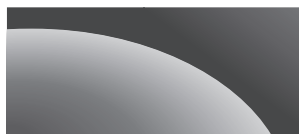


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**SKYWORTH**

**SKYWORTH DIGITAL HOLDINGS LIMITED**

**創維數碼控股有限公司\***

*(incorporated in Bermuda with limited liability)*

## **CONNECTED TRANSACTION**

On 15 May 2003, Skyworth TV and CSCTC entered into the S&P Agreement for the acquisition of 19.5% equity interests in Skyworth-RGB for a consideration of RMB10 million (equivalent to approximately HK\$9.3 million). The consideration for the Acquisition was determined based on arms' length negotiation between the Group and CSCTC. At the time of the Acquisition, Skyworth-RGB was owned as to 75.5% by Skyworth TV and 24.5% by CSCTC. The approval for the change in shareholding structure of Skyworth-RGB was granted by the relevant PRC government department on 30 June 2003, pursuant to which Skyworth TV now holds 95% of the equity interests in Skyworth-RGB, with the remaining 5% being owned by CSCTC.

At the time of entering into of the S&P Agreement, CSCTC was a substantial shareholder of Skyworth-RGB which is a subsidiary of the Company. Accordingly, the Acquisition constituted a connected transaction under Rule 14.23(1)(a) of the Listing Rules. The Acquisition also fell within the de minimus rule under Rule 14.25 of the Listing Rules and accordingly was subject to disclosure by way of a press notice containing brief details of the Acquisition.

The Directors inadvertently overlooked the requirement to disclose the Announcement in accordance with Rule 14.25 of the Listing Rules at the time of entering into of the S&P Agreement, and subsequently came to be aware of such inadvertent oversight during the later stage of the annual audit of the Company for the year ended 31 March 2003. The Directors confirm that details of the Acquisition will be included in the next annual report of the Company. The Stock Exchange has indicated that it reserves its rights to take further action against the Company in respect of such breach of the Listing Rules.

### **THE S&P AGREEMENT**

Date of the S&P Agreement:	15 May 2003
The purchaser:	Skyworth TV
The vendor:	CSCTC
Subject of the S&P Agreement:	19.5% of the equity interests in Skyworth-RGB then held by CSCTC
Consideration:	RMB10 million (equivalent to approximately HK\$9.3 million)

Payment terms:	Full payment of RMB10 million being made within 10 days following signing of the S&P Agreement
Conditions:	The S&P Agreement is conditional upon, among other things, the relevant amendments being made to the memorandum and articles of association of Skyworth-RGB and the same being delivered to the relevant PRC government departments for approval
Termination:	The S&P Agreement will be terminated on the following conditions: <ul style="list-style-type: none"> <li>(i) mutual agreement between the parties to the S&amp;P Agreement;</li> <li>(ii) events of force majeure happening; and</li> <li>(iii) as required by any PRC laws and regulations</li> </ul>

## **INFORMATION ABOUT THE GROUP**

The Group is principally engaged in the business of designing, manufacturing and selling colour television sets and digital audio-visual products in the PRC. The principal products of the Group include colour television sets, VCD and SVCD players, DVD players and home theatre system products. The Group also commenced the provision of digital set-top box and asymmetric digital subscriber line products in 2002. For each of the two years ended 31 March 2003, consolidated profit before tax, minority interests and extraordinary items of the Group amounted to approximately HK\$77.0 million and HK\$323.5 million, while profit after tax, minority interests and extraordinary items of the Group amounted to approximately HK\$62.2 million and HK\$213.6 million respectively.

## **SKYWORTH-RGB AND THE ACQUISITION**

Skyworth-RGB was established as an equity joint venture on 8 March 1988 and is the principal subsidiary of the Group responsible for the manufacture of the Group's products. For each of the two years ended 31 December 2002, profit before tax of Skyworth-RGB amounted to approximately RMB7.6 million and RMB9.1 million respectively, while net profit after tax of Skyworth-RGB amounted to approximately RMB6.9 million and RMB7.7 million respectively. Net asset value of Skyworth-RGB as at 31 December 2002 amounted to approximately RMB20.7 million.

At the time of the Acquisition, Skyworth-RGB was owned as to 75.5% by Skyworth TV and 24.5% by CSCTC. The approval for the change in shareholding structure of Skyworth-RGB was granted by the relevant PRC government department on 30 June 2003, pursuant to which Skyworth TV now holds 95% of the equity interests in Skyworth-RGB, with the remaining 5% being held by CSCTC. Furthermore, the Certificate of Approval and Business License of Skyworth-RGB was issued on 1 July 2003 and 8 July 2003 respectively.

The Directors consider that as Skyworth-RGB is the principal manufacturing arm of the Group, the Acquisition serves to further consolidate the Group's management control over Skyworth-RGB which in turn would have a significant positive effect on its control over product quality and new product introduction, and accordingly is beneficial to the Group and the Company's shareholders. The Directors confirm that following the Acquisition, CSCTC ceased to be involved in the daily management and operations of Skyworth-RGB.

The consideration of RMB10 million (equivalent to approximately HK\$9.3 million) was determined based on arms' length negotiation between the Group and CSCTC. The Directors advise that the consideration of RMB10 million was settled in full in cash on 23 June 2003 from the internal resources of the Group. The Directors (including the independent non-executive Directors) consider that taking into account of the manufacturing capability of Skyworth-RGB and the consolidation of management control over Skyworth-RGB achieved by the Acquisition, the terms of the Acquisition was fair and reasonable to the Group and to the Company's shareholders.

## **COMPLIANCE WITH CHAPTER 14 OF THE LISTING RULES**

At the time of entering into of the S&P Agreement, CSCTC was a substantial shareholder of Skyworth-RGB which is a subsidiary of the Company. Accordingly, the Acquisition constituted a connected transaction under Rule 14.23(1)(a) of the Listing Rules. The Acquisition also fell within the de minimus rule under Rule 14.25 of the Listing Rules and accordingly was subject to disclosure by way of a press notice containing brief details of the Acquisition.

The Directors confirm that due to the outburst of SARS in March 2003, the Directors had substantially delayed their business trips until May when the SARS episode was beginning to stabilised, pursuant to which the Directors were heavily engaged in business traveling and related sales activities at around the time of entering into of the S&P Agreement. In addition, the Group was in the process of relocating its headquarters at around the time of entering into of the S&P Agreement, which added to the difficulty of and delay in retrieving documents for the Group's general compliance review purposes. As a result, the Directors inadvertently oversights the requirement to disclose the Announcement in accordance with Rule 14.25 of the Listing Rules in a timely manner, and subsequently came to be aware of such inadvertent oversight during the later stage of the annual audit of the Company for the year ended 31 March 2003. The Directors confirm that details of the Acquisition will be included in the next annual report of the Company.

The Directors recognise that failure to disclose the Acquisition in accordance with Rule 14.25 of the Listing Rules constituted a breach of the Listing Rules. The Stock Exchange has indicated that it reserves its rights to take further action against the Company in respect of such breach of the Listing Rules.

## **DEFINITIONS**

“Acquisition”	the acquisition by Skyworth TV of 19.5% of the equity interests in Skyworth-RGB from CSCTC under the S&P Agreement
“Company”	Skyworth Digital Holdings Limited, a company incorporated in Bermuda with limited liability on 16 December 1999 and the shares of which are listed on the Main Board of the Stock Exchange
“CSCTC”	China Shenzhen Colour Television Company (中國深圳彩電總公司), a state-owned enterprise in the PRC holding 24.5% equity interests in Skyworth-RGB prior to the Acquisition
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“S&P Agreement”	the sale and purchase agreement entered into on 15 May 2003 between Skyworth TV and CSCTC for the Acquisition

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Skyworth TV”	Skyworth TV Holdings Limited (formerly known as Skyworth (Group) Company Limited), a limited company incorporated in Hong Kong on 29 November 1988 and an indirect wholly owned subsidiary of the Company who, prior to the Acquisition, held 75.5% equity interests in Skyworth-RGB
“Skyworth-RGB”	Shenzhen Chuangwei-RGB Electronics Co., Ltd., (深圳創維-RGB電子有限公司), an equity joint venture established in the PRC on 8 March 1988 and was owned as to 75.5% by Skyworth TV and 24.5% by CSCTC immediately before completion of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration purpose only, at the rate of RMB1.07 to HK\$1.00. No representation is made that any amounts in HK\$ or RMB could have been or could be converted at the above rates or at any other rates or at all.*

By order of the Board  
**Wong Wang Sang, Stephen**  
*Chairman*

Hong Kong, 30 July 2003

\* *For identification purpose only*

“Please also refer to the published version of this announcement in The Standard”