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SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00751)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Highlights of Results

The Group recorded the following results for the Reporting Year:

- Revenue amounted to RMB40,093 million (61.3% of which was recorded from sales in the mainland China market). The revenue of the Previous Year was RMB37,277 million.
- Revenue from multimedia business and smart systems technology business accounted for 61.3% and 21.8% of the Group’s total revenue, respectively; compared to 57.7% and 25.7% in the Previous Year, respectively.
- Gross profit achieved RMB7,164 million, while the gross profit margin was 17.9%. The gross profit margin of the Previous Year was 20.1%.
- Profit for the year and profit for the year attributable to owners of the Company amounted to RMB1,835 million and RMB1,440 million, respectively.
- The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020. Subject to the then prevailing market conditions, the Company may utilise cash to conduct corporate exercise including share buy-back.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 (the “**Reporting Year**”) together with the comparative figures for the year ended 31 December 2019 (the “**Previous Year**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	<u>NOTES</u>	<u>2020</u>	<u>2019</u>
Revenue			
Sales of goods		39,657	36,802
Leases		406	408
Interest under effective interest method		30	67
Total revenue	3	40,093	37,277
Cost of sales		(32,929)	(29,775)
Gross profit		7,164	7,502
Other income		1,233	1,071
Other gains and losses	5(a)	1,144	275
Impairment loss recognised in respect of financial assets	5(b)	(179)	(223)
Selling and distribution expenses		(3,477)	(3,757)
General and administrative expenses		(1,415)	(1,014)
Research and development expenses		(1,865)	(1,843)
Finance costs		(440)	(484)
Share of results of associates		15	21
Share of results of joint ventures		-	5
Profit before taxation		2,180	1,553
Income tax expense	6	(345)	(522)
Profit for the year	7	1,835	1,031
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		45	24
Fair value loss on trade receivables at fair value through other comprehensive income ("FVTOCI")		(24)	-
Income tax relating to item that will be reclassified subsequently		1	-
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI		17	-
		39	24
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at FVTOCI		(299)	(141)
Income tax relating to item that will not be reclassified subsequently		47	21
		(252)	(120)
Other comprehensive expense for the year		(213)	(96)
Total comprehensive income for the year		1,622	935

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
Profit for the year attributable to:			
Owners of the Company		1,440	747
Non-controlling interests		395	284
		<u>1,835</u>	<u>1,031</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		1,225	642
Non-controlling interests		397	293
		<u>1,622</u>	<u>935</u>
Earnings per share (expressed in Renminbi cents)			
Basic	9	<u>49.23</u>	<u>24.61</u>
Diluted	9	<u>44.46</u>	<u>24.52</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

Amounts expressed in millions of Renminbi

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
Non-current Assets			
Property, plant and equipment		5,803	7,040
Right-of-use assets		2,470	2,496
Deposits paid for purchase of property, plant and equipment		132	299
Investment properties		1,566	4
Goodwill		447	410
Intangible assets		99	91
Interests in associates		197	196
Interests in joint ventures		17	19
Financial assets at fair value through profit or loss ("FVTPL")		1,032	1,005
Equity instruments at FVTOCI		1,216	1,523
Finance lease receivables		1	5
Loan receivables		598	585
Deferred tax assets		498	500
		<u>14,076</u>	<u>14,173</u>
Current Assets			
Inventories		6,004	4,909
Stock of properties		5,045	4,171
Investments in debt securities		-	83
Financial assets at FVTPL		607	50
Trade and bills receivables	10	13,251	14,265
Trade receivables at FVTOCI	10	400	-
Other receivables, deposits and prepayments		2,890	2,045
Derivative financial instruments		9	-
Loan receivables		1,115	1,540
Finance lease receivables		127	125
Prepaid tax		119	75
Pledged bank deposits		1,309	885
Restricted bank deposits		318	411
Bank balances and cash		8,214	4,806
		<u>39,408</u>	<u>33,365</u>
Assets classified as held for sale		200	-
		<u>39,608</u>	<u>33,365</u>

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
Current Liabilities			
Trade and bills payables	11	11,899	10,059
Other payables		4,672	4,264
Other financial liabilities		199	-
Derivative financial instruments		25	4
Lease liabilities		54	34
Contract liabilities		3,107	1,951
Corporate bonds		-	1,990
Provision for warranty		205	181
Tax liabilities		265	189
Bank borrowings		7,401	7,135
Deferred income		180	170
		<u>28,007</u>	<u>25,977</u>
Liabilities associated with assets classified as held for sale		84	-
		<u>28,091</u>	<u>25,977</u>
Net Current Assets		<u>11,517</u>	<u>7,388</u>
Total Assets less Current Liabilities		<u>25,593</u>	<u>21,561</u>
Non-current Liabilities			
Other financial liabilities		98	285
Lease liabilities		141	112
Provision for warranty		97	91
Bank borrowings		3,986	1,042
Convertible bonds		913	924
Corporate bonds		874	-
Deferred income		270	426
Deferred tax liabilities		120	262
Derivative financial instruments		103	276
		<u>6,602</u>	<u>3,418</u>
NET ASSETS		<u>18,991</u>	<u>18,143</u>
Capital and Reserves			
Share capital		273	308
Reserves		16,037	15,684
Equity attributable to owners of the Company		<u>16,310</u>	<u>15,992</u>
Non-controlling interests		2,681	2,151
		<u>18,991</u>	<u>18,143</u>

NOTES:

1. GENERAL

Skyworth Group Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and most of its subsidiaries.

The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of smart TV system, home access systems, smart white appliances, internet value-added services, property development, property holding, modern services and trading of other products.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the 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 Reference to Conceptual Framework in HKFRS standards* and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year - continued

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

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* ("HKFRS 3") so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("HKAS 37") or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

New and amendments to HKFRSs in issue but not yet effective - continued

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities: A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16 *Leases* ("HKFRS 16");
- Hedge accounting requirements: Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- Disclosures: The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Company is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several bank loans with London Interbank Offered Rate ("LIBOR")/ RMB Loan Prime Rate ("LPR") quoted by the People's Bank of China ("PBOC") which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

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

New and amendments to HKFRSs in issue but not yet effective - continued

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2020, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32 *Financial Instruments: Presentation*. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of RMB913 million and the derivative component (including the conversion options) is measured at fair value with carrying amount of RMB19 million as at 31 December 2020, both of which are classified as non-current. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion options are exercisable anytime, the host liability and the derivative component amounting to RMB932 million would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2020.

3. REVENUE

Disaggregation of revenue from contracts with customers, rental and interest

For the year ended 31 December 2020

Type of goods	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Modern services and others RMB million	Total RMB million
Smart TV systems	20,525	172	-	89	20,786
Home access systems	50	5,299	-	-	5,349
Smart white appliances	67	-	3,882	1	3,950
Intelligent manufacturing	123	1,693	-	-	1,816
Internet value-added services of Coocaa system	1,056	-	-	-	1,056
Sales of properties	-	-	-	305	305
Automotive electronic system	-	104	-	-	104
Others (Note (a))	2,750	1,418	336	1,787	6,291
Contracts with customers (Note (b))	24,571	8,686	4,218	2,182	39,657
Leases	-	60	-	346	406
Interest under effective interest method (Note (c))	-	-	-	30	30
Segment revenue	24,571	8,746	4,218	2,558	40,093

For the year ended 31 December 2019

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

Notes:

- (a) Others mainly represents manufacture and sales of lighting products, security system, other electronic products and trading of other products, etc.
- (b) Except for certain revenue generated from internet value-added services of Coocaa system which is recognised over time, the revenue from sales of goods are recognised at a point in time under HKFRS 15.
- (c) Interest represents interest income from loan receivables and finance lease receivables and amounted to RMB30 million (2019: RMB67 million), under group entities in which the loan financing is a principal activity.

4. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker ("CODM") (i.e. the executive directors of the Company).

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

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

Segment revenue and results

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

For the year ended 31 December 2020

	Multimedia business	Smart systems technology business	Smart appliances business	Total reportable segments	Modern services and others	Eliminations	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue							
Segment revenue from external customers	24,571	8,746	4,218	37,535	2,558	-	40,093
Inter-segment revenue	112	218	53	383	4,532	(4,915)	-
Total segment revenue	<u>24,683</u>	<u>8,964</u>	<u>4,271</u>	<u>37,918</u>	<u>7,090</u>	<u>(4,915)</u>	<u>40,093</u>
Results							
Segment results (Note)	<u>606</u>	<u>399</u>	<u>96</u>	<u>1,101</u>	<u>217</u>	<u>-</u>	<u>1,318</u>
Interest income							275
Other gains or losses							1,194
Unallocated corporate income							138
Unallocated corporate expenses							(320)
Finance costs							(440)
Share of results of associates							15
Consolidated profit before taxation of the Group							<u>2,180</u>

4. SEGMENT INFORMATION - continued

During the year ended 31 December 2020, an amount of RMB358 million was adjusted to revenue of the current year for sales made in prior years as a result of collection in the current year upon the finalisation of settlement with the relevant government authority. Accordingly, the net amount of RMB286 million (after deducting related expenses) was recognised and included in the segment result of multimedia business segment.

Inter-segment sales are charged at prevailing market rates.

For the year ended 31 December 2019

	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	21,505	9,598	4,295	35,398	1,879	-	37,277
Inter-segment revenue	144	199	85	428	3,837	(4,265)	-
Total segment revenue	<u>21,649</u>	<u>9,797</u>	<u>4,380</u>	<u>35,826</u>	<u>5,716</u>	<u>(4,265)</u>	<u>37,277</u>
Results							
Segment results (Note)	<u>360</u>	<u>723</u>	<u>101</u>	<u>1,184</u>	<u>646</u>	<u>-</u>	<u>1,830</u>
Interest income							241
Other gains or losses							250
Unallocated corporate income							25
Unallocated corporate expenses							(335)
Finance costs							(484)
Share of results of associates							21
Share of results of joint ventures							5
Consolidated profit before taxation of the Group							<u>1,553</u>

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

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

4. SEGMENT INFORMATION - continued

Segment assets and liabilities

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

As at 31 December 2020

	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	Total RMB million
Assets						
Segment assets	14,727	6,631	2,432	23,790	15,711	39,501
Goodwill						447
Interests in associates						197
Interests in joint ventures						17
Assets classified as held for sale						200
Unallocated corporate assets						13,322
Total consolidated assets						53,684
Liabilities						
Segment liabilities	8,449	3,604	2,259	14,312	6,160	20,472
Liabilities associated with assets classified as held for sale						84
Unallocated corporate liabilities						14,137
Total consolidated liabilities						34,693

As at 31 December 2019

	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	Total RMB million
Assets						
Segment assets	12,273	8,410	1,996	22,679	14,865	37,544
Goodwill						410
Interests in associates						196
Interests in joint ventures						19
Unallocated corporate assets						9,369
Total consolidated assets						47,538
Liabilities						
Segment liabilities	4,128	4,137	1,650	9,915	7,155	17,070
Unallocated corporate liabilities						12,325
Total consolidated liabilities						29,395

Included in modern services and others, segment assets and liabilities related to "sales of properties" amounted to RMB5,154 million (2019: RMB4,575 million) and RMB2,523 million (2019: RMB1,283 million) respectively.

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

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

4. SEGMENT INFORMATION - continued

Segment assets and liabilities - continued

- all liabilities other than inter-segment liabilities are allocated to reportable segments other than derivative financial instruments, tax liabilities, bank borrowings, deferred income, corporate bonds, convertible bonds, deferred tax liabilities and liabilities associated with assets classified as held for sale.

Geographical information

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

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

	Revenue from external customers		Non-current assets (Note (a))	
	2020 RMB million	2019 RMB million	2020 RMB million	2019 RMB million
PRC	24,583	26,006	10,173	9,823
Asia region (other than the PRC) (Note (b))	9,429	6,115	472	643
America	1,424	709	-	-
Europe	1,890	1,637	15	17
Other regions	2,767	2,810	71	72
	<u>40,093</u>	<u>37,277</u>	<u>10,731</u>	<u>10,555</u>

Notes:

- Non-current assets excluded financial assets at FVTPL, equity instruments at FVTOCI, finance lease receivables, loan receivables and deferred tax assets.
- Asia region (other than PRC) includes Vietnam, Indonesia, India, etc, which individually contributed less than 10% of total revenue.

Information about major customers

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

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

(a) Other gains and losses

	<u>2020</u> RMB million	<u>2019</u> RMB million
Other gains and losses comprise of:		
Exchange gain, net	73	59
Gain (loss) from change in fair value of derivative financial instruments	144	(137)
Gain on disposal of a joint venture	-	3
Gain from changes in fair value of financial assets at FVTPL	345	387
Gain on disposal of subsidiaries	724	-
Loss on disposal of interests in associates	(17)	-
Loss on disposal of financial assets at amortised cost	(32)	(31)
Loss on disposal of property, plant and equipment	(74)	(6)
Loss on trade receivables at FVTOCI reclassified from equity upon disposal	(17)	-
Others	(2)	-
	<u>1,144</u>	<u>275</u>

(b) Impairment loss recognised in respect of financial assets

	<u>2020</u> RMB million	<u>2019</u> RMB million
Impairment loss reversed (recognised) in respect of the following financial assets:		
Finance lease receivables	7	(3)
Investments in debt securities	-	(8)
Trade receivables at amortised cost	(5)	(110)
Bills receivables	(76)	-
Other receivables	(27)	(67)
Loan receivables	(78)	(35)
	<u>(179)</u>	<u>(223)</u>

6. INCOME TAX EXPENSE

	<u>2020</u> RMB million	<u>2019</u> RMB million
PRC Enterprise Income Tax ("EIT")	404	308
PRC withholding tax	22	26
Hong Kong Profits Tax	10	5
Taxation arising in other jurisdictions	19	6
PRC land appreciation tax ("LAT")	1	14
Deferred taxation	(111)	163
	<u>345</u>	<u>522</u>

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

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year. 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 in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. RMB22 million (2019: RMB26 million) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the year ended 31 December 2020.

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

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

7. PROFIT FOR THE YEAR

	<u>2020</u> RMB million	<u>2019</u> RMB million
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	2	1
Auditors' remunerations	8	9
Cost of inventories recognised as an expense including write-down of inventories of RMB64 million (2019: RMB163 million)	32,555	29,310
Cost of stock of properties recognised as an expense	222	322
Depreciation of right-of-use assets	141	136
Less: Capitalised as cost of inventories	(3)	(3)
Capitalised as cost of construction in progress	(43)	(48)
	<u>95</u>	<u>85</u>
Depreciation of investment properties	71	-
Depreciation of property, plant and equipment	703	733
Less: Capitalised as cost of inventories	(227)	(222)
	<u>476</u>	<u>511</u>
Provision for warranty	272	216
Rental income from leases less related outgoings of RMB196 million (2019: RMB144 million)	(210)	(264)
Research and development costs recognised as an expense (including staff costs of RMB937 million (2019: RMB950 million))	1,865	1,843
Staff costs:		
- Directors' and chief executive's emoluments	72	44
- Related staff costs for research and development activities	937	950
- Other staffs salaries, bonus, retirement benefits and others	3,274	3,274
	<u>4,283</u>	<u>4,268</u>
Less capitalised as:		
- Cost of inventories	(1,063)	(1,023)
- Stock of properties	(5)	(6)
- Property, plant and equipment	(11)	(11)
	<u>3,204</u>	<u>3,228</u>

8. DIVIDENDS

	<u>2020</u> RMB million	<u>2019</u> RMB million
Dividend recognised as distribution during the year:		
2019 final dividend - nil		
(2019: 2018 final dividend 6.0 HK cents) per share	-	160

The Board has determined not to declare any dividend for the year ended 31 December 2020 (2019: nil).

No interim dividend was paid or proposed during the years ended 31 December 2020 and 2019.

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

9. EARNINGS PER SHARE

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

	<u>2020</u> RMB million	<u>2019</u> RMB million
<u>Earnings</u>		
Profit for the year attributable to owners of the		
Company for the purpose of basic earnings per share	1,440	747
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Limited ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange	(2)	(2)
Effect of dilutive potential ordinary shares on convertible bonds of Skyworth Digital	(129)	-
Profit for the year attributable to owners of the		
Company for the purpose of diluted earnings per share	1,309	745

9. EARNINGS PER SHARE - continued

	<u>2020</u>	<u>2019</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,924,914,748	3,035,576,545
Effect of dilutive potential ordinary shares in respect of outstanding share awards of the Company	<u>19,059,481</u>	<u>3,212,895</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,943,974,229</u></u>	<u><u>3,038,789,440</u></u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the years ended 31 December 2020 and 2019 and the conversion of Skyworth Digital's convertible bonds which results in an increase in earnings per share for the year ended 31 December 2019.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the repurchase of shares on 14 September 2020 and has been arrived at after deducting shares held by share award scheme trust.

10. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI

	<u>2020</u> RMB million	<u>2019</u> RMB million
Trade receivables at amortised cost		
- goods and services	9,031	9,727
- lease receivables	119	101
	<u>9,150</u>	<u>9,828</u>
Less: allowance for credit losses	(388)	(398)
	<u>8,762</u>	<u>9,430</u>
Bill receivables	4,565	4,835
Less: allowance for credit losses	(76)	-
	<u>4,489</u>	<u>4,835</u>
	<u>13,251</u>	<u>14,265</u>
Trade receivables at FVTOCI		
- goods and services	400	-
	<u>400</u>	<u>-</u>

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB9,474 million.

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

	<u>2020</u> RMB million	<u>2019</u> RMB million
Within 30 days	4,718	4,386
31 to 60 days	2,038	1,329
61 to 90 days	746	889
91 to 180 days	804	1,252
181 to 270 days	285	506
271 to 365 days	145	383
Over 365 days	426	685
Trade receivables	<u>9,162</u>	<u>9,430</u>

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,403 million (2019: RMB2,229 million) which are past due as at the reporting date. Out of the past due balances, RMB452 million (2019: RMB1,094 million) has been past due 90 days or more and is not considered as in default based on historical experience. Other than bills received, the Group does not hold any collateral over these balances.

10. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI - continued

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

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

	<u>2020</u> RMB million	<u>2019</u> RMB million
Within 30 days	636	419
31 to 60 days	637	558
61 to 90 days	1,107	946
91 days or over	1,389	2,226
Bills discounted to banks and endorsed to suppliers with recourse	720	686
	<u>4,489</u>	<u>4,835</u>

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

As at 31 December 2020, total bills received amounting to RMB30 million (2019: RMB84 million), were endorsed to suppliers of the Group with recourse by the Group. The Group continues to recognise their full carrying amounts at the end of each reporting period.

The maturity dates of bills discounted to banks and endorsed to suppliers with recourse are within one year at the end of the reporting period.

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

11. TRADE AND BILLS PAYABLES

	<u>2020</u> RMB million	<u>2019</u> RMB million
Trade payables (Note)	9,084	6,559
Bills payables	2,815	3,500
	<u>11,899</u>	<u>10,059</u>

11. TRADE AND BILLS PAYABLES - continued

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

	<u>2020</u> RMB million	<u>2019</u> RMB million
Within 30 days	4,858	3,291
31 to 60 days	2,228	1,664
61 to 90 days	879	1,012
91 days or over	1,119	592
Trade payables	<u>9,084</u>	<u>6,559</u>

Note: As at 31 December 2020, included in the balance of trade payables was RMB30 million (2019: RMB84 million), which had been settled by endorsed bills for which the maturity dates of the relevant bills receivables have not yet fallen due as at the end of each reporting period.

The credit periods of trade payables ranged from 30 days to 90 days.

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

	<u>2020</u> RMB million	<u>2019</u> RMB million
Within 30 days	513	622
31 to 60 days	560	784
61 to 90 days	485	549
91 days or over	1,257	1,545
	<u>2,815</u>	<u>3,500</u>

12. PLEDGE OF ASSETS

At 31 December 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 RMB1,479 million (2019: RMB202 million) and RMB1,051 million (2019: RMB202 million), respectively;
- (b) investment properties with carrying value of RMB1,263 million (2019: nil);
- (c) pledged bank deposits of RMB1,309 million (2019: RMB885 million);
- (d) trade receivables of RMB17 million (2019: RMB19 million); and
- (e) bills receivables of RMB720 million (2019: RMB686 million).

BUSINESS PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2020, the Group's overall revenue amounted to RMB40,093 million, compared with an overall revenue of RMB37,277 million for the Previous Year.

During the Reporting Year, COVID-19 has swept across the world while Sino-US trade friction and technology war continue to escalate, resulting in a severe recession in the world economy. However, China, as a pioneer, achieved a signal victory in the fight against COVID-19, and successfully completed the signing of comprehensive investment and trade agreements with ASEAN and EU, eventually achieving a positive economic growth in 2020 and pointing out a right path towards the full recovery of the world economy. In view of the increasingly fierce competition among brands, by adhering to its development philosophy of being a "technological leader" and developing "health-focused technologies", as well as remaining focused on the improvement of consumer experience and product competitiveness, Skyworth has taken the opportunity of consumption transformation and upgrading in the TV industry to build sustainable competitiveness geared for future success. In 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, made every efforts to overcome the impact of COVID-19 and standardised corporate development behaviors. It adhered to professional development and accelerated corporate reform and transformation, which contributed to an increase in overall revenue and net profit 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. During the Reporting Year, the Group has successfully overcome the impact of COVID-19 by exploring business ideas, innovating its development model, and promoting the implementation of its transformation and upgrading development strategy, the Group's overall revenue reached RMB40,093 million, representing an increase of 7.6% compared with the Previous Year. However, as affected by COVID-19, the raw material prices for home appliance enterprises around the world generally rise, causing a decline in corporate profit margins. Thus, the gross profit margin fell by 2.2 percentage point from the Previous Year to 17.9% during the Reporting Year.

For the years ended December 2020 and 2019, the Group's smart TV systems sales volumes by market are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020 vs Year ended 31 December 2019 Increase/ (decrease)
	Unit ('000)	Unit ('000)	
PRC Market	7,597	9,031	(15.9%)
Overseas Markets	9,451	6,775	39.5%
Total smart TV systems sales volume	17,048	15,806	7.9%

(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 year ended 31 December 2020, revenue from the mainland China market amounted to approximately RMB24,583 million, representing a decrease of RMB1,423 million or 5.5% compared with RMB26,006 million for the Previous Year.

During the Reporting Year, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 59.1% (the Previous Year: 59.2%), 21.1% (the Previous Year: 21.9%) and 11.7% (the Previous Year: 11.8%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 8.1% (the Previous Year: 7.1%).

Overseas Markets

For the year ended 31 December 2020, revenue from overseas markets amounted to RMB15,510 million, equivalent to 38.7% of the Group's overall revenue, representing an increase of RMB4,239 million or 37.6% compared with RMB11,271 million recorded in the 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 Reporting Year.

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:

	Year ended 31 December	
	2020 (%)	2019 (%)
Asia (excluding Middle East)	61	54
Europe	12	15
Middle East	9	12
Africa	8	12
America	9	6
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, 4. Modern Services Business.

1. Multimedia business

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

For the year ended 31 December 2020, the Group's multimedia business recorded revenue of RMB24,571 million, representing an increase of RMB3,066 million or 14.3% compared with RMB21,505 million recorded in the Previous Year.

1.1 Smart TV Systems Products (PRC Market)

For the year ended 31 December 2020, the Group's smart TV systems products recorded revenue of RMB12,223 million in the mainland China market, representing a decrease of RMB1,425 million or 10.4% compared with RMB13,648 million recorded in the Previous Year.

During the Reporting Year, as the PRC grew more mature for deploying the next generation of technologies (such as 5G, AI, 8K 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, leveraging on the industrial advantages of backlight and display technology of the Group's MiniLED products, the Group has built an important foundation for its first layout. The successive participation of various brands would accelerate the rapid expansion of MiniLED market. As a leading technology brand in the industry, the Group has taken the lead in seizing the high-end LCD market by pre-emptive layout of MiniLED product array. Meanwhile, leveraging on its service and experience, as well as the differentiation advantages of product's shape, picture quality and eye-protection function, the Group, as one of the earliest participants in China's OLED TV market, will continue to strengthen the promotion of OLED TV products. According to the statistics from All View Cloud (AVC) on OLED TV market retail volume from January to December 2020, the Group's market share was 42.5%, representing an increase of 2.9 percentage points compared with the Previous Year and its leading position in the OLED TV market was further consolidated.

During the Reporting Year, as affected by COVID-19, the Group's sales volume in the mainland China market decreased by 15.9% compared with the 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 year ended 31 December 2020, the Group's smart TV systems products recorded revenue of RMB8,302 million in overseas markets, representing an increase of RMB2,395 million or 40.5% compared with RMB5,907 million recorded in the Previous Year.

During the Reporting Year, under the impact of COVID-19, the overall performance of the international TV market was sluggish and certain countries maintained varying degrees of closed or 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 customer agents and channels in overseas, vigorously improved product structure, reduced costs while improving the quality of operation through product upgrading. Benefited from the expansion of e-commerce channel, 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, Western Europe, Russia, Northeast Asia, Central America, and South America to open up new areas. In the first year, the “Skyworth” brand business increased by 15.4% and revenue increased by 23.6%.

Through the model of original design manufacturer (“ODM”) and the establishment of overseas sales branches, 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 customer agents 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 value-added services of Coocaa System

For the year ended 31 December 2020, the Group recorded a significant growth of RMB230 million or 27.8% in revenue from the internet value-added services of Coocaa System, which increased to RMB1,056 million from RMB826 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 31 December 2020, the accumulated smart terminals of Coocaa System in the PRC market was over 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 system support carrier for smart terminals, not only has Coocaa promoted the innovation and convergent 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 technical service, Coocaa leverages on the advantages of its system, including an independent and flexible technical architecture, reliable and secure connection services, accurate data and algorithms, as well as efficient technical application flexibility. By cooperating with strategic partners, with common developed internet-based products designed around user experience, in-depth exploration of statistical value, as well as precise digital marketing capabilities, 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 strategic partners including internet giants and internet TV service providers.

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 year ended 31 December 2020, revenue recorded for Smart Systems Technology business in the mainland China market amounted to RMB5,181 million, representing a decrease of RMB518 million or 9.1% from RMB5,699 million recorded in the Previous Year. For the year ended 31 December 2020, revenue recorded for Smart Systems Technology business in overseas markets amounted to RMB3,565 million, representing a decrease of RMB334 million or 8.6% from RMB3,899 million recorded in the Previous Year.

During the Reporting Year, as affected by COVID-19, some operator customers delayed their resumption of work, resulting in shrinking demand. The Group kept abreast of the changes in market demand, increased the deployment of 4K set-top boxes, converged smart terminals and products such as PON gateways and home networking, entered the smart broadcasting business by combining with education and VR, and focused on key quality customers in Guangdong and Jiangsu so as to explore the market and increase its market share in key customer regions.

In overseas markets, the Group opened up new premium customers while maintaining its existing market strengths, and further enhanced its broadband connection and IoT business in addition to set-top box products. The Group continued to deliver steady shipments in India, Africa and the Middle East, with significant sales growth in Asia Pacific and further diversification of product mix. It made significant breakthroughs in the European operator market, securing orders from major European operators such as Canal+ Group in France and Deutsche Telekom (DT). The retail business of Strong, a brand of the Group, increased rather than decreased under the stimulation of the "otaku economy" in Europe. The continued breakthrough in the European market will provide new market opportunities for the Company's future overseas business growth.

3. Smart Appliances Business

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

Empowered by smart technologies, home appliances have evolved from traditionally separated devices to a smart platform through which Skyworth can interact with consumers. Skyworth will continue to adopt the core vision of "building smart home control centres" for its smart appliances business, which will require a comprehensive deployment of its AIOT ecosystem. In 2020, Skyworth launched its "Free-fresh (自由鮮)" series refrigerators, Level 3 frequency conversion air conditioner (三級變頻空調), DD direct-drive front load washing machine (DD 直驅滾筒洗衣機) and top load washing machines with rotary waterfall washing technology (漩瀑波輪洗衣機), all of which were highly recognised by the market and well received by customers. Some of our refrigerator and washing machine products also won several certifications and awards, including the "China Red Star Design Award".

For the year ended 31 December 2020, revenue recorded for smart appliance products in the mainland China market amounted to RMB2,868 million, representing a decrease of RMB209 million or 6.8% compared with RMB3,077 million recorded in the Previous Year. Revenue in overseas markets amounted to RMB1,350 million, representing an increase of RMB132 million or 10.8% compared with RMB1,218 million recorded in the Previous Year.

During the current year, the Group's operating performance of smart appliances business was affected by the pandemic of COVID-19. As the COVID-19 vaccination rolls out, we expect the operating performance of the smart appliance business to improve significantly. We will continue to develop new products with excellent operational capabilities, take care of pipeline operations and achieve large-scale manufacturing in order to continue to grow our business scale.

Looking forward to the future, the more and more mature smart technologies will upgrade and update home appliances, further improve the degree of intelligence of smart appliances including refrigerators, washers, air conditioners, kitchen appliances and other products, and increase the access and application of Skyworth's smart appliance products in the intelligent home ecosystem. Skyworth will insist on building its core competitiveness such as product research and development, pipeline expansion, lean manufacturing and operation management; attach importance to the investment in product research and development for promoting the development of products in the direction of green, energy-saving, intelligent and high-end; focus on the operation and expansion of marketing channels by exploring new business models, creating a symbiosis system and a win-win strategy for enterprises and agents, and strengthening the execution and fighting spirit of business team; and continue to expand production capacity, improve manufacturing efficiency and quality assurance, enhance after-sales service support capabilities, so as to establish a professional, reliable and high-end brand image of Skyworth's smart appliances.

The first phase of the Skyworth Smart Home Appliances Industrial Park (創維智能家電產業園) project has been completed, and the production line of Skyworth's Chuzhou base has been officially put into operation, which have accelerated the progress of the Group's smart manufacturing technology, continuously promoted the I-DD technology upgrade and the new generation of smart air conditioners and other key technology research and development, and brought the Group's smart appliances business to a new level up.

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 year ended 31 December 2020, revenue recorded for modern services business in the mainland China market amounted to RMB1,961 million, representing an increase of RMB131 million or 7.2% compared with RMB1,830 million recorded in the Previous Year. Revenue in overseas markets amounted to RMB519 million, representing an increase of RMB497 million or 2,259.1% compared with RMB22 million recorded in the Previous Year.

The Group has determined the development direction of the segments of modern services business, accelerated its upgrading transformation from manufacturing to modern services, 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 intelligent human habitat industry, including green buildings, smart control systems and terminals, and a variety of content services; the Group proactively promoted the adjustment of asset structure by virtue of the construction of industrial park and made good use of the existing advantages to shape its modern services business.

By fully utilising the strengths of its core operations, constantly incorporating innovation into its development model and accelerating new business integration and expansion, the Group has created favourable conditions and settings for future reform and development, which provides strong support for scientific research, investment, production, procurement and construction across the Skyworth Group.

Gross profit margin

For the year ended 31 December 2020, the overall gross profit margin of the Group was 17.9%, representing a decrease of 2.2 percentage points in comparison to 20.1% recorded in the Previous Year.

During the Reporting Year, in order to ensure robust operations across the Group, we continued to refine operations management, adopting multiple integrated methods to increase the gross profit margin of our products and reduce group-wide operating costs. During the year, due to the global outbreak of COVID-19, the prices of upstream materials for TV products such as glass and ICs, etc. continued to increase, with some materials climbing by more than 50%, which lowered the gross profit margin of TV products. Meanwhile, the low pricing of emerging brands also exerted an impact on the TV market, resulting in a decrease in the gross profit margin of TV products. In addition, telecom operators in the PRC focused on the development of 5G base stations and the mobile business, and the television broadcast network in the PRC was also integrating 5G integrated construction. As a result, certain businesses of the Group related to domestic broadcasting and telecom operators that have higher gross profit margin did not record significant growth for the time being. At the same time, due to the change in the centralised procurement policy of customers, the selling price of products decreased, leading to a decrease in gross profit margin. In addition, although the sales volume of products with higher profit margin increased year-on-year, the increase was lower than the overall business scale growth. A decrease in the proportion of sales of products with higher profit margin also contributed to a drop in overall gross profit margin.

Expenses

For the year ended 31 December 2020, the Group's selling and distribution expenses amounted to RMB3,477 million, representing a decrease of RMB280 million or 7.5% compared with RMB3,757 million for the Previous Year. The selling and distribution expenses to revenue ratio for the year ended 31 December 2020 was 8.7%, which decreased by 1.4 percentage points from 10.1% recorded in the Previous Year.

For the year ended 31 December 2020, the Group's general and administrative expenses amounted to RMB1,415, representing an increase of RMB401 million or 39.5% compared with RMB1,014 million for the Previous Year. The general and administrative expenses to revenue ratio for the year ended 31 December 2020 was 3.5%, which rose by 0.8 percentage points from 2.7% recorded in the Previous Year.

Since the Group continued to devote enormous resources during the current year to the research and development of premium smart products and the improvement of its corporate competitiveness, a corresponding increase was recorded in research and development expenses. For the year ended 31 December 2020, the Group's research and development expenses amounted to RMB1,865 million, representing an increase of RMB22 million or 1.2% compared with RMB1,843 million for the Previous Year. The research and development expenses to revenue ratio for the year ended 31 December 2020 was 4.7%, which decreased by 0.2 percentage points from 4.9% recorded in the Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 2020, net current assets amounted to RMB11,517 million, representing an increase of RMB4,129 million or 55.9% when compared with RMB7,388 million as at 31 December 2019. As at 31 December 2020, bank balances and cash amounted to RMB8,214 million, representing an increase of RMB3,408 million or 70.9% when compared with RMB4,806 million as at 31 December 2019. As at 31 December 2020, pledged bank deposits amounted to RMB1,309 million, representing an increase of RMB424 million or 47.9% when compared with RMB885 million as at 31 December 2019. As at 31 December 2020, restricted bank deposits amounted to RMB318 million, representing a decrease of RMB93 million or 22.6% 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 31 December 2020, such secured assets included bank deposits of RMB1,309 million (as at 31 December 2019: RMB885 million), trade receivables of RMB17 million (as at 31 December 2019: RMB19 million), bills receivables of RMB720 million (as at 31 December 2019: RMB686 million), investment properties of RMB1,263 million (as at 31 December 2019: nil), 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 RMB2,531 million (as at 31 December 2019: RMB404 million).

As at 31 December 2020, total bank loans amounted to RMB11,387 million (as at 31 December 2019: RMB8,177 million), corporate bonds (inclusive of interest) amounted to RMB920 million (as at 31 December 2019: RMB2,029 million) and convertible bonds (inclusive of interest) amounted to RMB917 million (as at 31 December 2019: RMB927 million). Overall interest-bearing liabilities of the Group were RMB13,224 million (as at 31 December 2019: RMB11,133 million), equity attributable to owners of the Company amounted to RMB16,310 million (as at 31 December 2019: RMB15,992 million). The debt to equity ratio revealed as 69.6% (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 friction, 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 year ended 31 December 2020, the Group recorded a net exchange gain of RMB73 million (year ended 31 December 2019: gain of RMB59 million) associated with general operation.

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

(a) Unlisted equity securities

As at 31 December 2020, the Group held investments in 46 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB2,224 million, of which RMB1,085 million represented 10% equity interest held by the Group in a PRC investee company. This investee company is principally engaged in manufacture and sale of flat screen displays, display materials, LCD-related products and other electronic accessories.

(b) Listed equity securities

As of 31 December 2020, the Group held investments in six listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 31 December 2020	Value of investment as of 31 December 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%	-	11.5	The Stock Exchange of Hong Kong Limited	Manufacture and sale of air-conditioners
Bank of Gansu Co., Ltd.	0.66%	128.2	121.2	The Stock Exchange of Hong Kong Limited	Financial services
Amlogic (Shanghai) Co., Ltd.	0.39%	126.5	381.2	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Jiangsu Broadcasting Cable Information Network Co., Ltd. (江蘇省廣電有線資訊網路股份有限公司)	0.80%	132.4	-	Shanghai Stock Exchange	TV channels, broadband, data services
Anhui Coreach Technology Co., Ltd.	1.21%	50.0	19.9 (note: not listed in 2019)	Shenzhen Stock Exchange	Research and development, production and sales of semiconductors, LCD products, smart TVs, etc.
Three's Company Media Group Co., Ltd.	0.75%	87.1	26.2 (note: not listed in 2019)	Shanghai Stock Exchange	Marketing 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.

In addition, 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 Jiangsu Broadcasting Cable Information Network Co., Ltd. (江蘇省廣電有線資訊網路股份有限公司) and Three's Company Media Group Co., Ltd. can promote the business development of Coocaa.

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Year, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB958 million in construction projects, including the expansion of its production plants in Ningbo, Nanjing, Guangzhou and Qianhai, and RMB769 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 31 December 2020, the Group had around 36,000 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 196 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

Since 2020, the COVID-19 epidemic has been spreading around the world. Skyworth Group put the rights and interests of its employees at first priority and attached great importance to the prevention and control of the epidemic. It established a top-down group prevention and control mechanism in January 2020 to strictly implement prevention and control measures, including strengthening the management of access to the industrial park, setting up a centralised quarantine centre and investing in mask production lines. So far, none of Skyworth staff has been infected with COVID-19.

The impact of the COVID-19 epidemic has posed great uncertainty to the world's economic development. Skyworth Group will continue to actively leverage on 5G, artificial intelligence and new technologies, to accelerate the launch of new products, such as 5G+ ultra-high definition new TVs, smart control TVs, OLED large-screen TVs, smart inverter refrigerators, washing machines, air conditioning products and kitchen appliances, as well as 5G smart access systems and smart human habitat, office and automobile and other application systems. We will also accelerate the development of Skyworth's home appliances empowered by smart systems technology and focus on smart systems and smart control centres products to lead the development of Skyworth's smart human habitat industry, with an aim of providing smart, digital and information-based products and solutions of high quality to urban communities, industrial parks and smart homes. At the same time, we will continue to expand our overseas business and seize new opportunities arising from changes in overseas markets with a focus on Southeast Asia and Africa. We will also keep stepping up efforts to develop the domestic market. Benefiting from the policy opportunity of home appliances going to the countryside, the growing demand of consumption upgrading and the development opportunities of the professional application market, we will refine the construction of our online marketing system and propel the growth of the marketing of Skyworth's products, thereby creating new value for our shareholders and investors.

As proposed by the board of directors of the Group, Skyworth aims to achieve "efficiency enhancement" in 2021. In active response to changes in the external environment and with the strategic objectives of transformation and upgrading as the core, the Group will continue to promote the three key strategies of smartisation, internationalisation and refinement, speed up the construction of our three key bases, and continue to develop our four key business sectors, namely multimedia, smart systems technology, smart appliances and modern services. Upholding the innovative thinking and development model, the Group will further improve systems, strengthen synergies, integrate resources and enhance efficiency, and actively promote the transformation in three key areas (namely from manufacturing to modern services, from hardware to software, and from terminal products to smart systems), thus bringing Skyworth to a new stage of development.

In addition, Skyworth Group will seize the new opportunities brought by the application of emerging technologies to home appliance enterprises in accordance with the “5G+AI+terminal” technology development and industrial upgrading route established by the board of directors to make good planning for new technologies and products, accelerate the transformation and upgrading, strengthen the research and development of picture quality technology, work hard on research and application of MiniLED and MicroLED technologies, and strengthen the research on the application of smart systems technology, and advance the implementation of AI technology to empower TVs and other terminal products. At the same time, we will increase our investment in the research and development of display technologies as well as cloud platforms for smart cities and smart parks to accelerate the formation of new business growth points. We will further increase the smartisation standard of TVs, refrigerators, washing machines, air conditioners, kitchen appliances and home access terminals by using AI technology to empower product replacement so as to increase the access and application of Skyworth’s smart terminal products and Coocaa System in the smart home ecosystem.

We will also spare no effort to develop overseas markets, accelerate the base construction in India, Southeast Asia and Africa, strengthen the deployment and investment of our marketing channels and promote the synergistic development of Skyworth branded products and OEM business to achieve rapid growth in overseas business. We will also seize the opportunity of the domestic market and make good use of the opportunity of the development of the inner circle and the revitalisation of the new rural areas to actively promote the construction of agency channel in county and township, expand the trial run of specialty stores of all categories in cities and towns to deliver excellent marketing in the rural market. By studying the market demand brought about by the consumption upgrading in cities, we will continuously launch “high-end, small batch and customised” products to meet the demand of the urban high-end market and increase the market share of our products while speeding up industrial transformation and product replacement to open up new markets and cultivate new growth points.

EVENTS AFTER THE REPORTING PERIOD

The continuous spread of the COVID-19 epidemic around the world has caused uncertainties in the business environment. The impact of the COVID-19 epidemic on the Group's overseas business is expected to continue for a period of time, but the duration and extent of the impact are difficult to predict and depend on the development of the situation.

However, with China, Germany, the United Kingdom, the United States and Russia and other advance countries taking the lead, a number of COVID-19 vaccines have been successfully developed. According to the World Health Organization's release in February 2021, currently at least seven COVID-19 vaccines have been rolled out globally and more than 200 additional vaccine candidates are in development, of which more than 60 are in clinical development, and it is expected that there will be more vaccines ready for use and volume production in the first half of 2021. Tedros Adhanom Ghebreyesus, the WHO's director-general, said, with the latest positive news from vaccine development, "the light at the end of this long, dark tunnel is growing brighter", but the pandemic still has a long way to run. Soumya Swaminathan, the WHO's chief scientist, said, the world must remain vigilant and careful because despite the rollout of COVID-19 vaccines, it will still take some time for most people to be vaccinated and there will be no "herd immunity" until the end of 2021. Health experts around the world predict that it will be late 2021 to 2022 at the earliest before humans return to their pre-epidemic lives.

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. As the operations of most of the Group's customers, suppliers, associates, joint ventures and investees are located in mainland China, the negative impact of the COVID-19 epidemic on entities, such as the Group, will be mitigated to the greatest extent as long as the COVID-19 epidemic is continued to be under control in mainland China.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the Reporting year and up to the date of this announcement, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provision A.6.7 of the CG Code.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Mr. Li Weibin, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 22 May 2020 due to other prior business engagements. Two of our independent non-executive Directors, namely Mr. Li Weibin and Mr. Hung Ka Hai, Clement, were unable to attend the adjourned special general meeting of the Company held on 20 August 2020 due to other prior business engagements.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established by the Board since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 7 April 2000. The Audit Committee currently comprises 3 independent non-executive Directors. The chairperson of the Audit Committee is Mr. Cheong Ying Chew, Henry and the other members are Mr. Li Weibin and Mr. Hung Ka Hai, Clement.

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised on 30 March 2012 in order to comply with the then adopted amendments to the CG Code. In light of the amendments made to the CG Code with effect from 1 January 2016, the Board has further adopted the revised terms of reference of the Audit Committee on 15 December 2015 in accordance with such CG Code amendments. The terms of reference of the Audit Committee was published on the Company's website (<http://investor.skyworth.com/en/index.php>) and the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>).

AUDIT COMMITTEE REVIEW

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

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs Deloitte Touche Tohmatsu on the preliminary announcement.

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

The Company has adopted the code of conduct regarding securities transactions by Directors (the “**Code of Conduct**”) on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company received confirmation from each of the Directors that he/she had complied with the Code of Conduct throughout the Reporting Year.

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

The Company has purchased a total of 392,800,000 Shares of the Company at HK\$2.8 per Share on the Stock Exchange during September 2020 and the total consideration paid was approximately HK\$1,099.84 million (excluding expenses). As at 31 December 2020, the total number of Shares in issue was 2,668,129,420. All the repurchased Shares were cancelled on 14 September 2020.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed shares during the Reporting Year.

FINAL DIVIDEND

The Board has determined not to declare any dividend for the year ended 31 December 2020 with a view to preserving cash for the Group’s development and corporate planning (2019: Nil). The Company constantly monitors and reviews the Group’s operations and looks for ways to improve its business. It may therefore utilise cash for development and expansion of its operations and businesses. Subject to the then prevailing market conditions, the Company may also utilise cash to conduct corporate exercise including share buy-back which the Directors will only conduct in accordance with the applicable laws and regulations and if it is in the interest of the Company and its shareholders as a whole.

CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attendance at the 2020 annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 13 May 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

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

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

Hong Kong, 25 March 2021

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