SKYWORTH GROUP LIMITED
創 維 集 團 有 限 公 司

(incorporated in Bermuda with limited liability)

(Stock Code: 00751)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

Highlights of Results

The Group recorded the following results for the Current Period:

- Revenue amounted to RMB15,979 million (65.1% of which was recorded from sales in the mainland China market). The revenue of the Same Period of Previous Year was RMB17,230 million.

- Revenue from multimedia business and smart systems technology business accounted for 58.8% and 23.8% of the Group's total revenue, respectively; compared to 59.1% and 24.9% in the Same Period of Previous Year, respectively.

- Gross profit achieved RMB3,086 million, while the gross profit margin was 19.3%. The gross profit margin of the Same Period of Previous Year was 19.7%.

- Unaudited profit before and after non-controlling interests for the Current Period were RMB573 million and RMB391 million respectively, as compared to RMB348 million and RMB181 million over the Same Period of Previous Year, respectively.

- Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period (six months ended 30 June 2019: Nil).

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited interim results of the Company of the Group for the six months period from 1 January to 30 June 2020 (the "six months ended 30 June 2020" or "Current Period"), together with the comparative figures for the corresponding period in 2019 (the "six months ended 30 June 2019" or "Same Period of Previous Year"). The interim results have been reviewed by the audit committee of the Company (the "Audit Committee") and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

	NOTES	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Revenue			
Sales of goods		15,765	17,007
Leases		201	195
Interest under effective interest method		13	28
Total revenue	3	15,979	17,230
Cost of sales		(12,893)	(13,843)
Gross profit		3,086	3,387
Other income		520	549
Other gains and losses		336	98
Impairment loss recognised in respect of financial assets		(33)	(85)
Selling and distribution expenses		(1,495)	(1,838)
General and administrative expenses		(587)	(418)
Research and development expenses		(814)	(908)
Finance costs		(255)	(223)
Share of results of associates		(4)	-
Share of results of joint ventures		1	-
Profit before taxation		755	562
Income tax expense	5	(182)	(214)
Profit for the period	6	573	348
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(14)	(19)
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")		(590)	(277)
Income tax relating to item that will not be reclassified subsequently		89	42
		(501)	(235)
Other comprehensive expense for the period		(515)	(254)
Total comprehensive income for the period		58	94

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

	NOTE	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Profit for the period attributable to:			
Owners of the Company		391	181
Non-controlling interests		182	167
		573	348
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(111)	(64)
Non-controlling interests		169	158
		58	94
Earnings per share (expressed in Renminbi cents)			
Basic	8	12.87	5.96
Diluted	8	12.11	5.90

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

Amounts expressed in millions of Renminbi

	NOTES	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Non-current Assets			
Property, plant and equipment		5,239	7,040
Right-of-use assets		2,255	2,496
Deposits paid for purchase of property, plant and equipment		309	299
Investment properties		1,460	4
Goodwill		411	410
Intangible assets		90	91
Interests in associates		182	196
Interests in joint ventures		18	19
Financial assets at fair value through profit or loss ("FVTPL")		938	1,005
Equity instruments at FVTOCI		929	1,523
Finance lease receivables		2	5
Loan receivables	9	843	585
Deferred tax assets		536	500
Deposit paid for acquisition of a subsidiary		156	-
		13,368	14,173
Current Assets			
Inventories		5,388	4,909
Stock of properties		4,447	4,171
Investments in debt securities		-	83
Financial assets at FVTPL		626	50
Trade and bills receivables	10	11,106	14,265
Other receivables, deposits and prepayments		2,950	2,045
Loan receivables	9	982	1,540
Finance lease receivables		121	125
Derivative financial instruments		11	-
Prepaid tax		83	75
Pledged bank deposits		739	885
Restricted bank deposits		335	411
Bank balances and cash		6,827	4,806
		33,615	33,365
Assets classified as held-for-sale	11	275	-
		33,890	33,365

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

Amounts expressed in millions of Renminbi

	NOTES	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Current Liabilities			
Trade and bills payables	12	9,097	10,059
Other payables	13	4,231	4,264
Derivative financial instruments		6	4
Lease liabilities		38	34
Contract liabilities		2,336	1,951
Corporate bonds		1,990	1,990
Provision for warranty		178	181
Tax liabilities		172	189
Bank borrowings		5,404	7,135
Deferred income		149	170
		23,601	25,977
Liabilities associated with assets classified as held-for-sale	11	64	-
		23,665	25,977
Net Current Assets		10,225	7,388
Total Assets less Current Liabilities		23,593	21,561
Non-current Liabilities			
Other financial liabilities	14	291	285
Lease liabilities		94	112
Provision for warranty		96	91
Bank borrowings		2,445	1,042
Corporate bonds		797	-
Convertible bonds		891	924
Deferred income		343	426
Deferred tax liabilities		219	262
Derivative financial instruments		220	276
		5,396	3,418
NET ASSETS		18,197	18,143
Capital and Reserves			
Share capital		308	308
Reserves		15,611	15,684
Equity attributable to owners of the Company		15,919	15,992
Non-controlling interests		2,278	2,151
		18,197	18,143

NOTES:

1. BASIS OF PREPARATION

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

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

The Group's operations are seasonal, the revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 December 2019.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT PERIOD

<u>Outbreak of COVID-19</u>

The outbreak of COVID-19 around the world has caused uncertainties in the business environment. In particular, in view of the recent repeated outbreaks around the world, the impact of COVID-19 on the Group's overseas business is expected to continue for a period of time, but the length of the period and scale of its impact are difficult to predict and depend on the development of the situation. In view of this, the Group carefully studies the situation, come up with countermeasures, and continues to formulate adjustment plans in terms of product structure and business structure; improve product quality, and reduce operating costs; accelerate the work of reorganisation and integration; take advantage of opportunities, actively expand the market, and boost revenue to reduce the financial impact of the challenges.

The directors of the Company are currently assessing the impact of the COVID-19 epidemic on the Group's financial performance, but they also expect that the COVID-19 epidemic will have an impact on the Group's consolidated results for 2020.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application of Amendments to HKAS 1 and HKAS 8 *"Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of amendments to HKFRSs - continued

2.2 Impacts and accounting policies on application of Amendments to HKFRS 3 *"Definition of a Business"*

2.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

2.3 Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. REVENUE

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

For the six months ended 30 June 2020 (unaudited)

	Multimedia business RMB million	Smart system technology business RMB million	Smart appliances business RMB million	Modern services and others RMB million	Total RMB million
Type of goods					
Smart TV systems	7,986	55	-	37	8,078
Home access systems	16	2,386	-	-	2,402
Smart white appliances	40	-	1,740	-	1,780
Intelligent manufacturing	32	747	-	-	779
Internet valued-added services of Coocaa system	506	-	-	-	506
Sales of properties	-	-	-	35	35
Automotive electronic systems	-	29	-	-	29
Others (Note (2))	814	560	140	642	2,156
Contracts with customers (Note (3))	9,394	3,777	1,880	714	15,765
Leases	-	28	-	173	201
Interest under effective interest method (Note (4))	-	-	-	13	13
Segment revenue	9,394	3,805	1,880	900	15,979

3. REVENUE - continued

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

For the six months ended 30 June 2019 (unaudited) (restated) (Note (1))

	Multimedia business RMB million	Smart system technology business RMB million	Smart appliances business RMB million	Modern services and others RMB million	Total RMB million
Type of goods					
Smart TV systems	9,201	89	-	42	9,332
Home access systems	-	2,900	-	-	2,900
Smart white appliances	308	-	2,051	1	2,360
Intelligent manufacturing	13	601	-	-	614
Internet valued-added services of Coocaa system	376	-	-	-	376
Sales of properties	-	-	-	31	31
Automotive electronic systems	-	14	-	-	14
Others (Note (2))	278	660	104	338	1,380
Contracts with customers (Note (3))	10,176	4,264	2,155	412	17,007
Leases	-	28	-	167	195
Interest under effective interest method (Note (4))	-	-	-	28	28
Segment revenue	10,176	4,292	2,155	607	17,230

Notes:

(1) During the year ended 31 December 2019, 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 to the condensed consolidated financial statements. Prior period segment disclosures have been represented to confirm with the current period'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 is recognised at a point in time under HKFRS 15 *Revenue from contracts with customers*.

(4) Interest represents interest income from loan receivables and finance lease receivables amounted to RMB13 million (for the six months ended 30 June 2019: RMB28 million), under group entities in which the loan financing is a principal activity.

4. SEGMENT INFORMATION

During the year ended 31 December 2019, 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 the chief operating decision maker'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 period's presentation.

4. SEGMENT INFORMATION - continued

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

1. Multimedia business - manufacture and sale of smart TV systems for the People's Republic of China (the "PRC") and overseas markets 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, security system and other electronic products

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

In addition to the above reportable segments, the Group has other operating segments which mainly include sales of properties, loan financing and trading of other products 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".

Segment information about these business is presented below.

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

For the six months ended 30 June 2020 (unaudited)

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

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

4. SEGMENT INFORMATION - continued

For the six months ended 30 June 2019 (unaudited) (restated)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services and others RMB million	Eliminations RMB million	Total RMB million
Revenue							
Segment revenue from external customers	10,176	4,292	2,155	16,623	607	-	17,230
Inter-segment revenue	37	103	41	181	1,890	(2,071)	-
Total segment revenue	10,213	4,395	2,196	16,804	2,497	(2,071)	17,230
Results							
Segment results (Note)	(12)	343	59	390	318	-	708
Interest income							96
Other gains and losses							90
Unallocated corporate income							66
Unallocated corporate expenses							(175)
Finance costs							(223)
Consolidated profit before taxation of the Group							562

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

Segment results represent the profit earned by (loss from) 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 chief operating decision maker for the purposes of resource allocation and performance assessment.

5. INCOME TAX EXPENSE

	Six months ended 30 June 2020 RMB million (unaudited)	Six months ended 30 June 2019 RMB million (unaudited)
The tax charge (credit) comprises:		
PRC income tax		
Current period	172	148
Taxation arising in Hong Kong and other jurisdictions		
Current period	3	-
Overprovision in prior periods	-	(4)
	3	(4)
	175	144
Land appreciation tax ("LAT")	3	-
Deferred taxation	4	70
	182	214

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2020. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the six months ended 30 June 2019.

5. INCOME TAX EXPENSE - continued

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

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

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

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

During the six months ended 30 June 2020, the Hong Kong Inland Revenue Department ("IRD") has issued additional assessments for the year of assessment 2013/14 to certain subsidiaries of the Company solely because of the time-bar concern. Without further information from the IRD, the directors of the Company are in progress to assess the financial effects of the additional assessments and unable to ascertain any degree of accuracy on the outcome.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June 2020 RMB million (unaudited)	Six months ended 30 June 2019 RMB million (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of RMB29 million (for the six months ended 30 June 2019: RMB79 million)	12,804	13,742
Cost of stock of properties recognised as an expense	13	23
Depreciation of property, plant and equipment	344	352
Less: Capitalised as cost of inventories	(111)	(105)
	233	247
Depreciation of right-of-use assets	70	51
Less: Capitalised as cost of inventories	(2)	(1)
Capitalised as cost of construction in progress	(24)	(24)
	44	26
Depreciation of investment properties	36	-
Dividend income from unlisted investments	(5)	(13)
Government grants included in other income		
- related to assets	(47)	(115)
- related to expense items	(150)	(124)
	(197)	(239)
Interest income included in revenue		
- loan receivables	(13)	(28)
Interest income included in other income		
- bank deposits	(66)	(39)
- loan receivables	(73)	(57)
	(139)	(96)
Rental income from leasing of properties less related outgoings of RMB75 million (for the six months ended 30 June 2019: RMB78 million)	(112)	(138)
Staff costs, including directors' emoluments	1,844	1,893
Less: Capitalised as cost of inventories	(449)	(457)
Capitalised as cost of stocks of properties	(1)	(3)
Capitalised as cost of construction in progress	(7)	(1)
	1,387	1,432
VAT refund included in other income	(147)	(130)

7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB million (unaudited)	RMB million (unaudited)
Dividends recognised as distribution during the period:		
2019 Final dividend - nil (for the six months ended 30 June 2019: 2018 Final dividend - HK6.0 cents) per share	-	160

The board has determined not to declared any dividend for the year ended 31 December 2019.

The board of directors has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2020 to the shareholders of the Company (for the six months ended 30 June 2019: nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB million (unaudited)	RMB million (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share:	391	181
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange	(1)	(2)
Effect of dilutive potential ordinary shares on convertible bonds	(22)	-
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	368	179
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,037,798,995	3,034,439,736
Effect of dilutive potential ordinary shares in respect of outstanding share awards	1,523,413	985,818
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,039,322,408	3,035,425,554

8. EARNINGS PER SHARE - continued

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the six months ended 30 June 2020 and 2019 and the conversion of Skyworth Digital's convertible bonds which results in an increase in earnings per share for the six months ended 30 June 2019.

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

9. LOAN RECEIVABLES

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Fixed-rate loan receivables		
Secured	1,785	1,828
Unsecured	40	297
	1,825	2,125
Analysed for reporting purpose as		
Non-current assets	843	585
Current assets	982	1,540
	1,825	2,125

Included in the carrying amount of loan receivables as at 30 June 2020 is allowance for credit losses of RMB341 million (as at 31 December 2019: RMB310 million).

Included in the loan receivables as at 31 December 2019 amounted to RMB258 million (net of allowance for credit losses of RMB42 million)) is loan advanced to a company for which the Group has 20% equity interest. The directors of the Company considered that the Group does not have significant influence over that investee company because the Group does not have the power to participate in the financial and operating policy decision of that investee company, accordingly, such investment is classified as "equity instruments at FVTOCI". During the six months ended 30 June 2020, the amount is fully settled and reversal of allowance for credit losses of RMB42 million is recognised in the condensed consolidated statement of profit or loss.

9. LOAN RECEIVABLES - continued

Included in the Group's loan receivables balance with aggregate carrying amount of RMB1,785 million (as at 31 December 2019: RMB1,828 million) are secured by borrowers' charge over equity instruments, trade receivables, motor vehicles, properties, land use rights and plant and machineries.

Included in the carrying amount of loan receivables as at 30 June 2020 is an amount of approximately RMB220 million (as at 31 December 2019: RMB261 million) due from a related party controlled by a substantial shareholder of the Company which is secured, interest bearing at 8% per annum and repayable by monthly installments up to 25 April 2022.

Included in the carrying amounts of loan receivables of approximately RMB465 million (as at 31 December 2019: RMB465 million) are secured by motor vehicles and guaranteed by a substantial shareholder of the Company in respect of amounts owed by third parties to the Group, interest-bearing at 8% per annum and repayable on final maturity dates ranging from 28 March 2022 to 27 June 2022.

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

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Fixed-rate loan receivables:		
Within one year	982	1,540
In more than one year but not more than two years	669	200
In more than two years but not more than five years	174	385
	1,825	2,125

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

	As at 30 June 2020	As at 31 December 2019
Effective interest rate:		
Fixed-rate loan receivables	4.40% - 12.00%	4.50% - 12.00%

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Trade receivables		
- goods and services	8,363	9,727
- lease receivables	133	101
	8,496	9,828
Less: allowance for credit losses	(398)	(398)
	8,098	9,430
Bills receivables	3,008	4,835
	11,106	14,265

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 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Within 30 days	3,366	4,386
31 to 60 days	1,320	1,329
61 to 90 days	721	889
91 to 180 days	1,004	1,252
181 to 270 days	608	506
271 to 365 days	331	383
Over 365 days	748	685
Trade receivables	8,098	9,430
Bills receivables	3,008	4,835
	11,106	14,265

10. TRADE AND BILLS RECEIVABLES - continued

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

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Within 30 days	448	419
31 to 60 days	312	558
61 to 90 days	432	946
91 days or over	1,615	2,226
Bills discounted to banks with recourse	201	686
	3,008	4,835

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

The maturity dates of bills discounted to bank 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.

As at 30 June 2020, included in the trade and bills receivables is an amount due from an associate, 北京新七天電子商務技術股份有限公司 of RMB355 million (as at 31 December 2019: RMB823 million) with RMB23 million aged within 30 days, RMB128 million aged from 31 to 60 days and RMB204 million aged over 90 days (as at 31 December 2019: RMB245 million aged within 30 days, RMB74 million aged from 31 to 60 days, RMB33 million aged from 61 to 90 days and RMB471 million aged over 90 days).

11. ASSETS CLASSIFIED AS HELD-FOR-SALE

As set out in the Company's announcement dated 12 June 2020, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party and conditionally agree to dispose of 90% equity interest of 廣州創維平面顯示科技有限公司 (Guangzhou Flat Display Technology Co., Ltd.), an indirect wholly-owned subsidiary of the Company, at a cash consideration of RMB747 million. Deposit of RMB75 million is received during the six months ended 30 June 2020. The disposal is expected to be completed on or before 30 October 2020.

The major classes of assets and liabilities of the subsidiary classified as held-for-sale are as follows:

	As at 30 June 2020 RMB million (unaudited)
Property, plant and equipment	206
Right-of-use assets	59
Deferred tax assets	6
Other receivables, deposits and prepayments	2
Bank balances and cash	2
Total assets classified as held-for-sale	275
Deferred income	(57)
Provision for warranty	(7)
Total liabilities associated with assets classified as held-for-sale	(64)

12. TRADE AND BILLS PAYABLES

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Trade payables	6,509	6,559
Bills payables	2,588	3,500
	9,097	10,059

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

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Within 30 days	3,085	3,291
31 to 60 days	1,482	1,664
61 to 90 days	1,045	1,012
91 days or over	897	592
Trade payables	6,509	6,559

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

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Within 30 days	433	622
31 to 60 days	569	784
61 to 90 days	387	549
91 days or over	1,199	1,545
	2,588	3,500

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

13. OTHER PAYABLES

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Accruals and other payables	1,476	1,282
Accrued staff costs	618	729
Accrued selling and distribution expenses	198	203
Amounts received for restricted share incentive scheme of a subsidiary	79	84
Customer deposits (Note (1))	108	29
Deposit received from disposal of a subsidiary (note 11)	75	-
Interest payables on corporate bonds	94	39
Other deposits received	341	407
Payables for purchase of property, plant and equipment	147	218
Provision for rebates (Note (2))	954	1,147
Rental deposits received	87	74
VAT payable	54	52
	4,231	4,264

Notes:

1. The customer deposits bear interest at 0.35% per annum (as at 31 December 2019: 0.35% per annum) and are repayable on demand.

   As at 30 June 2020, RMB2 million (as at 31 December 2019: RMB13 million) of the customer deposits is placed by an associate, 北京新七天電子商務技術股份有限公司, and bears interest at 0.35% per annum (as at 31 December 2019: 0.35% per annum) and is repayable on demand.

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

14. OTHER FINANCIAL LIABILITIES

	As at 30 June 2020 RMB million (unaudited)	As at 31 December 2019 RMB million (audited)
Advance from a third party (Note (1))	193	187
Interest-free loan received from government (Note (2))	98	98
	291	285

14. OTHER FINANCIAL LIABILITIES - continued

Notes:

1. During the year ended 31 March 2017, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), an indirect-wholly owned subsidiary of the Company, entered into an agreement with 北京愛奇藝科技有限公司 ("iQIYI"), a third party not connected to the Group, for a RMB150 million capital injection. Pursuant to the agreement, Shenzhen Coocaa Network Technology Company Limited ("Shenzhen Coocaa"), an indirect non-wholly owned subsidiary of the Company, received the first capital injection of RMB100 million from iQIYI on 2 December 2016. During the year ended 31 March 2018, Shenzhen Coocaa received the second capital injection of RMB50 million from iQIYI.

   Based on the terms of the agreement, RGB and iQIYI agreed that if the shares of Shenzhen Coocaa are not listed on any stock exchange within 60 months after 2 December 2016, and the market value of Shenzhen Coocaa is less than RMB3 billion before listing, iQIYI can require RGB to transfer its investment in Shenzhen Coocaa to equivalent value of investment in Skyworth Digital, or require RGB to buy back its investment in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum. As the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfil the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of RMB6 million (for the six months ended 30 June 2019: RMB6 million) has been recognised in respect of this financial liability during the six months ended 30 June 2020.

2. During the year ended 31 December 2019, the Group entered into an interest-free loan agreement with 全椒縣人民政府 amounted to a total of RMB500 million in supporting the Group's certain capital investments in the municipal of 全椒縣. According to the agreement, a branch of 全椒縣人民政府 shall make advances to the Group in stages that is in line with various investment milestones to be achieved by the Group. As at 31 December 2019, an amount of RMB98 million has been received by the Group and the amount is payable within three years from the date of receipt. In the opinion of the directors, the difference between proceeds received and the fair value of the loan is insignificant.

15. PLEDGE OF ASSETS

As at 30 June 2020, the Group's borrowings were secured by the following:

(a) legal charges over right of use assets and leasehold land and buildings with carrying value of RMB250 million (as at 31 December 2019: RMB202 million) and RMB1,971 million (as at 31 December 2019: RMB202 million), respectively;

(b) pledged bank deposits of RMB739 million (as at 31 December 2019: RMB885 million);

(c) trade receivable of RMB9 million (as at 31 December 2019: RMB19 million); and

(d) bills receivables of RMB201 million (as at 31 December 2019: RMB686 million).

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

16. DISPOSAL OF A SUBSIDIARY AND ACQUISITION OF A SUBSIDIARY

(a) Disposal of 廣州創維電子有限公司 (Guangzhou Skyworth Electronics Co., Ltd) ("Skyworth Electronics")

On 23 June 2020, the Group disposed of 90% equity interest in an indirect wholly-owned subsidiary, Skyworth Electronics, to an independent third party at a consideration of RMB574 million.

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

	RMB million (unaudited)
Property, plant and equipment	224
Right-of-use assets	177
Deposits paid for purchase of property, plant and equipment	12
Other receivables, deposits and prepayments	9
Bank balances and cash	92
Other payables	(26)
Contract liabilities	(1)
	487

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

	RMB million
Cash consideration	574
Less: Net assets disposed of	(487)
Add: Fair value of the remaining 10% equity interest of Skyworth Electronics	64
Gain on disposal of Skyworth Electronics	151

Net cash inflow arising on disposal is as follows:

	RMB million
Cash consideration	574
Less: Cash consideration receivable	(281)
Bank balances and cash disposed	(92)
Net cash inflow for the period	201

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

(b) 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 (determined on provisional basis) were as follows:

	RMB million
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 and other payables	(88)
Bank borrowings	(60)
Non-current Liability	
Deferred tax liabilities	(1)
	22

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

(b) 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 contractual cash flows not expected to be collected is insignificant.

The goodwill arising on the acquisition is as follows:

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

Included in the profit for the six months ended 30 June 2019 is RMB5 million attributable to 神彩物流. Revenue for the six months ended 30 June 2019 includes RMB152 million attributable to 神彩物流.

Had the acquisition been completed on 1 January 2019, total group revenue and profit for the six months ended 30 June 2019 would have been RMB17,273 million and RMB345 million, respectively. 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.

17. COMPARATIVE FIGURES

Comparative figures for the line item of research and development expenses, which were previously included in general and administrative expenses, are presented on the face of the condensed consolidated statement of profit or loss and other comprehensive income to conform with the current period's presentation.

BUSINESS PERFORMANCE REVIEW

Revenue

For the six months ended 30 June 2020, the Group's overall revenue amounted to RMB15,979 million, compared with an overall revenue of RMB17,230 million for the Same Period of Previous Year.

During the Current Period, in an environment where the rage of COVID-19 epidemic has caused a major blow to the global economy, as the People's Republic of China (the "PRC") enters a new economic cycle, the TV industry operated in a stage where players competed 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; at the same time, the increase in the number of TV owned by domestic households year by year promoted the rapid development of content services. In the first half of 2020, while revising the five-year development plan on a continuous basis, Skyworth Group further consolidated collaboration of its internal businesses, clarified corporate development direction, strengthened corporate development determination, and standardised corporate development behaviors. It adhered to professional development and accelerated corporate reform and transformation, which contributed to a balanced growth in overall revenue and a steady improvement in group-wide efficiency.

For its smart TV systems business, Skyworth determined to develop its four major businesses, i.e. domestic household business, domestic commercial business, OEM business, overseas OEM/brand business, and leveraged on its advantages as an early mover to further strengthen and increase its market share through the introduction of products offering greater value. Although the revenue from the Group's internet valued-added services of Coocaa System increased rapidly in the Current Period, the outbreak of COVID-19 during the Current Period significantly affected multimedia business, smart systems business and smart appliances business. As a result, the Group's overall revenue was RMB15,979 million, a decrease of 7.3% from the Same Period of Pervious Year. Notwithstanding the impact of the epidemic and 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 Current Period, the Group's gross profit margin fell slightly by 0.4 percentage point from the Same Period of Previous Year to 19.3%.

For the six months from 1 January to 30 June 2020 and those from 1 January to 30 June 2019, the Group's smart TV systems sales volumes by market are as follows:

	1 January to 30 June 2020 ***Unit ('000)***	1 January to 30 June 2019 *Unit ('000)*	**January to June 2020 vs January to June 2019** ***Increase/(Decrease)***
PRC Market	**3,415**	4,076	(16.2%)
Overseas Markets	**3,613**	3,373	7.1%
Total smart TV systems sales volume	**7,028**	7,449	(5.7%)

(a) Business Review by Geographical Segment

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

Mainland China Market

For the six months ended 30 June 2020, revenue from the mainland China market amounted to approximately RMB10,397 million, representing a decrease of RMB1,860 million or 15.2% compared with RMB12,257 million for the Same Period of Previous Year.

During the Current Period, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 58.5% (the Same Period of Previous Year: 57.9%), 22.3% (the Same Period of Previous Year: 24.4%) and 11.9% (the Same Period of Previous Year: 13.1%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 7.3% (the Same Period of Previous Year: 4.6%).

Overseas Markets

For the six months ended 30 June 2020, revenue from overseas markets amounted to RMB5,582 million, equivalent to 34.9% of the Group's overall revenue, representing an increase of RMB609 million or 12.2% compared with RMB4,973 million recorded in the Same Period of Previous Year. The Group optimised its sales channels in overseas markets to overcome the negative impact of COVID-19, resulting in a considerable growth in revenue overseas during the Current Period.

Geographical distribution of revenue in overseas markets

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

	Six months ended 30 June	
	2020	2019
	(%)	(%)
Asia (excluding Middle East)	**58**	51
Europe	**14**	16
Middle East	**12**	17
Africa	**9**	11
America	**6**	4
Oceania	**1**	1
	100	100

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

(b) Business Review by Business Sectors

The Group 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 six months ended 30 June 2020, the Group's multimedia business recorded revenue of RMB9,394 million, representing a decrease of RMB782 million or 7.7% compared with RMB10,176 million recorded in the Same Period of Previous Year.

1.1 Smart TV Systems Products (PRC Market)

For the six months ended 30 June 2020, the Group's smart TV systems products recorded revenue of RMB5,160 million in the mainland China market, representing a decrease of RMB1,310 million or 20.2% compared with RMB6,470 million recorded in the Same Period of Previous Year.

During the Current Period, 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. Relevant significant measures included that the Group launched the industry's first mobile public screen, the Swaiot PANEL mobile smart screen, and the official website of Swaiot ECO, and made considerable progress in the Swaiot ecosystem. In particular, Swaiot PANEL has changed the traditional TV viewing experience in terms of mobile internet, interactive experience and ecological scene application customisation, and realised the intelligent empowerment of ecological equipment in the whole house. It uses the family public screen to control all the smart appliances in the house, to provide users with a visual interface to better improve control convenience and form of content presentation. In addition, the Group took the initiative in creating the AI entertainment TV category in 2020. AI entertainment TV is equipped with a high-intensity lifting AI camera, which can realise advanced functions such as face recognition, gesture recognition, and motion perception, and endows it with the ability to "perceive" changes in the surrounding environment which, together with the advantages in terms of large screen and audio-visual experience, can practically enhance users experience in respect of game, fitness and communication to meet consumer needs. In summary, based on the comprehensive upgrading of audio and picture quality, AI entertainment TV brings about a new interactive mode which offers both visual and interactive experience. Meanwhile, as one of the earliest participants in China's OLED TV market, the Group has released a total of 18 series consisting of 32 OLED TV products in 14 generations in 8 years from 2013 to the present. According to the statistics from All View Cloud (AVC) on OLED market retail volume from January to June 2019, the Group's market share was 37.2%, representing an increase of 1.9 percentage points compared with the Same Period of Previous Year and its leading position in the OLED market was further consolidated.

During the Current Period, affected by COVID-19, the Group's monthly sales volume in the mainland China market decreased by 16.2% compared with the Same Period of Previous Year. As a response to the impact of COVID-19 and fierce market competition, the Group will make corresponding changes to its sales strategy and adjust the unit rates to increase its market share.

1.2 Smart TV Systems Products (Overseas Markets)
For the six months ended 30 June 2020, the Group's smart TV systems products recorded revenue of RMB2,826 million in overseas markets, representing an increase of RMB95 million or 3.5% compared with RMB2,731 million recorded in the Same Period of Previous Year.

During the Current Period, under the impact of COVID-19, the overall performance of the international TV market was sluggish and certain countries maintained varying degrees of closed and semi-closed conditions, which put pressure on the growth of overseas business of the Group. However, the Group adopted relatively stable and conservative sales strategies and optimised its customers and channels in various countries. Benefited from the expansion of e-commerce, the overall overseas brand business maintained rapid growth in the original area. In the meantime, the Group proactively developed the markets in Southern Europe, Eastern Europe, Russia, Northeast Asia, Central America, and South America. Through e-commerce empowerment, the Group adopted low-cost operation method to open up new areas and gained market share growth. In the first half of the year, the brand business increased by 12%.

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 India, the Group proactively communicated with local supply chains and customers and overcame the impact of COVID-19 in India to continuously deliver high-quality goods to customers in a stable way, thus winning customer trust; with the help of the latest ANDROID 10.0 Android smart products, the Group successfully entered the sales channels of strategic key accounts in India and Southeast Asia.

1.3 Internet valued-added services of Coocaa System
For the six months ended 30 June 2020, the Group recorded a significant growth of RMB130 million or 34.6% in revenue from the internet value-added services of Coocaa System, which increased to RMB506 million from RMB376 million in Same Period of Previous Year.

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. As at 30 June 2020, the total activated smart terminal of Coocaa System in the PRC market was 50.15 million, the monthly active volume of smart terminal was 31.16 million, while the average daily active volume was 17.65 million. 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）("Shenzhen 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 Chinese citizens went out less and their time spent in watching TV at home increased significantly, "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.

2. Smart Systems Technology Business

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

For the six months ended 30 June 2020, revenue recorded for Smart Systems Technology business in the mainland China market amounted to RMB2,318 million, representing a decrease of RMB517 million or 18.2% from RMB2,835 million recorded in the Same Period of Previous Year. For the six months ended 30 June 2020, revenue recorded for Smart Systems Technology business in overseas markets amounted to RMB1,487 million, representing an increase of RMB30 million or 2.1% from RMB1,457 million recorded in the Same Period of Previous Year.

During the Current Period, as affected by COVID-19, some broadcast operator customers delayed their resumption of work, resulting in shrinking demand. The Group kept abreast of the changes in market demand, continuously delivered broadcast products including broadband network communication terminals, 5G+8K boxes and ONU, PON, Cable Modem, gateways, etc. and proactively promoted the development of customer gathering services including emergency broadcasting and the new generation of direct broadcast satellite DTH.

In overseas markets, including Europe, Africa, India, Southeast Asia, the Middle East, Latin America and other regions, the Group realised mass supply of smart boxes, broadband network connection devices, Android TV boxes and other products, and maintained in-depth cooperation with Netflix, Google, and Amazon. Although overseas subsidiaries, self-owned factories, and cooperative OEMs were affected by COVID-19, the Group maintained stable delivery through effective epidemic prevention and operation measures, resulting in growth of overseas results in the Current Period compared with the Same Period of Previous Year.

3. *Smart Appliances Business*

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

For the six months ended 30 June 2020, revenue recorded for smart appliance products in the mainland China market amounted to RMB1,236 million, representing a decrease of RMB257 million or 17.2% compared with RMB1,493 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB644 million, representing a decrease of RMB18 million or 2.7% compared with RMB662 million recorded in the Same Period of Previous Year.

For the six months ended 30 June 2020, despite the greater impact of COVID-19, the Group overcame various difficulties for smart appliances business, resumed work and production as soon as possible and vigorously expanded online e-commerce business. Meanwhile, various measures were adopted to reduce the impact of COVID-19 on offline channels to reduce the shock, and thus the Group recorded an overall performance better than the industry.

Through continuous investment, Skyworth intensified the research and development of smart, healthy and energy-saving products and developed more intelligent and high-end products to enhance product competitiveness. In addition, the newly invested smart refrigerator plant has been fully completed and the new dedicated production line has been completely put into operation, further enhancing the large scale manufacturing capabilities.

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”, which can be used in combination with Swaiot PANEL to comprehensively enrich its AIoT ecosystem. In 2020, Skyworth launched smart refrigerators, seven-star washing DD washers and other products, all of which were widely accepted by the market and customers; the voice + recognition technologies of digital products were widely used in refrigerators and washers, cabinets and kitchen appliances, smart payment and other products. Some of our 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”.

4. 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.

For the six months ended 30 June 2020, revenue recorded for modern services business in the mainland China market amounted to RMB758 million, representing an increase of RMB155 million or 25.7% compared with RMB603 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB141 million, while there was no such business in the overseas market in the Same Period of Previous Year.

The Group has determined the development direction of the segments of modern services business, and formed dedicated teams for financial services, macro-logistics services, supply chain operation, foreign trading, as well as park-based property management and construction development. We have set clear development plans for each of our business, and a specific development model for the modern services business: the establishment of a financial business platform with financial companies as the main body, supplemented by venture capital funds, small loans and corporate bonds, broadened the Group’s financing channels; and the Group withdrew from risky businesses such as entrusted wealth management, financial leasing, and commercial factoring; the Group formulated a special plan for the development of macro-logistics service industry to promote the development of supply chain logistics, factory logistics, sales and after-sales logistics, and business integration has been fully launched; branch companies were set up to vigorously develop supply chain business centering on the Group's internal industrial support; the Group completed the professional restructuring of the development and operation business of the science and technology park and made full use of the construction opportunities of the three major bases to drive the development of Skyworth's smart human habitat industry, including green buildings, smart control systems and terminals, and a variety of content services; the construction company proactively promoted the adjustment of asset structure by virtue of the construction of industrial park. In the past year, the Group has successively acquired industrial and commercial lands in Guangzhou, Chuzhou, Ningbo, Hohhot, etc. At present, the construction of projects in various places has commenced successively, and certain parks will be put into use this year.

Gross profit margin

For the six months ended 30 June 2020, the overall gross profit margin of the Group was 19.3%, representing a decrease of 0.4 percent points in comparison to 19.7% recorded in the Same Period of Previous Year.

During the Current Period, 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, including intensified control on prices, increase in proportion of products with a high gross profit margin and high-end smart TV systems products in the sales structure, strengthened assessment of cooperation projects with low gross profit to reduce loss-incurring projects, enhancement of customer service level, creation of added value, closer cooperation with other industries, application of innovative technologies to create elements for products, etc., to maintain the gross profit margin of the Group at a higher level.

Expenses

For the six months ended 30 June 2020, the Group's selling and distribution expenses amounted to RMB1,495 million, representing a decrease of RMB343 million or 18.7% compared with RMB1,838 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the six months ended 30 June 2020 was 9.4%, which decreased by 1.3 percentage points from 10.7% recorded in the Same Period of Previous Year.

For the six months ended 30 June 2020, the Group's general and administrative expenses amounted to RMB587 million, representing an increase of RMB169 million or 40.4% compared with RMB418 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the six months ended 30 June 2020 was 3.7%, which rose by 1.3 percentage points from 2.4% recorded in the Same Period of Previous Year.

The Group continued to devote resources during the Current Period to the research and development of premium smart products and to improve its corporate competitiveness. However, as affected by COVID-19, the Group's investment in research and development decreased as compared with the Same Period of Last Year. For the six months ended 30 June 2020, the Group's research and development expenses amounted to RMB814 million, representing a decrease of RMB94 million or 10.4% compared with RMB908 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the six months ended 30 June 2020 was 5.1%, which dropped by 0.2 percentage point from 5.3% recorded in the Same Period of Previous Year.

Value-Added Tax refund on energy-saving policy

According to the latest PRC tax policy, revenue which meets the requirements of the energy-saving policy is exempted from the Value-Added Tax. During the Current Period, the Group recovered part of the overpaid Value-Added Tax on revenue that met the requirements of the energy-saving policy in prior years, and increased the revenue of RMB358 million in the Current Period. After deducting related expenses, the Group's profit before taxation increased by RMB286 million.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 30 June 2020, net current assets amounted to RMB10,225 million, representing an increase of RMB2,837 million or 38.4% when compared with RMB7,388 million as at 31 December 2019. As at 30 June 2020, bank balances and cash amounted to RMB6,827 million, representing an increase of RMB2,021 million or 42.1% when compared with RMB4,806 million as at 31 December 2019. As at 30 June 2020, pledged bank deposits amounted to RMB739 million, representing a decrease of RMB146 million or 16.5% when compared with RMB885 million as at 31 December 2019. As at 30 June 2020, restricted bank deposits amounted to RMB335 million, representing a decrease of RMB76 million or 18.5% when compared with RMB411 million as at 31 December 2019.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 30 June 2020, such secured assets included bank deposits of RMB739 million (as at 31 December 2019: RMB885 million), trade receivables of RMB9 million (as at 31 December 2019: RMB19 million), bills receivables of RMB201 million (as at 31 December 2019: RMB686 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 RMB2,221 million (as at 31 December 2019: RMB404 million).

As at 30 June 2020, total bank loans amounted to RMB7,849 million (as at 31 December 2019: RMB8,177 million), corporate bonds (inclusive of interest) amounted to RMB2,894 million (as at 31 December 2019: RMB2,029 million) and convertible bonds (inclusive of interest) amounted to RMB893 million (as at 31 December 2019: RMB927 million). Overall interest-bearing liabilities of the Group were RMB11,636 million (as at 31 December 2019: RMB11,133 million), equity attributable to owners of the Company amounted to RMB15,919 million (as at 31 December 2019: RMB15,992 million). The debt to equity ratio revealed as 63.9% (as at 31 December 2019: 61.4%).

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 shock of COVID-19, the sustained international tension, the US-China trade war, the UK's exit from the EU and unstable interest-rate trend in the US, have added to the difficulty in predicting future changes in exchange rates. For the six months ended 30 June 2020, the Group recorded a net exchange loss of RMB47 million (six months ended 30 June 2019: gain of RMB20 million) associated with general operation.

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

(a) Unlisted equity securities

As at 30 June 2020, the Group held investments in 42 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB1,760 million, of which RMB834 million represented 10% equity interest held by the Group in a PRC investee company. This investee company is principally engaged in manufacture and sale of flat screen displays, display materials, LCD-related products and other electronic accessories.

(b) Listed equity securities

As of 30 June 2020, the Group held investments in six listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 30 June 2020	Value of investment as of 30 June 2020 (RMB million)	Value of investment as of 31 December 2019 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	3.39%	11.2	11.5	The Stock Exchange of Hong Kong Limited	Manufacture and sale of air-conditioners
Bank of Gansu Co., Ltd.	0.99%	95.9	121.2	The Stock Exchange of Hong Kong Limited	Financial services
Ningbo Exciton Technology Co., Limited	0.12%	4.9	22.4	Shenzhen Stock Exchange	Manufacture and sale of flat screen displays
Amlogic (Shanghai) Co., Ltd.	2.03%	398.8	381.2	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Three's Company Media Group Co., Ltd.	0.75%	129.3	26.2 (note: not listed in 2019)	Shanghai Stock Exchange	Marketing services
Anhui Coreach Technology Co., Ltd.	1.21%	71.7	19.9 (note: not listed in 2019)	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services

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, Coocaa will explore the feasibility of expanding operation scale for the smart human habitat business. Through strategic partnerships with financial institutions, coupled with the know-how of Skyworth and Coocaa in providing customised and targeted smart-home content services, 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 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.

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, precise advertisement delivery and management, as well as standardised encryption management for advertising traffic, Coocaa has won industry recognition and wide praise among customers. We are of the view that the medium and long-term investment in Three's Company Media Group Co., Ltd. can promote the business development of Coocaa.

The management looks upon the other four 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 Current Period, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of approximately RMB183 million in construction projects, including the expansion of its production plants in Shenzhen, Guangzhou and Chuzhou, and approximately RMB278 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.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 30 June 2020, the Group had around 33,000 employees (as at 31 December 2019: 36,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 31 branches and 195 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

Looking forward to the future, Skyworth Group is required to carefully analyse the impact of global geopolitics and market changes in the post-epidemic era and make objective judgments with a prudent attitude on adjustments to corporate business plans on scientific research, production, marketing, procurement, construction, etc. according to the latest situation, to gear production to demand, strictly control expenses, increase revenue and reduce expenditure. While seizing market opportunities to proactively expand the domestic market and vigorously developing 5G application products, the Group will energetically expand the overseas markets with the focus placed on promoting the construction of overseas production bases in Southeast Asia, India, Africa, etc. and actively develop OEM business, striving to accomplish operation and production tasks.

We have to think about and define products based on the current market trend and the idea of "5G+AI+terminal", and accelerate the development and application of new technologies, new materials, and new processes, to enhance product competitiveness and corporate innovation. The research and development of 5G smart TV, 5G home access systems, home smart control systems, new generations of smart appliances and other products shall be expedited to form new product clusters and continuously increase market share.

We will continue to develop the Skyworth smart human habitat industry and vigorously promote the construction of "healthy, safe, convenient, comfortable, and energy-saving" green buildings through the three major elements of "connection, intelligence and ecology". Great efforts will be exerted on research, development and promotion of smart system control center (system) products and development of a full range of smart home content services, with "green building + smart system + content service" as the core, to comprehensively build a smart human habitat industry centering on "home".

Through continuous reform of the marketing system and optimisation of marketing channels, we must give full play to the channel advantages of partnership operators, distributors, various specialty stores, county and township agency stores, and flagship stores on e-commerce platforms, and subdivide professional fields depending on different types of products of enterprises, market environment and customer resources, etc., to tap the industry market and improve sales performance.

The construction of three major bases shall be further advanced to promote industrial restructuring and transformation. In addition to speeding up the construction of three industrial bases in Shenzhen, Guangzhou and Chuzhou, we will continue to proceed with the construction of key projects in Hohhot, Ningbo, Qianhai in Shenzhen, Longgang in Shenzhen, etc.

We have to proactively promote merger and acquisition business, strengthen the development of venture capital business according to market hotspots, and accelerate the return of funds; we will strive to complete the spin-off and listing of Coocaa and step up the pace in new industrial layout and development. The further enhancement of logistics business integration of the Group, integration of the industrial parks in southwest China including Chengdu and Suining, and integration of unified operation and management of the properties of the Group will give a big push to the Group’s all-round and healthy development.

In the new situation where the world is preparing to enter the post-epidemic era, leaders at all levels of the Group will, based on the actual work of the Group, personally determine key tasks, set clear goals and assign responsibilities to specific persons, and a scientific and standard evaluation mode will be adopted to ensure clear rewards and penalties, focus on substantial results, and efforts on practical things. All employees of the Group shall get united, persist in reform and innovation, and work hard to ensure full achievement of the Group's goals.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 around the world has caused uncertainties in the business environment. In particular, in view of the recent repeated outbreaks around the world, the impact of COVID-19 on the Group’s overseas business is expected to continue for a period of time, but the length of the period and scale of its impact are difficult to predict and depend on the development of the situation. In view of this, the Group carefully studies the situation, come up with countermeasures, and continues to formulate adjustment plans in terms of product structure and business structure; improve product quality, and reduce operating costs; accelerate the work of reorganisation and integration; take advantage of opportunities, actively expand the market, and boost revenue to reduce the financial impact of the challenges.

The directors of the Company are currently assessing the impact of the COVID-19 epidemic on the Group’s financial performance, but they also expect that the COVID-19 epidemic will have an impact on the Group’s consolidated results for 2020.

CORPORATE GOVERNANCE STANDARDS

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

During the Current Period and up to the date of this announcement, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provision A.6.7 of the CG Code as an independent non-executive Director (who is the chairperson of the remuneration committee of the Company) was unable to attend the annual general meeting of the Company held on 22 May 2020 as he had other engagement.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2019 annual report.

AUDIT COMMITTEE

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

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

(a) to review and comment on the Company's annual and interim financial reports;
(b) to review the unaudited 2020 first quarterly results of the Company;
(c) to oversee the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
(d) to review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;
(e) to discuss on the Group's internal audit plan with the Risk Management Department;
(f) to review the continuing connected transactions; and
(g) to meet and communicate with the external auditors for audit works of the Group.

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

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

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

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

INTERIM DIVIDEND

Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period (for the six months ended 30 June 2019: nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (http://investor.skyworth.com/en/index.php) and the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). The Company's 2020 interim report will be made available on the websites of the Company and Hong Kong Exchanges and Clearing Limited and will be despatched to the shareholders of the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the shareholders of the Company and business associates for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions to the Group throughout the Current Period.

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

Hong Kong, 31 August 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.