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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

*Independent non-executive Directors:*

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

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of Business*

*in Hong Kong:*

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

27 July 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) CONDITIONAL CASH OFFER BY  
DBS ASIA CAPITAL LIMITED ON BEHALF OF  
SKYWORTH GROUP LIMITED  
TO BUY-BACK UP TO 392,800,000 SHARES  
AT HK\$2.80 PER SHARE  
(2) APPLICATION FOR WHITEWASH WAIVER  
AND  
(3) NOTICE OF SGM**

### INTRODUCTION

On 17 June 2020, the Board announced that the Offer would be made by DBSAC on behalf of the Company to buy-back for cancellation, subject to the Conditions, up to the Maximum Number, being 392,800,000 Shares, representing approximately 12.83% of the issued Shares as at the Latest Practicable Date, at the price of HK\$2.80 per Share.

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The purpose of this Offer Document is to provide you with, among other things, (i) information relating to the Offer and the Whitewash Waiver; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; and (iv) a notice of the SGM.

The Form of Acceptance accompanying this Offer Document is for use only by the Qualifying Shareholders who wish to accept the Offer.

### THE OFFER

The number of Shares to be bought-back for cancellation by DBSAC on behalf of the Company at the price of HK\$2.80 per Share will not exceed the Maximum Number, being 392,800,000 Shares, representing approximately 12.83% of the issued Shares as at the Latest Practicable Date.

The Offer is not conditional on any minimum number of Shares being tendered for acceptance or any minimum number of Shares to be bought-back under the Offer.

The Offer will be made in full compliance with the Codes.

### THE OFFER PRICE

The Offer Price of HK\$2.80 per Share valued the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$8,571 million.

The Offer Price represents:

- a premium of approximately 16.7% over the closing price of the Shares of HK\$2.40 as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 32.1% over the closing price of the Shares of HK\$2.12 as quoted on the Stock Exchange on the Last Half Trading Day;
- a premium of approximately 37.3% over the closing price of the Shares of HK\$2.04 as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 35.3% over the average closing price of the Shares of approximately HK\$2.07 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

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- a premium of approximately 30.8% over the average closing price of the Shares of approximately HK\$2.14 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- a premium of approximately 41.4% over the average closing price of the Shares of approximately HK\$1.98 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- a discount of approximately 52.0% to the Group's net asset value per Share of approximately HK\$5.83 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2019 (based on the exchange rate of HK\$1: RMB0.89578, the central parity rate published by the People's Bank of China on its website as at 31 December 2019 for illustration purposes).

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.

Under the Companies Act 1981 of Bermuda (as amended), on the date on which the buy-back of Shares by the Company pursuant to the Offer is effected, there should be no reasonable grounds of believing the Company is, or would after the buy-back be, unable to pay its liabilities as they become due. The Directors are of the opinion that, in the event the maximum amount of consideration is payable upon full acceptance and completion of the Offer, the Company will maintain sufficient working capital to pay its liabilities as they become due and to meet the operating requirements of the Group.

### CONFIRMATION OF FINANCIAL RESOURCES

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$1,099.84 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group. DBSAC is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

### 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; and

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- (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.

None of the above Conditions can be waived, and none of them had been fulfilled as at the Latest Practicable Date.

The Offer is not conditional as to any minimum number of Shares tendered for acceptances.

### **IRREVOCABLE UNDERTAKINGS**

As at the Latest Practicable Date, Mr. Wong, the controlling Shareholder, is deemed to be interested in 1,247,419,181 Shares, representing approximately 40.75% of the issued Shares as at the Latest Practicable Date. 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 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 Latest Practicable Date, the Undertaking Directors and Ms. Tang Yan (the spouse of Mr. Shi Chi, a Director) are interested in the aggregate of 31,416,685 Shares (representing approximately 1.03% of the issued Shares as at the Latest Practicable Date) and 32,000,000 Share Options (representing approximately 1.05% of the issued Shares as at the Latest Practicable Date).

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 (including Target Success) not to, accept the Offer. Further, each of the Undertaking Directors and Ms. Tang Yan 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 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 Latest Practicable Date, neither the Company nor parties acting in concert with it had received any irrevocable commitment to accept the Offer. As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it had received any irrevocable commitment not to accept the Offer.

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### WHITEWASH WAIVER

As at the Latest Practicable Date, the Wong Concert Party Group is interested in 1,251,317,900 Shares, representing approximately 40.88% of the issued Shares as at the Latest Practicable Date. 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 46.90% 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 Executive has agreed, subject to the approval of the Independent Shareholders for the Offer and the Whitewash Waiver at the SGM by way of poll, to waive any obligation of Mr. Wong to make a general offer which might result from completion of the Offer. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders by way of a poll, or if the latter is not granted by the Executive, the Offer will immediately lapse.**

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### CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's existing shareholding structure and the shareholding structure immediately after close of the Offer, assuming that (i) all the Qualifying Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong, Ms. Lin, the Undertaking Directors and Ms. Tang Yan 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 Latest Practicable Date up to and including the date of close of the Offer (save as a result of any exercise of the Share Options by their holders):

Name of Shareholder	As at the Latest Practicable Date		Immediately after close of the Offer (assuming no Share Options will be exercised from the Latest Practicable Date up to and including the date of close of the Offer)		Immediately after close of the Offer (assuming all Share Options which are vested as at the Latest Practicable Date have been fully exercised before close of the Offer)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
<b>Wong Concert Party Group</b>						
Target Success (Note 1)	1,200,958,799	39.23	1,200,958,799	45.01	1,200,958,799	43.03
Mr. Wong (Note 2)	37,300,000	1.22	37,300,000	1.40	37,300,000	1.34
Ms. Lin (Note 3)	9,160,382	0.30	9,160,382	0.34	9,160,382	0.33
Mr. Lin (Note 4)	<u>3,898,719</u>	<u>0.13</u>	<u>3,898,719</u>	<u>0.15</u>	<u>3,898,719</u>	<u>0.14</u>
<b>Sub-total</b>	<u>1,251,317,900</u>	<u>40.88</u>	<u>1,251,317,900</u>	<u>46.90</u>	<u>1,251,317,900</u>	<u>44.84</u>
<b>Undertaking Directors (apart from Mr. Lin) and Ms. Tang Yan</b>						
Mr. Lai Weide (Note 5)	6,002,000	0.20	6,002,000	0.22	26,002,000	0.93
Mr. Liu Tangzhi (Note 6)	7,884,675	0.26	7,884,675	0.30	17,884,675	0.64
Mr. Shi Chi (Note 7)	5,184,825	0.17	5,184,825	0.19	5,184,825	0.19
Ms. Tang Yan (Note 8)	5,446,466	0.18	5,446,466	0.20	5,446,466	0.20
Mr. Lam Shing Choi, Eric (Note 9)	2,000,000	0.07	2,000,000	0.07	4,000,000	0.14
Mr. Li Weibin (Note 10)	1,000,000	0.03	1,000,000	0.04	1,000,000	0.04
<b>Other Shareholders</b>	<u>1,782,093,554</u>	<u>58.22</u>	<u>1,389,293,554</u>	<u>52.07</u>	<u>1,479,891,554</u>	<u>53.03</u>
<b>Total</b>	<u>3,060,929,420</u>	<u>100.00</u>	<u>2,668,129,420</u>	<u>100.00</u>	<u>2,790,727,420</u>	<u>100.00</u>

*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.

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2. 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.
3. Ms. Lin is an executive Director. Ms. Lin is the spouse of Mr. Wong. Accordingly, Ms. Lin is deemed to be interested in such Shares held by Mr. Wong under the SFO.
4. Mr. Lin is an executive Director and the son of Mr. Wong and Ms. Lin.
5. Mr. Lai Weide is an executive Director and the Chairman of the Company. As at the Latest Practicable Date, Mr. Lai Weide also holds 20,000,000 Share Options.
6. Mr. Liu Tangzhi is an executive Director and the chief executive officer of the Company. As at the Latest Practicable Date, Mr. Liu Tangzhi also holds 10,000,000 Share Options.
7. Mr. Shi Chi is an executive Director. Mr. Shi Chi is interested in 10,631,291 Shares, which comprise 5,184,825 Shares held by himself and the deemed interests in 5,446,466 Shares held by his spouse Ms. Tang Yan.
8. Ms. Tang Yan is the spouse of Mr. Shi Chi.
9. Mr. Lam Shing Choi, Eric is an executive Director. As at Latest Practicable Date, Mr. Lam Shing Choi, Eric also holds 2,000,000 Share Options.
10. Mr. Li Weibin is an independent non-executive Director.
11. DBSAC is the financial adviser to the Company in respect of the Offer. Accordingly, DBSAC and relevant members of the DBS 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 Codes (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Codes). As at the Latest Practicable Date, DBSAC and relevant members of the DBS Group did not hold any Shares on a proprietary basis.

Assuming that (i) the Qualifying Shareholders will accept the Offer in full (and taking into account the fact that each of Mr. Wong and 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 (including Target Success, Ms. Lin and Ms. Tang Yan) not to, accept the Offer); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of close 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 close of the Offer.

As at the Latest Practicable Date, save as disclosed above, neither Mr. Wong, the Company nor parties acting in concert with 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.

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### REASONS FOR 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\$2.04 on the Last Trading Day as the reference date, the discounts to the Group's net asset value per Share of HK\$5.83 as at 31 December 2019 for the below periods are as follows:

- (a) on the Last Trading Day: 65.0%;
- (b) average discount to the Group's net asset value per Share as at 31 December 2019 based on the average closing price of the Shares of approximately HK\$1.83 as quoted on the Stock Exchange for the three months up to and including the Last Trading Day: 68.6%;
- (c) average discount to the Group's net asset value per Share as at 31 December 2019 based on the average closing price of the Shares of approximately HK\$1.98 as quoted on the Stock Exchange for the six months up to and including the Last Trading Day: 66.0%; and
- (d) average discount to the Group's net asset value per Share as at 31 December 2019 based on the average closing price of the Shares of approximately HK\$2.03 as quoted on the Stock Exchange for the twelve months up to and including the Last Trading Day: 65.2%.

The Directors 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 16 June 2020, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group, and that the Offer, if completed, is accretive to the net asset value per Share, thus benefiting all Shareholders including Accepting Shareholders who retain part of their Shares.

The 52.0% discount to the Group's net asset value per Share as at 31 December 2019 as implied by the Offer Price when compared to the historical discounts to the Group's net asset value per Share of HK\$5.83 as at 31 December 2019 as noted above under items (a) to (d) also represents an opportunity for the Shareholders to monetise their shareholding at a smaller discount to the Group's net asset value per Share as at 31 December 2019.



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### FINANCIAL EFFECTS OF THE OFFER

The unaudited pro forma financial information of the Group upon completion of the Offer, illustrating the financial impact of the Offer on the earnings per Share, net assets per Share, liabilities and working capital (expressed as net current assets) of the Group, is set out in Appendix III to this Offer Document.

#### Earnings per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 1 January 2019 and the Maximum Number had been bought-back, the basic earnings per Share for the year ended 31 December 2019 would, as a result, have increased by approximately 14.87% from RMB24.61 cents per Share to RMB28.27 cents per Share.

#### Net assets per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 31 December 2019 and the Maximum Number had been bought-back, the net assets per Share as at 31 December 2019 would, as a result, have increased by approximately 7.66% from RMB5.22 per Share to RMB5.62 per Share.

#### Liabilities

The Offer will be paid in cash and funded by internal resources of the Group. The liabilities as at 31 December 2019 would remain unchanged at approximately RMB29,395 million following completion of the Offer.

#### Working capital

The working capital (expressed as net current assets) as at 31 December 2019 would decrease by approximately 13.47% from approximately RMB7,388 million to RMB6,393 million.

The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer assuming full acceptance of the Offer.

Based on the above and having considered the manner of funding of the consideration for the Offer, the Company considers that completion of the Offer will have no material adverse effect on the Group's earnings per Share, net assets per Share, liabilities or working capital.

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### INFORMATION ON THE GROUP

The Group is principally engaged in manufacturing and selling smart TV systems, home access systems, smart white appliances, internet value-added services, property development and property holding.

### PROFIT ESTIMATE

Reference is made to the announcement dated 12 June 2020 issued by the Company in relation to the disposals of 90% equity interests in 廣州創維電子有限公司 (Guangzhou Skyworth Electronics Co., Ltd.) (“**Target A**”) and 廣州創維平面顯示科技有限公司 (Guangzhou Flat Display Technology Co., Ltd.) (“**Target B**”) respectively (the “**12 June Announcement**”). As set out in the 12 June Announcement, it is expected that the Company will record a gain of approximately RMB138.03 million and RMB584.50 million from the respective disposal of Target A and Target B, subject to audit. Subsequently, the disposal of Target A was completed on 23 June 2020, and the gain on disposal in the amount of approximately RMB138 million was recognized in the Group’s results for the six months ended 30 June 2020, subject to audit or review by the Company’s auditors (please also make reference to the announcement of the Company dated 15 July 2020 in relation to the positive profit alert of the Group’s results for the six months ended 30 June 2020 (the “**Positive Profit Alert Announcement**”)) (the expected gains of approximately RMB138 million and RMB584.50 million, together, the “**Estimated Gains**”). Reference is also made to the Positive Profit Alert Announcement in which the Company announced that based on a preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020, the Company is expected to record an increase in unaudited consolidated net profit for the six months ended 30 June 2020 of not less than 60% as compared to the six months ended 30 June 2019 (together with the Estimated Gains, the “**Profit Estimate**”).

The Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and shall be reported on by the Independent Financial Adviser and the Company’s auditor in accordance with the requirements under Rule 10 of the Takeovers Code. In this regard, the Profit Estimate has been reported on by the Independent Financial Adviser and Deloitte Touche Tohmatsu, the auditor of the Company, respectively. Deloitte Touche Tohmatsu is of the opinion that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2019. The Independent Financial Adviser is satisfied that the Profit Estimate has been made by the Directors with due care and consideration.

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Your attention is drawn to the respective letters from the reporting accountants and the Independent Financial Adviser on the Profit Estimate as set out in Appendix IV to this Offer Document.

### **BASES AND ASSUMPTIONS IN PREPARING THE PROFIT ESTIMATE**

The Directors prepared the Profit Estimate based on (i) the unaudited net asset value of Target A in the management accounts as at 23 June 2020 of approximately RMB490.80 million, (ii) the unaudited net asset value of Target B in the management accounts as at 31 May 2020 of approximately RMB243.27 million (after taking into account the segregation of assets and liabilities pursuant to the provisions of the relevant sale and purchase agreement), (iii) the consideration under the respective sale and purchase agreements, and (iv) the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020, which were prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2019. The Profit Estimate was compiled in accordance with the basis and assumptions including the following:

- (i) there were no material changes in existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC and the overseas countries where the Group carries out its operations;
- (ii) there were no material changes in legislation or regulations in Hong Kong, the PRC and overseas countries materially affecting the businesses carried on by the Group;
- (iii) there were no material changes in interest rates and exchange rates from those currently prevailing;
- (iv) there were no wars, military incidents, pandemic diseases (other than COVID-19), or natural disasters that would have a material impact on the Group's businesses and operating activities;
- (v) there were no material changes in the bases or rates of tax applicable to the activities of the Group or in the bases or rates of custom duties or levies in the territories in which the Group carries on businesses; and
- (vi) there were no exceptional nor unforeseeable circumstances that will require a material provision to be made by the Group in respect of any contingent liability, litigations, legal proceedings or arbitration threatened or otherwise, abnormal bad debts, incomplete contracts or other unexpected losses.

For further details, please refer to Appendix IV to this Offer Document.

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### FUTURE INTENTIONS ON THE GROUP

Completion of the Offer will not result in a change in Mr. Wong remaining as the controlling Shareholder or in the composition of the Board. Mr. Wong intends to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group nor conduct any redeployment of the fixed assets of the Group. Accordingly, there will be no material change to the existing businesses and employment of the existing employees of the Group as a result of the Offer.

Mr. Wong has informed the Company that his irrevocable undertakings are consistent with his belief in, and commitment to, the Group and its businesses. Mr. Wong has also informed the Company that it is his intention that, following completion of the Offer, the Group's businesses, management and the Board will remain unchanged. It is also his intention to maintain the Company's listing on the Stock Exchange.

The Company has no intention to rely on sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance (Cap. 622) or any comparable provisions of the company law in Bermuda in relation to the right of compulsory acquisition of Shares held by minority Shareholders after the Offer. The Company intends to continue to meet the public float requirement of Rule 8.08 of the Listing Rules.

### SPECIAL GENERAL MEETING

The Offer will be conditional upon, among other things, the passing of an ordinary resolution and a special resolution by way of poll to approve the Offer and the Whitewash Waiver, respectively, by the Independent Shareholders, either voting in person or by proxy, at the SGM.

The Wong Concert Party Group will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM. As the Offer is being made on behalf of the Company, (i) the Undertaking Directors, and (ii) Ms. Tang Yan, the spouse of Mr. Shi Chi (a Director), who holds interests in Shares, will also abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver at the SGM.

As at the Latest Practicable Date, 34 directors of subsidiaries of the Company held an aggregate of 12,695,244 Shares. These directors are Independent Shareholders and can vote on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the SGM.

Pursuant to the trust deed of the Company's share award scheme adopted on 24 June 2014 (the "**Share Award Scheme**"), the trustee of the Share Award Scheme shall not exercise the voting rights attached to the Shares held by it. As at the Latest Practicable Date, the trustee of the Share Award Scheme held 20,954,601 Shares, which will not be voted on at the SGM.

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The SGM will be convened at 26/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong at 10:00 a.m. on Wednesday, 19 August 2020 for considering and, if thought fit, approving the resolutions in respect of the Offer and the Whitewash Waiver.

A notice convening the SGM is set out on pages SGM-1 to SGM-4 of this Offer Document and a form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar not later than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof (as the case may be). Such form of proxy for use at the SGM is also published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.skyworth.com](http://www.skyworth.com)). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjournment or postponement thereof (as the case may be) in person should you so wish.

The Independent Board Committee, comprising all the independent non-executive Directors who have no interest in the Offer or 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. Caitong International Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, whether they are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting.

**Independent Shareholders should note that their decisions on how to vote on the resolutions to be proposed at the SGM to approve the Offer and the Whitewash Waiver shall not affect their decisions on whether to accept the Offer or not. Even if they vote in favour of or against the resolutions to be proposed at the SGM, they are free nonetheless to accept or not to accept the Offer.**

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 31 to 32 of this Offer Document and to the letter from the Independent Financial Adviser as set out on pages 33 to 65 of this Offer Document. The latter contains, among other things, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice.

Taking into account the letter from the Independent Board Committee and all other factors as stated under the section headed “*Reasons for the Offer*” above as a whole, the Board is of the opinion that the terms of the Offer and the Whitewash Waiver are on balance fair and reasonable so far as the Independent Shareholders are concerned. The Board therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM approving the Offer and the Whitewash Waiver.

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## LETTER FROM THE BOARD

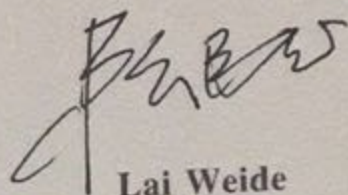
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### FURTHER INFORMATION

Your attention is also drawn to the terms of the Offer as set out in the letter from DBSAC on pages 21 to 30 and in Appendix I to this Offer Document, the financial information of the Group as set out in Appendix II to this Offer Document, the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, the respective letters from the reporting accountants and the Independent Financial Adviser on the Profit Estimate as set out in Appendix IV to this Offer Document, the property valuation report as set out in Appendix V to this Offer Document and the general information as set out in Appendix VI to this Offer Document.

**Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled and, therefore, may or may not become unconditional. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.**

Yours faithfully,  
For and on behalf of the Board  
**Skyworth Group Limited**

A handwritten signature in black ink, appearing to read 'Lai Weide', written in a cursive style.

**Lai Weide**  
*Chairman of the Board*