
LETTER FROM DBSAC



27 July 2020

To the Shareholders

Dear Sir or Madam,

**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
AND
APPLICATION FOR WHITEWASH WAIVER**

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. The Offer will be made in full compliance with the Codes. The Qualifying Shareholders may accept the Offer by lodging the Form of Acceptance for the sale of their Shares to the Company at the Offer Price of HK\$2.80 per Share.

The Shares to be bought-back by the Company will not exceed the Maximum Number. There is no minimum number of Shares proposed to be bought-back under the Offer. This letter sets out the details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

THE OFFER

The Offer is being made by DBSAC on behalf of the Company subject to fulfilment of the Conditions to buy-back the Shares on the following basis up to the Maximum Number, being 392,800,000 Shares:

For every Share HK\$2.80 in cash

All Qualifying Shareholders are entitled to accept the Offer by submitting Form of Acceptance for the sale of any number of their Shares to the Company on the basis of which is set out under the section headed “*Other Terms of the Offer*” below.

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The salient terms of the Offer are as follows:

- (a) DBSAC 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) Qualifying 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 DBSAC 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.

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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.

As at the Latest Practicable Date, save for the outstanding Share Options and the 3,060,929,420 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

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;
- 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).

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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.

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
- (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.

The Offer is subject to all of the Conditions being fulfilled. If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer and the Whitewash Waiver is not approved by the Independent Shareholders, the Offer will immediately lapse.

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

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.

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

Tenders duly received 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.

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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 HK\$1.00 for every HK\$1,000 or part thereof 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. All Shares bought-back under the Offer will be cancelled.

OTHER TERMS OF THE OFFER

Qualifying 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 = 392,800,000, 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 Accepting Shareholders.

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As at the Latest Practicable Date, neither the Company nor parties acting in concert with it has 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.

OVERSEAS SHAREHOLDERS

Based on the Register, as at the Latest Practicable Date, there were no Overseas Shareholders with registered addresses outside Hong Kong. Accordingly, there were no Excluded Shareholders as at the Latest Practicable Date.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy itself, 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 Overseas Shareholder shall be deemed to constitute a representation and warranty from such Overseas Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC will give, or be subject to, any of the above representation and warranty. Overseas Shareholders should consult their professional advisers if in doubt.

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PROCEDURES FOR ACCEPTANCE

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms and conditions of the Offer).

In order to be valid, the completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "**Skyworth Group Limited – Buy-back Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 2 September 2020, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

Unless the Offer is extended or revised in accordance with the Takeovers Code, no Form of Acceptance received after the Latest Acceptance Time will be accepted.

If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be accepted from each Qualifying Shareholder by the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional.

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. Qualifying Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares. Matching services will be provided with details as set out in "Appendix I – Terms of the Offer – 7. Odd Lots".

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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 regards to the Offer.

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.**

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Form of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, DBSAC, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

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SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant Title Documents are received by the Registrar by not later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of its/his/her Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction for the seller's ad valorem stamp duty due on the buy-back of the Shares as disclosed in the section headed "*Conditions of the Offer*" above, as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) following the close of the Offer.

If the Shares of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to it/him/her by ordinary post at its/his/her own risk, as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) following the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where any Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, DBSAC, the Independent Financial Adviser, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptances of the Offer.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held 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, 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.

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GENERAL

Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the advice from Caitong International Capital contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices of this Offer Document which form part of this Offer Document.

Yours faithfully,
For and on behalf of
DBS Asia Capital Limited

A handwritten signature in black ink, appearing to read 'Wei Mun Yip', written over a horizontal line that extends to the left and curves downwards.

Wei Mun Yip
Managing Director