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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 SALE OF AUTOMOBILE COMPONENT

THE PROCUREMENT AGREEMENT

The Board announces that on 6 March 2024, Skyworth Automobile, an indirect non wholly-owned subsidiary of the Company, entered into the Procurement Agreement with Nanjing Golden Dragon Bus, pursuant to which Skyworth Automobile will, upon its acceptance of purchase orders placed by Nanjing Golden Dragon Bus, supply automobile component manufactured by it to Nanjing Golden Dragon Bus for a term commencing from 6 March 2024 to 31 December 2024, with an annual cap of RMB20,000,000 (equivalent to HK\$22,000,000).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wong is a controlling shareholder of the Company as he is interested in approximately 52.53% of all the issued Shares in the Company. Nanjing Golden Dragon Bus is indirectly controlled by Mr. Wong and is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Procurement 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 Procurement Agreement, exceed 0.1% but are less than 5%, the Procurement 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 6 March 2024, Skyworth Automobile, an indirect non wholly-owned subsidiary of the Company, entered into the Procurement Agreement with Nanjing Golden Dragon Bus, pursuant to which Skyworth Automobile will, upon its acceptance of purchase orders placed by Nanjing Golden Dragon Bus, supply automobile component manufactured by it to Nanjing Golden Dragon Bus for a term commencing from 6 March 2024 to 31 December 2024, with an annual cap of RMB20,000,000 (equivalent to HK\$22,000,000). The terms of the Procurement Agreement are summarised as follows:-

- Date : 6 March 2024
- Parties : (i) Nanjing Golden Dragon Bus (as purchaser)
(ii) Skyworth Automobile (as vendor)
- Subject Matter : Pursuant to the Procurement Agreement, Skyworth Automobile will, upon its acceptance of a purchase order from Nanjing Golden Dragon Bus, manufacture and sell to Nanjing Golden Dragon Bus automobile instrument panels for its automobile manufacturing.
- The quantity of the specific products ordered are to be set out in purchase order(s) to be placed by Nanjing Golden Dragon Bus from time to time. Skyworth Automobile may decide whether or not to accept such order within 5 days upon receipt of each purchase order from Nanjing Golden Dragon Bus. Skyworth Automobile is not obliged to accept any such purchase order(s).
- In connection with the research and development of the subject automobile instrument panels underlying the Procurement Agreement, Nanjing Golden Dragon Bus will pay to Skyworth Automobile research and development fees in the amount of approximately RMB98,000 (inclusive of applicable sales tax) (equivalent to approximately HK\$107,800) pursuant to a product development agreement entered into on 6 March 2024.
- Pricing Structure : The Procurement Agreement sets out the pre-agreed per unit pricing of the subject automobile component of approximately RMB1,122 (equivalent to approximately HK\$1,234) per unit (before applicable sales tax) subject to adjustments as the parties may agree in the event the material costs to Skyworth Automobile fluctuate by more than 5%.
- The above pricing of the subject automobile component is determined by Skyworth Automobile after arm's length negotiations with Nanjing Golden Dragon Bus and on a "cost plus" basis with reference to Skyworth Automobile's manufacturing, transportation and packaging costs, and gross profit margin applied on similar products manufactured by it, and are on normal commercial terms that are not less favourable to Skyworth Automobile in respect of sale of similar products in similar scale to independent customers.
- Term : The Procurement Agreement has a term commencing from 6 March 2024 to 31 December 2024. There is no option to renew the Procurement Agreement.
- Annual Cap : The annual cap in respect of the sale of products by Skyworth Automobile to Nanjing Golden Dragon Bus under the Procurement Agreement for the year ending 31 December 2024 is RMB20,000,000 (equivalent to HK\$22,000,000) including applicable sales tax, which is determined after taking into account (i) indications in writing by Nanjing Golden Dragon Bus in respect of the volume of orders it intends to place with Skyworth Automobile under the Procurement Agreement for the financial year ending 31 December 2024, and (ii) the transaction amount of approximately RMB10.2 million (before applicable sales tax) actually incurred for products supplied under the previous procurement agreements entered into with Nanjing Golden Dragon Bus during the financial year ended 31 December 2023.

INFORMATION ON SKYWORTH AUTOMOBILE

Skyworth Automobile is a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the development of software and hardware technology used in the electronic appliances and components, and import and export of merchandise and technology, production and operation of automotive electronic products, including automobile LCD monitor, and automobile DVD players.

INFORMATION ON NANJING GOLDEN DRAGON BUS

Nanjing Golden Dragon Bus is a company established in the PRC and is principally engaged in the business of production and sales of new energy vehicles, including buses, logistic cars and passenger vehicles. It is owned as to 88% by Sky-well New Energy Automobile Group Co. Ltd.* (開沃新能源汽車集團股份有限公司) (“**Sky-well**”), a company established in the PRC. Sky-well is owned as to approximately 35.36%, 29.46% and 4.9% by the Skyblue Family Trust, Mr. Lin Jin (an executive Director) and Mr. Wong, respectively. There are 16 other shareholders (which are controlled by persons independent of the Company and its connected persons) in Sky-well, and none of them owns more than 10% equity interest in Sky-well.

The remaining 12% equity interest in Nanjing Golden Dragon Bus is owned respectively (i) as to approximately 8.4% by Nanjing Dongyu Automotive Group Co., Ltd.* (南京東宇汽車集團有限公司) (which in turn is ultimately controlled by State-owned Assets Supervision and Administration Commission of the Nanjing Municipal Government* (南京市人民政府國有資產監督管理委員會)) and (ii) as to approximately 3.6% by Xiamen King Long United Automotive Industry Co., Ltd.* (廈門金龍聯合汽車工業有限公司) (which in turn is ultimately controlled by State-owned Assets Supervision and Administration Commission of the People’s Government of Fujian Province* (福建省人民政府國有資產監督管理委員會)), all being third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE PROCUREMENT AGREEMENT

The Group, comprising the Company and its subsidiaries, is principally engaged in the 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 Procurement Agreement are in the ordinary and usual course of business of Skyworth Automobile;
- (ii) the transactions under the Procurement Agreement are on normal commercial terms. Specifically, the profit margins underlying the product sold by Skyworth Automobile to Nanjing Golden Dragon Bus under the Procurement Agreement are no less favourable to those that Skyworth Automobile can achieve by selling similar product to independent third parties through Skyworth Automobile’s usual distribution channels; and
- (iii) the annual cap under the Procurement Agreement, which is set by reference to historical transaction amounts incurred with Nanjing Golden Dragon Bus in 2023 and written indications by Nanjing Golden Dragon Bus of its intended purchase volumes in 2024, is fair and reasonable in light of the “cost plus” pricing basis as described above.

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wong is a controlling shareholder of the Company as he is interested in approximately 52.53% of all the issued Shares in the Company. Nanjing Golden Dragon Bus is indirectly controlled by Mr. Wong and is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Procurement 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 Procurement Agreement, exceed 0.1% but are less than 5%, the Procurement 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.

Ms. Lin Wei Ping and Mr. Lin Jin are the spouse and son of Mr. Wong, respectively. According to bye-law 100 of the Company's amended and restated bye-laws, Ms. Lin Wei Ping and Mr. Lin Jin, who are executive Directors, are deemed to be materially interested in the Procurement Agreement as they are associates of Mr. Wong. Accordingly, Ms. Lin Wei Ping and Mr. Lin Jin have abstained from voting on the resolutions passed by the Board to approve the Procurement Agreement. Save as disclosed, none of the Directors is required to abstain from voting on the relevant board resolutions to approve the Procurement 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; |
| “Director(s)” | the director(s) of the Company; |
| “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; |

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Wong” | Mr. Wong Wang Sang, Stephen who is a controlling shareholder of the Company, and the spouse of Ms. Lin Wei Ping and the father of Mr. Lin Jin, who are executive Directors; |
| “Nanjing Golden Dragon Bus” | Nanjing Golden Dragon Bus Co., Ltd. Xuzhou Branch* (南京金龍客車製造有限公司徐州分公司), a company established with limited liability in the PRC; |
| “PRC” | the People’s Republic of China; |
| “Procurement Agreement” | the procurement agreement dated 6 March 2024 entered into between Nanjing Golden Dragon Bus and Skyworth Automobile in relation to the sale by Skyworth Automobile of automobile instrument panels manufactured by it pursuant to the terms and conditions thereto; |
| “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; |
| “Skyblue Family Trust” | a discretionary family trust established by Mr. Wong as settlor, of which the current trustee is Noah Trust (Asia) Limited, a public company incorporated in Hong Kong limited by shares that is ultimately controlled by Ms. Ip Wing Kiu Wendy, an independent third party to the Company and the discretionary beneficiaries are family members of Mr. Wong; |
| “Skyworth Automobile” | Skyworth Automobile Electronics (Shenzhen) Co., Ltd.* (深圳創維汽車智能有限公司), 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; and |
| “%” | per cent. |

For the purpose of illustration only and unless otherwise stated, the conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 to HK\$1.1. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 6 March 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*