the mainland China market amounted to RMB3,077 million (nine months ended 31 December 2018: RMB2,160 million), representing an increase of RMB289 million or 10.4% compared with RMB2,788 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB1,218 million (nine months ended 31 December 2018: RMB606 million), representing an increase of RMB434 million or 55.4% compared with RMB784 million recorded in the Same Period of Previous Year.

During the Reporting Year, Skyworth continued to build its capabilities for product R&D, channel-based operation and production scale with excellent operation management ability. By drawing lessons from those outside the Skyworth Group and fully unlocking its own potentials, Skyworth managed to transit from a factor-driven approach to efficiency-driven development, which contributed to a substantial growth in its business scale.

Empowered by smart technologies, home appliances have evolved from traditionally separated devices to user-centric smart terminals, becoming a platform through which Skyworth can interact with consumers. Skyworth has adopted the core vision of "building smart home control centres" for its smart appliances business, which will require a comprehensive deployment of its AIOT ecosystem. In 2019, Skyworth launched its 21-inch smart large-screen voice-controlled refrigerator, BLDC-equipped washer series, the sixth-generation i-DD front load washing machine and a brand new platform for top load washing machines, all of which were well received by the market and customers. Some of our refrigerator and washer products also won several certifications and awards, including the "China Red Star Design Award", "AIOT Proprietary Innovation Brand" and "A+-rated Product under the New National Standards".

Skyworth has implemented a dual-strategy of targeting the domestic market through customisation for key customers and promotion of online best sellers, which have been making gradual yet steady progress as they become new profit drivers with contribution equalling traditional offline channels. In terms of its international markets, Skyworth aims to enhance its focus on customer resources by prioritising the Middle East, European, African and Asia-Pacific markets. In 2019, its overseas business enjoyed rapid growth, making Skyworth one of the largest PRC-based exporters of front load washing machines. We have every faith that the next five years will see Skyworth maintain its momentum and progress, further expand its sales footprint and reach new milestones building on its brand and technologies.

Not only have its economic reforms driven the PRC to rapid economic development and accelerated urbanisation, the Chinese people are also growing increasingly keen on a modern human habit that offers improved health benefits, safety, comfort, convenience and energy efficiency as their incomes continue to rise. Meanwhile, the booming of new information technologies, such as 5G, artificial intelligence and cloud computing technologies are leading us to a new era that features the "interconnection of all things and smart interaction", making it possible to build smart cities, smart communities and smart human habitats. It is our belief that the current generations will likely be welcoming an entirely new era of smart human habitats in the next five to ten years. As full-scenario smart functions are introduced to common households while smart control centres quickly replace the traditional mode for controlling home appliances, we will certainly start a new chapter in living experience.

Modern Services business

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

The Group's modern services business is mostly based in the mainland China market. For the twelve months ended 31 December 2019, revenue recorded for modern services amounted to RMB1,852 million (nine months ended 31 December 2018: RMB2,400 million), representing a decrease of RMB717 million or 27.9% compared with RMB2,569 million recorded in the Same Period of Previous Year.

During the Reporting Year, the Group finalised its development plans for various business directions and determined the development mode for its modern services business. In order to improve operating efficiency and productivity while accelerating its upgrading transformation from manufacturing to modern services, the Group promoted the reorganisation of its business structure through its initiatives in industrial park development and made good use of the existing advantages to shape its modern services business. Focusing on its principal activities, the Group drove corporate development with enhanced efforts in outward expansion and resource integration. During the Reporting Year, the Group completed the merger and acquisition of Shencai Logistics, implemented its designated plan for macro-logistics services, which in turn, boosted its development in information security, logistics services, smart system and commercial display businesses. Meanwhile, the Group also made further progress in forming strategic cooperation with China Post, entered into an agreement for building the Sino-German Scientific Industrial Park and actively fostered new growth drivers within the modern services business. In addition to improved results from core operations, its transformation towards modern services also played a major part in helping the Group maintaining a leading position in the home appliances industry. By fully utilising the strengthens of its core operations, constantly incorporating innovation into its development model and accelerating new business integration and expansion, the Group has created favourable conditions and settings for future reform and development, which will provide strong support for scientific research, investment, production, procurement and construction across the Skyworth Group.

Gross profit margin

For the twelve months ended 31 December 2019, the overall gross profit margin of the Group was 20.1% (nine months ended 31 December 2018: 18.7%), representing an increase of 1.6 percentage points in comparison to 18.5% recorded in the Same Period of Previous Year.

During the Reporting Year, in order to ensure robust operations across the Group, we continued to refine operations management, adopting multiple integrated methods to increase the gross profit margin of our products and reduce group-wide operating costs. In view of the declining prices of key materials (such as display panels), not only did the Company strengthen control on prices while adopting pricing strategies that closely aligned with market conditions, it also changed sales policies alongside sales structures to increase the sales proportion of high-end smart TV systems products, all in an effort to improve gross profit margin. A 3 percentage-point cut to VAT for domestic products also contributed to the increase in gross profit margin. Furthermore, we independently assessed the ability of cooperative projects in overseas markets recording low or negative gross profit to operate as a going concern, with a view to minimising loss-making projects. While remaining committed to strengthening our market presence in the Philippines, South Africa and Germany, we also strived for higher gross profit margin through products, sales channels and marketing campaigns. For ODM customers, the Group also focused on internal resources, it continually improved product competitiveness and quality of customer services, with an aim to deliver higher added values and gross profit margin.

Relying on strong research and development capabilities, our smart systems technology products have been well received by customers. During the Reporting Year, the Group adopted a pragmatical approach in forming and extending closer and stronger industrial alliances. By strengthening its strategic cooperation with other sectors, the Group optimised its product design, completed the refinement, automation and smartisation of its manufacturing processes, and introduced stringent control for product quality. Meanwhile, in light of emerging demands and new applications, we adopted innovative technologies to add new elements to existing products and increased the sales proportion of products with high gross profit margin. These efforts drove a year-on-year growth in gross profit margin and revenue recorded for smart systems technology products from the Same Period of Previous Year. As a result, smart systems technology products made greater contribution to the Group's growth in gross profit margin during the Reporting Year.

Expenses

For the twelve months ended 31 December 2019, the Group's selling and distribution expenses amounted to RMB3,757 million (nine months ended 31 December 2018: RMB2,862 million), representing an increase of RMB68 million or 1.8% compared with RMB3,689 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the twelve months ended 31 December 2019 was 10.1% (nine months ended 31 December 2018: 9.5%), which increased by 0.6 percentage points from 9.5% recorded in the Same Period of Previous Year.

For the twelve months ended 31 December 2019, the Group's general and administrative expenses amounted to RMB1,014 million (nine months ended 31 December 2018: RMB833 million), representing a decrease of RMB62 million or 5.8% compared with RMB1,076 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the twelve months ended 31 December 2019 was 2.7% (nine months ended 31 December 2018: 2.8%), which drop by 0.1 percentage points from 2.8% recorded in the Same Period of Previous Year.

Since the Group continued to devote enormous resources during the Reporting Year to the research and development of premium smart products and the improvement of its corporate competitiveness, a corresponding increase was recorded in research and development expenses. For the twelve months ended 31 December 2019, the Group's research and development expenses amounted to RMB1,843 million (nine months ended 31 December 2018: RMB1,327 million), representing an increase of RMB155 million or 9.2% compared with RMB1,688 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the twelve months ended 31 December 2019 was 4.9% (nine months ended 31 December 2018: 4.4%), which rose by 0.6 percentage points from 4.3% 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 31 December 2019, net current assets amounted to RMB7,388 million, representing a decrease of RMB1,248 million or 14.5% when compared with RMB8,636 million as at 31 December 2018. As at 31 December 2019, bank balances and cash amounted to RMB4,806 million, representing an increase of RMB1,492 million or 45.0% when compared with RMB3,314 million as at 31 December 2018. As at 31 December 2019, pledged bank deposits amounted to RMB885 million, representing an increase of RMB762 million or 619.5% when compared with RMB123 million as at 31 December 2018. As at 31 December 2019, restricted bank deposits amounted to RMB411 million, representing an increase of RMB76 million or 22.7% when compared with RMB335 million as at 31 December 2018.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2019, such secured assets included bank deposits of RMB885 million (as at 31 December 2018: RMB123 million), trade receivables of RMB19 million (as at 31 December 2018: RMB25 million), bills receivables of RMB686 million (as at 31 December 2018: RMB500 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 RMB404 million (as at 31 December 2018: RMB242 million).

As at 31 December 2019, total bank loans amounted to RMB8,177 million (as at 31 December 2018: RMB6,324 million), corporate bonds (inclusive of interest) amounted to RMB2,029 million (as at 31 December 2018: RMB2,026 million) and convertible bonds (inclusive of interest) amounted to RMB927 million (as at 31 December 2018: nil). Overall interest-bearing liabilities of the Group were RMB11,113 million (as at 31 December 2018: RMB8,350 million), equity attributable to owners of the Company amounted to RMB15,992 million (as at 31 December 2018: RMB15,470 million). The debt to equity ratio revealed as 61.4% (as at 31 December 2018: 48.1%).

TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in Hong Kong dollars, US dollars and Euros. The Group uses general trade financing to fulfil the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. The management of the Group regularly reviews changes in foreign exchange rates and its interest rate exposures, in order to determine the need for foreign exchange hedging. However, a number of uncertainties, such as the US-China trade war, the UK's exit from the EU and interest-rate fluctuations in the US, have added to the difficulty in predicting future changes in exchange rates. For the twelve months ended 31 December 2019, the Group recorded a net exchange gain of RMB59 million (nine months ended 31 December 2018: gain of RMB67 million) associated with general operation.

In addition, the Group still held the following investments during the Reporting Year:

(a) Unlisted equity securities

As at 31 December 2019, the Group held investments in 39 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB1,983 million, of which RMB1,396 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 31 December 2019, the Group held investments in four listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 31 December 2019	Value of investment as of 31 December 2019 (RMB million)	Value of investment as of 31 December 2018 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	3.39%	11.5	27.9	The Stock Exchange of Hong Kong Limited	Manufacture and sale of air-conditioners
Bank of Gansu Co., Ltd.	0.99%	121.2	-	The Stock Exchange of Hong Kong Limited	Financial services
Ningbo Exciton Technology Co., Limited	0.58%	22.4	18.2	Shenzhen Stock Exchange	Manufacture and sale of flat screen displays
Amlogic (Shanghai) Co., Ltd.	2.03%	381.2	91.6 (Note: not listed in 2018)	Shanghai Stock Exchange	Research, design, development and manufacture of chips

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

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Year, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of approximately RMB742 million in construction projects, including the expansion of its production plants in Nanjing, Guangzhou and Qianhai, and approximately RMB491 million for purchasing machinery and other equipment for production lines and improvement of facilities in former production plants. The Group plans to further invest in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of smart, diversified and internationalised products.

During the Reporting Year, a subsidiary of the Group won a bid at the auction (by tender) for the acquisition of a land parcel located in Ningbo City, Zhejiang Province, PRC with a site area of 52,612 sq.m. at the consideration of approximately RMB1,224 million. The Group intends to develop the Land into a residential area for sale with high-rise residential building(s) together with commercial facilities.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 31 December 2019, the Group had around 36,000 employees (as at 31 December 2018: 37,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 31 branches and 185 sales offices. The Group places high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in an effort to motivate and recognise staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical updates on the latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group continues to strengthen the infrastructure of human resources, provides guidance on position titles, salary norms, and gradually establishes a long-term centralised mechanism for the selection, training and development of industry leaders. It also sets up a specified department to enhance the professionalism of general staff and the leadership skills of its senior management.

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

OUTLOOK

The Board of Skyworth Group has specified that the aim to achieve "accelerated development" in 2020. Our three key strategies, namely smartisation, internationalisation and refinement will remain top priorities in the coming year. Under these strategies, we will promote the construction of our three key bases and the development of our four key business sectors (namely multimedia, smart systems technology, smart appliances and modern services); accelerate the development of private communication devices and information security business; and promote the transformation in three key areas (namely from manufacturing to modern services, from hardware to software, and from terminal products to smart systems). In light of the challenges we face in these new development goals and tasks, we must unite employees at all levels across the Group, including those in management and other positions, empower them with the skills necessary to complete respective tasks and ultimately achieve our goals.

In addition, we will accelerate the delivery of key investment projects and increase our investment in mergers and acquisitions. We also intend to further invest in foreign operations, focusing on India, Southeast Asia and Africa, where we aim to build strengths in localised channel and talent management through accelerated base construction. In terms of the domestic market, Skyworth will further expand its footprint by actively securing its positions across high-end markets in urban areas, rural markets and professional application markets, through which it sets out to establish a centrally-managed platform for e-commerce operation while improving its marketing network system. Through enhanced investment in emerging sectors and businesses, Skyworth aims to advance its operations in, among others, information security, dedicated screen display, solar and smart lighting, macro-logistics, TV-based content operation and smart human habitat. Meanwhile, Skyworth will strengthen its efforts in promoting structural adjustments for products, assets, debts, talents and distribution. Serving as the means by which Skyworth promotes innovation-driven development, these 5 key structural adjustments will be delivered through technology innovation, merger and reorganisation, centralised management of financing, strengthened development for executive team and comprehensive performance assessment, respectively. In addition to reinforcing system reforms for management personnel, human resources, distribution, as well as marketing, supply chain and construction management, we will also continue to enhance our governance structure, highlight science-based decision-making, strengthen authority control and implement supervision mechanisms, with a view to boosting sustainable development across Skyworth through augmented organisation, integration and coordination in our operations.

While the new era has announced its arrival with new challenges, we remain confident about our vision and commitments. We are faithful to the principles of focusing on business development, encouraging young talents to assume management positions and sharing business accomplishments among group members, for they will lead us to satisfactory investment, innovation and reform outcomes. With our eyes set on quality-driven development, we aim to offer the public greater happiness with premium products and reliable services. In pursuit of our 2020 annual targets and the revenue threshold of RMB100 billion, Skyworth will take on future challenges with confidence and diligence, all the while making the best of its investment, innovation and reform efforts to drive business development.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in the mainland China and the subsequent quarantine measures imposed by the mainland Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group, as most of the Group's operations are located in various cities in mainland China. The Group had to stop some of its manufacturing and other business activities since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

The Group had resumed its manufacturing and other business activities gradually since February and March 2020. Up to the date of this announcement, the manufacturing and other business activities of the Group are fully resumed and operating at normal capacity level. As the quarantine measures imposed by the China government effectively controlled the spread of COVID-19 in China, the director of the Company expect the economic activities in China will bounce back in the coming future.

As the operations of most of the Group's customers, suppliers, associates, joint ventures and investees are located in mainland China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. Due to the potential negative impact on the debtors, prepayments and advances to suppliers, the Group will perform impairment review and ECL assessments to review the recoverability of such balances. Moreover, the Group will review the recoverability of the Group's inventories and stock of properties which may be negatively affected by the outbreak of COVID-19.

As the situation remains fluid as at the date of this announcement, the directors of the Company are in progress to assess the financial effects of the COVID-19 on the Group's consolidated financial statements. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the year ending 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

During the Reporting year 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 provisions A.5.5(2) and A.6.7 of the CG Code.

Pursuant to code provision A.5.5(2) of the CG Code, where the Board proposes to elect or re-elect an independent non-executive Director (who will be holding their seventh (or more) directorship, the Board should explain why such individual would still be able to devote sufficient time to the board in the relevant shareholders' circular, Mr. Hung Ka Hai, Clement is an independent non-executive director of more than seven public companies (including the Company) and was appointed as an independent non-executive Director with effect from 18 March 2020 and re-elected as an independent non-executive Director at the Company's annual general meeting on 22 May 2020. The Nomination Committee and the Board focus on the ability of a director to commit sufficient time to discharge his responsibilities as a board member rather than the number of directorships held, and as such they are of the view that Mr. Hung Ka Hai, Clement is able to devote sufficient time and attention to the Company's affairs having regard to his previous attendance at all Board and other committee meetings held up to the date of this announcement.

Also, pursuant to code provision A.6.7 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. Two of our independent non-executive Directors, namely Mr. Cheong Ying Chew, Henry and Mr. Li Ming, were unable to attend the annual general meeting of the Company held on 31 May 2019 due to other business engagements.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established by the Board since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 7 April 2000. The Audit Committee currently comprises 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.

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised on 30 March 2012 in order to comply with the then adopted amendments to the CG Code. In light of the amendments made to the CG Code with effect from 1 January 2016, the Board has further adopted the revised terms of reference of the Audit Committee on 15 December 2015 in accordance with such CG Code amendments. The terms of reference of the Audit Committee was 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).

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the review of the annual results of the Group for the Reporting year.

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 (the **"Code of Conduct"**) on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company received confirmation from each of the Directors that he/she had complied with the Code of Conduct throughout the Reporting year.

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

During the Reporting year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has determined not to declare any dividend for the year ended 31 December 2019 with a view to preserving cash for the Group's development and corporate planning. The Company constantly monitors and reviews the Group's operations and looks for ways to improve its business. It may therefore utilise cash for development and expansion of its operations and businesses. Subject to the then prevailing market conditions, the Company may also utilise cash to conduct corporate exercise including share buy-back which the Directors will only conduct in accordance with the applicable laws and regulations and if it is in the interest of the Company and its shareholders as a whole.

CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 19 May 2020 (Tuesday) to 22 May 2020 (Friday), both days inclusive, during which no transfer of shares will be registered. In order to qualify for attendance at the 2020 annual general meeting, 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 Rooms 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 18 May 2020 (Monday).

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed no later than 9 April 2020.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The unaudited annual 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 2019 annual 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 throughout the Reporting year.

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

Hong Kong, 26 March 2020

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