

FINANCIAL HIGHLIGHTS

Amounts expressed in millions of Renminbi
(except for data per share and items specifically stated)

	Six months period from 1 January to 30 June 2021 (unaudited)	Six months period from 1 January to 30 June 2020 (unaudited)	Change
OPERATING RESULTS			
Revenue	22,567	15,979	+41.2%
Earnings before interest and tax	1,050	1,010	+4.0%
EBITDA	1,384	1,323	+4.6%
Profit for the period	610	573	+6.5%
Profit attributable to owners of the Company	409	391	+4.6%
FINANCIAL POSITION			
Net cash (used in) from operating activities	(1,403)	1,786	-178.6%
Cash position*	9,242	7,901	+17.0%
Borrowings	13,580	7,849	+73.0%
Convertible bonds (inclusive of interest)	936	893	+4.8%
Corporate bonds (inclusive of interest)	903	2,894	-68.8%
Equity attributable to owners of the Company	17,052	15,919	+7.1%
Working capital	13,442	10,225	+31.5%
Bills receivables	3,150	3,008	+4.7%
Trade receivables	9,381	8,098	+15.8%
Inventories	8,746	5,388	+62.3%
KEY RATIOS			
Gross profit margin (%)	16.6%	19.3%	-2.7pp
EBIT margin (%)	4.7%	6.3%	-1.6pp
EBITDA margin (%)	6.1%	8.3%	-2.2pp
Profit margin (%)	2.7%	3.6%	-0.9pp
ROE (%)	4.9%	4.9%	–
Debt to equity (%)**	77.3%	63.9%	+13.4pp
Current ratio (times)	1.5	1.4	+7.1%
Trade receivables turnover period (days)***	106	145	-26.9%
Inventories turnover period (days)***	78	79	-1.3%
DATA PER SHARE (CENTS)			
Earnings per share – Basic (RMB)	15.54	12.87	+20.7%
Earnings per share – Diluted (RMB)	14.44	12.11	+19.2%
Dividend per share (HK)	–	–	–
Book value per share (RMB)	747.08	594.48	+25.7%
SHARE INFORMATION AT FINANCIAL PERIOD END			
Skyworth Group Limited (shares are listed in Hong Kong, stock code: 00751)			
Number of shares in issue (million)	2,668	3,061	-12.8%
Market capitalisation (HK\$ million)	5,816	6,642	+12.4%
Skyworth Digital Co., Limited (shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	1,063	1,063	–
Market capitalisation (RMB million)	9,046	12,841	-29.6%

* Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash

** (Borrowings + corporate bonds + convertible bonds) / total equity

*** Calculated based on average inventory; average sum of bills receivables and trade receivables at amortised cost and at FVTOCI



BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Hung Ka Hai, Clement

MEMBERS OF COMMITTEES

Audit Committee

Mr. Cheong Ying Chew, Henry (*Chairman*)
Mr. Li Weibin
Mr. Hung Ka Hai, Clement

Executive Committee

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

Nomination Committee

Mr. Hung Ka Hai, Clement (*Chairman*)
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Ms. Lin Wei Ping

Remuneration Committee

Mr. Li Weibin (*Chairman*)
Mr. Cheong Ying Chew, Henry
Mr. Hung Ka Hai, Clement
Ms. Lin Wei Ping

COMPANY SECRETARY

Mr. Lam Shing Choi, Eric

AUTHORISED REPRESENTATIVES

Ms. Lin Wei Ping
Mr. Lam Shing Choi, Eric

AUDITOR

Deloitte Touche Tohmatsu
*Certified Public Accountants and
Registered Public Interest Entity Auditors*

LEGAL ADVISORS

Reed Smith Richards Butler
Michael Li & Co.

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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



HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARES LISTING

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

COMPANY WEBSITE

<http://www.skyworth.com>



HIGHLIGHTS OF RESULTS

The Group recorded the following results for the Current Period:

- Revenue amounted to RMB22,567 million (64.9% of which was recorded from sales in the mainland China market). The revenue of the Same Period of Previous Year was RMB15,979 million.
- Revenue from multimedia business and smart systems technology business accounted for 60.5% and 20.4% of the Group's total revenue, respectively; compared to 58.8% and 23.8% in the Same Period of Previous Year, respectively.
- Gross profit achieved RMB3,745 million, while the gross profit margin was 16.6%. The gross profit margin of the Same Period of Previous Year was 19.3%.
- Profit for the period and profit for the period attributable to owners of the Company amounted to RMB610 million and RMB409 million, respectively.
- Taking into account the Company's profitability and capital required for future development, the Board does not recommend the payment of interim dividend for the Current Period (six months ended 30 June 2020: nil). Subject to the then prevailing market conditions, the Company may utilise cash to conduct corporate exercise including share buy-back.



BUSINESS PERFORMANCE REVIEW

Revenue

For the six months ended 30 June 2021 (the “Current Period”), the Group’s overall revenue amounted to RMB22,567 million, compared with an overall revenue of RMB15,979 million for the six months ended 30 June 2020 (the “Same Period of Previous Year”).

During the Current Period, the Coronavirus (“COVID-19”) epidemic persisted and the Delta variant has spread throughout many foreign countries. At the same time, Chinese economy stepped into a new stage, while the TV industry players were competing for existing customers, lacking momentum of scale growth. Under the intensified competition among brands, Skyworth adhered to its development philosophy of “leading technology” and “health technology”, and prioritised consumers’ experience and improvement of product competitiveness. Meanwhile, domestic household’s ownership of TV increased in recent years, facilitated the rapid development of content service. In the first half of 2021, Skyworth Group continued to adjust its five-year development plan, in order to strengthen the synergies among different businesses internally, define the direction of development, enhance the determination of development and standardise actions of the enterprise for development. With a focus on professional development, the reform and transformation of the enterprise will be accelerated, and thus a balanced growth in overall revenue and a steady improvement in corporate efficiency will be achieved.

Regarding its smart TV systems business, Skyworth determined to develop its four major businesses, namely, domestic household business, domestic commercial business, OEM business and overseas OEM/brand business. Skyworth also consolidated and raised its market share by the launch of products with good value for money leveraging on its advantages as an early mover in the OLED TV industry. The Group’s multimedia business, smart systems technology business and smart appliances business were hit by the outbreak of COVID-19 in the Same Period of Previous Year. Despite the impacts from the fluctuation of the epidemic in the Current Period, global economy has been recovering gradually due to the launch of vaccine and the rise in vaccination rate. The overall revenue of the Group amounted to RMB22,567 million, up 41.2% as compared to the Same Period of Previous Year. However, under the COVID-19 epidemic, prices of raw materials of the global household appliances industry increased in general and profit margin went down. The gross profit margin of the Group for the Current Period was 16.6%, down 2.7 percentage points as compared to the Same Period of Previous Year.



For the six months ended 30 June 2021 and 2020, the Group's smart TV systems sales volumes by market were as follows:

	For the Six months ended 30 June 2021 Unit ('000)	For the Six months ended 30 June 2020 Unit ('000)	For the Six months ended 30 June 2021 vs For the Six months ended 30 June 2020 Increase/(decrease)
PRC Market	2,881	3,415	(15.6%)
Overseas Markets	3,852	3,613	6.6%
Total smart TV systems sales volume	6,733	7,028	(4.2%)

(a) Business Review by Geographical Segment

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

Mainland China Market

For the six months ended 30 June 2021, revenue from the mainland China market amounted to approximately RMB14,641 million, representing an increase of RMB4,244 million or 40.8% as compared to RMB10,397 million for the Same Period of Previous Year.

During the Current Period, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 58.0% (the Same Period of Previous Year: 58.5%), 20.2% (the Same Period of Previous Year: 22.3%) and 9.5% (the Same Period of Previous Year: 11.9%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 12.3% (the Same Period of Previous Year: 7.3%).

Overseas Markets

For the six months ended 30 June 2021, revenue from overseas markets amounted to RMB7,926 million, accounted for 35.1% of the Group's overall revenue, representing an increase of RMB2,344 million or 42.0% as compared to RMB5,582 million recorded in the Same Period of Previous Year. The Group optimised its sales channels in overseas markets to reduce the negative impact of COVID-19, resulting in a considerable growth in revenue overseas during the Current Period.



Geographical distribution of revenue in overseas markets

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

	Six months ended 30 June	
	2021 (%)	2020 (%)
Asia (excluding Middle East)	60	58
Europe	12	14
Middle East	10	12
America	10	6
Africa	7	9
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 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, provision of internet valued-added services of Coocaa System and photovoltaic power business.

For the six months ended 30 June 2021, the Group's multimedia business recorded revenue of RMB13,655 million, representing an increase of RMB4,261 million or 45.4% as compared to RMB9,394 million recorded in the Same Period of Previous Year.

1.1 Smart TV Systems Products (PRC Market)

For the six months ended 30 June 2021, the Group's smart TV systems products recorded revenue of RMB5,868 million in the mainland China market, representing an increase of RMB708 million or 13.7% as compared to RMB5,160 million recorded in the Same Period of Previous Year.



During the Current Period, the Group established its “5G+AI+Terminal” technology development strategy to seize new opportunities of traditional home appliances brought by new technology, with focuses on consumer experience and product enhancement to create sustainable competitiveness for the future. The material initiatives included the industry-leading flicker-free backlit display technology, reinforcing the idea of “No flickering backlight, no harm to your eyes” and the brand concept of healthy technology. The monitor-level colour inversion technology created ultimate experience in the cinema for the audience. The ultra-high contrast system technology provided perfect longitudinal picture quality. The ultra-high zonal backlighting system could save energy by approximately 25%, dissipate heat evenly, prevent local overheating and prolong the life of the light board by 10%. Such a technology reflected the corporate’s conduct and responsibility regarding carbon neutrality. The sound quality of high-end products equipped with sound generation technology for piezoelectric screen was significantly improved, in spite of the trend of pursuing a thin and furniture-like design. In addition, the Group launched the 8K OLED W92, OLED W82, the world’s first model with adjustable curvature, and the Q41Pro series of TVs in 2021. As the flagship product with cutting-edge technology of the year, W92 featured 2.1.2 glass diaphragm sound system, illuminated lighting and PTZ camera, in line with the “NO Gap” design concept. Equipped with innovative bendable screens, rotating base, PTZ camera and the 2.1 built-in super bass, W82 created perfect user experience of electric games and 3D movies. In addition to its young and energetic outlook, the Q41Pro series was equipped with the new AI SR super resolution technology, featuring flicker-free and blue light filter functions to protect users’ eyes. As one of the pioneers in the OLED TV market in the PRC, the Group has released a total of 16 generations, 23 series and 38 models of OLED TV products in the past nine years since 2013. According to All View Cloud (AVC)’s statistics on OLED TV market retail volume from January to June 2021, the Group had a market share of 41.6%, representing an increase of 4.4 percentage points year-on-year, reflecting the Group’s continuous leading position in the OLED market.

During the Current Period, the Group adjusted its sales strategy and shifted its focus to high-end OLED TV products in response to the sluggish growth in the PRC market. Although the Group’s sales volume in the PRC market dropped by 15.6% year-on-year, the increase in sales of high-end OLED TV products led to an increase in the average unit price, resulting in a significant increase in sales revenue. In response to the impact of the epidemic and the intense competition in the market, the Group will continue to adjust its sales strategy and unit prices accordingly to increase its market share.

1.2 Smart TV Systems Products (Overseas Markets)

For the six months ended 30 June 2021, the Group’s smart TV systems products recorded revenue of RMB4,758 million in overseas markets, representing an increase of RMB1,932 million or 68.4% as compared to RMB2,826 million recorded in the Same Period of Previous Year.

During the Current Period, the COVID-19 epidemic persisted and most overseas countries suffered from the Delta variant, leading to lock-downs to different extent. The Group continued to adopt relatively stable and prudent sales strategies and optimised its customers and sales channels in different countries, resulting in a continuous growth in the international TV market. During the Current Period, the Group launched two new OLED products which were quickly recognised by the market. Benefited from the expansion of e-commerce, the overall overseas brand business of the Group maintained a rapid growth and actively expanded into new markets, such as Southern Europe, Eastern Europe, Russia, Northeastern Asia, Central America and South America. “Skyworth” brand business grew by 13.1% during the Current Period.



2. *Smart Systems Technology Business*

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

For the six months ended 30 June 2021, revenue recorded for smart systems technology business in the mainland China market amounted to RMB2,959 million, representing an increase of RMB641 million or 27.7% from RMB2,318 million recorded in the Same Period of Previous Year. The revenue recorded in overseas markets amounted to RMB1,640 million, representing an increase of RMB153 million or 10.3% from RMB1,487 million recorded in the Same Period of Previous Year.

During the Current Period, both the smart terminal and broadband connection businesses recorded significant growth as the Group overcame the impact of tight raw materials supply, overseas epidemic situation and logistics interruption, and benefited from the global coverage of broadband, fibre-optic, digitalisation and IP. Leveraging on its market share in the smart set-top box market, the Group won several tenders of the smart gateway products of next-generation communications technology. The VR business won the tender for the research and development project of China Mobile's 2021 Cloud XR terminal HD video technology software, preparing the system platform for hardware implementation. Meanwhile, the Group continued to deliver shipments of smart set-top boxes, smart gateways, PONs, Cable Modems and routers. Sales of Internet OTT audio-visual and camera products continued to grow.

The sales of set-top boxes and broadband network connection products in overseas market was growing. The Group maintained a strong position in the Indian and African markets, achieved mass production and orders breakthrough from European mainstream operators, and delivered steady volumes to Southeast Asian and Latin American markets, leading to a year-on-year growth in overseas results.

3. *Smart Appliances Business*

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

For the six months ended 30 June 2021, revenue recorded for smart appliance products in the mainland China market amounted to RMB1,395 million, representing an increase of RMB159 million or 12.9% as compared to RMB1,236 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB805 million, representing an increase of RMB161 million or 25.0% as compared to RMB644 million recorded in the Same Period of Previous Year.

During the six months ended 30 June 2021, amid the COVID-19 epidemic, Skyworth overcame various difficulties to achieve sales growth in both domestic and overseas smart appliance markets. It continued to expand its e-commerce business while taking various measures to mitigate the impact of the epidemic on offline channels, so that its performance was satisfactory during the fluctuated epidemic.

Through continuous investment, the Group has increased its input in research and development of smart, healthy and energy-saving products to enhance its intelligence and excellence, and thus competitiveness. With joint efforts of the local government and the Group, the Skyworth Chuzhou production base with a construction area of 270,000 square meters was put into full operation in March 2021, facilitating the advancement of the Group's smart manufacturing technology and promoting the upgrade of I-DD technology and the research and development of key technologies such as the new generation of smart air conditioners, thereby taking the smart appliance business to a new level. The production base in close proximity to core suppliers helped to improve production capacity comprehensively and achieved cost reduction.



Skyworth will continue to focus on “Building a smart home control centre” as its core vision, through which its AIoT ecosystem can also be enriched by using the Swaiot PANEL mobile smart screen. Riding on its growing momentum in 2020, Skyworth will put efforts on maintaining market and customers’ recognition on its products, such as the “Free Fresh (自由鮮)” series of refrigerators, Level 3 frequency conversion air conditioners (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).

4. *Modern Services Business*

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

For the six months ended 30 June 2021, revenue recorded for modern services business in the mainland China market amounted to RMB1,751 million, representing an increase of RMB993 million or 131.0% as compared to RMB758 million recorded in the Same Period of Previous Year. Revenue in overseas markets amounted to RMB236 million, representing an increase of RMB95 million or 67.4% as compared to RMB141 million recorded in the Same Period of Previous Year.

The Group has determined the development direction of the segments of modern services business and accelerated its integration of different segments of modern services business under COVID-19 epidemic. It also strengthened the supply chain management and facilitated the strategic cooperation with major suppliers to provide diversified services to customers. In view of this, the Group optimised different segments under modern services business and established a clear development model for the modern services business during the Current Period, such as financial services, macro-logistics services, supply chain operation, foreign trades, as well as park-based property management and construction development. The Group continued to focus on a financial business platform with financial companies as the main body and supplemented by venture capital and small loans to broaden the Group’s financing channels; formulated a specific plan for the development of macro-logistics service of the Group to promote the development of supply chain logistics, factory logistics, sales and after-sales logistics for a full business integration; set up branches for the development of supply chain business centering on the corporate internal support; completed professional restructuring of the development and operation business of the science and technology park by making full use of the construction opportunities of the three major bases to drive the development of Skyworth’s smart human habitat industry, including green buildings, smart control systems and terminals, and a variety of content services. Leveraging on the construction of industrial parks at strategic locations across the country, the Group actively adjusted its asset structure and built its value-adding modern services business catering to ever changing market conditions.



Gross Profit Margin

For the six months ended 30 June 2021, the overall gross profit margin of the Group was 16.6%, representing a decrease of 2.7 percent points in comparison to 19.3% recorded in the Same Period of Previous 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 Current Period, due to the continuous impact of COVID-19, a lot of activities in upstream supply chain were restricted, leading to increasing costs. The prices of upstream materials for smart TV system products, such as glass and ICs, continued to increase, with some materials climbing by more than 50%, which lowered the gross profit margin of smart TV system products. Prices of raw materials of other businesses, such as copper and IC, also went up, affecting the gross profit margin of smart home appliances. In the first half of the year, the Group implemented various measures to cope with rising costs of raw materials and intensified competition, including strict control of selling price, increment of proportion of products with high gross profit margin and higher research and development input for improvement of product quality, to enhance the pricing power and gross profit margins of the Group.

Expenses

For the six months ended 30 June 2021, the Group's selling and distribution expenses amounted to RMB1,855 million, representing an increase of RMB360 million or 24.1% as compared to RMB1,495 million for the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the six months ended 30 June 2021 was 8.2%, which decreased by 1.2 percentage points from 9.4% recorded in the Same Period of Previous Year.

For the six months ended 30 June 2021, the Group's general and administrative expenses amounted to RMB615 million, representing an increase of RMB28 million or 4.8% compared with RMB587 million for the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the six months ended 30 June 2021 was 2.7%, down 1.0 percentage point from 3.7% recorded in the Same Period of Previous Year.

The Group continued to devote resources during the Current Period to the research and development of premium smart products, to improve its corporate competitiveness. In the first half of 2021, despite the impact of COVID-19 on global economy, China's economy showed an obvious recovery trend due to its effective pandemic prevention measures and high vaccination rate. As a result, the Group increased its investment in research and development as compared to the Same Period of Previous Year. For the six months ended 30 June 2021, the Group's research and development expenses amounted to RMB980 million, representing an increase of RMB166 million or 20.4% as compared to RMB814 million for the Same Period of Previous Year. The research and development expenses to revenue ratio for the six months ended 30 June 2021 was 4.3%, which dropped by 0.8 percentage point from 5.1% recorded in the Same Period of Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 30 June 2021, net current assets amounted to RMB13,442 million, representing an increase of RMB1,925 million or 16.7% as compared to RMB11,517 million as at 31 December 2020. As at 30 June 2021, bank balances and cash amounted to RMB8,385 million, representing an increase of RMB171 million or 2.1% as compared to RMB8,214 million as at 31 December 2020. As at 30 June 2021, pledged bank deposits amounted to RMB622 million, representing a decrease of RMB687 million or 52.5% as compared to RMB1,309 million as at 31 December 2020. As at 30 June 2021, restricted bank deposits amounted to RMB235 million, representing a decrease of RMB83 million or 26.1% as compared to RMB318 million as at 31 December 2020.



The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 30 June 2021, such secured assets included bank deposits of RMB622 million (as at 31 December 2020: RMB1,309 million), trade receivables of RMB2 million (as at 31 December 2020: RMB17 million), bills receivables of RMB227 million (as at 31 December 2020: RMB778 million), as well as certain prepaid lease payments on land use rights, lands, properties and investment properties in mainland China and Hong Kong, with an aggregate net book value of RMB4,436 million (as at 31 December 2020: RMB3,793 million).

As at 30 June 2021, total bank loans amounted to RMB13,580 million (as at 31 December 2020: RMB11,387 million), corporate bonds (inclusive of interest) amounted to RMB901 million (as at 31 December 2020: RMB920 million) and convertible bonds (inclusive of interest) amounted to RMB936 million (as at 31 December 2020: RMB917 million). Overall interest-bearing liabilities of the Group were RMB15,417 million (as at 31 December 2020: RMB13,224 million), equity attributable to owners of the Company amounted to RMB17,052 million (as at 31 December 2020: RMB16,130 million). The debt to equity ratio revealed as 77.3% (as at 31 December 2020: 69.6%).

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 fluctuating COVID-19 epidemic, the spread of Delta variant across the world, the sustained international tension, the gloomy future of global economy and unstable interest-rate trend in the US, have added to the difficulty in predicting future changes in exchange rates. For the six months ended 30 June 2021, the Group recorded a net exchange loss of RMB1 million (six months ended 30 June 2020: loss of RMB47 million) associated with general operation.

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

(a) Unlisted equity securities

As at 30 June 2021, 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 RMB2,796 million, of which RMB1,633 million represented 10% equity interest held by the Group in a PRC investee company. This investee company is principally engaged in manufacture and sale of flat screen displays, display materials, LCD-related products and other electronic accessories.



(b) Listed equity securities

As of 30 June 2021, the Group held investments in seven listed equity securities, details of which are as follows:

Listed company	Shareholding percentage as of 30 June 2021	Value of investment as of 30 June 2021 (RMB million)	Value of investment as of 31 December 2020 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	3.39%	–	–	The Stock Exchange of Hong Kong Limited	Manufacture and sale of air-conditioners
Bank of Gansu Co., Ltd.	0.66%	102.6	128.2	The Stock Exchange of Hong Kong Limited	Financial services
Jiangsu Broadcasting Cable Information Network Corporation Limited	0.80%	122.0	132.4	Shanghai Stock Exchange	TV channels, broadband, data services
Amlogic (Shanghai) Co., Ltd.	0.39%	171.2	126.5	Shanghai Stock Exchange	Research, design, development and manufacture of chips
Three's Company Media Group Co., Ltd.	0.74%	79.4	87.1	Shanghai Stock Exchange	Marketing services
Linklogis Inc.	0.46%	112.5	42.8 (Note: the company was not listed in 2020)	The Stock Exchange of Hong Kong Limited	Providing fintech solutions services for supply chain
Anhui Coreach Technology Co., Ltd.	1.21%	49.7	50.0	Shenzhen Stock Exchange	Research and development, design, production and sales of optoelectronic systems and technical services

To utilise advantages of products from the smart systems technology business and innovative content services, Skyworth Group opted to invest in business partners in relation to building a smart-home platform, aiming to create a new ecosystem for its smart human habitat business. Building on scenarios related to smart household services, Shenzhen Coocaa will explore the feasibility of expanding operation scale for the smart human habitat business. Through strategic partnerships with financial institutions, coupled with the know-how of Skyworth and Coocaa in providing customised and targeted smart-home content services, the Group planned 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, the smart life platform provided by Skyworth covered scenarios such as family, office and hotel. 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 realised the diversified mobile application of smart home and office and made a leap-forward enhancement for operating efficiency. With a team engaged in scaled large-screen internet operation, Coocaa leverages on the advantages of its system, including a comprehensive range of contents, a powerful platform, as well as highly accurate and smart artificial intelligence. With its internet-based products designed around user experience, outstanding process of user traffic, precise advertisement delivery and management, as well as standardised encryption management for advertising traffic, Coocaa has won industry recognition and wide praise among customers. We are of the view that the medium and long-term investment in Three's Company Media Group Co., Ltd. can promote the business development of Coocaa.

The management looks upon the other listed equity securities as medium to long-term investments, whose businesses are similar to those of the Group. The Group's 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 Period, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of RMB409 million in buildings and construction projects, including the expansion of its production plants in Ningbo, Nanjing, Guangzhou and Qianhai, and RMB197 million for acquisition of other property, plant and equipment. The Group plans to further invest in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of smart, diversified and internationalised products.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES CAPITAL

As at 30 June 2021, the Group had around 33,000 employees (as at 31 December 2020: 36,000) in the PRC (Hong Kong and Macau inclusive) and overseas, including sales personnel situated throughout 29 branches and 204 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

As proposed by the board of directors of the Group, Skyworth aims to achieve “efficiency enhancement” in 2021. Under the dynamic circumstances, each business unit of the Group focuses on innovation, reform, investment and development, implement the Group’s development policy and accelerate the promotion of synergistic development from manufacturing to modern services, from hardware to software, and from terminal products to smart systems, with an aim of demonstrating the brand strength of Skyworth Group under diversified scenarios to maximise corporate value. In the first half of 2021, the Group maintained good progress in its development in the post-epidemic era. The Group will make objective judgements in a prudent manner based on the analysis of the geopolitical impacts and market changes in the post-epidemic era. According to the current situation, the Group will adjust its operation plans of scientific research, production, marketing, procurement and construction, produce according to demand, control expenses strictly, increase income and reduce costs. On one hand, the Group will seize market opportunities to dive deeper into domestic market focusing on developing 5G application products. On the other hand, the Group will actively expand overseas markets by establishing production bases in Southeast Asia, India and Africa and proactively develop OEM business to utilise the advantages of production capacity of each production base.

The Group will define products based on the current market trend and the idea of “5G+AI+terminal” technology development, and accelerate the development and application of new technologies, materials and processes, to enhance product competitiveness and corporate innovation. The research and development of 5G smart TV, 5G home access systems, home smart control systems, new generations of smart appliances and other products shall be expedited to form new product series and continuously seize market share.

Focused on the development strategies and leveraging on the leading position in the TV and digital technology industries of Skyworth Group, we will maintain the synergy of hardware and software to fulfill the needs in multi-scenarios with the use of the big data from Coocaa System. Based on the three elements of “connectivity, intelligence and ecology”, the Group will facilitate the construction of green buildings which are “healthy, safe, convenient, comfortable and energy-saving”, develop and promote smart system control centre (system) products, and expand a full range of smart home content services. With “Green building + Smart systems + Content services” as the core, we can achieve the one-stop smart control for home, office and vehicle, providing borderless and interactive sharing experience.

EVENTS AFTER THE REPORTING PERIOD

The spread of COVID-19 and its variants around the world has caused continuous uncertainties in the business environment. COVID-19 epidemic has not caused any material financial difficulties of the Group up to the date of this report, but it is expected that our overseas business would be affected in a certain period. The length of the period and scale of its impact are difficult to predict and subject to the development of the situation.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	NOTES	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Revenue			
Sales of goods		22,325	15,765
Leases		229	201
Interest under effective interest method		13	13
Total revenue	3	22,567	15,979
Cost of sales		(18,822)	(12,893)
Gross profit		3,745	3,086
Other income	5	603	520
Other gains and losses		160	336
Impairment loss recognised in respect of financial assets, net		(10)	(33)
Selling and distribution expenses		(1,855)	(1,495)
General and administrative expenses		(615)	(587)
Research and development expenses		(980)	(814)
Finance costs		(238)	(255)
Share of results of associates		3	(4)
Share of results of joint ventures		(1)	1
Profit before taxation		812	755
Income tax expense	6	(202)	(182)
Profit for the period	7	610	573
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1)	(14)
Fair value loss on trade receivables at fair value through other comprehensive income ("FVTOCI")		(10)	–
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI		13	–
		2	(14)
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain (loss) on investments in equity instruments at FVTOCI		523	(590)
Income tax relating to item that will not be reclassified subsequently		(82)	89
		441	(501)
Other comprehensive income (expense) for the period		443	(515)
Total comprehensive income for the period		1,053	58

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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



	NOTE	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Profit for the period attributable to:			
Owners of the Company		409	391
Non-controlling interests		201	182
		610	573
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		849	(111)
Non-controlling interests		204	169
		1,053	58
Earnings per share (expressed in Renminbi cents)			
Basic	9	15.54	12.87
Diluted	9	14.44	12.11



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

Amounts expressed in millions of Renminbi

	NOTES	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Non-current Assets			
Property, plant and equipment	10	6,032	5,803
Right-of-use assets	10	2,431	2,470
Deposits paid for purchase of property, plant and equipment		230	132
Investment properties		1,526	1,566
Goodwill		445	447
Intangible assets		99	99
Interests in associates		215	197
Interests in joint ventures		17	17
Financial assets at fair value through profit or loss ("FVTPL")		1,012	1,032
Equity instruments at FVTOCI		1,738	1,216
Finance lease receivables		1	1
Loan receivables	11	332	598
Deferred tax assets		599	498
		14,677	14,076
Current Assets			
Inventories		8,746	6,004
Stock of properties		5,011	5,045
Investments in debt securities		23	–
Financial assets at FVTPL		1,337	607
Trade and bills receivables	12	12,315	13,251
Trade receivables at FVTOCI	12	216	400
Other receivables, deposits and prepayments	13	3,489	2,890
Finance lease receivables		127	127
Loan receivables	11	1,318	1,115
Derivative financial instruments		10	9
Prepaid tax		138	119
Pledged bank deposits		622	1,309
Restricted bank deposits		235	318
Bank balances and cash		8,385	8,214
		41,972	39,408
Assets classified as held-for-sale		–	200
		41,972	39,608

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

AT 30 JUNE 2021

Amounts expressed in millions of Renminbi



	NOTES	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Current Liabilities			
Trade and bills payables	14	11,932	11,899
Other payables	15	4,616	4,672
Other financial liabilities		203	199
Derivative financial instruments		15	25
Lease liabilities		49	54
Contract liabilities		2,930	3,107
Provision for warranty		207	205
Tax liabilities		173	265
Bank borrowings	16	8,195	7,401
Deferred income		210	180
		28,530	28,007
Liabilities associated with assets classified as held-for-sale		–	84
		28,530	28,091
Net Current Assets		13,442	11,517
Total Assets less Current Liabilities		28,119	25,593
Non-current Liabilities			
Other financial liabilities		98	98
Lease liabilities		141	141
Provision for warranty		94	97
Corporate bonds		875	874
Bank borrowings	16	5,385	3,986
Convertible bonds		934	913
Deferred income		290	270
Deferred tax liabilities		228	120
Derivative financial instruments		142	103
		8,187	6,602
NET ASSETS		19,932	18,991
Capital and Reserves			
Share capital	17	273	273
Reserves		16,779	16,037
Equity attributable to owners of the Company		17,052	16,310
Non-controlling interests		2,880	2,681
		19,932	18,991



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Amounts expressed in millions of Renminbi

	Attributable to owners of the Company										Attributable to non-controlling interests			Total	
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries		Sub-total
At 1 January 2020 (audited)	308	3,292	95	10	(83)	442	40	1,753	(84)	10,219	15,992	28	2,123	2,151	18,143
Profit for the period	-	-	-	-	-	-	-	-	-	391	391	-	182	182	573
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(12)	-	(12)	-	(2)	(2)	(14)
Fair value loss on equity instruments at FVTOCI, net of tax	-	-	-	-	-	(490)	-	-	-	-	(490)	-	(11)	(11)	(501)
Total comprehensive (expense) income for the period	-	-	-	-	-	(490)	-	-	(12)	391	(111)	-	169	169	58
Recognition of equity-settled share-based payments (note 18)	-	-	8	2	-	-	-	-	-	-	10	2	-	2	12
Lapse of share option	-	-	(1)	-	-	-	-	-	-	1	-	-	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	-	21	-	(21)	-	-	-	-	-
Shares vested under the share award scheme of the Company	-	-	-	(12)	13	-	-	-	-	(1)	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(81)	(81)	(81)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	11	11	11
Return of capital to a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)	(7)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(10)	(10)	(10)
Conversion of convertible bond issued by a subsidiary	-	-	-	-	-	-	-	-	-	28	28	-	43	43	71
At 30 June 2020 (unaudited)	308	3,292	102	-	(70)	(48)	40	1,774	(96)	10,617	15,919	30	2,248	2,278	18,197

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Amounts expressed in millions of Renminbi



	Attributable to owners of the Company										Attributable to non-controlling interests			Total	
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	FVTOCI reserve	Surplus account	Capital reserve	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries		Sub-total
At 1 January 2021 (audited)	273	2,360	107	-	-	165	40	1,900	(44)	11,509	16,310	-	2,681	2,681	18,991
Profit for the period	-	-	-	-	-	-	-	-	-	409	409	-	201	201	610
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1	-	-	(5)	-	(4)	-	3	3	(1)
Fair value loss on trade receivables at FVTOCI	-	-	-	-	-	(10)	-	-	-	-	(10)	-	-	-	(10)
Cumulative loss reclassified to profit or loss upon disposal of trade receivables at FVTOCI	-	-	-	-	-	13	-	-	-	-	13	-	-	-	13
Fair value gain on equity instruments at FVTOCI, net of tax	-	-	-	-	-	441	-	-	-	-	441	-	-	-	441
Total comprehensive (expense) income for the period	-	-	-	-	-	445	-	-	(5)	409	849	-	204	204	1,053
Recognition of equity-settled share-based payments (note 18)	-	-	2	-	-	-	-	-	-	-	2	-	-	-	2
Purchase of shares for unvested shares under the share award scheme of the Company (note 18)	-	-	-	-	(79)	-	-	-	-	-	(79)	-	-	-	(79)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(55)	(55)	(55)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	37	37	37
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(30)	(30)	-	13	13	(17)
At 30 June 2021 (unaudited)	273	2,360	109	-	(79)	610	40	1,900	(49)	11,888	17,052	-	2,880	2,880	19,932



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021
Amounts expressed in millions of Renminbi

	NOTE	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,403)	1,786
NET CASH (USED IN) FROM INVESTING ACTIVITIES			
Dividend received		1	5
Interest received		128	130
Deposits paid for acquisition of property, plant and equipment, net		(117)	(246)
Purchase of property, plant and equipment		(584)	(309)
Proceeds on disposal of property, plant and equipment		8	21
Loans advanced		(1,035)	(731)
Repayments of loan receivables		1,097	1,000
Proceeds on redemption of investments in debt securities upon maturity		–	83
Investments in financial assets at FVTPL		(1,343)	(270)
Proceeds on disposal of investments in financial assets through FVTOCI		–	6
Proceeds on disposal of financial assets at FVTPL		830	28
Placement of pledged bank deposits		(190)	(739)
Withdrawal of pledged bank deposits		877	885
Placement of restricted bank deposits		(60)	(116)
Withdrawal of restricted bank deposits		143	201
Placement of other deposits		(680)	–
Refund of other deposits		680	–
Deposit paid for acquisition of a subsidiary		–	(156)
Deposit received from disposal of a subsidiary		–	75
Net cash inflow from disposal of a subsidiary	24	–	201
Other investing cash flows		43	13
		(202)	81

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

- continued
FOR THE SIX MONTHS ENDED 30 JUNE 2021
Amounts expressed in millions of Renminbi



	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
NET CASH FROM FINANCING ACTIVITIES		
Dividends paid	(55)	(81)
Interest paid	(227)	(120)
Contributions from non-controlling interests	37	11
Purchase of shares for unvested shares under the share award scheme of the Company	(79)	-
Acquisition of additional interest in a subsidiary	-	(10)
Return of capital to a non-controlling interest	-	(7)
New bank borrowings raised	9,608	8,405
Repayments of bank borrowings	(7,477)	(8,815)
Repayments of lease liabilities	(35)	(84)
New corporate bonds raised, net of transaction costs and interest	-	784
Consideration paid in acquisition of additional interest in a subsidiary	(17)	-
	1,755	83
NET INCREASE IN CASH AND CASH EQUIVALENTS	150	1,950
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8,214	4,806
Bank balances and cash transferred to assets held for sale	-	(2)
Effect of foreign exchange rate changes	21	73
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	8,385	6,827



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

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

The Group’s operations are seasonal. The revenue from September to January (the peak season for sales of consumer electronic products in the mainland China) is relatively higher than the revenue from the rest of the year. Results for interim periods are not necessarily indicative of the results for the entire financial year. This interim report should be read, where relevant, in conjunction with the annual report of the Group for the year ended 31 December 2020.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT PERIOD

The continuous spread of the COVID-19 epidemic around the world has continued to cause uncertainties in the business environment of the Group. The impact of the COVID-19 epidemic on the Group’s overseas business is expected to last for a period of time, but the duration and extent of which are difficult to predict, and are depending on the continued developments of the situations. However, with China, Germany, the United Kingdom, the United States and Russia and other advanced countries taking the lead, a number of COVID-19 vaccines have been successfully developed. Yet, the Group considers that the pandemic still has a long way to run. Despite the rollout of COVID-19 vaccines, it will still take some time for most people to be vaccinated and the Group expects that there will be no “herd immunity” in the near future. 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.

The directors of the Company are currently assessing the impact of the COVID-19 epidemic on the Group’s financial performance, but they also expect that the COVID-19 epidemic will have an impact on the Group’s consolidated results for 2021.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

For the six months ended 30 June 2021 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Modern services and others RMB million	Total RMB million
Type of goods					
Smart TV systems	10,626	86	–	38	10,750
Home access systems	36	2,872	–	–	2,908
Smart white appliances	30	–	1,998	11	2,039
Intelligent manufacturing	596	932	–	–	1,528
Internet valued-added services of Coocaa system	605	–	–	–	605
Sales of properties	–	–	–	1,046	1,046
Automotive electronic systems	–	109	–	–	109
Photovoltaic products	829	–	–	–	829
Others (Note (1))	933	571	202	805	2,511
Contracts with customers (Note (2))	13,655	4,570	2,200	1,900	22,325
Leases	–	29	–	200	229
Interest under effective interest method (Note (3))	–	–	–	13	13
Segment revenue	13,655	4,599	2,200	2,113	22,567



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE – continued

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

For the six months ended 30 June 2020 (unaudited)

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

Notes:

- (1) Others mainly represents manufacture and sales of lighting products, security system and other electronic products and trading of other products, etc..
- (2) Except for certain revenue generated from internet valued-added services of Coocaa system which is recognised over time, the revenue from sales of goods is recognised at a point in time under HKFRS 15 Revenue from contracts with customers.
- (3) Interest represents interest income from loan receivables and finance lease receivables amounted to RMB13 million (for the six months ended 30 June 2020: RMB13 million), under group entities in which the loan financing is a principal activity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



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 *Operating Segments* are as follows:

1. Multimedia business – manufacture and sale of smart TV systems for the People’s Republic of China (the “PRC”) and overseas markets, intelligent manufacturing, provision and sales of internet valued-added services of Coocaa system and sales of photovoltaic products
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, among others. 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”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. SEGMENT INFORMATION – continued

Segment information about these business is presented below.

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

For the six months ended 30 June 2021 (unaudited)

	Multimedia business RMB million	Smart systems technology business RMB million	Smart appliances business RMB million	Total reportable segments RMB million	Modern services and others RMB million	Eliminations RMB million	Total RMB million
Revenue							
Segment revenue from external customers	13,655	4,599	2,200	20,454	2,113	-	22,567
Inter-segment revenue	44	114	45	203	2,678	(2,881)	-
Total segment revenue	13,699	4,713	2,245	20,657	4,791	(2,881)	22,567
Results							
Segment results (Note)	91	188	42	321	536	-	857
Interest income							144
Other gains and losses							156
Unallocated corporate income							26
Unallocated corporate expenses							(135)
Finance costs							(238)
Share of results of associates							3
Share of results of joint ventures							(1)
Consolidated profit before taxation of the Group							812

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



4. SEGMENT INFORMATION – continued

For the six months ended 30 June 2020 (unaudited)

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

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

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

Included in modern services and others, segment results related to “sales of properties” amounted to RMB340 million (for the six months ended 30 June 2020: loss of RMB24 million).

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. OTHER INCOME

	Six months ended 30 June	
	2021 <i>RMB million</i> (unaudited)	2020 <i>RMB million</i> (unaudited)
Other income mainly include:		
Government grants included in other income		
– related to assets	33	47
– related to expense items	175	150
	208	197
Interest income included in other income		
– bank deposits	90	66
– loan receivables	38	61
– endorsed bills from customers	13	12
– financial assets at FVTPL	3	–
	144	139
VAT refund included in other income	123	147

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB million (unaudited)	2020 RMB million (unaudited)
The tax charge (credit) comprises:		
PRC Enterprise Income Tax ("EIT")	203	172
Hong Kong Profits Tax	11	3
Taxation arising in other jurisdictions	43	—
PRC land appreciation tax ("LAT")	21	3
Deferred taxation	(76)	4
	202	182

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2021 and 2020.

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

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

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021 RMB million (unaudited)	2020 RMB million (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense including write-down of inventories of RMB60 million (for the six months ended 30 June 2020: RMB29 million)	18,139	12,804
Cost of stock of properties recognised as an expense	676	13
Depreciation of property, plant and equipment	363	344
Less: Capitalised as cost of inventories	(116)	(111)
	247	233
Depreciation of right-of-use assets	70	70
Less: Capitalised as cost of inventories	(1)	(2)
Capitalised as cost of construction in progress	(22)	(24)
	47	44
Depreciation of investment properties	40	36
Staff costs, including directors' emoluments	2,247	1,844
Less: Capitalised as cost of inventories	(574)	(449)
Capitalised as cost of stocks of properties	(5)	(1)
Capitalised as cost of construction in progress	(1)	(7)
	1,667	1,387
Rental income from leases less related outgoings of RMB99 million (for the six months ended 30 June 2020: RMB97 million)	(130)	(104)
Gain from changes in fair value of financial assets at FVTPL (included in other gains and losses)	(197)	(203)
Loss (gain) from changes in fair value of derivatives (included in other gains and losses)	42	(53)
Gain on disposal of a subsidiary (note 24) (included in other gains and losses)	-	(151)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



8. DIVIDENDS

The board of directors has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2021 to the shareholders of the Company (for the six months ended 30 June 2020: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 RMB million (unaudited)	2020 RMB million (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	409	391
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange (note 18(iii))	–	(1)
Effect of dilutive potential ordinary shares on convertible bonds	(29)	(22)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	380	368
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,631,476,890	3,037,798,995
Effect of dilutive potential ordinary shares in respect of outstanding share awards	–	1,523,413
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,631,476,890	3,039,322,408

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 six months ended 30 June 2021 and 2020.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the six months ended 30 June 2021, the Group had incurred RMB409 million (for the six months ended 30 June 2020: RMB227 million) in buildings and construction in progress, mainly for the development of factory buildings and office premises situated on land in the PRC, incurred RMB197 million (for the six months ended 30 June 2020: RMB259 million) on the acquisition of other property, plant and equipment for business operations and expansion.

For the six months ended 30 June 2021, the Group entered into new lease agreements for the use of properties ranging from 1 to 6 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use asset and lease liability of RMB35 million (for the six month ended 30 June 2020: RMB71 million) except for short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

11. LOAN RECEIVABLES

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Fixed-rate loan receivables		
Secured	1,519	1,625
Unsecured	131	88
	1,650	1,713
Analysed for reporting purpose as		
Non-current assets	332	598
Current assets	1,318	1,115
	1,650	1,713

Included in the carrying amount of loan receivables as at 30 June 2021 is allowance for credit losses of RMB135 million (as at 31 December 2020: RMB134 million).

Included in the Group's loan receivables balance with aggregate carrying amount of RMB1,519 million (as at 31 December 2020: RMB1,625 million) are secured by borrowers' charge over equity instruments, trade receivables, motor vehicles, properties, land use rights and plant and machineries.

Included in the carrying amount of loan receivables as at 30 June 2021 is an amount of approximately RMB97 million (as at 31 December 2020: RMB160 million) due from a related party controlled by a substantial shareholder of the Company which is secured by equipment and motor vehicles of the said related party and guaranteed by the said substantial shareholder of the Company, interest bearing at 8% per annum and repayable by monthly installments up to 25 April 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



11. LOAN RECEIVABLES – continued

Included in the carrying amounts of loan receivables of approximately RMB493 million (as at 31 December 2020: RMB609 million) due from third parties and are secured by motor vehicles of these third parties and guaranteed by a substantial shareholder of the Company in respect of amounts owed to the Group, interest-bearing at 8% per annum and repayable on final maturity dates ranging from 4 March 2022 to 4 July 2022.

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

	As at 30 June 2021 RMB million (unaudited)	As at 31 December 2020 RMB million (audited)
Fixed-rate loan receivables:		
Within one year	1,318	1,115
More than one year but not more than two years	297	197
More than two years but not more than five years	35	401
	1,650	1,713

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

	As at 30 June 2021	As at 31 December 2020
Effective interest rate:		
Fixed-rate loan receivables	4.45% – 12.00%	3.90% – 12.00%



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Trade receivables at amortised cost		
– goods and services	9,418	9,031
– lease receivables	134	119
	9,552	9,150
Less: allowance for credit losses	(387)	(388)
	9,165	8,762
Bills receivables	3,223	4,565
Less: allowance for credit losses	(73)	(76)
	3,150	4,489
	12,315	13,251
Trade receivables at FVTOCI		
– goods and services	216	400

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:

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Within 30 days	4,307	4,718
31 to 60 days	1,816	2,038
61 to 90 days	944	746
91 to 180 days	1,132	804
181 to 270 days	563	285
271 to 365 days	210	145
Over 365 days	409	426
	9,381	9,162
Trade receivables	9,381	9,162

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



12. TRADE AND BILLS RECEIVABLES AND TRADE RECEIVABLES AT FVTOCI – continued

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

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Within 30 days	635	636
31 to 60 days	558	637
61 to 90 days	512	1,107
91 days or over	1,225	1,389
Bills discounted to banks and endorsed to suppliers with recourse	220	720
	3,150	4,489

The carrying values of above bills discounted to banks and endorsed to suppliers with recourse continue to be recognised as assets in the condensed consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivables. Accordingly, the liabilities associated with such bills, mainly borrowings as disclosed in note 16, are recognised in the condensed consolidated financial statements as well.

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

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

As at 30 June 2021, included in the trade and bills receivables is an amount due from an associate of RMB269 million (as at 31 December 2020: RMB107 million) with RMB73 million aged within 30 days, RMB170 million aged from 31 to 60 days and RMB26 million aged from 61 to 90 days (as at 31 December 2020: RMB55 million aged within 30 days and RMB52 million aged from 31 to 60 days).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Other receivables, deposits and prepayments are analysed as follows:		
Other deposits paid and prepayments	475	282
Consideration receivable	366	366
Other receivables	587	629
Purchase deposits paid for materials	764	431
Rental deposits paid	28	21
VAT receivables	1,269	1,161
	3,489	2,890

14. TRADE AND BILLS PAYABLES

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Trade payables (<i>Note</i>)	8,888	9,084
Bills payables	3,044	2,815
	11,932	11,899

Note: As at 30 June 2021, included in the balance of trade payables was RMB23 million (as at 31 December 2020: RMB30 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



14. 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:

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Within 30 days	4,458	4,858
31 to 60 days	1,730	2,228
61 to 90 days	970	879
91 days or over	1,730	1,119
Trade payables	8,888	9,084

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

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Within 30 days	176	513
31 to 60 days	498	560
61 to 90 days	604	485
91 days or over	1,766	1,257
	3,044	2,815

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. OTHER PAYABLES

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Other payables mainly includes:		
Accruals and other payables	1,578	1,566
Accrued staff costs	715	893
Accrued selling and distribution expenses	264	265
Other deposits received	669	403
Payables for purchase of property, plant and equipment	265	284
Provision for rebates (<i>Note</i>)	942	1,031

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

16. BANK BORROWINGS

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Bank borrowings comprise the following:		
Secured	6,291	4,906
Unsecured	7,289	6,481
	13,580	11,387
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	8,195	7,401
More than one year but not more than two years	1,620	1,121
More than two years but not exceeding five years	2,299	1,822
Over five years	1,466	1,043
	13,580	11,387
Less: Amounts due within one year shown under current liabilities	(8,195)	(7,401)
Amounts shown under non-current liabilities	5,385	3,986

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



17. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30 June 2021	Year ended 31 December 2020	Six months ended 30 June 2021 RMB million (unaudited)	Year ended 31 December 2020 RMB million (audited)
Ordinary shares of RMB0.1 each:				
Authorised:				
At beginning and at end of the period/year	10,000,000,000	10,000,000,000	1,063	1,063
Issued and fully paid:				
At beginning of the period/year	2,668,129,420	3,060,929,420	273	308
Purchase of own shares for cancellation	–	(392,800,000)	–	(35)
At end of the period/year	2,668,129,420	2,668,129,420	273	273

On 17 June 2020, the Group made an offer to buy back for cancellation up to being 392,800,000 shares at the price of HK\$2.80 per share (the "Offer"). On 14 September 2020, the Offer was completed and 392,800,000 shares brought-back by the Company were cancelled. The consideration amounting to RMB967 million was paid in cash and was funded by internal resources of the Group.

18. SHARE-BASED PAYMENTS

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

Note (i): Share options of the Company

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

	Six months ended 30 June 2021		Year ended 31 December 2020	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period/year	121,498,000	3.737	125,098,000	3.707
Lapsed during their period/year	–		(3,600,000)	2.680
Outstanding at the end of the period/year	121,498,000	3.737	121,498,000	3.737
Exercisable at the end of the period/year	105,458,000		105,458,000	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. SHARE-BASED PAYMENTS – continued

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

The Group recognised expense of RMB2 million for the period (for the six months ended 30 June 2020: RMB8 million) in relation to share options granted by the Company.

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

Note (ii): Share awards of the Company

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest (the "2014 Share Award Scheme"). During the year ended 31 December 2020, a total of 3,350,000 shares were vested and allotted under the 2014 Share Award Scheme. On 10 November 2020, the Company allotted previously vested 20,905,000 shares that remained in the trust. As at 31 December 2020 and 30 June 2021, no share was held for the 2014 Share Award Scheme and the carrying amount accumulated in equity under the heading of "shares held for share award scheme" was nil at these dates.

Vesting dates	Outstanding at 1 January 2020	Movement during the period		Outstanding at 31 December 2020 and 30 June 2021
		Allotted	Lapsed	
30 April 2020	3,430,000	(3,350,000)	(80,000)	–
Weighted average fair value	HK\$3.63	HK\$3.63	HK\$3.63	–

On 21 October 2020, an employees' share award scheme (the "2020 Share Award Scheme") was adopted by the Company. The 2020 Share Award Scheme is valid and effective for a period of 10 years commencing from 21 October 2020. Pursuant to the rules of this scheme, the Group has set up a trust for the purpose of administering the 2020 Share Award Scheme and holding the awarded shares before they vest. During the six months ended 30 June 2021, 40,000,000 shares (year ended 31 December 2020: nil) of the Company were acquired for the 2020 Share Award Scheme.

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

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

During the six months ended 30 June 2021, no restricted shares of Skyworth Digital have been awarded to any directors and employees of Skyworth Digital and no awarded shares were vested and allotted.

Vesting dates	Outstanding at 1 January 2021	Movement during the year		Outstanding at 30 June 2021
		Allotted	Lapsed	
3 September 2020	128,000	–	(128,000)	–
Weighted average fair value	RMB0.48	–	RMB0.48	–

During the six months ended 30 June 2021, the Group did not incur expense (for the six months ended 30 June 2020: recognised expense of RMB4 million) in related to restricted share incentive scheme of Skyworth Digital.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

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19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets (financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021 RMB million (unaudited)	31 December 2020 RMB million (audited)		
Financial assets at FVTPL				
Unlisted equity securities	1,161	1,076	Level 3 (Note (a))	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.
Listed equity securities	535	396	Level 1	Quoted bid prices in an active market
Unlisted investment funds	653	167	Level 3 (Note (b))	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at rates that reflect the credit risk of various counterparties.
	2,349	1,639		



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

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19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

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

Financial assets (financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021 RMB million (unaudited)	31 December 2020 RMB million (audited)		
Equity instruments at FVTOCI				
Unlisted equity securities	1,635	1,088	Level 3 (Note (c))	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable and discount for the marketability.
Listed equity securities	103	128	Level 1	Quoted bid prices in an active market
	1,738	1,216		
Trade receivable at FVTOCI				
Trade receivables	216	400	Level 2	Discounted cash flow Future cash flows are estimated based on expected settlement and discounted at rate that reflects the credit risk of the counterparty.
Derivative financial instruments:				
Foreign currency forward contracts – assets	10	9	Level 2	Discounted cash flow
Foreign currency forward contracts – liabilities	(107)	(79)		Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties.
Cross – currency swap contract – liabilities	–	(28)	Level 2	Discounted cash flow Future cash flows are estimated based on observable spot and forward exchange rates and yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

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

Financial assets (financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021 RMB million (unaudited)	31 December 2020 RMB million (audited)		
Interest rate swap contracts – liabilities	(1)	(2)	Level 2	Discounted cash flow The inputs are the fixed interest rate adopted, the referenced floating interest rate, time to maturity and risk-free rate.
Derivative component of the convertible bonds	(49)	(19)	Level 3 (Note (d))	Binomial option pricing model Fair value is estimated based on share price, exercise price of Skyworth Digital, risk free rate, expected volatility and dividend yield.
	(147)	(119)		

Notes:

- (a) Discount for lack of marketability of 25% (31 December 2020: 25%) is the key unobservable input used in the valuation. A slight decrease in discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTPL, and vice versa. A 5% (31 December 2020: 5%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTPL by RMB77 million (31 December 2020: RMB70 million).
- (b) Expected yield of 5% (31 December 2020: 5%) is the key unobservable input used in the valuation. A slight increase in the expected yield would result in a significant increase in the fair value measurement of the unlisted investment funds, and vice versa. A 5% (31 December 2020: 5%) increase in the expected yield holding all other variables constant would increase the carrying amount of the unlisted investment funds by RMB13 million (31 December 2020: RMB5 million).
- (c) Discount for lack of marketability of 15% (31 December 2020: 14%) is the key unobservable input used in the valuation. A slight decrease in discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTOCI, and vice versa. A 5% (31 December 2020: 5%) decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTOCI by RMB96 million (31 December 2020: RMB61 million).
- (d) Expected volatility of the share price of Skyworth Digital of 22% (31 December 2020: 15%) is the key unobservable input used in the valuation. A slight increase in the expected volatility of Skyworth Digital used in isolation would result in significant increase in the fair value measurement of the derivative component, and vice versa. A 2% (31 December 2020: 2%) expected volatility of the share price holding all other variables constant would increase the carrying amount of the derivative component by RMB10 million (31 December 2020: RMB12 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities		Unlisted investments
	Financial assets at FVTPL RMB million	Equity instruments at FVTOCI RMB million	Financial assets at FVTPL RMB million
At 1 January 2021 (audited)	1,076	1,088	167
Gain from changes in fair value of equity instruments at FVTPL	99	–	2
Fair value gain on investments in equity instruments at FVTOCI	–	547	–
Investments	63	–	1,280
Disposals	(64)	–	(766)
Transfer	30	–	(30)
Transfer out of level 3 (Note)	(43)	–	–
At 30 June 2021 (unaudited)	1,161	1,635	653
At 1 January 2020 (audited)	612	1,402	50
Gain from changes in fair value of equity instruments at FVTPL	28	–	–
Fair value loss on investments in equity instruments at FVTOCI	–	(563)	–
Investments	268	–	2
Disposals	–	(5)	(8)
Equity interest retained arising from disposal of a subsidiary (note 24)	64	–	–
Transfer out of level 3 (Note)	(46)	–	(22)
At 30 June 2020 (unaudited)	926	834	22

Note: During the six months ended 30 June 2021 and the six months ended 30 June 2020, certain equity securities were transferred out of Level 3 of the fair value hierarchy upon the listing of the equity securities on the relevant stock exchanges.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

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

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

The total gains or losses for the period included a fair value gain of RMB2 million (for the six months ended 30 June 2020: nil) relating to unlisted investments of RMB653 million (as at 30 June 2020: RMB22 million) and a fair value gain of RMB99 million (for the six months ended 30 June 2020: RMB28 million) relating to unlisted equity instruments at FVTPL of RMB1,161 million (as at 30 June 2020: RMB926 million) at the end of reporting period, respectively. Such fair value gains or losses are included in “other gains and losses”.

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

Fair value measurements and valuation processes

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

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

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

20. PLEDGE OF ASSETS

As at 30 June 2021, 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 RMB1,739 million (as at 31 December 2020: RMB1,479 million) and RMB1,466 million (as at 31 December 2020: RMB1,051 million), respectively;
- (b) investment properties with carrying value of RMB1,231 million (as at 31 December 2020: RMB1,263 million);
- (c) pledged bank deposits of RMB622 million (as at 31 December 2020: RMB1,309 million);
- (d) trade receivable of RMB2 million (as at 31 December 2020: RMB17 million); and
- (e) bills receivables of RMB227 million (as at 31 December 2020: RMB778 million).

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following outstanding capital commitments not provided for in the financial statements:

	As at 30 June 2021 <i>RMB million</i> (unaudited)	As at 31 December 2020 <i>RMB million</i> (audited)
Contracted for, in respect of:		
Purchase of property, plant and equipment	339	165
Factory, buildings and office premises under development	1,513	1,601
	1,852	1,766
Authorised but not contracted for, in respect of:		
Factory, buildings and office premises under development	188	188
	2,040	1,954

22. CONTINGENT LIABILITIES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021



23. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	Six months ended 30 June	
	2021 RMB million (unaudited)	2020 RMB million (unaudited)
Joint ventures		
Sales of finished goods and service fee income	1	1
Associates		
Sales of finished goods	431	208
Related parties		
Interest income from loan receivables from a related party (<i>Note</i>)	5	10
Consultancy fee paid to a substantial shareholder of the Company	1	1
Purchase of motor vehicles from a related party (<i>Note</i>)	4	–

Note: The related parties are controlled by a substantial shareholder of the Company.

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2021 RMB million (unaudited)	2020 RMB million (unaudited)
Short-term benefits	34	19
Share-based payments	1	6
	35	25

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

24. DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2020

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

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

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

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

The gain on disposal of a subsidiary arising on the disposal for the six months ended 30 June 2020 is as follows:

	<i>RMB million</i>
Cash consideration	574
Less: Net assets disposed of	(487)
Add: Fair value of the remaining 10% equity interest of Skyworth Electronics	64
	<hr/> 151

Net cash inflow arising on disposal for the six months ended 30 June 2020 is as follows:

	<i>RMB million</i>
Cash consideration	574
Less: Cash consideration receivable	(281)
Less: Bank balances and cash acquired	(92)
	<hr/> Net cash inflow for the period
	201

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Deloitte.

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TO THE BOARD OF DIRECTORS OF SKYWORTH GROUP LIMITED

創維集團有限公司

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Skyworth Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 18 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 August 2021



CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The unaudited interim results of Skyworth Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the Current Period were reviewed by the audit committee of the Company (the “Audit Committee”) and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

INTERIM DIVIDEND

Taking into account the Company’s profitability and capital required for future development, the board (the “Board”) of directors (the “Directors”) of the Company does not recommend the payment of an interim dividend for the Current Period (for the six months ended 30 June 2020: Nil).

DIRECTORS’ INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 30 June 2021, the interests of the Directors and of their associates in the shares, share options, awarded shares or other underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the “SFO”), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), were as follows:

(a) Shares of the Company

As at 30 June 2021, Directors had long positions in the shares of the Company as follows:

Name of Director	Capacity	Number of shares held	Approximate percentage of the total number of issued shares (Note d)
Lai Weide	Beneficial owner	10,002,000	0.37%
Lin Wei Ping	Beneficial owner	9,160,382	0.34%
	Held by spouse	(Notes a and b) 1,238,258,799	46.41%
		(Notes a and c) 1,247,419,181	46.75%
Liu Tangzhi	Beneficial owner	9,884,675	0.37%
Shi Chi	Beneficial owner	6,184,825	0.23%
	Held by spouse	5,446,466	0.20%
		11,631,291	0.43%
Lin Jin	Beneficial owner	3,898,719	0.15%
Li Weibin	Beneficial owner	1,000,000	0.04%
Lam Shing Choi, Eric	Beneficial owner	3,000,000	0.11%



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

(a) Shares of the Company – continued

Notes:

- (a) 37,300,000 shares of the Company are held by Mr. Wong Wang Sang, Stephen and 1,200,958,799 shares of the Company are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is interested and deemed to be interested in 1,238,258,799 shares of the Company.
- (b) Ms. Lin Wei Ping is interested in 1,247,419,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,238,258,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.
- (c) Mr. Wong Wang Sang, Stephen is interested in 1,247,419,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,200,958,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.
- (d) The calculation is based on the total number of issued shares of the Company (i.e. 2,668,129,420 shares) as at 30 June 2021.

(b) Shares of the Associated Corporation – Skyworth Digital Co., Ltd.

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

Note:

- (a) The calculation is based on the total number of issued shares of Skyworth Digital Co., Ltd., which is a 56.85% owned subsidiary of the Company, (i.e. 1,063,236,222 shares) as at 30 June 2021.



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

(c) Share Options of the Company

As at 30 June 2021, certain Directors had personal interests in the share options granted under the Company's share option schemes as follows:

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

(d) Awarded Shares of the Company

As at 30 June 2021, none of the Directors or chief executives, or their associates, had any interests in the awarded shares granted under the Company's Share Award Scheme.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2021, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the Current Period.

Arrangements for the Directors to Purchase Shares or Debentures

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

CORPORATE GOVERNANCE AND OTHER INFORMATION - continued



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders had notified the Company of the relevant interests in the issued shares of the Company.

Name of shareholder	Capacity	Number of shares held	Approximate percentage of the total number of issued shares (Note c)
Long positions			
Target Success	Trustee (Note a)	1,200,958,799	45.01%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.40%
	Held by spouse (Note b)	9,160,382	0.34%
	Interest of controlled corporation (Note a)	1,200,958,799	45.01%
		1,247,419,181	46.75%

Notes:

- (a) 1,200,958,799 shares of the Company are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 1,200,958,799 shares of the Company.
- (b) Ms. Lin Wei Ping is interested in 1,247,419,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,238,258,799 shares held by her spouse Mr. Wong Wang Sang, Stephen. She is also the sole director of Target Success.
- (c) The calculation is based on the total number of issued shares of the Company (i.e. 2,668,129,420 shares) as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any other interests or short positions representing 5% or more of the number of shares of the Company in issue as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

The Company adopted its current share option scheme at an annual general meeting of the Company held on 20 August 2014 ("2014 Share Option Scheme"). The following tables show the movements in the Company's share options granted to the Directors and employees under 2014 Share Option Scheme during the Current Period:



CORPORATE GOVERNANCE AND OTHER INFORMATION - continued

SHARE OPTIONS – continued

Directors

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

CORPORATE GOVERNANCE AND OTHER INFORMATION - continued



SHARE OPTIONS – continued

Employees

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of share options				
				Outstanding as at 1 January 2021	Granted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period (Note b)	Outstanding as at 30 June 2021
Employees:								
22 January 2016	4.226	22 January 2016 to 31 August 2016	1 September 2016 to 20 August 2024	14,852,000	-	-	-	14,852,000
		22 January 2016 to 31 August 2017	1 September 2017 to 20 August 2024	17,154,000	-	-	-	17,154,000
		22 January 2016 to 31 August 2018	1 September 2018 to 20 August 2024	25,692,000	-	-	-	25,692,000
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	-	-	-	500,000
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	-	-	-	500,000
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	-	-	-	500,000
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	-	-	-	500,000
15 April 2019	2.680	15 April 2019 to 29 September 2019	30 September 2019 to 20 August 2024	11,920,000	-	-	-	11,920,000
		15 April 2019 to 29 September 2020	30 September 2020 to 20 August 2024	8,940,000	-	-	-	8,940,000
		15 April 2019 to 29 September 2021	30 September 2021 to 20 August 2024	8,940,000	-	-	-	8,940,000
(b) Sub-total (Employees)				89,498,000	-	-	-	89,498,000
Grand Total: (a) Directors + (b) Employees				121,498,000	-	-	-	121,498,000

Notes:

- (a) The closing prices of the Shares immediately before 22 January 2016, 8 July 2016, 9 August 2017 and 15 April 2019 (i.e. the date on which the respective share options referred to above were granted) were HK\$4.22, HK\$6.32, HK\$4.08 and HK\$2.62 respectively.
- (b) No share options were cancelled during the Current Period.



CORPORATE GOVERNANCE AND OTHER INFORMATION - continued

SHARE AWARD SCHEME

The Board adopted a share award scheme on 21 October 2020 (the “2020 Share Award Scheme”). The purpose of the 2020 Share Award Scheme is to recognise the contributions by eligible participants to the Group and to incentivise them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The maximum number of shares to be awarded under the 2020 Share Award Scheme throughout its duration shall not exceed (i) 80,000,000 shares or (ii) 2% of the issued share capital of the Company from time to time (whichever the lower). The maximum number of shares which may be awarded to a Selected Participant (including vested and non-vested) under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time. During the Current Period, the Company purchased 40,000,000 shares of the Company from market through an independent trustee. As at 30 June 2021, the independent trustee holds 40,000,000 shares of the Company for the purpose of the 2020 Share Award Scheme. Details of the 2020 Share Award Scheme are set out in the announcement of the Company dated 21 October 2020.

As at 30 June 2021, none of the awarded shares under the 2020 Share Award Scheme were granted and none of the Directors had any interests in the awarded shares under the 2020 Share Award Scheme.

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, nor their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2021.

RELATED PARTY TRANSACTIONS

During the Current Period, the Group entered into certain transactions with related parties under the applicable accounting principles, details of which are set out in note 23 of the condensed consolidated financial statements. These transactions were not connected transactions within the meaning of the Listing Rules and were mainly entered into by the Group in the ordinary course of business and the terms were on normal commercial terms and on an arm’s length basis. Other than these related party transactions, the Group also entered into certain transactions with connected persons of the Company within the meaning of the Listing Rules. These connected transactions all fall under the de minimis provision set forth in Rule 14A.76(1) of the Listing Rules and are therefore fully exempted from the reporting, announcement and independent shareholders’ approval requirements. The Group has performed regular review on the connected transactions in accordance with its corporate governance practice.

CONTINUING CONNECTED TRANSACTIONS

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

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



CONTINUING CONNECTED TRANSACTIONS – continued

- (ii) On 9 August 2019, the Company entered into a consultancy contract with Mr. Wong Wang Sang, Stephen (“Mr. Stephen Wong”) to renew his engagement as a consultant of the Group for a term of 3 years commencing from 9 August 2019 to 8 August 2022, with an annual consultancy fee of HK\$1,200,000 and a discretionary bonus, subject to a total annual maximum amount payable to Mr. Stephen Wong of less than HK\$3,000,000. Details of the transaction were announced by the Company on 9 August 2019.
- (iii) On 16 April 2021, Shenzhen Skyworth Digital Technology Co., Ltd. (“SSDT”), an indirect non wholly-owned subsidiary of the Company, entered into a framework agreement with Shenzhen Xiaopai Technology Co., Ltd.* (深圳小湃科技有限公司) (“Xiaopai”), pursuant to which SSDT will supply products manufactured by it, pursuant to the terms of the framework agreement for a term of one year running from 1 January 2021 to 31 December 2021 and there is no option to renew the framework agreement. The annual cap in respect of the sale of products by SSDT to Xiaopai under the framework agreement for the year ending 31 December 2021 is RMB195 million, which is determined primarily by reference to indications in writing by Xiaopai in respect of the volume of orders it intends to place with SSDT under the framework agreement. Details of the transaction were announced by the Company on 16 April 2021.

CHANGES IN INFORMATION OF DIRECTORS

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

Mr. Shi Chi, an Executive Director of the Company, ceased to be the vice president of China Radio and TV Equipment Industry Association with effect from 1 January 2021.

Mr. Hung Ka Hai, Clement, an Independent Non-executive Director of the Company, was appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) with effect from 16 July 2021. He was also appointed as the chairman of the remuneration committee, member of audit committee and nomination committee of Hong Kong Aerospace Technology Group Limited on the same date. Mr. Hung retired as an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) with effect from 30 June 2021.

MODEL CODE

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

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

During the Current Period, the Company has purchased 40,000,000 shares of the Company in the market for the purpose of the 2020 Share Award Scheme through an independent trustee.

Save as disclosed above, during the Current Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.



CORPORATE GOVERNANCE AND OTHER INFORMATION - *continued*

CORPORATE GOVERNANCE STANDARDS

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

During the Current Period and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provision A.6.7 of the CG Code as an independent non-executive Director (who is the chairperson of the remuneration committee of the Company (the "Remuneration Committee") was unable to attend the annual general meeting of the Company held on 20 May 2021 as he had other prior business engagement.

For detailed information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the Company's 2020 annual report.

BOARD COMMITTEES

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group. As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by 4 Board Committees, including Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board, the summary of which were disclosed in the "Corporate Governance Report" of the Company's 2020 annual report. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website (<http://investor.skyworth.com/en/index.php>) and the website of the Stock Exchange. All committees are provided with sufficient resources to discharge their duties.

Executive Committee

The executive committee of the Company (the "Executive Committee") was established by the Board on 5 February 2005. The Executive Committee currently comprises 10 members, including several executive Directors and senior management of the Company. During the Current Period and up to the date of this report, the Executive Committee had held monthly meetings to review, discuss and evaluate the business performance and other business and operational matters of each major subsidiary within the Group.

Nomination Committee

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

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



BOARD COMMITTEES – *continued*

Nomination Committee – *continued*

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

During the Current Period and up to the date of this report, the Nomination Committee held 1 meeting to review the composition of the Board; to review and assess the independence of independent non-executive Directors; and to consider and recommend to the Board the re-appointment of 2 executive Directors.

Remuneration Committee

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

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

During the Current Period and up to the date of this report, the Remuneration Committee held 2 meetings to review the bonus payable to the Directors and senior management of the Group; and to consider and recommend to the Board the renewal of service contract of 2 executive Directors.

Audit Committee

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

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

- (a) to review and comment on the Company's annual and interim financial reports;
- (b) to review the unaudited 2021 first quarterly results of the Company;
- (c) to oversee the Group's financial reporting system, risk management and internal control systems on an ongoing basis;
- (d) to review the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;



CORPORATE GOVERNANCE AND OTHER INFORMATION - *continued*

BOARD COMMITTEES – *continued*

Audit Committee – *continued*

- (e) to discuss on the Group's internal audit plan with the Risk Management Department;
- (f) to review the continuing connected transactions; and
- (g) to meet and communicate with the external auditors for audit works of the Group.

CORPORATE SUSTAINABILITY

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

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

Environmental Protection

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

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

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



Our People

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

As at 30 June 2021, Skyworth employed around 33,000 full-time employees to serve different posts in the Group, including, among others, its management team, innovation development team, frontline manufacturing operation team, sales team and administration team.

The Group is committed to building a youthful and energetic team of employees. Over 42.07% of its staff are aged 30 or under, while around 55.03% of the remaining employees are aged between 31 and 50, only 2.9% of its staff are aged over 50. Geographically speaking, approximately 95% of its staff are based in operating and manufacturing locations of provinces and cities across China, while the rest are stationed in the Hong Kong head office or overseas subsidiaries, including a number of Southeast Asian countries (e.g. the Philippines, Indonesia, Thailand, Vietnam and Malaysia) and markets in Europe and America (e.g. Germany, the Netherland, France, Italy, the United Kingdom and the United States). Overall, the ratio of male to female employees of the Group is approximately 8:5.

For detailed information about the corporate sustainability practices of the Company, please refer to the Company's 2020 Environmental, Social and Governance Report.

RISK MANAGEMENT

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

Risk Management Department

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

- (a) efficiency and effectiveness of operating functions;
- (b) reliability of financial reporting;
- (c) status of implementation and effectiveness of the internal control policies and procedures; and
- (d) compliance with applicable laws and regulations.

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



CORPORATE GOVERNANCE AND OTHER INFORMATION - continued

INTERNAL CONTROLS

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

- (a) achieve business objectives and safeguard assets against unauthorised use or disposition;
- (b) ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- (c) ensure compliance with the relevant legislation and regulations.

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

Internal Audit Department

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

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

BOARD OF DIRECTORS

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

By Order of the Board

Lai Weide

Chairman of the Board

27 August 2021

* For identification purposes only