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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)

CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENT REGARDING SALE OF ELECTRONIC PRODUCTS

THE FRAMEWORK AGREEMENT

The Board announces that on 30 January 2024, SSDT, an indirect non wholly-owned subsidiary of the Company, entered into the Framework Agreement with Xiaopai, pursuant to which SSDT will supply products manufactured / procured by it to Xiaopai for a term commencing from 30 January 2024 to 31 December 2024. The Framework Agreement was entered into with a view to continuing the existing arrangements between SSDT and Xiaopai under the Previous Framework Agreement, which term has expired on 31 December 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xiaopai is indirectly controlled by the spouse of Mr. Shi Chi (an executive Director) and is therefore an associate of Mr. Shi Chi and a connected person of the Company under the Listing Rules. Accordingly, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the annual cap under the Framework Agreement exceed 0.1% but are less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 30 January 2024, SSDT, an indirect non wholly-owned subsidiary of the Company, entered into the Framework Agreement with Xiaopai, pursuant to which SSDT will supply products manufactured / procured by it to Xiaopai for a term commencing from 30 January 2024 to 31 December 2024. The Framework Agreement was entered into with a view to continuing the existing arrangements between SSDT and Xiaopai under the Previous Framework Agreement, which term has expired on 31 December 2023. The terms of the Framework Agreement are summarised as follows:-

Date : 30 January 2024

Parties : (i) Xiaopai (as purchaser)
(ii) SSDT (as vendor)

Subject Matter : Pursuant to the Framework Agreement, SSDT will, upon receipt of a purchase order from Xiaopai, manufacture and sell to Xiaopai electronic products including webcam modules and set-top boxes, which are branded for onward sale under Skyworth or Xiaopai's own brands. SSDT will also supply to Xiaopai, on an ad hoc basis, materials procured from third party suppliers for product refurbishment purposes.

The name and quantity, product specifications, and terms of delivery of the specific products ordered are to be set out in Xiaopai's purchase order(s) to be placed from time to time. SSDT may decide whether or not to accept such order within 3 days upon receipt of each purchase order from Xiaopai.

Pricing Structure : The pricing of products sold pursuant to purchase orders given under the Framework Agreement is determined on a "cost plus" basis by reference to SSDT's costs of sale, and adding to it a pre-determined profit margin as follows:-

| Product Type | Profit Margin |
|--|----------------------|
| Webcam modules | 2% |
| Set-top boxes and other products including refurbishment materials | 5% |

SSDT's actual costs of sale will be determined at the time Xiaopai places a purchase order with SSDT, by reference to the following:-

- (i) the SSDT's material / procurement costs at the time;
- (ii) the costs of any third party manufacturers to the extent of the part of the production process outsourced;
- (iii) royalties and license fees payable to the relevant right holder in the production of the final product (unless Xiaopai has directly paid such right holders in which case such royalty / license fees will not be included as part of SSDT's manufacturing costs); and
- (iv) any other overheads incurred in the production process.

The profit margins stated above are no less favourable to SSDT than the profit margins achievable in respect of similar products supplied by SSDT to independent third parties. It is also a term under the Framework Agreement that the price must be determined on normal commercial terms (or better to SSDT).

- Internal Control Procedures : The sales and costing units of SSDT will review the cost and pricing information each time SSDT responds to purchase order(s) placed by Xiaopai. The management of SSDT will also conduct on a quarterly basis sample checks of the transactions conducted with Xiaopai to verify adherence with the pricing basis described above, and to check that sales of products to Xiaopai are properly approved and accounted for.
- Term : The Framework Agreement has a term commencing from 30 January 2024 to 31 December 2024 and there is no option to renew the Framework Agreement.
- Annual Cap : The annual cap in respect of the sale of products by SSDT to Xiaopai under the Framework Agreement for the year ending 31 December 2024 is RMB197 million, which is determined primarily by reference to (i) indications in writing by Xiaopai in respect of the volume of orders it intends to place with SSDT under the Framework Agreement for the financial year ending 31 December 2024, and (ii) the transaction amount of approximately RMB101.44 million actually incurred under the Previous Framework Agreement during the financial year ended 31 December.

INFORMATION ON SSDT

SSDT is a company established under the laws of the PRC and an indirect non wholly-owned subsidiary of the Company. It is principally engaged in research, development, production, sales and after-sales service of smart devices such as digital set-top boxes, broadband network connection equipment, commercial displays, and systems and platforms.

INFORMATION ON XIAOPAI

Xiaopai is a company established under the laws of the PRC and is principally engaged in research, development and sales of smart hardware products. It is owned as to 60% by Zhima Technology Limited, as to 30% by Shenzhen Xiaopai Technology Management Partnership (LLP)* (深圳小湃科技管理合夥企業 (有限合夥)), and as to 10% by Mr. Wang Xiaohui.

Zhima Technology Limited is wholly-owned by Ms. Tang Yan, who is the spouse of Mr. Shi Chi, an executive Director. Shenzhen Xiaopai Technology Management Partnership (LLP)* (深圳小湃科技管理合夥企業 (有限合夥)) is also controlled by Ms. Tang Yan and Mr. Wang Xiaohui as its general partners, who own in aggregate 64.5% of its equity interest. Accordingly, Xiaopai is an associate of Mr. Shi Chi and is therefore a connected person of the Company.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Group, comprising the Company and its subsidiaries, 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.

The Directors (including the independent non-executive Directors) consider that:-

- (i) the transactions contemplated under the Framework Agreement are in the ordinary and usual course of business of SSDT, and the Framework Agreement is entered into with a view to continuing the existing arrangements between SSDT and Xiaopai with refined terms;

- (ii) the transactions under the Previous Framework Agreement have contributed an unaudited gross profit of approximately RMB2.83 million to the Group for the year ended 31 December 2023;
- (iii) the transactions under the Framework Agreement are on normal commercial terms. Specifically, the profit margins underlying the products to be sold by SSDT to Xiaopai under the Framework Agreement are no less favourable to those that SSDT can achieve by selling similar products to independent third parties through SSDT’s usual distribution channels; and
- (iv) the annual cap, which is set by reference to historical transaction amounts incurred in 2023 and written indications by Xiaopai of its intended purchase volumes in 2024, is fair and reasonable in light of the “cost plus” pricing mechanism described above.

Taking into account the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement and the transactions contemplated thereunder are fair and reasonable, and the Framework Agreement is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the annual cap under the Framework Agreement exceed 0.1% but are less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Since Xiaopai is an associate of Mr. Shi Chi, he has abstained from voting on the resolution passed by the Board to approve the Framework Agreement for the purpose of bye-law 100 of the Company’s amended and restated bye-laws. Save as disclosed, none of the Directors has a material interest in the Framework Agreement or is required to abstain from voting on the relevant board resolutions to approve the Framework Agreement under the bye-laws of the Company or the Listing Rules.

DEFINITIONS

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

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| “associate” | has the meaning ascribed to it under the Listing Rules; |
| “Board” | the board of Directors; |
| “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); |
| “connected person” | has the meaning ascribed to it under the Listing Rules; |

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|--------------------------------|---|
| “Director(s)” | the director(s) of the Company; |
| “Framework Agreement” | the framework agreement dated 30 January 2024 entered into between Xiaopai and SSDT in relation to the sale by SSDT of electronic products manufactured / procured by it pursuant to the terms and conditions thereto; |
| “Group” | the Company and its subsidiaries from time to time; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the People’s Republic of China; |
| “Previous Framework Agreement” | the framework agreement dated 23 March 2023 entered into between Xiaopai and SSDT in relation to the sale by SSDT of electronic products manufactured by it pursuant to the terms and conditions thereto, details of which are set out in the Company’s announcement dated 23 March 2023; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company; |
| “SSDT” | Shenzhen Skyworth Digital Technology Co., Ltd., a company established under the laws of the PRC and an indirect non wholly-owned subsidiary of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Xiaopai” | Shenzhen Xiaopai Technology Co., Ltd.* (深圳小湃科技有限公司), a company established under the laws of the PRC; and |
| “%” | per cent. |

By order of the Board
Skyworth Group Limited
Lin Jin
Chairman of the Board

Hong Kong, 30 January 2024

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.

** For identification purposes only*