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SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00751)

**CONDITIONAL CASH OFFER BY CLSA LIMITED
ON BEHALF OF SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 100,000,000 SHARES
AT HK\$3.8 PER SHARE**

APPLICATION FOR WHITEWASH WAIVER

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

AND

**CONDITIONAL VERY SUBSTANTIAL
ACQUISITION FOR SKYWORTH GROUP LIMITED**

Financial Adviser to the Company



Independent Financial Adviser



The Board announces that an offer will be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the date of this announcement, at the price of HK\$3.8 per Share. The Offer will be made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of approximately HK\$380 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group.

The Offer Price represents:

- a premium of approximately 20.25% over the closing price of the Shares of HK\$3.16 as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 25.08% over the average closing price of the Shares of approximately HK\$3.04 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- a premium of approximately 23.86% over the average closing price of the Shares of approximately HK\$3.07 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- a premium of approximately 26.91% over the average closing price of the Shares of approximately HK\$2.99 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- a discount of approximately 55.49% to the Group's net asset value attributable to the Shareholders of approximately HK\$8.54 per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2021, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB18,045 million (based on the exchange rate of HK\$1: RMB0.81760, the central parity rate published by the People's Bank of China on its website as at 31 December 2021 for illustrative purposes) as at 31 December 2021 and Shares in issue as at the date of this announcement; and
- a discount of approximately 49.26% to the Group's net asset value attributable to the Shareholders of approximately HK\$7.49 per Share pursuant to the latest unaudited consolidated financial statements of the Company as at 30 September 2022, calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB17,510 million (based on the exchange rate of HK\$1: RMB0.90444, the central parity rate published by the People's Bank of China on its website as at 30 September 2022 for illustrative purposes) as at 30 September 2022 and Shares in issue as at the date of this announcement.

As at the date of this announcement, the total number of issued Shares is 2,585,201,420 Shares.

As at the date of this announcement, Mr. Wong, the controlling shareholder of the Company, is deemed to be interested in 1,247,419,181 Shares, representing approximately 48.25% of the issued Shares as at the date of this announcement. Of those 1,247,419,181 Shares, (i) 37,300,000 Shares are held by Mr. Wong himself, (ii) 1,200,958,799 Shares are held by Target Success (the Shares 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), and (iii) 9,160,382 Shares are held by Ms. Lin (being the spouse of Mr. Wong)

herself. As Ms. Lin is the spouse of Mr. Wong and is deemed to be interested in the interests of Mr. Wong, she is also deemed to be interested in those 1,247,419,181 Shares.

As at the date of this announcement, the Undertaking Directors are interested in an aggregate of 20,898,719 Shares (representing approximately 0.81% of the issued Shares as at the date of this announcement).

Each of Mr. Wong and Ms. Lin has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (namely Target Success) not to, accept the Offer. Further, each of the Undertaking Directors has irrevocably undertaken to the Company that he will not, and will procure the holders of Shares whose Shares he is deemed to be interested in by virtue of Part XV of the SFO not to, accept the Offer.

As at the date of this announcement, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 48.40% of the issued Shares as at the date of this announcement. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of the Wong Concert Party Group may increase to a maximum level of approximately 50.35% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Wong to make a mandatory general offer for all the Shares not already owned by Mr. Wong and parties acting in concert with him. Consequently, an application has been made to the Executive by Mr. Wong for the Whitewash Waiver.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and in the event that the aggregate interests of the Wong Concert Party Group exceed 50% of the issued Shares upon completion of the Offer, the Wong Concert Party Group may increase their aggregate shareholding in the Company subsequent to completion of the Offer without triggering any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Offer, the Whitewash Waiver and the PRC MGO. The Wong Concert Party Group will abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO to be proposed at the SGM. As the Offer is being made on behalf of the Company, (i) the Undertaking Directors, and (ii) the CLSA Group (excluding entities of the CLSA Group that are exempt principal traders or exempt fund managers), who holds interests in Shares, will also abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO at the SGM. The Offer Document, which will contain, amongst other things, details (including a timetable) of the Offer, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, a letter from the Independent Board Committee to the Independent Shareholders, a property valuation report, a notice convening the SGM, the Acceptance Form and information relating to the procedures required for acceptance of the Offer and the Whitewash Waiver, will be despatched to the Shareholders as soon as practicable pursuant to the Takeovers Code.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. Somerley Capital Limited has been appointed by the Company (with the approval of the Independent Board Committee) as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and the Whitewash Waiver.

WARNING: The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.

It should be noted that dealings in the Shares will continue notwithstanding that any of the Conditions may remain unfulfilled, and that persons dealing in the Shares will bear the risk that the Offer may lapse.

Shareholders are advised to consider the detailed terms of the Offer and the Whitewash Waiver and read, among other things, the letter from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to be contained in the Offer Document before deciding whether to vote for or against the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM. Shareholders should also note that their voting decision on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM shall not affect their decision as to whether to accept the Offer or not. If Shareholders are in any doubt as to any aspect of the Offer and the Whitewash Waiver or as to the action to be taken, they should seek independent professional advice.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

CONDITIONAL VERY SUBSTANTIAL ACQUISITION FOR THE COMPANY

The shares of Skyworth Digital, an indirect non-wholly owned subsidiary of the Company established in the PRC, are listed on the Shenzhen Stock Exchange. As at the date of this announcement, Skyworth Digital is held as to approximately 50.82% by RGB, an indirect wholly-owned subsidiary of the Company, and approximately 1.73% by LCD, an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Wong Concert Party Group does not directly hold shares in Skyworth Digital.

In the event that the acceptance level of the Offer results in the Wong Concert Party Group becoming interested in more than 50% of the Shares, Mr. Wong and his concert parties will be deemed to have actual control of the Company and thereby become the actual controller (實際控制人) of the Company. On this premise, as advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and the Securities Law of the PRC, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC, and accordingly, Mr. Wong, whether by himself or through entities controlled by him, will be obliged to make a mandatory unconditional general offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain

restricted shares and those already owned and/or agreed to be acquired by Mr. Wong and/or parties acting in concert with him. Taking into consideration that RGB is already the controlling shareholder of Skyworth Digital, directly holding shares in Skyworth Digital, it has been determined by the Board (excluding Ms. Lin and Mr. Lin, who have abstained from voting at the relevant board meeting) that upon completion of the Offer, the PRC MGO (if triggered) shall be made by RGB (an indirect wholly-owned subsidiary of the Company, which will be controlled by Mr. Wong upon completion of the Offer if the Offer is accepted in full) in accordance with the Administrative Measures. In the event that the acceptance level of the Offer does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares (and thereby becoming the actual controller of the Company), the PRC MGO will not be made.

As one or more of the applicable percentage ratios in respect of the PRC MGO exceeds 100%, the making of the PRC MGO constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the purposes of considering and, if thought fit, approving the PRC MGO.

Information relating to the PRC MGO will be included in the Offer Document to be despatched to the Shareholders. As more time is required for preparing the information to be contained in the Offer Document, it is expected that the Offer Document will be despatched to the Shareholders on or about 27 January 2023, subject to the Executive's consent under Rule 8.2 of the Takeovers Code.

INTRODUCTION

The Board announces that an offer will be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the date of this announcement, at the price of HK\$3.8 per Share.

The Offer will be made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of approximately HK\$380 million if the Offer is accepted in full, will be paid in cash and will be funded by internal resources of the Group.

TERMS OF THE OFFER

The salient terms of the Offer are as follows:

- (a) CLSA Limited will make the Offer to the Shareholders on behalf of the Company to buy-back the Shares, up to the Maximum Number, at the Offer Price;
- (b) Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down described under the section headed "*Other Terms of the Offer*" below);
- (c) The Offer is not conditional upon a minimum number of Shares being tendered for buy-back;
- (d) All Shares validly tendered will be bought-back to the extent that the aggregate number

of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number. If the number of Shares validly tendered exceeds the Maximum Number, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number. Further details of the procedures for scaling down are described under the section headed “*Other Terms of the Offer*” below;

- (e) A Form of Acceptance duly received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code;
- (f) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of stamp duty due on the Shares bought-back attributable to the seller will be deducted from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders;
- (g) Shares bought-back will be treated as cancelled and will not be entitled to any dividend declared for any record date set subsequent to the date of their cancellation. The issued share capital of the Company shall be diminished by the nominal value of the Shares bought-back accordingly; and
- (h) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Form of Acceptance by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to CLSA Limited and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

Under the Share Buy-backs Code, the Offer will need to be approved by the Independent Shareholders in a general meeting by a majority of votes by way of poll and will also be subject to the other Conditions as referred to in the section headed “*Conditions of the Offer*” below.

The Company does not intend to announce, declare or pay any dividend, distribution or other return of capital before the close of the Offer.

The detailed terms of the Offer will be set out in the Offer Document.

THE OFFER PRICE

The Offer Price of HK\$3.8 per Share values the entire issued share capital of the Company as at the date of this announcement at approximately HK\$9,823.8 million.

The Offer Price represents:

- a premium of approximately 20.25% over the closing price of the Shares of HK\$3.16 as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 25.08% over the average closing price of the Shares of approximately HK\$3.04 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

- a premium of approximately 23.86% over the average closing price of the Shares of approximately HK\$3.07 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- a premium of approximately 26.91% over the average closing price of the Shares of approximately HK\$2.99 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- a discount of approximately 55.49% to the Group's net asset value attributable to the Shareholders of approximately HK\$8.54 per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2021, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB18,045 million (based on the exchange rate of HK\$1: RMB0.81760, the central parity rate published by the People's Bank of China on its website as at 31 December 2021 for illustrative purposes) as at 31 December 2021 and Shares in issue as at the date of this announcement; and
- a discount of approximately 49.26% to the Group's net asset value attributable to the Shareholders of approximately HK\$7.49 per Share pursuant to the latest unaudited consolidated financial statements of the Company as at 30 September 2022, calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB17,510 million (based on the exchange rate of HK\$1: RMB0.90444, the central parity rate published by the People's Bank of China on its website as at 30 September 2022 for illustrative purposes) as at 30 September 2022 and Shares in issue as at the date of this announcement.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Company, and the prevailing market conditions and sentiments, and with reference to share buy-back transactions in Hong Kong in recent years.

CONFIRMATION OF FINANCIAL RESOURCES

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$380 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group.

CLSA Capital Markets, being the financial adviser to the Company, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full in accordance with the terms of the Offer stated in this announcement.

CONDITIONS OF THE OFFER

The Offer will be conditional upon fulfillment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders by way of a poll having been obtained at the SGM in respect of the Whitewash Waiver;

- (c) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn; and
- (d) the Independent Shareholders having passed the resolution at the SGM approving, among other things, the PRC MGO.

None of the above Conditions can be waived.

The Wong Concert Party Group will abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO to be proposed at the SGM. As the Offer is being made on behalf of the Company, (i) the Undertaking Directors, and (ii) the CLSA Group (excluding entities of the CLSA Group that are exempt principal traders or exempt fund managers), who holds interests in Shares, will also abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO at the SGM.

WARNING: The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer, the Whitewash Waiver and the PRC MGO are not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.

It should be noted that dealings in the Shares will continue notwithstanding that any of the Conditions may remain unfulfilled, and that persons dealing in the Shares will bear the risk that the Offer may lapse.

Shareholders are advised to consider the detailed terms of the Offer and the Whitewash Waiver and read, among other things, the letter from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to be contained in the Offer Document before deciding whether to vote for or against the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM. Shareholders should also note that their voting decision on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM shall not affect their decision as to whether to accept the Offer or not. If Shareholders are in any doubt as to any aspect of the Offer and the Whitewash Waiver or as to the action to be taken, they should seek independent professional advice.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

Pursuant to Rule 5.1 of the Share Buy-backs Code and Rule 15.3 of the Takeovers Code, if the Offer is declared unconditional, Shareholders who have not tendered their Shares for acceptance will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

Tenders duly received by the Company and/or CLSA Limited will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code. All Shares bought-back under the Offer will be cancelled.

The Offer will not be conditional on any minimum number of acceptances.

Shares will be bought-back free of commissions and dealing charges, but the seller's ad valorem stamp duty payable by the Accepting Shareholders, calculated at a rate of 0.13% of the market value of the Shares to be bought-back under the Offer, or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable to the Accepting Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the Accepting Shareholders.

Acceptance of the Offer by any Accepting Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature, and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of their cancellation. As at the date of this announcement, there are no dividends or other distributions declared by the Company that have not been paid.

OTHER TERMS OF THE OFFER

Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 100,000,000, being the Maximum Number

B = Total number of Shares tendered by all Accepting Shareholders under the Offer

C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Shareholders.

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, Mr. Wong, the controlling shareholder of the Company, is deemed to be interested in 1,247,419,181 Shares, representing approximately 48.25% of the issued Shares as at the date of this announcement. Of those 1,247,419,181 Shares, (i) 37,300,000 Shares are held by Mr. Wong himself, (ii) 1,200,958,799 Shares are held by Target Success (the Shares 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), and (iii) 9,160,382 Shares are held by Ms. Lin (being the spouse of Mr. Wong) herself. As Ms. Lin is the spouse of Mr. Wong and is deemed to be interested in the interests of Mr. Wong, she is also deemed to be interested in those 1,247,419,181 Shares.

As at the date of this announcement, the Undertaking Directors are interested in an aggregate of 20,898,719 Shares (representing approximately 0.81% of the issued Shares as at the date of this announcement).

Each of Mr. Wong and Ms. Lin has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (namely Target Success) not to, accept the Offer. Further, each of the Undertaking Directors has irrevocably undertaken to the Company that he will not, and will procure the holders of Shares whose Shares he is deemed to be interested in by virtue of Part XV of the SFO not to, accept the Offer. The Irrevocable Undertakings will be binding until the closing, lapse or withdrawal of the Offer.

Each of the Undertaking Directors (apart from Mr. Lin) has confirmed that he is not acting in concert with Mr. Wong.

As at the date of this announcement, neither the Company, nor parties acting in concert with it, nor Mr. Wong nor any person acting in concert with him has received any irrevocable commitment to accept the Offer.

As at the date of this announcement, the trustee of the Share Award Scheme held 41,000,000 Shares, amongst which 17,000,000 are to be used to satisfy the share awards granted to Mr. Shi Chi, 5,940,000 are to be used to satisfy the share awards granted to employees of the Group and the remaining 18,060,000 are to be used to satisfy future grants of share awards. Under the scheme rules of the Share Award Scheme, the trustee shall not exercise the voting rights in respect of any Shares held under the Share Award Scheme. Accordingly, such 41,000,000 Shares shall not be voted at the SGM. In accordance with the scheme rules of the Share Award Scheme, the Board has instructed the Trustee not to accept the Offer.

OVERSEAS SHAREHOLDERS

The making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer. The Company reserves the right, subject to the consent of the Executive and the relevant legal requirements, to make special arrangements with respect to overseas Shareholders whose receipt of the Offer Document and the Form of Acceptance is subject to the laws of the overseas jurisdiction. Details of overseas Shareholders will be set out in the Offer Document. The Company will comply with the requirements under Rule 8 (subject to Note 3 to Rule 8) of the Takeovers Code in respect of overseas Shareholders.

It is the responsibility of each overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Shareholder shall be deemed to

constitute a representation and warranty from such Shareholder to the Company and CLSA Limited that all applicable local laws and requirements have been observed and complied with. Shareholders should consult their professional advisers if in doubt.

The Company shall give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with its bye-laws, the Takeovers Code, the Share Buy-backs Code and the Listing Rules and, if so given, shall be deemed to have been sufficient for all effective purposes, despite any failure by any overseas Shareholder to receive the same.

ODD LOTS

The Shares are currently traded in board lot of 2,000 Shares each. There is no intention to change the board lot size as a result of the Offer. Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares. The Company will make arrangements to appoint a designated broker to match sales and purchases of odd lot holdings of Shares for a reasonable period after completion of the Offer in order to enable such Accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Details of such arrangements will be included in the Offer Document and will be disclosed by way of separate announcement as and when appropriate.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer as soon as possible.

WHITEWASH WAIVER

As at the date of this announcement, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 48.40% of the issued Shares as at the date of this announcement. Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and assuming that no Share Options will be exercised by their holders prior to completion of the Offer, the aggregate interests of the Wong Concert Party Group may increase to a maximum level of approximately 50.35% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for Mr. Wong to make a mandatory general offer for all the Shares not already owned by Mr. Wong and parties acting in concert with him. Consequently, an application has been made to the Executive by Mr. Wong for the Whitewash Waiver.

The Offer will be conditional upon approval by more than 50% of the votes cast by the Independent Shareholders by way of poll at the SGM and the Whitewash Waiver being

granted by the Executive, which would be subject to the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll at the SGM.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will not proceed.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and in the event that the aggregate interests of the Wong Concert Party Group exceed 50% of the issued Shares upon completion of the Offer, the Wong Concert Party Group may increase their aggregate shareholding in the Company subsequent to completion of the Offer without triggering any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

As at the date of this announcement, the Company does not believe that the transactions under the Offer and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules) in Hong Kong. If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Offer Document. The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Offer and the Whitewash Waiver do not comply with other applicable rules and regulations.

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's existing shareholding structure and the shareholding structure immediately after completion of the Offer, assuming that (i) all the Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong, Ms. Lin and the Undertaking Directors has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer); and (ii) no additional Shares will be issued from the date of this announcement up to and including the date of completion of the Offer (save as a result of any exercise of the Share Options by their holders):

Name of Shareholder	Immediately before completion of the Offer		Immediately after completion of the Offer (assuming no Share Options will be exercised from the date of this announcement up to and including the date of completion of the Offer)		Immediately after completion of the Offer (assuming all Share Options which are vested as at the date of this announcement have been fully exercised before completion of the Offer)	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Wong Concert Party Group						
Target Success (<i>Note 1</i>)	1,200,958,799	46.46	1,200,958,799	48.32	1,200,958,799	47.86
Mr. Wong (<i>Note 2</i>)	37,300,000	1.44	37,300,000	1.50	37,300,000	1.49

Ms. Lin (<i>Note 3</i>)	9,160,382	0.35	9,160,382	0.37	9,160,382	0.37
Mr. Lin (<i>Note 4</i>)	3,898,719	0.15	3,898,719	0.16	3,898,719	0.16
Sub-total	1,251,317,900	48.40	1,251,317,900	50.35	1,251,317,900	49.86
Undertaking Directors (apart from Mr. Lin)						
Mr. Liu Tangzhi (<i>Note 5</i>)	5,000,000	0.19	5,000,000	0.20	5,000,000	0.20
Mr. Shi Chi (<i>Note 6</i>)	9,000,000	0.35	9,000,000	0.36	9,000,000	0.36
Mr. Lam Shing Choi, Eric (<i>Note 7</i>)	2,000,000	0.08	2,000,000	0.08	2,000,000	0.08
Mr. Li Weibin (<i>Note 8</i>)	1,000,000	0.04	1,000,000	0.04	1,000,000	0.04
Sub-total	17,000,000	0.66	17,000,000	0.68	17,000,000	0.68
Company and its concert parties (<i>Note 9</i>)	1,267,317,900	49.02	1,267,317,900	50.99	1,267,317,900	50.50
Other Shareholders						
Trustee of the Share Award Scheme	41,000,000	1.59	41,000,000	1.65	41,000,000	1.63
Other independent Shareholders	1,275,883,520	49.35	1,175,883,520	47.32	1,200,211,520	47.83
Sub-total	1,316,883,520	50.94	1,216,883,520	48.97	1,241,211,520	49.46
Total	2,585,201,420	100	2,485,201,420	100	2,509,529,420	100

Notes:

- 1,200,958,799 Shares 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. As such, Mr. Wong is deemed to be interested in those 1,200,958,799 Shares.
- Mr. Wong is interested in 1,247,419,181 Shares, 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.
- Ms. Lin is an executive Director of the Company and the spouse of Mr. Wong. Accordingly, Ms. Lin is deemed to be interested in such Shares held by Mr. Wong under the SFO.
- Mr. Lin is an executive Director of the Company and the son of Mr. Wong and Ms. Lin.
- Mr. Liu Tangzhi is an executive Director of the Company.
- Mr. Shi Chi is an executive Director and the Chief Executive Officer of the Company. As at the date of this announcement, Mr. Shi Chi has also been granted share awards in relation to 17,000,000 Shares.
- Mr. Lam Shing Choi, Eric is an executive Director of the Company.
- Mr. Li Weibin is an independent non-executive Director of the Company.

9. Concert parties of the Company comprise the Wong Concert Party Group, the Undertaking Directors (other than Mr. Li Weibin), and the CLSA Group (excluding entities of the CLSA Group that are exempt principal traders or exempt fund managers). CLSA Capital Markets is the financial adviser to the Company in respect of the Offer. Accordingly, CLSA Capital Markets and relevant members of the CLSA Group which hold Shares are presumed to be acting in concert with the Company in accordance with class (5) of the definition of “Acting in concert” in the Takeovers Code. Details of holdings, borrowings or lendings of Shares (or options, rights over Shares, warrants or derivatives in respect of them) held by or entered into by other parts of the CLSA Group (except in respect of Shares held by exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients of other parts of the CLSA Group) will be obtained as soon as possible after the date of this announcement in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made by the Company if the holdings, borrowings or lendings of the other parts of the CLSA Group are significant and, in any event, such information will be disclosed in the Offer Document. The statements in this announcement as to the holdings, borrowings or lendings of, or their dealings in, or voting of Shares (or rights, rights over Shares, warrants or derivatives in respect of them) by persons acting in concert with the Company are subject to the holdings, borrowings, lendings, or dealings (if any) of such members of the CLSA Group. Any dealings in the Shares by the CLSA Group during the six months prior to 23 December 2022 (being the date of this announcement and the commencement of the offer period (as defined under the Takeovers Code)) and since the commencement of the offer period to the latest practicable date prior to the despatch of the Offer Document (excluding dealings in Shares by members of the CLSA Group who are exempt principal traders or exempt fund managers or dealings in the Shares by members of the CLSA Group for the account of non-discretionary investment clients of the CLSA Group) by the CLSA Group will be disclosed in the Offer Document and pursuant to Rule 22 of the Takeovers Code.
10. Numbers may not add up to 100% due to rounding.

Assuming that (i) the Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong, Ms. Lin and the Undertaking Directors has irrevocably undertaken to the Company that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer); and (ii) no additional Shares will be issued from the date of this announcement up to and including the date of completion of the Offer, over 25% of the issued Shares will be held by public shareholders and accordingly the Company will comply with the public float requirement under Rule 8.08 of the Listing Rules after completion of the Offer.

As at the date of this announcement, save as disclosed above, neither Mr. Wong, the Company nor parties acting in concert with either of them holds, owns, controls or has direction over any Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or has entered into any outstanding derivatives in respect of securities in the Company.

DEALINGS IN SHARES

The Company will not conduct any on-market share buy-back from the date of this announcement up to and including the date at which the Offer closes, lapses or is withdrawn, as the case may be.

OTHER ARRANGEMENTS

Save for the Irrevocable Undertakings, there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Offer or the Whitewash Waiver.

There is no agreement or arrangement, to which the Company or Mr. Wong is a party, which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a Condition to the Offer or the Whitewash Waiver (save as those set out in the section headed “*Conditions of the Offer*” in this announcement above).

Neither of the Company nor its concert parties, nor Mr. Wong nor his concert parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the Irrevocable Undertakings, there is no understanding, arrangement or agreement or special deal between (1) any Shareholder of the Company or any party acting in concert with it/him/her; and (2) either (a) the Company, any party acting in concert with the Company or its associated companies; or (b) Mr. Wong or any party acting in concert with Mr. Wong.

Save for the Offer Price payable under the Offer, there is no consideration, compensation or benefit in whatever form paid or to be paid by the Company, Mr. Wong or any of their concert parties to any Shareholder in connection with the Offer or the Whitewash Waiver.

INFORMATION ON THE GROUP

The Group is principally engaged in manufacture and sales of smart TV systems, home access systems, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, photovoltaic products, modern services and trading of other products.

FUTURE INTENTIONS ON THE GROUP

The business and management of the Group will remain unchanged and the Company’s listing on the Stock Exchange will be maintained upon completion of the Offer. It is intended that no major changes will be introduced to the businesses of the Group and the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer.

REASONS FOR AND FINANCIAL EFFECTS OF THE OFFER

The price of the Shares has historically been traded at a significant discount to the Group’s net asset value per Share. Taking the closing price of the Shares of HK\$3.16 on the Last Trading Day as the reference date, the discounts to the Group’s net asset value per Share of HK\$7.49 as at 30 September 2022 for the below periods are as follows:

- (a) on the Last Trading Day: 57.80%;
- (b) average discount to the Group’s net asset value per Share as at 30 September 2022 based on the average closing price of the Shares of approximately HK\$3.02 as quoted on the Stock Exchange for the three months up to and including the Last Trading Day: 59.64%;
- (c) average discount to the Group’s net asset value per Share as at 30 September 2022 based on the average closing price of the Shares of approximately HK\$3.35 as quoted on the Stock Exchange for the six months up to and including the Last

Trading Day: 55.32%; and

- (d) average discount to the Group's net asset value per Share as at 30 September 2022 based on the average closing price of the Shares of approximately HK\$3.80 as quoted on the Stock Exchange for the twelve months up to and including the Last Trading Day: 49.32%.

The Directors (other than the independent non-executive Directors, whose views will be produced after considering the view of the Independent Financial Adviser) believe that the Offer provides an opportunity for the Shareholders to realise part of their investments in the Company at a premium to recent market prices, in particular, where a reference is made to the closing price of the Shares on 23 December 2022, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group.

Further details of the financial effects of the Offer, including the effects of the Offer and the PRC MGO on the net assets of the Group, the Group's net asset value per Share, the earnings of the Group and earnings per Share, will be set out in the Offer Document.

GENERAL

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Offer, the Whitewash Waiver and the PRC MGO. Mr. Wong will abstain, and will procure parties acting in concert with him to abstain, from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO to be proposed at the SGM. The Wong Concert Party Group will abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO to be proposed at the SGM. In addition, the Undertaking Directors and the trustee of the Share Award Scheme will not vote on the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO.

The Offer Document, which will contain, amongst other things, details (including a timetable) of the Offer, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, a letter from the Independent Board Committee to the Independent Shareholders, a property valuation report, a notice convening the SGM, the Acceptance Form and information relating to the procedures required for acceptance of the Offer and the Whitewash Waiver, will be despatched to the Shareholders as soon as practicable pursuant to the Takeovers Code.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver. Somerley Capital Limited has been appointed by the Company (with the approval of the Independent Board Committee) as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and the Whitewash Waiver.

CLSA Capital Markets has been appointed as the financial adviser to the Company in respect of the Offer.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled in full. Shareholders and potential investors are advised to

exercise caution when dealing in the Shares.

CONDITIONAL VERY SUBSTANTIAL ACQUISITION FOR THE COMPANY

The shares of Skyworth Digital, an indirect non-wholly owned subsidiary of the Company established in the PRC, are listed on the Shenzhen Stock Exchange. As at the date of this announcement, Skyworth Digital is held as to approximately 50.82% by RGB, an indirect wholly-owned subsidiary of the Company, and approximately 1.73% by LCD, an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Wong Concert Party Group does not directly hold shares in Skyworth Digital.

In the event that the acceptance level of the Offer results in the Wong Concert Party Group becoming interested in more than 50% of the Shares, Mr. Wong and his concert parties will be deemed to have actual control of the Company and thereby become the actual controller (實際控制人) of the Company. On this premise, as advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and the Securities Law of the PRC, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC, and accordingly, Mr. Wong, whether by himself or through entities controlled by him, will be obliged to make a mandatory unconditional general offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by Mr. Wong and/or parties acting in concert with him. As advised by the Company's PRC legal counsel, restricted shares refer to shares of Skyworth Digital that are subject to restrictions on subsequent sale under applicable PRC laws and regulations, and which, pursuant to the rules of the Shenzhen Stock Exchange, may not be tendered into a general offer unless the general offer is made for the sole purpose of privatising Skyworth Digital, or an exemption has otherwise been granted by the relevant PRC regulators. As the PRC MGO is not made to privatise Skyworth Digital and it is not contemplated that any exemption be applied for, the restricted shares of Skyworth Digital shall be excluded from the PRC MGO pursuant to the applicable PRC laws and regulations. As at the date of this announcement, the restricted shares represent approximately 2.86% of the total issued share capital of Skyworth Digital, and the treasury shares held by Skyworth Digital represent approximately 0.75% of the total issued share capital of Skyworth Digital.

Taking into consideration that RGB is already the controlling shareholder of Skyworth Digital, directly holding shares in Skyworth Digital, it has been determined by the Board (excluding Ms. Lin and Mr. Lin, who have abstained from voting at the relevant board meeting) that upon completion of the Offer, the PRC MGO (if triggered) shall be made by RGB (an indirect wholly-owned subsidiary of the Company, which will be controlled by Mr. Wong upon completion of the Offer if the Offer is accepted in full) in accordance with the Administrative Measures. In the event that the acceptance level of the Offer does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares (and thereby becoming the actual controller of the Company), the PRC MGO will not be made.

As advised by the Company's PRC legal counsel, pursuant to the Administrative Measures and in accordance with customary practice, the offer price under the PRC MGO shall be no less than either (i) the highest price paid by RGB or its concert parties for shares of Skyworth Digital within a six-month period prior to the date of the announcement on the PRC MGO, which will be published by Skyworth Digital on the date of this announcement; or (ii) the mathematical average value of daily weighted average prices for such shares over

30 market days prior to the date of the announcement on the PRC MGO, which will be published by Skyworth Digital on the date of this announcement, which was RMB15.02 per share. As RGB and its concert parties did not acquire any shares of Skyworth Digital during the six-month period prior to the date of the announcement on the PRC MGO, the offer price under the PRC MGO is expected to be RMB15.02 per share, and the maximum consideration payable under the PRC MGO is expected to be approximately RMB7,573.7 million. RGB will fund the maximum consideration payable under the PRC MGO by internal resources of RGB and, if needed, self-raised funds, without pledging the shares of Skyworth Digital. Pursuant to the Administrative Measures, CITIC Securities Company Limited, the financial adviser to RGB in relation to the PRC MGO, having done the requisite due diligence on the financial conditions of the Group and RGB, is satisfied that the Group and RGB have sufficient financial resources to enable it to pay the maximum consideration payable by RGB under the PRC MGO.

The making of the PRC MGO is to ensure compliance with the aforementioned statutory obligations under the Administrative Measures and the securities law of the PRC, and is not intended to delist Skyworth Digital from the Shenzhen Stock Exchange. However, if the acceptance level of the PRC MGO results in the public float of Skyworth Digital falling below 10%, Skyworth Digital shall no longer be qualified to retain its listing status, in which case RGB will use its voting rights or otherwise make other arrangements pursuant to applicable laws, regulations and the articles of association of Skyworth Digital to procure that the listing status of Skyworth Digital be maintained, including, for example, exercising its voting power to procure Skyworth Digital to issue new shares to independent third parties or transferring its shares in Skyworth Digital to independent third parties, thereby restoring the public float of Skyworth Digital. In the unlikely event that Skyworth Digital is required to be delisted as a result of the PRC MGO, RGB will acquire all remaining shares of Skyworth Digital at the offer price under the PRC MGO.

As advised by the Company's PRC legal counsel, the shares to be acquired by RGB under the PRC MGO will be subject to an 18-month lock-up, subject to the carve-out of transferring to affiliates.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, save for Mr. Liu Tangzhi and Mr. Shi Chi (each being an executive Director), who hold shares in both the Company and Skyworth Digital, no other shareholders of Skyworth Digital also hold Shares in the Company. Each of Mr. Liu Tangzhi and Mr. Shi Chi has entered into an irrevocable undertaking not to accept the PRC MGO in respect of their shareholdings in Skyworth Digital.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, shareholders of Skyworth Digital to which the PRC MGO will be made (save for Mr. Liu Tangzhi and Mr. Shi Chi who have irrevocably undertaken not to accept the PRC MGO) and the ultimate beneficial owner of such shareholders are third parties independent of the Company and connected persons of the Company. For more information on the PRC MGO (including the financial results of RGB for the three years ended 31 December 2021 and the nine months ended 30 September 2022), please refer to the announcement published by Skyworth Digital on the website of the Shenzhen Stock Exchange on the date of this announcement.

As advised by the Company's PRC legal counsel, Mr. Wong is permitted to make the PRC

MGO by himself or through any entity controlled by him. Although Mr. Wong is permitted and able to make the PRC MGO himself, the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant board meeting) are of the view that it is in the interest of the Company and the Shareholders as a whole for RGB to launch the PRC MGO for the following reasons:

- (i) although the PRC MGO is triggered as a matter of mandatory requirement under the Administrative Measures, it will potentially provide a good opportunity for the Company to increase its shareholding in Skyworth Digital at a lower cost compared with an on-market purchase of shares, which is likely to drive up the trading price of the shares of Skyworth Digital and thereby increase the cost for the Company to further increase its shareholding in Skyworth Digital. By contrast, the PRC MGO allows the Company to lock in the purchase price for the shares of Skyworth Digital, thereby avoiding the additional costs that would otherwise be incurred through on-market purchase of shares. As disclosed in the 2021 annual results of Skyworth Digital published on 22 March 2022, Skyworth Digital has been profitable in the preceding three financial years. While Skyworth Digital's financial statements have been consolidated in the Company's financial statements, an increase in the Company's shareholding in Skyworth Digital will enable the Company to increase its share in the overall financial performance of Skyworth Digital, which the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant board meeting) deem to be in the interests of the Company and the Shareholders as a whole. In other words, the Company intends to acquire shares in Skyworth Digital, whether through on-market purchases or through the PRC MGO; and as explained above, compared to on-market purchases, the PRC MGO would enable the Company to acquire shares in Skyworth Digital at a lower cost. In addition, the Company does not expect to incur substantive costs from the PRC MGO as the PRC MGO is procedural in nature and the Company intends to fund its payment obligations thereunder primarily with the Group's internal financial resources;
- (ii) as advised by the Company's PRC legal counsel, under applicable PRC laws and regulations, the actual controller (實際控制人) of a listed company is responsible for, among other things, ensuring that the listed company complies with applicable laws, regulations, listing rules and the articles of association of the listed company. As advised by the Company's PRC legal counsel, most of the listed companies in the PRC have an actual controller, and Skyworth Digital not having an actual controller has caused Skyworth Digital to be subject to more scrutiny from regulators in the PRC and restricts the ability of Skyworth Digital to conduct capital markets activities in an efficient manner. After the closing of the Offer, assuming the Offer is accepted in full, Mr. Wong will become the actual controller of Skyworth Digital under the relevant laws, rules and regulations of the PRC. The resulting change will reduce Skyworth Digital's ongoing compliance costs associated with the status of having no actual controller and make it easier for Skyworth Digital to conduct capital markets activities, which will be beneficial to the future development of Skyworth Digital and the Company; and
- (iii) as at the date of this announcement, the Company holds approximately 50.82% of the issued shares of Skyworth Digital through its wholly-owned subsidiary, RGB, and as advised by CITIC Securities Company Limited, the financial adviser to RGB in relation to the PRC MGO, the making of the PRC MGO by RGB will be a quicker, easier and more direct way to implement the PRC MGO. As at the date of this announcement, RGB is already a direct shareholder of Skyworth Digital, and implementation of the PRC

MGO by RGB will only change the number of shares in Skyworth Digital held by RGB. By contrast, as at the date of this announcement, the Wong Concert Party Group does not directly hold shares in Skyworth Digital, and if the PRC MGO were to be implemented by Mr. Wong, Mr. Wong will become a new direct shareholder of Skyworth Digital, while also simultaneously holding indirect interest in Skyworth Digital through the Company, LCD and RGB. Accordingly, if the PRC MGO is made by Mr. Wong, it will further complicate the shareholding structure of Skyworth Digital, resulting in Skyworth Digital being subject to more regulatory scrutiny, increasing Skyworth Digital's related compliance costs and limiting Skyworth Digital's capability to conduct capital market activities. As the parent company of Skyworth Digital, the Company will also be negatively impacted by such heightened regulatory scrutiny, increased compliance costs as well as Skyworth Digital's inability to conduct capital market activities in an efficient manner. In addition, the relevant PRC regulators have requested that the offeror for the PRC MGO provide a prescribed deposit in RMB before announcing the PRC MGO. As Mr. Wong does not have sufficient readily available cash in RMB, it is anticipated that if Mr. Wong were to make the PRC MGO, he would need to either (i) transfer offshore cash back onshore (which would require governmental approval for foreign exchange and cross-border wire transfer, among other things) or (ii) obtain external financing from a local PRC bank. Both options would be time-consuming and would engender a high risk of information on the PRC MGO, and even potentially information on the Offer, being leaked by persons involved in the relevant discussions or approval process, which would be detrimental to the Company's efforts in making the Offer.

Based on the reasons set out above, the Directors (save for Ms. Lin and Mr. Lin, who have abstained from voting at the relevant board meeting) are of the view that the terms of the PRC MGO are fair and reasonable and in the interests of the Shareholders as a whole.

Skyworth Digital is an investment holding company and its subsidiaries are primarily engaged in providing a comprehensive yet systematic portfolio of UHD device development, broadband network connectivity and UHD industrial application integrated solutions to users across the globe.

Set out below are extracts from the annual reports of Skyworth Digital for the two years ended 31 December 2021:

	For the year ended 31 December	
	2020	2021
	<i>RMB</i>	
	<i>(audited)</i>	
Revenue	8,507,806,781.17	10,846,559,580.07
Net profits before taxation	364,133,693.20	405,437,866.84
Net profits after taxation	354,102,471.66	414,816,519.53

As at 31 December 2021, the audited net assets of Skyworth Digital and its subsidiaries attributable to the shareholders were RMB4,526,477,416.13.

As one or more of the applicable percentage ratios in respect of the PRC MGO exceeds

100%, the making of the PRC MGO constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The SGM will be convened and held for the purposes of considering and, if thought fit, approving the PRC MGO. Independent Shareholders' approval of the PRC MGO at the SGM is one of the conditions of the Offer, which cannot be waived. Accordingly, in the event that the PRC MGO is not approved at the SGM, the Offer will lapse. If the Offer lapses or if the acceptance level of the Offeror does not result in the Wong Concert Party Group becoming interested in more than 50% of the Shares, the PRC MGO will not be triggered or made. For the avoidance of doubt, the PRC MGO, if triggered and made, will not be subject to any conditions.

Information relating to the PRC MGO will be included in the Offer Document to be despatched to the Shareholders. As more time is required for preparing the information to be contained in the Offer Document, it is expected that the Offer Document will be despatched to the Shareholders on or about 27 January 2023, subject to the Executive's consent under Rule 8.2 of the Takeovers Code.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code, including any person who owns or controls 5% or more of any class of relevant securities of the Company) of the Company are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Accepting Shareholder(s)”	Shareholder(s) accepting the Offer;
“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Administrative Measures”	Administrative Measures for the Takeover of Listed Companies (Revised in 2020);
“Board”	the board of Directors;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“CLSA Capital Markets”	CLSA Capital Markets Limited, the financial adviser to the Company in respect of the Offer and a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030);
“CLSA Group”	CLSA Capital Markets, CLSA Limited and persons controlling, controlled by or under the same control (with the meanings ascribed to such terms in the Takeovers Code) as either CLSA Capital Markets or CLSA Limited;
“CLSA Limited”	CLSA Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO, being the agent making the Offer on behalf of the Company, an indirectly wholly-owned subsidiary of CITIC Securities Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6030);
“Company”	Skyworth Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00751);
“Conditions”	the conditions to which the Offer is subject, as set out under the section headed “ <i>Conditions of the Offer</i> ” in this announcement;
“Director(s)”	the director(s) of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;

“Form of Acceptance”	the form of acceptance to be issued with the Offer Document to Shareholders for use by such persons in connection with the Offer;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement, who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder, which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver;
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and the Whitewash Waiver;
“Independent Shareholders”	Shareholders other than (i) the Wong Concert Party Group; (ii) the Undertaking Directors; (iii) the CLSA Group; (iv) Shareholders involved in or interested in the Whitewash Waiver, the Offer and/or the PRC MGO (other than as a Shareholder); and (v) any person who may be required to abstain from voting on the resolutions in respect of the Offer, the Whitewash Waiver and/or the PRC MGO to be proposed at the SGM in accordance with the Takeovers Code and the Share Buy-backs Code;
“Irrevocable Undertakings”	the irrevocable undertakings given by (i) each of Mr. Wong and Ms. Lin that he or she will not, and will procure the holders of Shares whose Shares he or she is deemed to be interested in by virtue of Part XV of the SFO (including Target Success) not to, accept the Offer and (ii) each of the Undertaking Directors that he will not, and will procure any holders of Shares whose Shares he is deemed to be interested in by virtue of Part XV of the SFO not to, accept the Offer;
“Last Trading Day”	23 December 2022, being the last trading day of the Shares on the Stock Exchange prior to the issue of this announcement;

“LCD”	Skyworth LCD Technology Limited, an indirect wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maximum Number”	the maximum number of Shares to be bought-back pursuant to the Offer, being an aggregate of 100,000,000 Shares, representing approximately 3.87% of the issued Shares as at the date of this announcement;
“Mr. Lin”	Mr. Lin Jin, the son of Mr. Wong and Ms. Lin and an executive Director and Chairman of the Board of the Company;
“Ms. Lin”	Ms. Lin Wei Ping, the spouse of Mr. Wong and an executive Director of the Company;
“Mr. Wong”	Mr. Wong Wang Sang, Stephen;
“Offer”	a conditional cash offer by CLSA Limited on behalf of the Company to buy-back Shares at the Offer Price from all Shareholders, subject to the Maximum Number;
“Offer Document”	a circular to the Shareholders (comprising, amongst others, the offer document, the notice of the SGM, the proxy form for voting at the SGM and the Form of Acceptance) to be issued by the Company in connection with the Offer, the Whitewash Waiver and the PRC MGO;
“offer period”	has the meaning ascribed to it under the Takeovers Code and commencing from the date of this announcement;
“Offer Price”	HK\$3.8 per Share;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“PRC MGO”	the mandatory unconditional general cash offer for all the shares of Skyworth Digital, other than the treasury shares held by Skyworth Digital, certain restricted shares and those already owned and/or agreed to be acquired by RGB and/or parties acting in concert with it;
“RGB”	Shenzhen Chuangwei-RGB Electronics Co., Ltd., an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws

	of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the resolutions in respect of the Offer, the Whitewash Waiver and the PRC MGO;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Buy-backs Code”	the Code on Share Buy-backs of Hong Kong;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Award Scheme”	the share award scheme of the Company adopted on 21 October 2020;
“Share Options”	the outstanding share options granted pursuant to the Company’s share option scheme adopted on 20 August 2014, which are vested as at the date of this announcement entitling their holders to subscribe for a total of 24,328,000 new Shares;
“Skyworth Digital”	Skyworth Digital Co., Ltd., an indirect non-wholly owned subsidiary of the Company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000810.SZ);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong;
“Target Success”	Target Success Group (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability, trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong;
“Undertaking Directors”	Mr. Lin, Mr. Liu Tangzhi, Mr. Shi Chi, Mr. Lam Shing Choi, Eric and Mr. Li Weibin, being Directors (other than Ms. Lin) who hold interests in Shares;
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Mr. Wong to make a mandatory general offer for all the Shares not already owned by Mr. Wong and parties acting in concert with him under Rule 26.1 of the Takeovers Code, which may otherwise arise as a result of completion of the Offer;
“Wong Concert Party Group”	Mr. Wong and parties acting in concert with him (including

Target Success, Ms. Lin (the spouse of Mr. Wong) and Mr. Lin (the son of Mr. Wong)); and

“%”

per cent.

By order of the Board
Skyworth Group Limited
Shi Chi
Chief Executive Officer

Hong Kong, 23 December 2022

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Lin Jin (Chairman), Mr. Liu Tangzhi (Vice Chairman), Mr. Shi Chi (Chief Executive Officer), Ms. Lin Wei Ping and Mr. Lam Shing Choi, Eric; and three independent non-executive Directors, namely Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.