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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)**

## OVERSEAS REGULATORY ANNOUNCEMENT 2019 INTERIM RESULTS OF SKYWORTH DIGITAL CO., LTD.

This announcement is made by the board of directors (the “**Board**”) of Skyworth Group Limited (the “**Company**”) pursuant to Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Skyworth Digital Co., Ltd. (“**Skyworth Digital**”, Shenzhen Stock Code: 000810), an A-share listed company on the Shenzhen Stock Exchange and a non-wholly owned subsidiary of the Company, has announced its unaudited interim results for the six months ended 30 June 2019 (the “**Announcement**”). Set out in the Appendix hereto is an extract of the Announcement. The board of directors of Skyworth Digital approved the profit distribution plan of ordinary shares as follows: Cash dividend of RMB0.8 (tax included) will be distributed for every 10 shares to all shareholders based on the share capital of 1,058,938,128 shares. No bonus shares (tax included) will be given. No transfer will be made from capital reserve to share capital. The above distribution will be subject to the approval by shareholders in the 2019 second extraordinary general meeting of Skyworth Digital.

Shareholders of the Company and potential investors should take note that the financial information of the interim results of Skyworth Digital in the Announcement has not been audited and the full version of the 2019 interim report of Skyworth Digital in Chinese has been published on the information website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>).

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

Hong Kong, 22 August 2019

*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 and Mr. Lin Jin as executive directors; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming as independent non-executive directors.*

Stock Code: 000810

Stock Name: Skyworth Digital

Announcement Number : 2019-063

## Extract of 2019 Interim Results Announcement of Skyworth Digital Co., Ltd.

### I. Important Notes

This extract is compiled based on the full text of the 2019 interim report. Investors should read the full text of the 2019 interim report carefully on the media designated by the China Securities Regulatory Commission to gain a comprehensive view of the business performance, financial position and future development plan of the Company.

Auditor's note on non-compliance with accounting standards

Applicable  N/A

Plans on profit distribution of ordinary shares or transfer from capital reserve to share capital during the period reviewed by the board

Applicable  N/A

Whether or not to transfer from capital reserve to share capital

Yes  No

The profit distribution plan of ordinary shares of the Company approved on the board meeting is as follows: cash dividend of RMB0.8 (tax included) will be distributed for every 10 shares to all shareholders based on the share capital of 1,058,938,128 shares. No bonus share (tax included) will be given. No transfer will be made from capital reserve to share capital.

Plans on profit distribution of preferred shares during the reporting period approved by the board by way of resolution

Applicable  N/A

### II. Basic Information of the Company

#### 1. Profile of the Company

Stock name	Skyworth Digital	Stock code	000810
Listing stock exchange	Shenzhen Stock Exchange		
Contact person and information	Secretary of the board	Securities representative	
Name	Zhang Zhi	Liang Jing	
Office address	Unit A 16/F, Skyworth Mansion., Gaoxin Ave. 1.S., Hi-tech Park, Nanshan District, Shenzhen	Unit A 16/F, Skyworth Mansion., Gaoxin Ave. 1.S., High-tech Park, Nanshan District, Shenzhen	
Telephone	0755-26010018	0755-26010680	
Email:	skydtbo@skyworth.com	skydtbo@skyworth.com	

#### 2. Major financial information and financial indicators

Whether the Company needs to make retrospective adjustments or restate the accounting information of prior years

Yes  No

## Reasons for retrospective adjustments or restatements

## Changes in accounting policies; merger of enterprises under the control of the same parent company

	The reporting period	Same period of prior year		Increase or decrease in the reporting period from the same period prior year
		Before adjustment	After adjustment	After adjustment
Revenue (RMB)	3,894,231,853.12	3,548,594,888.46	3,700,963,731.35	5.22%
Net profit attributable to listing company shareholders (RMB)	257,603,878.53	162,416,288.71	159,743,534.51	61.26%
Net profit attributable to listing company shareholders after excluding non-recurring profit and loss (RMB)	221,991,791.44	138,316,023.00	141,639,257.72	56.73%
Net cash flow generated from operating activities (RMB)	-86,813,839.02	-324,636,709.42	-304,708,896.68	71.51%
Basic earnings per share (RMB/share)	0.2465	0.1570	0.1544	59.65%
Diluted earnings per share (RMB/share)	0.2381	0.1504	0.1479	60.99%
Weighted average return on equity	7.99%	5.84%	5.55%	2.44%
	At the end of the reporting period	At the end of prior year		Increase or decrease at the end of the reporting period from the end of prior year
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	9,330,295,364.28	8,349,143,939.54	8,651,181,722.03	7.85%
Net assets attributable to listing company shareholders (RMB)	3,418,087,487.53	3,047,702,515.13	3,175,424,358.71	7.64%

## Reasons for changes in accounting policies:

1. According to the *Notice on Revision of Format of 2018 Financial Statements to be Published by General Enterprises* issued on 15 June 2018 and *Explanation on Questions Regarding Format of 2018 Financial Statements of General Enterprises* issued on 7 September 2018 by the Ministry of Finance (“MOF”), the Company shall present the refund of fees regarding tax withholding under other income instead of revenue when preparing the profit and loss statement; and the Company shall present government subsidies related to assets under cash flows of operational activities instead of cash flow under financing activities when preparing the cash flow statements. The Company has made retrospective adjustments to the comparative information correspondently. Such changes have not affected the net profit attributable to listing company shareholders or the net increase in cash and cash equivalents.

2. The Company held the 9th meeting of the 10th board of directors and the 9th meeting of the 9th board of supervisors on 10 December 2018, which approved the *Resolution on Implementing New Accounting Standards and Changing Relevant Accounting Policies*. Since 1 January 2018, the Company has adopted the amendments to *Accounting Standard for Enterprises No. 14: Revenue* as well as *Accounting Standard for Enterprises No. 22: Recognition and Measurement of Financial Instruments*, *Accounting Standard for Enterprises No. 23: Transfer of Financial Assets*, *Accounting Standard for Enterprise No. 24: Hedging Accounting* and *Accounting Standard for Enterprises No. 37: Presentation of Financial Instruments* (the above four referred to as “New Standards for Financial Instruments” collectively) published by the MOF in 2017. Thus, in this report, retrospective adjustments were made to the information in financial statements for period from January to June 2018 according to the *Accounting Standard for Enterprises No. 14: Revenue* and the New Standards for Financial Instruments.

**3. Number of shareholders and the shareholdings in the Company**

Unit: share

Total number of ordinary shareholders at the end of the reporting period	55,925	Total number of the preferred shareholders whose voting rights restored (if any) at the end of the reporting period	0
Shareholding of the top 10 shareholders			

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of restricted shares held	Pledged or frozen	
					Status of the shares	Number
Shenzhen Chuangwei-RGB Electronics Co., Ltd	Domestic non-state-owned legal person	54.42%	584,548,508		Pledged	584,548,508
Shi Chi	Foreign natural person	3.42%	36,770,524	27,577,893		
Skyworth LCD Technology Co., Ltd.	Foreign legal person	3.36%	36,055,014	36,055,014		
Xie Xiongqing	Domestic natural person	2.66%	28,528,051			
Lin Weijian	Domestic natural person	2.23%	23,967,131		Pledged	18,519,999
Suining Xingye Asset Operation Company	State-owned legal person	2.04%	21,916,008			
Li Pu	Domestic natural person	1.27%	13,683,310			
Guangzhou Branch of Hua Xia Securities	Other	0.88%	9,400,000			
Tang Yan	Foreign natural person	0.61%	6,507,500			
Long Weiling	Domestic natural person	0.58%	6,200,000			
Notes on the relationship or concerted action of the above shareholders	①Shenzhen Chuangwei-RGB Electronics Co., Ltd and Skyworth LCD Technology Co., Ltd. are subsidiaries of Skyworth Group Limited and persons acting in concert legally. ②Lin Weijian was the supervisor of Yingtan Pengsheng Investment Co., Ltd; Lin Weijing was the executive director and general manager of Yingtan Pengsheng Investment Co., Ltd; Xie Xiongqing was the executive director and general manager of Yingtan Pengsheng Investment Co., Ltd; Lin Weijian, Lin Weijing and Xie Xiongqing are family members. Yingtan Pengsheng Investment Co., Ltd, Lin Weijian, Xie Xiongqing and Lin Weijing are persons acting in concert legally. ③Shi Chi, being the director and general manager of the Company, and Tang Yan, being his spouse, are persons acting in concert legally. ④ Save for the above, the Company is not aware whether there is relationship between other shareholders and whether they are persons acting in concert pursuant to the <i>Administration of the Takeover of Listed Companies Procedures</i> .					
Notes on shareholders conducting margin trading (if any)	As of 28 June 2019, Xie Xiongqing held 28,528,051 shares in the Company in total, among which 28,528,051 shares were held through an “investor margin account”.					

#### 4. Changes of controlling shareholders or actual controllers

Changes of controlling shareholders during the reporting period

Applicable  N/A

There was no change of controlling shareholders of the Company during the reporting period.

Changes of actual controllers during the reporting period

Applicable  N/A

There was no change of actual controllers of the Company during the reporting period.

#### 5. Table on total number of preferred shareholders of the Company and shareholdings of the top 10 preferred shareholders

Applicable  N/A

There was no preferred shareholder holding any share in the Company during the reporting period.

#### 6. Corporate bond

Whether the Company had any outstanding corporate bonds listed on stock exchanges which were not mature or not fully settled after maturity as of the date when this 2019 interim report was approved to be published

Yes

**(1) Basic information of the corporate bond**

Name of the bond	Short form of the bond	Bond code	Maturity	Balance of the bond (RMB'0000)	Coupon rate
Convertible corporate bond of Skyworth Digital Co., Limited	Skyworth convertible bond	127013	15 April 2025	104,000	1 <sup>st</sup> year: 0.40%, 2 <sup>nd</sup> year: 0.60%, 3 <sup>rd</sup> year: 1.00%, 4 <sup>th</sup> year: 1.50%, 5 <sup>th</sup> year: 1.80%, 6 <sup>th</sup> year: 2.00%

**(2) Financial indicators as of the end of the reporting period**

Item	At the end of the reporting period	At the end of prior year	Increase or decrease at the end of the reporting period from the end of prior year
Gearing ratio	61.66%	61.55%	0.11%
Item	The reporting period	Same period prior year	Increase or decrease in the reporting period from the same period prior year
EBITDA interest coverage ratio	10.52	16.24	-35.22%

**III. Management Discussion and Analysis of Operational Performance****1. Business Review**

Whether the Company is required to comply with the disclosure requirements applicable to special industries:

No

In the first half of 2019, the Company recorded revenue of RMB3.873 billion from its principal activities, representing a year-on-year increase of 5.39%. The respective developments of each business segment are as follows:

**(1) Smart Terminals**

During the reporting period, the Company recorded revenue of RMB2.917 billion for the sales of digital smart boxes and network access equipment, or a year-on-year increase of 2.13%. The smart terminal segment of the Company created mutual development and competition in three separate domestic markets: (i) In the domestic TV broadcasting market, we actively promoted smart home applications such as smart home appliances, the Internet of Things and security engineering. In addition, we launched new businesses such as Xueliang Project, smart corporations and smart distance learning, and we enhanced TV broadcasting products including 4K ultra high definition smart boxes, PON, Cable Modem, ONU and household network. Also, we actively expanded the business products for corporate clients, including emergency broadcasting systems, integrated systems, video conferencing systems and related business display products. Furthermore, we extensively promoted user value-added services and loading screen advertising based on smart terminals such as high definition (including 4K ultra high definition) interactive set-top boxes. (ii) In the three largest domestic telecommunication operator markets, the Company won the bids for multiple smart terminal products, including IPTV, IPTV+OTT, OTT, PON, network access equipment, smart gateways and smart network products. The bids were offered by the headquarters of the telecommunication operator, and the products were distributed across various provinces. As a result, the Company has strengthened its distribution capability at the provincial, city and county levels. Also, the Company has become a key supplier of smart gateways for China Unicom, a qualified supplier of smart gateway products for China Mobile, and a strategic partner of the China Mobile Group Digital Home Alliance. In the area of pan-smart terminals, our smart door locks, smart speaker products and smart cameras have been shortlisted in the bid for the China Mobile Group.

(iii) In the Internet OTT retail market, the Company continued to invest in research and development, despite being affected by the IPTV business of the three major telecommunication operators and the popularity of smart TV. During the reporting period, the Company continued to strengthen its influence in the industry by launching various different products including Skyworth Xiaodu AI Box, Penguin Aurora Projector, Skyworth Xiaopai Series Projector and smart boxes. On the self-operating and distributing channels, there were online channels such as the well-established Jingdong (JD.com) and Tianmao (Tmall.com) and the newly established Suning (Suning.com). Among them, JD.com had the highest sales volume. For the offline channels, the Company strived to enhance the strategies for agents and establish new sales channels. During the reporting period, our Internet OTT box products continued to have growth in sales revenue. (iv) In the overseas markets, the Company continued its mass production to supply products to India, Africa, Southeast Asia, Europe and Latin America during the reporting period. We maintained our position in the markets of Asia, Africa and Latin America with a stable market share, while we enhanced our delivery capability to meet the demand of pre-sales plans and projects of major operators in the world.

#### (2) Automobile Intelligent Driver-assistance Systems

Under the current difficult market situation, the Company's automobile intelligent driver-assistance system business recorded revenue of RMB15.7679 million in the first half of 2019, or a year-on-year drop of 86.04%. While we actively developed core customer projects and obtained the opportunity for product development, we adjusted our strategy and focused on automobile display systems. Based on touchscreen system, smart computer processor system, graphic safety system and smart online payment system, the Company focused on core automobile companies and projects with products ranging from monitors, smart integrated control system, LCD panel, dashcam, streaming rearview mirror to T-box.

#### (3) Smart Manufacturing

During the reporting period, the Company's smart manufacturing (LCD devices) business recorded revenue of RMB619 million, or a year-on-year surge of 84.62%. Our products included middle and small sizes of LCD display components, OLED display components, and POS devices. We achieved steady production for full display screens and irregular-shaped screens and we actively developed clients for products such as non-mobile phone screens, business display screens, light bars, TV sets, electronic car devices and industrial automation control systems. During the reporting period, our LCD device business deepened the strategic collaborative relationship with clients including ZTE Corporation, Wingtech Technology, Samsung, Transsion, Huaqin Communication Technology, Longcheer Holdings, Boe Technology, LG, Landi, INONE, Urovo, Verifone, and NEXGO. Our new clients included Innocom Corporation and Korea's LUMENS.

#### (4) Security and Business Display Screens

During the reporting period, the Company acquired Skyworth Qun Xin Security which generated revenue of RMB102 million in the first half of 2019. Riding on the advancement of smart cities and smart communities, security and business display screen sectors have been enjoying a growth trend. Skyworth Qun Xin Security is mainly engaged in the businesses of professional display screens, smart office and smart locks, with major products including monitors, large LCD splicing screens, indoor and outdoor LED devices, advertising devices, business display screens, smart conferencing displays and smart door locks. Its clients included provincial and municipal government departments, museums, science museums, subway projects, corporations (such as Huawei, China Merchants Bank and Huaxia Bank), telecommunication operators (China Mobile and China Unicom), and integrated media broadcasting centres. With the expansion of 5G technology and the Internet of Things, the business applications for smart cities will have a major breakthrough. The technologies of cloud computing, mobile internet, the Internet of Things and big data will be widely applied in different sectors for the establishment of smart cities. New businesses such as smart education, smart retail, smart administration, safe cities, smart medicine, smart finance and smart transportation will emerge. Skyworth Qun Xin Security will gradually transform from a corporation with a single business of display terminals to a provider of overall system solutions.

### (5) Value-added Services

During the reporting period, the Company's value-added services for various sectors steadily expanded with the forms of services increased. (i) The Company launched advertising platforms for clients of business operators. Exploring the client values of TV broadcasting operators and telecommunication operators, we developed value-added services for niche users and offered services to meet the demand of advertising resources. During the reporting period, the Company established collaboration on advertising operation with TV broadcasting operators and telecommunication operators in provinces and cities such as Guangdong, Chongqing, Jiangsu, Guiyang, Guangxi and Shenzhen. We launched a loading screen advertising service that covered approximately 40 million users (including users of set-top boxes of high definition and 4K ultra high definition two-way TV) with over 7 million daily active users. (ii) The Company launched an innovative cloud platform of TV broadcasting plus education system to broadcast real-time interactive learning programmes to schools in Jiangsu Province, which can help building the ecosystem of "smart TV broadcasting+". (iii) The Company established value-added Internet + Wi-Fi service platform. During the reporting period, the Company set up and ran a Wi-Fi operating platform across the country which covered 90 hospitals and managed a value-added Wi-Fi platform for telecommunication operators (the Jiangsu telecommunication smart city Wi-Fi platform covered 10 cities). During the reporting period, our cash realization for providing data flow information to operators increased and our big data technology combined with analysis of data flow, accurately reached users and earned their endorsement. It thus formed a cycle of receiving data flow of Wi-Fi users, directing data flow and realizing cash from data flow. (iv) Regarding our value-added platform for  $\pi$ OS all-media smart box users, for the six months ended June 2019, the number of monthly-paid users for  $\pi$ OS all-media services increased 137% and the accumulated number of registered users surged 140% against the end of the prior year. (v) For our butler-style O2O home delivery service platform, (a) our operator business ran smoothly. In addition, we explored the brand name service market and achieved a relatively high increase in business. (b) With a solid foundation of localized service for overseas market, our subsidiary companies in South Africa, India and Malaysia continued to have increase in profit. Our overseas market newly expanded to Thailand.

## 2. Matters Related to Financial Report

### (1) Changes in Accounting Policies, Accounting Estimates and Calculation from the Prior Accounting Period

Applicable    N/A

Starting from 1 January 2019, the Company adopted the *Accounting Standard for Enterprises No. 21: Lease* that was revised and published by the Ministry of Finance on 7 December 2018. For details of the changes in our accounting policies, please refer to Note 5: 24 right-of-use asset.

According to the new accounting standard for lease, the lessor shall recognize a lease as the use-of-right asset and lease liability from the commencement date of the lease period, except simplified processing of short-term leases and low-value asset leases. In accordance with the new accounting standard for lease, the Company added two new items, namely "right-of-use asset" and "lease liability", in this report. The right-of-use asset shall be initially measured at cost and then adopted a cost model for subsequent measurement. Provision for depreciation of right-of-use asset shall be made in accordance with the principles of depreciation of assets stipulated in the *Accounting Standard for Enterprises No. 4: Fixed Asset*, while any impairment of right-of-use asset shall be determined, and the recognized impairment loss be accounted for based on the principles stipulated in the *Accounting Standard for Enterprises No. 8: Asset Impairment*. The initial measurement of the lease liability shall be based on the present value of outstanding lease payment on the commencement date of the lease. The lessor shall calculate the interest cost of the lease liability during each lease period based on the fixed periodic interest rate, and the interest cost shall be accounted in the profit and loss.

The Company adopted the new accounting standard for lease on 1 January 2019 and it was not required to restate its accounts retrospectively for 2018.

The impact on relevant items of the balance sheet at the initial reporting period by implementing the new accounting standard for lease is set out as follows:

Item	31 December 2018	Amount Affected	1 January 2019
Fixed asset	740,312,900.23	-97,055.46	740,215,844.77
Right-of-use asset		28,744,814.62	28,744,814.62
Lease liability		17,410,649.40	17,410,649.40
Long-term payables	78,356.66	-78,356.66	-
Non-current liability due within one year	194,667,000.23	11,315,466.42	205,982,466.65

### (2) Major Accounting Errors during the Reporting Period that Require Restatement

Applicable  N/A

There was no major accounting error during the reporting period that required the Company to restate its accounts retrospectively.

### (3) Changes in Consolidated Financial Statement from the Prior Accounting Period

Applicable  N/A

(i) On 29 January 2019, Shenzhen Skyworth Digital Technology Co., Ltd., a wholly-owned subsidiary of the Company, paid RMB157,805,120 to Shenzhen Chuangwei RGB Electronics Co., Ltd for acquisition of 55% of shares in Shenzhen Skyworth Qun Xin Security Technology Company Limited. Upon the completion of acquisition, Shenzhen Skyworth Qun Xin Security Technology Company Limited became a subsidiary of the Company and its accounts were included in the Company's consolidated financial statement.

(ii) On 17 June 2019, with the approval of the Market Supervision Administration of Zhongkai High-tech Industrial Development Zone of Huizhou Municipality, Huizhou Skyworth Technology Company Limited completed the de-registration procedures.