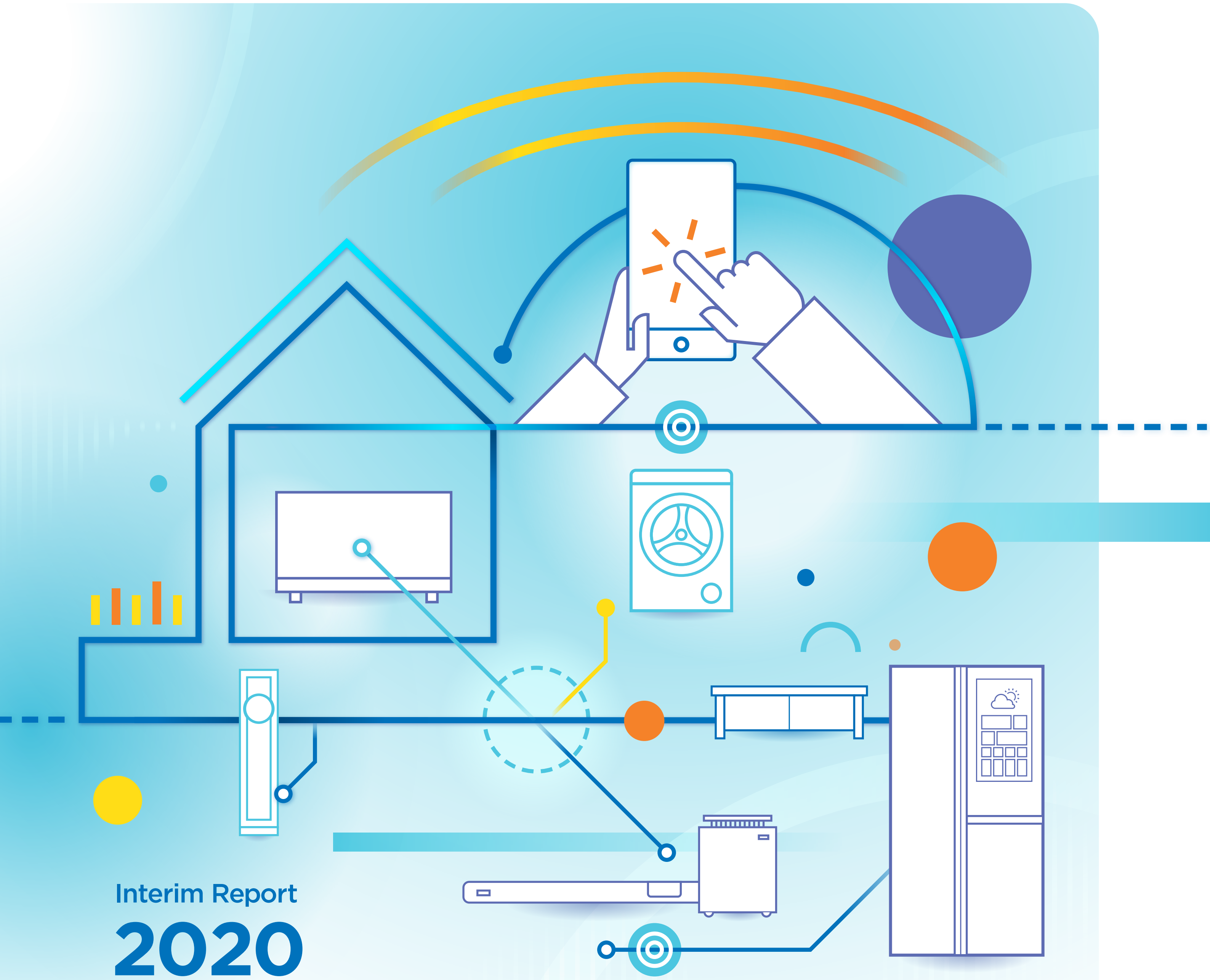
SKYWORTH

創維集團有限公司
SKYWORTH GROUP LIMITED

(formerly known as SKYWORTH DIGITAL HOLDINGS LIMITED 創維數碼控股有限公司)

(Incorporated in Bermuda with limited liability)

Stock Code : 00751.HK



Interim Report

2020

SKYWORTH 創維

CONTENTS

FINANCIAL HIGHLIGHTS

Amounts expressed in Renminbi ("RMB") million (except for data per share)

	Six months period from 1 January to 30 June 2020 (unaudited)	Six months period from 1 January to 30 June 2019 (unaudited)	**Change**
OPERATING RESULTS			
Revenue	**15,979**	17,230	–7.3%
Earnings before interest and tax	**1,010**	785	+28.7%
EBITDA	**1,460**	1,188	+22.9%
Profit for the period	**573**	348	+64.7%
Profit attributable to owners of the Company	**391**	181	+116.0%
FINANCIAL POSITION			
Net cash from operating activities	**2,055**	1,462	+40.6%
Cash position*	**7,901**	4,726	+67.2%
Borrowings	**7,849**	6,406	+22.5%
Convertible bonds**	**893**	902	–1.0%
Corporate bonds**	**2,894**	2,081	+39.1%
Equity attributable to owners of the Company	**15,919**	15,267	+4.3%
Working capital	**10,225**	8,191	+24.8%
Bills receivables	**3,008**	4,877	–38.3%
Trade receivables (excluded bills receivables)	**8,098**	8,963	–9.7%
Inventories	**5,388**	5,617	–4.1%
KEY RATIOS			
Gross profit margin (%)	**19.3%**	19.7%	–0.4pp
Earnings before interest and tax margin (%)	**6.3%**	4.6%	+1.7pp
EBITDA margin (%)	**9.1%**	6.9%	+2.2pp
Profit margin (%)	**3.6%**	2.0%	+1.6pp
ROE (%)	**4.9%**	2.4%	+2.5pp
Debt to equity (%)***	**63.9%**	54.3%	+9.6pp
Current ratio (times)	**1.4**	1.4	–
Trade receivables turnover period (days)****	**145**	160	–10.0%
Inventories turnover period (days)****	**79**	77	+2.6%
DATA PER SHARE (RMB CENTS)			
Earnings per share – Basic	**12.87**	5.96	+115.9%
Earnings per share – Diluted	**12.11**	5.90	+105.3%
Dividend per share	**–**	–	–
Book value per share	**594.48**	564.46	+5.3%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Skyworth Group Limited			
(Shares are listed in Hong Kong, stock code: 00751)			
Number of shares in issue (million)	**3,061**	3,061	–
Market capitalisation (Hong Kong Dollar ("HK$"))	**6,642**	6,428	+3.3%
Skyworth Digital Co., Limited			
(Shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**1,063**	1,075	–1.1%
Market capitalisation (RMB)	**12,841**	9,494	+35.3%

* Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash
** Included interests payable
*** (Borrowings + corporate bonds + convertible bonds)/total equity
**** Calculated based on average inventory; average sum of bills receivable and trade receivables

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Lam Shing Choi, Eric
(Appointed with effect from 28 February 2020)

Independent Non-executive Directors

Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Li Ming
(Resigned with effect from 18 March 2020)
Mr. Hung Ka Hai, Clement
(Appointed with effect from 18 March 2020)

MEMBERS OF COMMITTEES

Audit Committee

Mr. Cheong Ying Chew, Henry *(Chairman)*
Mr. Li Weibin
Mr. Li Ming
(Resigned with effect from 18 March 2020)
Mr. Hung Ka Hai, Clement
(Appointed with effect from 18 March 2020)

Executive Committee

Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Huang Mingyan
Mr. Wang Zhiguo
Mr. Wu Qinan
Mr. Lam Shing Choi, Eric
Mr. Wu Wei
Mr. Ying Yiming

Nomination Committee

Mr. Li Ming *(Chairman)*
(Resigned with effect from 18 March 2020)
Mr. Hung Ka Hai, Clement *(Chairman)*
(Appointed with effect from 18 March 2020)
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Ms. Lin Wei Ping

Remuneration Committee

Mr. Li Weibin (Chairman)
Mr. Cheong Ying Chew, Henry
Mr. Li Ming
(Resigned with effect from 18 March 2020)
Mr. Hung Ka Hai, Clement
(Appointed with effect from 18 March 2020)
Ms. Lin Wei Ping

COMPANY SECRETARY

Mr. Lam Shing Choi, Eric

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Reed Smith Richards Butler
Michael Li & Co.

PRINCIPAL BANKERS

Bank of China Limited
China Construction Bank Corporation
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Postal Savings Bank of China Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1601-04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-16
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

SHARES LISTING

Shares of the Company are listed on
The Stock Exchange of Hong Kong Limited
Stock Code: 00751

COMPANY WEBSITE

http://www.skyworth.com

OPERATIONAL AND FINANCIAL REVIEW

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).

MANAGEMENT DISCUSSION AND ANALYSIS
BUSINESS REVIEW
Revenue

For the six months ended 30 June 2020 (the "Current Period"), the Group's overall revenue amounted to RMB15,979 million, compared with an overall revenue of RMB17,230 million for the six months ended 30 June 2019 (the "Same Period of Previous Year").

During the Current Period, as the rage of COVID-19 epidemic has caused a major blow to the global economy, and 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 reduce the negative impact of COVID-19, resulting in a considerable growth in revenue overseas during the Current Period.

Geographical distribution of revenue in overseas markets

The Group's main overseas markets are Asia, Europe, Middle East and 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 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 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 user 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 2020, 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, as affected by COVID-19, the Group's 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 to open up new areas. 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 the meantime, 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 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 and small loans, broadened the Group's financing channels; 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 Previous 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 Group's revenue and profit before taxation (after deducting related expenses) by RMB358 million and RMB286 million respectively in the Current Period.

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.

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)**	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	*5(a)*	**336**	98
Impairment loss recognised in respect of financial assets	*5(b)*	**(33)**	(85)
Selling and distribution expenses		**(1,495)**	(1,838)
General and administrative expenses		**(587)**	(418)
Research and development expenses		**(814)**	(908)
Finance costs	*6*	**(255)**	(223)
Share of results of associates		**(4)**	–
Share of results of joint ventures		**1**	–
Profit before taxation		**755**	562
Income tax expense	*7*	**(182)**	(214)
Profit for the period	*8*	**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
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	*9*	**12.87**	5.96
Diluted	*9*	**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	11	**5,239**	7,040
Right-of-use assets	11	**2,255**	2,496
Deposits paid for purchase of property, plant and equipment		**309**	299
Investment properties	11	**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")	12	**938**	1,005
Equity instruments at FVTOCI	12	**929**	1,523
Finance lease receivables	13	**2**	5
Loan receivables	14	**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	12	**626**	50
Trade and bills receivables	15	**11,106**	14,265
Other receivables, deposits and prepayments	16	**2,950**	2,045
Loan receivables	14	**982**	1,540
Finance lease receivables	13	**121**	125
Derivative financial instruments		**11**	–
Prepaid tax		**83**	75
Pledged bank deposits		**739**	885
Restricted bank deposits	17	**335**	411
Bank balances and cash		**6,827**	4,806
		33,615	33,365
Assets classified as held-for-sale	18	**275**	–
		33,890	33,365

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *– continued*

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	19	**9,097**	10,059
Other payables	20	**4,231**	4,264
Derivative financial instruments		**6**	4
Lease liabilities		**38**	34
Contract liabilities		**2,336**	1,951
Corporate bonds	22	**1,990**	1,990
Provision for warranty		**178**	181
Tax liabilities		**172**	189
Bank borrowings	23	**5,404**	7,135
Deferred income		**149**	170
		23,601	25,977
Liabilities associated with assets classified as held-for-sale	18	**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	21	**291**	285
Lease liabilities		**94**	112
Provision for warranty		**96**	91
Bank borrowings	23	**2,445**	1,042
Corporate bonds	22	**797**	–
Convertible bonds	24	**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	25	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020
Amounts expressed in millions of Renminbi

	Attributable to owners of the Company											Attributable to non-controlling interests			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
At 1 January 2019 (audited)	308	3,292	67	10	(98)	565	40	1,616	(102)	9,772	15,470	35	1,850	1,885	17,355
Profit for the period	–	–	–	–	–	–	–	–	–	181	181	–	167	167	348
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(10)	–	(10)	–	(9)	(9)	(19)
Fair value loss on equity instruments at FVTOCI, net of tax	–	–	–	–	–	(235)	–	–	–	–	(235)	–	–	–	(235)
Total comprehensive (expense) income for the period	–	–	–	–	–	(235)	–	–	(10)	181	(64)	–	158	158	94
Recognition of equity-settled share-based payments *(note 26)*	–	–	12	7	–	–	–	–	–	–	19	5	–	5	24
Shares vested under the share award schemes of the Company	–	–	–	(15)	15	–	–	–	–	–	–	–	–	–	–
Dividends recognised as distribution *(note 10)*	–	–	–	–	–	–	–	–	–	(160)	(160)	–	–	–	(160)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(34)	(34)	(34)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	5	5	5
Acquisition of additional interests in subsidiaries *(note)*	–	–	–	–	–	–	–	–	–	2	2	–	(8)	(8)	(6)
At 30 June 2019 (unaudited)	308	3,292	79	2	(83)	330	40	1,616	(112)	9,795	15,267	40	1,971	2,011	17,278
At 1 January 2020 (audited)	308	3,292	95	10	(83)	442	40	1,753	(84)	10,219	15,992	28	2,123	2,151	18,143
Profit for the period	–	–	–	–	–	–	–	–	–	391	391	–	182	182	573
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(12)	–	(12)	–	(2)	(2)	(14)
Fair value loss on equity instruments at FVTOCI, net of tax	–	–	–	–	–	(490)	–	–	–	–	(490)	–	(11)	(11)	(501)
Total comprehensive (expense) income for the period	–	–	–	–	–	(490)	–	–	(12)	391	(111)	–	169	169	58
Recognition of equity-settled share-based payments *(note 26)*	–	–	8	2	–	–	–	–	–	–	10	2	–	2	12
Lapse of share option	–	–	(1)	–	–	–	–	–	–	1	–	–	–	–	–
Transfer to capital reserve	–	–	–	–	–	–	–	21	–	(21)	–	–	–	–	–
Shares vested under the share award schemes of the Company	–	–	–	(12)	13	–	–	–	–	(1)	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(81)	(81)	(81)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	11	11	11
Return of capital to a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)	(7)
Acquisition of additional interest in a subsidiary *(note)*	–	–	–	–	–	–	–	–	–	–	–	–	(10)	(10)	(10)
Conversion of convertible bond issued by a subsidiary	–	–	–	–	–	–	–	–	–	28	28	–	43	43	71
At 30 June 2020 (unaudited)	308	3,292	102	–	(70)	(48)	40	1,774	(96)	10,617	15,919	30	2,248	2,278	18,197

Note: During the six months ended 30 June 2020, the Group acquired 34% equity interest in 北京創維海通數字技術有限公司 from a non-controlling shareholder for a consideration of RMB10 million. During the six months ended 30 June 2019, the Group acquired 2.5% equity interest in Skyworth Electronic Appliance Limited from a non-controlling shareholder for a consideration of RMB6 million. The difference between the consideration and the net assets attributable to the interest acquired from the non-controlling shareholders is credited to accumulated profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020
Amounts expressed in millions of Renminbi

	NOTES	Six months ended 30 June 2020 (unaudited)	2019 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		**2,055**	1,462
NET CASH USED IN INVESTING ACTIVITIES			
Dividend received		**5**	13
Interest received		**130**	95
Deposits paid for acquisition of leasehold lands		**–**	(801)
Deposits paid for acquisition of property, plant and equipment		**(246)**	–
Purchase of property, plant and equipment		**(309)**	(470)
Proceeds on disposal of property, plant and equipment		**21**	5
Investments in debt securities		**–**	(101)
Proceeds on redemption of investments in debt securities upon maturity		**83**	50
Investments in financial assets at FVTPL		**(270)**	(115)
Proceeds on disposal of investments in financial assets through FVTOCI		**6**	–
Proceeds on disposal of financial assets at FVTPL		**28**	105
Advances to staffs		**(1)**	(7)
Repayments from staffs		**–**	14
Government grant received related to assets		**–**	16
Placement of pledged bank deposits		**(739)**	(139)
Withdrawal of pledged bank deposits		**885**	123
Placement of restricted bank deposits		**(116)**	(322)
Withdrawal of restricted bank deposits		**201**	335
Deposit paid for acquisition of a subsidiary		**(156)**	–
Deposit received from disposal of a subsidiary	*18*	**75**	–
Net cash inflow from disposal of a subsidiary	*32(a)*	**201**	–
Net cash inflow from acquisition of a subsidiary	*32(b)*	**–**	14
Other investing cash flows		**14**	(2)
		(188)	(1,187)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *– continued*

FOR THE SIX MONTHS ENDED 30 JUNE 2020
Amounts expressed in millions of Renminbi

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
NET CASH FROM FINANCING ACTIVITIES		
Dividend paid	**(81)**	(194)
Interest paid	**(120)**	(147)
Contributions from non-controlling interests	**11**	5
Acquisition of additional interest in a subsidiary	**(10)**	(6)
Return of capital to a non-controlling interest	**(7)**	–
New bank borrowings raised	**8,405**	6,632
Repayments of bank borrowings	**(8,815)**	(6,616)
Repayments of lease liabilities	**(84)**	(31)
New convertible bonds raised, net of transaction costs	**–**	1,030
New corporate bonds raised, net of transaction costs and interest	**784**	–
	83	673
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,950**	948
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**4,806**	3,314
Bank balances and cash transferred to assets held for sale	**(2)**	–
Effect of foreign exchange rate changes	**73**	3
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**6,827**	4,265

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

Outbreak of COVID-19

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.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

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.

2.2 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. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of amendments to HKFRSs – *continued*

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.

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".

4. SEGMENT INFORMATION – *continued*

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

(a) Other gains and losses

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Other gains and losses mainly include:		
Exchange (loss) gain, net	**(47)**	20
Gain from changes in fair value of derivative financial instruments	**53**	1
Gain from changes in fair value of financial assets at FVTPL	**203**	90
Gain on disposal of a subsidiary *(note 32(a))*	**151**	–
Gain (loss) on disposal of property, plant and equipment	**2**	(7)

(b) Impairment loss recognised in respect of financial assets

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Impairment loss (recognised) reversed in respect of financial assets comprise of:		
Impairment loss recognised in respect of trade receivables	**(4)**	(32)
Impairment loss recognised in respect of loan receivables	**(31)**	(35)
Impairment loss reversed in respect of finance lease receivables	**1**	–
Impairment loss reversed (recognised) in respect of other receivables	**1**	(19)
Impairment loss reversed in respect of investments in debt securities	**–**	1
	(33)	(85)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Interest on bank borrowings	**153**	147
Interest on convertible bonds	**24**	11
Interest on corporate bonds	**68**	56
Imputed interest expense on other financial liabilities *(note 21)*	**6**	6
Interest expense on lease liabilities	**4**	3
	255	223

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(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

7. INCOME TAX EXPENSE – *continued*

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.

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.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(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)

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:

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(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 *(note 26(iii))*	**(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

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.

10. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(unaudited)	(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).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group had incurred approximately RMB183 million (for the six months ended 30 June 2019: approximately RMB239 million) in construction in progress, mainly for the development of factory buildings and office premises situated on land in the PRC, spent approximately RMB278 million (for the six months ended 30 June 2019: approximately RMB242 million) on the acquisition of other property, plant and equipment for business operations and expansion.

During the six months ended 30 June 2020, the Group entered into new lease agreements for the use of properties ranging from 1 to 6 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use asset and lease liability of RMB71 million except for short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

During the six months ended 30 June 2020, the Group's property, plant and equipment amounted to RMB1,492 million was transferred to investment properties as a result of the end of owner-occupation.

12. MOVEMENTS IN EQUITY INSTRUMENTS AT FVTOCI AND FINANCIAL ASSETS AT FVTPL

During the six months ended 30 June 2020, the Group disposed of RMB6 million (for the six months ended 30 June 2019: nil) in certain equity instruments at FVTOCI.

During the six months ended 30 June 2020, the Group invested RMB268 million (for the six months ended 30 June 2019: RMB80 million) in certain unlisted equity securities at FVTPL in the PRC.

13. FINANCE LEASE RECEIVABLES

Finance lease receivables are secured by the plant and machinery leased and guaranteed. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee and lodge claim against the guarantors.

As at 30 June 2020, the finance lease receivables with carrying amount of RMB123 million (as at 31 December 2019: RMB130 million) represent finance lease contracts to lease out certain plant and machinery of the Group. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

Effective interest rate of the above finance lease is 9.02% (as at 31 December 2019: 9.02%) per annum.

Included in the carrying amount of finance lease receivables as at 30 June 2020 is accumulated impairment loss of RMB11 million (as at 31 December 2019: RMB12 million). The finance lease receivables are in default, however, no additional allowance has been recognised since the directors of the Company are of the view that the balances can be fully recovered by the way of enforcement measurement according to the Civil Procedure Law of the PRC against the guarantors.

14. 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.

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.

14. LOAN RECEIVABLES – *continued*

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

	As at 30 June 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%

15. 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

15. 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
Over 90 days	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 as disclosed in note 23, 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).

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are analysed as follows:

	As at 30 June 2020 *RMB million* (unaudited)	As at 31 December 2019 *RMB million* (audited)
Other deposits paid and prepayments	492	375
Consideration receivable *(note 32(a))*	281	–
Other receivables	687	613
Purchase deposits paid for materials	492	472
Rental deposits paid	20	12
VAT receivables	978	573
	2,950	2,045

17. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent reserve deposits of a finance company of the Group placed with the People's Bank of China ("PBOC"). The balances of the reserve deposits are calculated at certain percentage of qualified deposits made from customers to the finance company of the Group as determined by the PBOC against unexpected events such as unusually large net withdrawal by customers. The reserve deposits are required by local regulation and not available for the Group's daily operations.

18. 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)**

19. 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.

20. 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 18)*	**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.*

21. 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

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.*

22. CORPORATE BONDS

On 15 September 2017, the Company issued secured corporate bonds with principal value of RMB2,000 million. The corporate bonds bear interest at 5.36% per annum and fall due on 14 September 2022. Pursuant to the terms of the subscription agreement of the corporate bonds, the Group has the right to adjust the coupon rate and the bond holders have the right to put the bond back to the Group after 14 September 2020. The management considers the fair value of these options are insignificant. The corporate bonds are subsequently measured at amortised cost, using effective interest rate of 5.48% (as at 31 December 2019: 5.48%). As at 30 June 2020, the carrying amount of the corporate bonds was approximately RMB1,990 million (as at 31 December 2019: RMB1,990 million).

On 31 December 2019, the Group issued unsecured corporate bonds programme of RMB4,000 million. The corporate bonds bear fixed interest at 5.5% per annum and falls due on 16 March 2023. Pursuant to the corporate bonds programme, corporate bonds may be issued from time to time and amounts to be set upon issuance of bonds. During the six months ended 30 June 2020, RMB797 million (net of transaction costs of RMB3 million) of corporate bonds were issued.

23. BANK BORROWINGS

	As at 30 June 2020 ***RMB million*** **(unaudited)**	As at 31 December 2019 *RMB million* (audited)
Bank borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**201**	686
Other bank borrowings	**7,648**	7,491
	7,849	8,177
Secured	**2,676**	2,003
Unsecured	**5,173**	6,174
	7,849	8,177
Carrying amount of borrowings that contain a repayment on demand clause (shown under current liabilities) but are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**–**	101
Carrying amount of other borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**5,404**	7,034
More than one year but not more than two years	**348**	28
More than two years but not exceeding five years	**1,512**	1,014
Over five years	**585**	–
	7,849	8,076
	7,849	8,177
Less: Amounts due within one year shown under current liabilities	**(5,404)**	(7,135)
Amounts shown under non-current liabilities	**2,445**	1,042

24. CONVERTIBLE BONDS

On 15 April 2019, Skyworth Digital issued 10,400,000 convertible bonds at a par value of RMB100 each, which are listed on the Shenzhen Stock Exchange. The convertible bonds are unsecured and interest bearing at 0.40%, 0.60%, 1.00%, 1.50%, 1.80% and 2.00% per annum for the first, second, third, fourth, fifth and sixth year per annum respectively with a maturity date on the sixth anniversary on the date of their issue (i.e. 15 April 2025) and entitle the holders to convert them, in whole or in part, into ordinary shares of Skyworth Digital at an initial conversion price of RMB11.56 per share (subject to anti-dilutive provision) at any time from the first trading day immediately after the expiry of six months from the date of issuance of the convertible bonds until maturity date. The conversion price shall be adjusted if (i) Skyworth Digital resolved to issue bonus shares, increased its share capital, placing or issue of new shares (other than issue of conversion shares) or the distribution of cash dividends or (ii) subject to the approval by a two-third majority of the shareholders of Skyworth Digital present at a general meeting, the conversion price may be adjusted downwards if the closing price of the A-shares of Skyworth Digital as quoted on the Shenzhen Stock Exchange for at least 10 trading days during a continuous period of 20 trading Days are less than 90% of the prevailing conversion price at that time. Interest will be paid annually up until settlement date. The redemption price will be par value of the convertible bonds and the interest for that period.

Skyworth Digital has the right to redeem all or part of the convertible bonds at any time during the conversion period if the closing prices of the shares of Skyworth Digital as quoted on the Shenzhen Stock Exchange for any 15 trading days in a consecutive period of 30 trading days are higher than or equal to 130% of the conversion price at the time or the outstanding amount of the convertible bonds is less than RMB30 million. The bondholders shall have the right to request for Skyworth Digital to repurchase all or any part of the outstanding convertible bonds at the face value together with the coupon rate due for that period if the closing price of the shares of Skyworth Digital as quoted on the Shenzhen Stock Exchange is less than 70% of the conversion price at the time for any 30 consecutive trading days during the fifth and sixth year or there is any substantial change to the use of proceeds from the issue of the convertible bonds.

The convertible bonds contain two components, debt component and derivative (including conversion and early redemption options) component. The effective interest rate of the debt component is 5.62%. At initial recognition, both the debt component and derivative component are recognised at fair value and the fair value of the debt component and derivative component are approximately RMB891 million and RMB140 million respectively, measured at market price netted of transaction costs. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

24. CONVERTIBLE BONDS – *continued*

The movements of the convertible bonds and derivative financial instruments for the six months ended 30 June 2020 and 2019 are set out as below:

	Convertible bonds *RMB million*	Derivative financial instruments *RMB million*
At 1 January 2019 (audited)	–	–
Issued during the period, net of transaction costs	891	140
Interest on convertible bond	11	–
Less: included in interest payables on convertible bonds	(1)	–
At 30 June 2019 (unaudited)	901	140
At 1 January 2020 (audited)	924	276
Conversion	(55)	(16)
Interest on convertible bond	24	–
Less: included in interest payables on convertible bonds	(2)	–
Fair value change	–	(46)
At 30 June 2020 (unaudited)	891	214

25. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 June 2020	As at 31 December 2019	**As at 30 June 2020** ***RMB million*** **(unaudited)**	As at 31 December 2019 *RMB million* (audited)
Ordinary shares of RMB0.1 each:				
Authorised:				
At beginning and at end of the period	**10,000,000,000**	10,000,000,000	**1,063**	1,063
Issued and fully paid:				
At beginning and at end of the period	**3,060,929,420**	3,060,929,420	**308**	308

On 17 June 2020, the Company announced that an offer will be made by DBS Asia Capital Limited on behalf of the Company to buyback for cancellation up to being 392,800,000 shares at the price of HK$2.80 per share (the "Offer"). The consideration for the Offer, being a total of approximately HK$1,099.84 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group. Subsequent to the reporting period, the offer document has been dispatched to the shareholders on 27 July 2020.

26. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 Share-based Payments to account for its share options (Note (i)), share awards (Note (ii)) and Skyworth Digital's restricted share incentive scheme (Note (iii)).

Note (i): Share options of the Company

The followings are the movements in the outstanding share options granted by the Company during the current period and prior year.

	30 June 2020		31 December 2019	
	Number of share options	**Weighted average exercise price** ***HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding at the beginning of the period/year	**125,098,000**	**3.707**	69,698,000	4.523
Granted during the period/year	**–**	**–**	55,400,000	2.680
Lapsed during their period/year	**(2,500,000)**	**2.680**	–	–
Outstanding at the end of the period/year	**122,598,000**	**3.728**	125,098,000	3.707
Exercisable at the end of the period/year	**87,358,000**		88,358,000	

26. SHARE-BASED PAYMENTS – *continued*

Note (i): Share options of the Company – *continued*

The Group recognised expense of RMB8 million for the period (for the six months ended 30 June 2019: RMB12 million) in relation to share options granted by the Company.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

Note (ii): Share awards of the Company

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest.

During the year ended 31 December 2019, a total of 3,430,000 shares were vested and allotted.

Besides, a total of 3,300,000 (for the six months ended 30 June 2019: 3,430,000) awarded shares were vested on 30 April 2020.

Vesting dates	Outstanding at 1 April 2019	Movement during the period Allotted	Lapsed	Outstanding at 31 December 2019	Movement during the period Allotted Allotted	Lapsed	Outstanding at 30 June 2020
30 April 2019	3,430,000	(3,410,000)	(20,000)	–	–	–	–
30 April 2020	3,430,000	–	–	3,430,000	(3,300,000)	(130,000)	–
	6,860,000	(3,410,000)	(20,000)	3,430,000	(3,300,000)	(130,000)	–
Weighted average fair value	HK$3.63	HK$3.63	HK$3.63	HK$3.63	HK$3.63	HK$3.63	–

During the six months ended 30 June 2020 and 30 June 2019, no additional shares of the Company was acquired for this scheme. As at 30 June 2020, there are 20,955,000 shares (as at 31 December 2019: 24,255,000 shares) held for such scheme with carrying amount of RMB70 million (as at 31 December 2019: RMB83 million) accumulated in equity under the heading of "shares held for share award scheme".

The Group recognised expense of RMB2 million for the period (for the six months ended 30 June 2019: RMB7 million) in relation to share awards granted by the Company.

26. SHARE-BASED PAYMENTS – *continued*

Note (iii): Restricted share incentive scheme of Skyworth Digital

The restricted share inventive scheme was approved and adopted by the shareholders of Skyworth Digital at the special general meeting held on 31 August 2017. The restricted share incentive scheme is valid and effective for a period of 4 years commencing from 31 August 2017.

During the year ended 31 December 2019, no restricted shares of Skyworth Digital have been awarded to certain directors and employees of Skyworth Digital and 11,994,500 awarded shares were vested and allotted.

Besides, a total of 2,226,500 (for the six months ended 30 June 2019: 2,249,000) awarded shares were vested and allotted on 11 June 2020.

Vesting dates	Outstanding at 1 April 2019	Movement during the period Allotted	Lapsed	Outstanding at 31 December 2019	Movement during the period Allotted	Lapsed	Outstanding at 30 June 2020
3 September 2019	10,454,100	(9,745,500)	(708,600)	–	–	–	–
3 September 2020	14,028,800	–	(1,034,800)	12,994,000	–	(294,000)	12,700,000
11 June 2019	2,304,000	(2,249,000)	(55,000)	–	–	–	–
11 June 2020	2,304,000	–	(55,000)	2,249,000	(2,226,500)	(22,500)	–
	29,090,900	(11,994,500)	(1,853,400)	15,243,000	(2,226,500)	(316,500)	12,700,000
Weighted average fair value	RMB1.30	RMB1.39	RMB0.82	RMB0.73	RMB2.18	RMB0.60	RMB0.48

During the six months ended 30 June 2020, the Group recognised expense of RMB2 million (for the six months ended 30 June 2019: RMB5 million) in related to restricted share incentive scheme of Skyworth Digital.

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 June 2020 RMB million (unaudited)	Fair value as at 31 December 2019 RMB million (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL – non-current				
Listed equity securities	**83**	393	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**855**	612	Level 3	Market approach
				Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.
	938	1,005		

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued*

Financial assets/ financial liabilities	Fair value as at 30 June 2020 *RMB million* (unaudited)	Fair value as at 31 December 2019 *RMB million* (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Equity instruments at FVTOCI				
Listed equity securities	**95**	121	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**834**	1,402	Level 3	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.
	929	1,523		
Financial assets at FVTPL – current				
Listed equity securities	**533**	–	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**71**	–	Level 3	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.
Unlisted investments	**22**	50	Level 3	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
	626	50		

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued*

Financial assets/ financial liabilities	Fair value as at 30 June 2020 *RMB million* (unaudited)	Fair value as at 31 December 2019 *RMB million* (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial instruments:				
Foreign currency forward contracts – asset	**11**	–	Level 2	Discounted cash flow
Foreign currency forward contracts – liabilities	**(12)**	(4)		Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative component of the convertible bonds	**(214)**	(276)	Level 3	Binomial option pricing model Fair value is estimated based on share price, exercise price of Skyworth Digital, risk free rate, expected volatility and dividend yield.
	(215)	(280)		

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities		Unlisted investments
	Financial assets at FVTPL *RMB million*	Equity instruments at FVTOCI *RMB million*	Financial assets at FVTPL *RMB million*
At 1 January 2019 (audited)	390	1,494	37
Gain from changes in fair value of equity instruments at FVTPL	70	–	–
Loss from changes in fair value of financial assets at FVTPL	–	–	(1)
Fair value loss on investments in equity instruments at FVTOCI	–	(277)	–
Investments	80	–	35
Disposals	(32)	–	(22)
At 30 June 2019 (unaudited)	508	1,217	49
At 1 January 2020 (audited)	612	1,402	50
Gain from changes in fair value of equity instruments at FVTPL	28	–	–
Fair value loss on investments in equity instruments at FVTOCI	–	(563)	–
Investments	268	–	2
Disposals	–	(5)	(8)
Equity interest retained arising from disposal of a subsidiary *(Note 32)*	64	–	–
Transfer out of level 3 *(Note)*	(46)	–	(22)
At 30 June 2020 (unaudited)	926	834	22

Note: During the six months ended 30 June 2020, certain equity securities were transferred out of Level 3 of the fair value hierarchy upon the listing of the equity securities on the relevant stock exchanges.

During the six months ended 30 June 2019, there were no transfers between levels of the fair value hierarchy.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Reconciliation of Level 3 fair value measurements of financial assets – *continued*

The total gains or losses for the period included a fair value loss of nil (for the six months ended 30 June 2019: RMB1 million) relating to unlisted investments of RMB22 million (as at 30 June 2019: RMB49 million) and a fair value gain of RMB28 million (for the six months ended 30 June 2019: RMB70 million) relating to unlisted equity instruments at FVTPL of RMB926 million (as at 30 June 2019: RMB508 million) at the end of reporting period, respectively. Such fair value gains or losses are included in "other gains and losses".

All gains and losses included in other comprehensive income relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "FVTOCI reserve".

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

No changes in the business or economic circumstances that significantly affect the fair value of financial instruments is considered by the directors of the Company.

28. 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.

29. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	As at 30 June 2020 ***RMB million*** **(unaudited)**	As at 31 December 2019 *RMB million* (audited)
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**150**	126
Factory buildings and office premises under development	**1,031**	455
	1,181	581

30. CONTINGENT LIABILITIES

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

31. RELATED PARTY TRANSACTIONS

Trading transactions

During the period, in addition to the related party transactions disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with related parties:

	Six months ended	
	30 June 2020	30 June 2019
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Joint ventures		
Sales of finished goods	**1**	–
Associates		
Sales of finished goods	**208**	404
Related parties		
Interest income from loan receivables from a related party *(Note)*	**10**	4
Consultancy fee paid to a substantial shareholder of the Company	**1**	1

Note: The related party is controlled by a substantial shareholder of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30 June 2020	30 June 2019
	RMB million	*RMB million*
	(unaudited)	(unaudited)
Short-term benefits	**19**	14
Share-based payments	**6**	8
	25	22

The remuneration of directors and other key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

32. 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 *(note 27)*	64
Gain on disposal of Skyworth Electronics	151

32. DISPOSAL OF A SUBSIDIARY AND ACQUISITION OF A SUBSIDIARY – *continued*

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

Net cash inflow arising on disposal is as follows:

	RMB million
Cash consideration	574
Less: Cash consideration receivable *(note 16)*	(281)
Bank balances and cash disposed	(92)
Net cash inflow for the period	201

(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.

32. 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 net assets acquired in the transaction 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

32. 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.

33. 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.

34. EVENTS AFTER THE REPORTING PERIOD

Proposed spin-off and separate listing of the business of Shenzhen Coocaa

As disclosed in the announcement of the Company dated 15 July 2020 (the ''Spin-off Announcement''), the Company proposed to spin-off and separately list the business of Shenzhen Coocaa, a non-wholly owned subsidiary of the Company on the Stock Exchange or another stock exchange (including the Shenzhen Stock Exchange), subject to the Company's review of the market conditions at the time. Details of which are set out in the Spin-off Announcement.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SKYWORTH GROUP LIMITED
創維集團有限公司
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Skyworth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2020

REVIEW OF INTERIM RESULTS

The unaudited interim results of Skyworth Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 (the "Current Period") were reviewed by the audit committee of the Company (the "Audit Committee") and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 30 June 2020, the interests of the Directors and of their associates in the shares, share options, awarded shares or other underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares of the Company

As at 30 June 2020, Directors had long positions in the shares of the Company as follows:

Name of director	Capacity		Number of issued shares held	Approximate percentage of the total number of issued shares
Lai Weide	Beneficial owner		6,002,000	0.20%
Lin Wei Ping	Beneficial owner		9,160,382	0.30%
	Held by spouse	*(Note a and b)*	1,238,258,799	40.45%
		(Note a and c)	1,247,419,181	40.75%
Liu Tangzhi	Beneficial owner		7,884,675	0.26%
Shi Chi	Beneficial owner		5,184,825	0.17%
	Held by spouse		5,446,466	0.18%
			10,631,291	0.35%
Lin Jin	Beneficial owner		3,898,719	0.13%
Li Weibin	Beneficial owner		1,000,000	0.03%
Lam Shing Choi, Eric *(Note d)*	Beneficial owner		2,000,000	0.07%

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES – *continued*

(a) Shares of the Company – *continued*

Notes:

(a) 37,300,000 shares of the Company are held by Mr. Wong Wang Sang, Stephen and 1,200,958,799 shares of the Company are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is interested and deemed to be interested in 1,238,258,799 shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,247,419,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,238,258,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,247,419,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,200,958,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

(d) Mr. Lam Shing Choi, Eric was appointed as an executive Director of the Company with effect from 28 February 2020.

(b) Shares of the associated corporation – Skyworth Digital Co., Ltd.

Name of director	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Lai Weide	Beneficial owner *(Note)*	750,000	0.07%
Liu Tangzhi	Beneficial owner *(Note)*	600,000	0.06%
Shi Chi	Beneficial owner	36,770,524	3.46%
	Held by spouse	6,507,500	0.61%
		43,278,024	4.07%

Note: 400,000 shares of Skyworth Digital Co., Ltd., held by Mr. Lai Weide and 400,000 shares of Skyworth Digital Co., Ltd., held by Mr. Liu Tangzhi are restricted shares granted under the restricted share incentive scheme of Skyworth Digital Co., Ltd., which is a 57.05% owned subsidiary of the Company, (the "Restricted Share Incentive Scheme"), which are subject to lock-up restrictions under the terms and conditions of the Restricted Share Incentive Scheme. The restricted shares will be released from the lock-up restriction in 3 batches in accordance with the release schedule under the Restricted Share Incentive Scheme, conditional upon the fulfillment of performance targets specified thereunder. Details of the Restricted Share Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (http://www.cninfo.com.cn/). During the Current Period, none of the restricted shares of Mr. Lai Weide and Mr. Liu Tangzhi were lapsed/cancelled.

(c) Share options of the Company

As at 30 June 2020, certain Directors had personal interests in the share options granted under the Company's share option schemes as follows:

Name of Director	Capacity	Number of share options held/underlying shares of the Company
Lai Weide	Beneficial owner	20,000,000
Liu Tangzhi	Beneficial owner	10,000,000
Lam Shing Choi, Eric *(Note)*	Beneficial owner	2,000,000
Total		**32,000,000**

Note: Mr. Lam Shing Choi, Eric was appointed as an executive Director of the Company with effect from 28 February 2020.

(d) Awarded shares of the Company

As at 30 June 2020, none of the Directors or chief executives, or their associates, had any interests in the awarded shares granted under the Company's Share Award Scheme.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2020, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the Current Period.

Arrangements for the Directors to purchase Shares or Debentures

Save as disclosed above, at no time during the Current Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Current Period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders had notified the Company of the relevant interests in the issued shares of the Company.

Name of shareholder	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Long positions			
Target Success	Trustee *(Note a)*	1,200,958,799	39.23%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.22%
	Held by spouse *(Note b)*	9,160,382	0.30%
	Interest of controlled corporation *(Note a)*	1,200,958,799	39.23%
		1,247,419,181	40.75%
Lin Wei Ping	Beneficial owner	9,160,382	0.30%
	Held by spouse *(Note c)*	1,238,258,799	40.45%
		1,247,419,181	40.75%

Notes:

(a) 1,200,958,799 shares of the Company are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 1,200,958,799 shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,247,419,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,238,258,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,247,419,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,200,958,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other interests or short positions representing 5% or more of the number of shares of the Company in issue as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

The Company adopted its current share option scheme at an annual general meeting of the Company held on 20 August 2014 ("2014 Share Option Scheme"). A summary of the principal terms of 2014 Share Option Scheme is set out below.

1. Purpose

The purpose of the 2014 Share Option Scheme is to enable the Board to grant options to selected eligible person(s) as incentives or rewards for their contribution or potential contribution to the Group.

2. Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any eligible person to subscribe at a price determined in accordance with paragraph 7 below for such number of Shares as it may determine in accordance with the terms of the 2014 Share Option Scheme.

The basis of eligibility of any of the eligible persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

3. Total number of Shares available for issue under the 2014 Share Option Scheme and percentage of issued share capital as at the date of this Interim Report

283,100,239 Shares (9.25%)

4. Maximum entitlement of each participant

The maximum number of shares issuable under options granted to each participant under the 2014 Share Option Scheme within any 12-month period up to the date of grant is limited to 1% of the shares of the Company in issue. Any further grant of options in excess of such limit must be separately approved by shareholders with such participant and his close associates (within the meaning of the Listing Rules) abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any who is the grantee of options). Where any grant of share options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2014 Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the Company's shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of share options granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates) is also required to be approved by the shareholders of the Company.

SHARE OPTIONS – *continued*

5. Time of exercise of option

An option may be exercised in accordance with the terms of the 2014 Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).

No minimum period, during which the option granted under the 2014 Share Option Scheme must be held, is specified in the 2014 Share Option Scheme.

6. Acceptance of offers

An offer for the grant of options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

7. The basis of determining the exercise price

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of:–

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant which must be a business day; and

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant,

provided that the option price per Share shall in no event be less than the nominal amount of one Share.

8. The remaining life of the 2014 Share Option Scheme

The 2014 Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the 2014 Share Option is adopted by Shareholders in general meeting and shall expire at the close of business on the day immediately preceding the tenth anniversary thereof (i.e. 19 August 2024) unless terminated earlier by Shareholders in general meeting.

SHARE OPTIONS – *continued*

The following tables show the movements in the Company's share options granted to the Directors and employees and/or consultants under 2014 Share Option Scheme during the Current Period:

(a) Directors

Date of grant	Exercise price *HK$*	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 January 2020	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period *(Note b)*	Outstanding as at 30 June 2020
Directors:								
Lai Weide								
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	–	–	2,500,000
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	4,000,000	–	–	–	4,000,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	–	–	–	3,000,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	–	–	–	3,000,000
Liu Tangzhi								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	4,000,000	–	–	–	4,000,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	3,000,000	–	–	–	3,000,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	3,000,000	–	–	–	3,000,000
Lam Shing Choi, Eric *(Note d)*								
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	800,000	–	–	–	800,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	600,000	–	–	–	600,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	600,000	–	–	–	600,000
(a) Sub-total (Directors)				**32,000,000**	**–**	**–**	**–**	**32,000,000**

(b) Employees and/or Consultants

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 January 2020	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period (*Note b*)	Outstanding as at 30 June 2020
Employees and/or Consultants:								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	14,852,000	–	–	–	14,852,000
		22 January 2016 to 31 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	–	–	17,154,000
		22 January 2016 to 31 August 2018	1 September 2018 to 20 August 2024	25,692,000	–	–	–	25,692,000
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	–	–	–	500,000
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	–	–	–	500,000
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	13,360,000	–	–	(1,000,000)	12,360,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	10,020,000	–	–	(750,000)	9,270,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	10,020,000	–	–	(750,000)	9,270,000
(b) Sub-total (Employees and/or Consultants)				**93,098,000**	**–**	**–**	**(2,500,000)**	**90,598,000**
Grand Total: (a) Directors + (b) Employees and/or Consultants				**125,098,000**	**–**	**–**	**(2,500,000)**	**122,598,000**

Notes:

(a) The closing prices of the Shares immediately before 22 January 2016, 8 July 2016, 9 August 2017 and 15 April 2019 (i.e. the date on which the respective share options referred to above were granted) were HK$4.22, HK$6.32, HK$4.08 and HK$2.62 respectively.

(b) Share options lapsed due to cessation of employment.

(c) No share options were cancelled during the Current Period.

(d) Mr. Lam Shing Choi, Eric was appointed as an executive Director of the Company with effect from 28 February 2020.

SHARE AWARD SCHEME

The Share Award Scheme was approved by the Board on 24 June 2014 (the "Share Award Scheme"). The maximum number of shares of the Company can be awarded or held under the Share Award Scheme is limited to 2% of the issued share capital of the Company from time to time. The maximum number of shares of the Company (including vested and non-vested) which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. During the Current Period, the Company did not purchase any shares of the Company from the market through an independent trustee. As at 30 June 2020, 20,954,601 shares of the Company were held by the independent trustee, for the purpose of the Share Award Scheme.

First batch: Awarded shares granted on 25 July 2014

On 25 July 2014, a total of 27,836,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme. 8,694,000, 8,442,000 and 3,753,000 awarded shares were vested on 31 August 2015, 31 August 2016 and 31 August 2017 respectively.

Second batch: Awarded shares granted on 20 July 2015

On 20 July 2015, a total of 10,312,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,978,000, 2,874,000 and 3,490,000 awarded shares were vested on 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

Third batch: Awarded shares granted on 12 June 2018

On 12 June 2018, a total of 10,060,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,400,000 and 3,410,000 and 3,300,000 awarded shares were vested on 31 July 2018, 30 April 2019 and 30 April 2020 respectively.

SHARE AWARD SCHEME – *continued*

As at 30 June 2020, certain Directors had interests in the awarded shares under the Company's Share Award Scheme as follows:

		Number of award shares				
Directors/Date of grant	**Vesting date**	**Outstanding as at 1 January 2020**	**Granted during the Current Period**	**Vested during the Current Period**	**Lapsed during the Current Period**	**Outstanding as at 30 June 2020**
Lai Weide						
12 June 2018	31 July 2018	–	–	–	–	–
	30 April 2019	–	–	–	–	–
	30 April 2020	1,000,000	–	(1,000,000)	–	–
		1,000,000	–	(1,000,000)	–	–
Liu Tangzhi						
12 June 2018	31 July 2018	–	–	–	–	–
	30 April 2019	–	–	–	–	–
	30 April 2020	1,000,000	–	(1,000,000)	–	–
		1,000,000	–	(1,000,000)	–	–
Lam Shing Choi, Eric *(Note)*						
12 June 2018	31 July 2018	–	–	–	–	–
	30 April 2019	–	–	–	–	–
	30 April 2020	150,000	–	(150,000)	–	–
		150,000	–	(150,000)	–	–
Total		**2,150,000**	**–**	**(2,150,000)**	**–**	**–**

Note: Mr. Lam Shing Choi, Eric was appointed as an executive director of the Company with effect from 28 February 2020.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2020.

RELATED PARTY TRANSACTIONS

During the Current Period, the Group entered into certain transactions with related parties under the applicable accounting principles, details of which are set out in note 31 of the condensed consolidated financial statements. These transactions were not connected transactions within the meaning of the Listing Rules and were mainly entered into by the Group in the ordinary course of business and the terms were on normal commercial terms and on an arm's length basis. Other than these related party transactions, the Group also entered into certain transactions with connected persons of the Company within the meaning of the Listing Rules. These connected transactions all fall under the de minimis provision set forth in Rule 14A.76(1) of the Listing Rules and are therefore fully exempted from the reporting, announcement and independent shareholders' approval requirements. The Group has performed regular review on the connected transactions in accordance with its corporate governance practice.

CONTINUING CONNECTED TRANSACTIONS

The followings are the continuing connected transactions of the Group conducted during the Current Period and up to the date of this report:

(i) On 25 April 2019, Shenzhen Chuangwei Financial Leasing Company Limited（深圳創維融資租賃有限公司）("Shenzhen Chuangwei Financial Leasing"), an indirect wholly-owned subsidiary of the Company, entered into a leaseback agreement with Nanjing Golden Dragon Bus Co., Ltd.（南京金龍客車製造有限公司）("Nanjing Golden Dragon Bus"), pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in relation to a number of production equipment and motor vehicles in favour of Nanjing Golden Dragon Bus at an initial sale price of RMB260,000,000 (equivalent to approximately HK$302,879,000) commencing on the date of payment of the initial sale price and ends on the date which is 3 years from the date of the Leaseback Agreement. Details of the transaction were announced by the Company on 25 April 2019.

(ii) On 9 August 2019, the Company entered into a consultancy contract with Mr. Wong Wang Sang, Stephen ("Mr. Stephen Wong") to renew his engagement as a consultant of the Group for a term of 3 years commencing from 9 August 2019 to 8 August 2022, with an annual consultancy fee of HK$1,200,000 and a discretionary bonus, subject to a total annual maximum amount payable to Mr. Stephen Wong of less than HK$3,000,000. Details of the transaction were announced by the Company on 9 August 2019.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors since the Company's last published annual report and up to the date of this interim report is set out below:

Mr. Hung Ka Hai, Clement, an Independent Non-executive Director of the Company, is also the independent non-executive director of various listed companies, including, among others, Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (stock code: 859). Mr. Hung resigned as an independent non-executive Director and ceased to be the chairman of the audit committee and a member of the remuneration committee of Zhongchang International Holdings Group Limited with effect from 15 June 2020.

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.

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 Listing Rules (the "CG Code").

During the Current Period and up to the date of this report, 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 (the "Remuneration Committee") 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.

BOARD COMMITTEES

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group. As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by 4 Board Committees, including Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board, the summary of which were disclosed in the "Corporate Governance Report" of the Company's 2019 annual report. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website (http://investor.skyworth.com/en/index.php) and the website of the Stock Exchange. All committees are provided with sufficient resources to discharge their duties.

Executive Committee

The executive committee of the Company (the "Executive Committee") was established by the Board on 5 February 2005. The Executive Committee currently comprises 11 members, including several executive Directors and senior management of the Company. During the Current Period and up to the date of this report, the Executive Committee had held monthly meetings to review, discuss and evaluate the business performance and other business and operational matters of each major subsidiary within the Group.

Nomination Committee

The Nomination Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012 and 25 August 2017. The Nomination Committee is comprised of 4 members. The chairperson of the Nomination Committee is Mr. Hung Ka Hai, Clement and the other members are Ms. Lin Wei Ping, Mr. Li Weibin and Mr. Cheong Ying Chew, Henry. Except for Ms. Lin Wei Ping is an executive Director, all remaining 3 members are independent non-executive Directors.

BOARD COMMITTEES – *continued*

Nomination Committee – *continued*

The Company recognises the importance of board diversity to corporate governance and the board effectiveness. The Board adopted a board diversity policy ("Policy") which setting out the basic principles to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience.

In considering the new appointment of Directors, the Nomination Committee had considered the Policy and with reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

During the Current Period and up to the date of this report, the Nomination Committee held 3 meetings to review the composition of the Board; to review and assess the independence of independent non-executive Directors; to review the appointment of an executive Director and an independent non-executive Director; and to consider and recommend to the Board the re-appointment of an executive Director.

Remuneration Committee

The Remuneration Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012 and 25 August 2017. The Remuneration Committee is comprised of 4 members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Ms. Lin Wei Ping, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement. Except for Ms. Lin Wei Ping is an executive Director, the remaining 3 members of the Remuneration Committee are independent non-executive Directors.

The remuneration policy of the Group is formulated to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme.

During the Current Period and up to the date of this report, the Remuneration Committee held 3 meetings to review the bonus payable to the Directors and senior management of the Group; to review the vesting conditions of the 2020 awarded shares under the Share Award Scheme; to review the proposed remuneration packages in relation to the appointment of an executive Director and an independent non-executive Director; and to consider and recommend to the Board the renewal of service contract of an executive Director.

BOARD COMMITTEES – *continued*

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 quarter 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.

CORPORATE SUSTAINABILITY

The Company is committed to maintain a high standard of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment can enhance shareholders' value in the long run.

Under the capable leadership, the Board will certainly maintain a high degree of transparency and good corporate governance practices, and the Company will surely retain its competitive edge in the market.

Environmental Protection

The Company recognised environmental protection as an important part of corporate social responsibility. Therefore, the Group has implemented various green measures in cooperation with its business partners for energy conservation and emission reduction, with an aim to mitigate the adverse impact on the environment. By actively promoting public awareness of environmental protection and providing guidelines to different business segments, we intend to integrate the Group's environmental protection strategies into every aspect of our operation, and finally realise its vision of attaining "Green Skyworth, Green Audio-visual, Green World".

CORPORATE SUSTAINABILITY – *continued*

Environmental Protection – *continued*

The Company has adopted, in a comprehensive manner, the internationally recognised Environmental Management System (ISO14001:2015) and Energy Management System (ISO50001:2011) as the guiding principles of the Group in environmental protection. The Group's environmental policy comprises four main strategies, namely "Production Design", "Operational Energy Saving", "Concepts of Environmental Protection" and "Clean Energy".

The "Production Design" strategy aims to optimise the overall production system such as streamlining the production procedure, increasing the mould utilisation rate and considering the use of recycled materials to minimise resources consumption. With the "Energy Saving in Operation" strategy, the Group will relentlessly promote the environmental awareness culture and embed the conservation value to our workforce. The Company is promoting E-process of documents to reduce paper wastage; we are also applying natural lighting concepts and adjustable air-conditioning as well as establishing a robust waste management system in our buildings. The "Environmental Concepts" strategy targets to implant the green initiatives into the Group's supply chain from procurement to delivery of end products. This requires energy efficiency improvement in product designs, eco-friendly packaging, or even the transportation emissions. Last but not least, we also formulated the "Clean Energy" strategy to encourage the on-going transformation from the traditional energy sources to the increased utilisation of clean and renewable energy.

Our People

The Company recognises its employees as the most valuable asset and the primary force in sustaining its business growth. In terms of talent management, we follow the principles of diversity and merit, with a view to attracting a wide range of excellent talents to the Skyworth family. The Group also attaches great importance to employee development, and encourages its staff members to receive further education, to propose innovative ideas and make improvement. Meanwhile, Skyworth is committed to nurturing a healthy, diversified, fair, caring and inclusive workplace, through which it motivates staff members to put into practice the spirit of mutual help.

As at 30 June 2020, Skyworth employed a total of over 33,473 full-time employees to serve different posts in the Group, including, among others, its management team, innovation development team, frontline manufacturing operation team, sales team and administration team.

The Group is committed to building a youthful and energetic team of employees. Over 52% of its staff are aged 30 or under, while around 46% of the remaining employees are aged between 31 and 50, only 2% of its staff are aged over 50. Geographically speaking, approximately 93% of its staff are based in operating and manufacturing locations of provinces and cities across China, while the rest are stationed in the Hong Kong head office or overseas subsidiaries, including a number of Southeast Asian countries (e.g. the Philippines, Indonesia, Thailand, Vietnam and Malaysia) and markets in Europe and America (e.g. Germany, the Netherland, France, Italy, the United Kingdom and the United States). Overall, the ratio of male to female employees of the Group is approximately 1.5:1.

For detailed information about the corporate sustainability practices of the Company, please refer to the Company's 2019 Environmental, Social and Governance Report.

RISK MANAGEMENT

The Board acknowledges that risk management is one of the key controls to monitor the effectiveness of financial reporting and internal control systems within the Group. To enhance better corporate governance in these aspects, Risk Management Department was established.

Risk Management Department

The Risk Management Department was established by the Company in December 2005. The key function of the Risk Management Department is to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administrations in the achievement of the organizational goals and objectives by striving to provide a positive impact on:

(a) efficiency and effectiveness of operating functions;

(b) reliability of financial reporting;

(c) status of implementation and effectiveness of the internal control policies and procedures; and

(d) compliance with applicable laws and regulations.

The Head of Risk Management Department has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. During the Current Period and up to the date of this report, the Head of Risk Management Department attended 2 Audit Committee meetings to report the progress and findings of the works performed so far and to discuss the internal audit plan of the Group.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

(a) achieve business objectives and safeguard assets against unauthorised use or disposition;

(b) ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and

(c) ensure compliance with the relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and manage, rather than eliminate, risks of failure in operational systems, and to ensure achievement of the Group's objectives.

INTERNAL CONTROLS – *continued*

Internal Audit Department

The Internal Audit Department was established since 1996, its principal duties are examining and evaluating the business operations of the sales offices and branches of all the business units and ensuring the compliance status of the Group's business units. Besides, the Internal Audit Department also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group.

During the Current Period, the Internal Audit Department carried out the audit works of certain major business units, and provided recommendations on management enhancement and operational efficiency.

SUBSEQUENT EVENT(S) AFTER THE CURRENT PERIOD

Conditional Cash Offer to Buy-Back Up to 392,800,000 Shares at HK$2.80 Per Share

On 17 June 2020, the Company published an announcement in relation to an offer made by DBS Asia Capital Limited on behalf of the Company to buyback for cancellation, subject to the conditions, up to a maximum of 392,800,000 Shares, representing approximately 12.83% of the issued Shares as at the date of such announcement, at the price of HK$2.80 per Share (the "Offer"). The Offer was made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of approximately HK$1,099.84 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group. The Offer and the application of whitewash waiver were approved by the Shareholders at the adjourned special general meeting of the Company held on 20 August 2020. As all the conditions have been fulfilled, the Offer has become unconditional on 20 August 2020 and will remain open for acceptance until 4:00 p.m. (Hong Kong time) on 3 September 2020. For more information, please refer to the announcements of the Company dated 17 June 2020, 2 July 2020, 27 July 2020 and 20 August 2020 and the circular of the Company dated 27 July 2020.

BOARD OF DIRECTORS

As at the date of this report, the Board 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.

On behalf of the Board

Lai Weide
Chairman of the Board
31 August 2020