SKYWORTH

SKYWORTH GROUP LIMITED
創維集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00751)

DISCLOSEABLE TRANSACTION
DISPOSAL OF EQUITY INTEREST IN SUBSIDIARIES

THE DISPOSAL

The Board is pleased to announce that on 12 June 2020, the Vendors, both being indirect wholly-owned subsidiaries of the Company, entered into the respective Agreements with the Purchaser, pursuant to which each of the Vendors has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, which represents 90% of the equity interest in each of the Targets, at an aggregate cash consideration of RMB1,321.2 million.

The Targets are indirectly wholly-owned by the Vendors as at the date of this announcement. Upon Completion, both Targets will cease to be an indirect subsidiary of the Company and the Company will retain an indirect 10% equity interest in each of the Targets.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal underlying the Agreements (on an aggregated basis) is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

THE DISPOSAL

The Board is pleased to announce that on 12 June 2020, the Vendors, both being indirect wholly-owned subsidiaries of the Company, entered into the respective Agreements with the Purchaser, pursuant to which each of the Vendors has conditionally agreed to sell, and the Purchaser as conditionally agreed to acquire, (i) Sale Shares A in Target A at a cash consideration of RMB574.2 million, and (ii) Sale Shares B in Target B at a cash consideration of RMB747 million. The Targets are indirectly wholly-owned by the respective Vendors as at the date of this announcement.

The principal terms of the Agreements are set out as follows:

Date:	12 June 2020
Vendors:	(i) under Agreement A, 創維集團建設發展有限公司 (Skyworth Group Construction Development Co. Ltd.*), an indirect wholly-owned subsidiary of the Company. (ii) under Agreement B, 深圳創維-RGB 電子有限公司 (Shenzhen Chuangwei-RGB Electronics Co., Ltd.*), an indirect wholly-owned subsidiary of the Company.
Purchaser:	科學城(廣州)投資集團有限公司 (Science City (Guangzhou) Investment Group Co. Ltd.*), a company established under the laws of the PRC which is wholly-owned by 廣州經濟技術開發區管理委員會 (Guangzhou Hi-Tech Industry Development Zone Administration Committee*), an organization under the PRC government. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are Independent Third Parties.
Target:	(i) 90% equity interest in 廣州創維電子有限公司 (Guangzhou Skyworth Electronics Co., Ltd.*), a company established under the laws of the PRC. (ii) 90% equity interest in 廣州創維平面顯示科技有限公司 (Guangzhou Flat Display Technology Co., Ltd.*), a company established under the laws of the PRC. Upon Completion of the Agreements, both Targets will cease to be indirect subsidiaries of the Company and the Vendors will each retain an indirect 10% equity interest in the respective Targets. The audited net asset value of Target A and Target B as at 31 December 2019 amounted to approximately RMB341.94 million and RMB1,497.97 million, respectively.

The audited net loss before and after taxation of Target A for the years ended 31 December 2018 and 31 December 2019 are as follows:-

	Financial year ended	
	31 December 2019 *Approx. RMB million*	31 December 2018 *Approx. RMB million*
Net loss before taxation	2.73	1.65
Net loss after taxation	2.73	1.65

The audited net profit before and after taxation of Target B for the years ended 31 December 2018 and 31 December 2019 are as follows:-

	Financial year ended	
	31 December 2019 *Approx. RMB million*	31 December 2018 *Approx. RMB million*
Net profit before taxation	39.50	89.98
Net profit after taxation	38.10	76.12

Conditions precedent:

Agreement A

Completion of the transaction under Agreement A (i.e. the date on which the relevant administration for industry and commerce in the PRC completes registration of the Purchaser as a 90% shareholder of Target A) is subject to Target A having, as at Completion, no other asset or liabilities other than those specified under Agreement A, being primarily cash and cash equivalents, intangible assets, construction in progress (including Property A), inventory, as well as other assets and liabilities such as payables and receivables.

The application for change in shareholders in Target A is expected to be made on or before 30 June 2020.

Agreement B

Completion of the transaction under Agreement B (i.e. the date on which the relevant administration for industry and commerce in the PRC completes registration of the Purchaser as a 90% shareholder of Target B) is subject to (i) Target B having segregated all its assets and liabilities other than those agreed to be retained (which primarily comprises cash and cash equivalents, Property B and the related land use rights) under Agreement B, which segregation is agreed to be undertaken on or before 30 October 2020, and (ii) a special audit against Target B being conducted and the results of the aforesaid segregation having been confirmed by Vendor B and the Purchaser in writing. The net book value of the assets and liabilities to be segregated from Target B prior to Completion pursuant to Agreement B is expected to amount to approximately RMB1,269.58 million.

The application for change in shareholders in Target B is required to be filed within 10 business days after payment of the second instalment of the Consideration (please see below section headed "Consideration" for detail) upon completion of the special audit as aforesaid.

Consideration:

The Consideration of RMB574.2 million under Agreement A is to be paid in cash in stages as follows:-

(i) RMB114.84 million is payable by the Purchaser within 5 business days after execution of Agreement A by all parties;

(ii) RMB178.002 million is payable by the Purchaser on or before 30 June 2020;

(iii) RMB57.42 million is payable by the Purchaser within 10 business days of the transfer by Vendor A/Target A to the Purchaser of documents and records of Target A, which in turn is required to take place within 5 business days of the date of Completion (being the date on which the relevant administration for industry and commerce in the PRC completes registration of the Purchaser as a 90% shareholder of Target A);

(iv) RMB57.42 million is payable by the Purchaser within 10 business days of the filing of completion inspection report in respect of the construction in progress on Property A; and

(v) RMB166.518 million, being the balance of the Consideration underlying Agreement A, is payable by the Purchaser within 10 business days after completion and delivery of the constructed buildings on Property A.

The Consideration of RMB747.0 million under Agreement B is to be paid in cash in stages as follows:

(i) RMB74.70 million is payable by the Purchaser within 10 business days after execution of Agreement B by all parties;

(ii) RMB74.70 million is payable by the Purchaser within 10 business days after Vendor B and the Purchaser's written confirmation in respect of the segregation by Target B of assets and liabilities as provided for under Agreement B;

(iii) RMB112.05 million is payable by the Purchaser within 10 business days after the date of Completion (being the date on which the relevant administration for industry and commerce in the PRC completes registration of the Purchaser as a 90% shareholder of Target B);

(iv) RMB119.52 million is payable by the Purchaser within 10 business days of the transfer by Vendor B to the Purchaser of documents and records of Target B, which in turn is required to take place within 5 business days of the date of Completion;

(v) RMB74.70 million is payable by the Purchaser within 10 business days of completion of land inspection work in respect of Property B, which is required to take place on or before 1 June 2021; and

(vi) the balance of the Consideration, being RMB291.33 million, after deducting the cost of any repair work required upon the land inspection referred to in paragraph (v) above, is payable by the Purchaser within 10 business days of vacation of the buildings on Property B, which is required to take place by 30 August 2021.

The Consideration underlying the respective Agreements has been negotiated between the Vendors and the Purchaser on an arm's length basis and primarily by reference to the net asset value of the Targets as at 31 December 2019, and taking also into account the respective assets and liabilities to be segregated pursuant to the Agreements.

Security: As security for the respective Vendors' obligations under the Agreements, each of Property A and Property B will be pledged by Vendor A and Vendor B in favour of the Purchaser, respectively, within 3 business days and 10 business days after the relevant Agreement has been signed by the parties thereto.

Apart from the pledge in respect of the Properties referred to above, the Vendors' obligations under the Agreement will also be guaranteed by the Guarantor by way of a separate corporate guarantee.

INFORMATION ON THE PURCHASER

The Purchaser, namely 科學城(廣州)投資集團有限公司 (Science City (Guangzhou) Investment Group Co. Ltd.*), is a company established under the laws of the PRC which is wholly-owned by 廣州經濟技術開發區管理委員會 (Guangzhou Hi-Tech Industry Development Zone Administration Committee*), an organization of the PRC government.

According to information available to the Company, the Purchaser is principally engaged in the provision of services in project investments and construction and infrastructure**.**

FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, the Targets will cease to be accounted for as subsidiaries of the Company, and their respective financial results will no longer be consolidated into the financial statements of the Group. Based on (i) the carrying value of Target A in the Company's consolidated management accounts as at 31 May 2020 of approximately RMB490.73 million, and (ii) the carrying value of Target B of approximately RMB243.27 million in the Company's consolidated management accounts as at 31 May 2020 (after taking into account the segregation of assets and liabilities pursuant to the provisions of Agreement B) respectively, and (iii) the amount of Consideration under the respective Agreements, it is expected that the Company will record a gain of approximately RMB138.03 million and RMB584.50 million in respect of the respective Disposal of Target A and Target B, subject to audit. The net proceeds from the Disposal are expected to be approximately RMB1,306.77 million in the aggregate, which are expected to be applied towards funding the Group's other investments in its ordinary course of business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company and the Guarantor are investment holding companies. Vendor A is principally engaged in provision of management and consultation services in construction projects and interior / exterior fitting-out projects. Vendor B is principally engaged in manufacture and sales of consumer products. The Group is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding.

The Disposal of both Targets represents a replacement of the outmoded production bases with new intelligent manufacturing production bases, promoting the upgrading of intelligent manufacturing and optimizing the structure of asset, a realization of the Group's investments in the Targets and the proceeds generated therefrom can enhance the Group's liquidity position and provide funding for the Group's other investments. Taking into account the expected gain on Disposal to be recorded, and the liquidity that the Disposal provides, the Directors are of the view that the Disposal is in the interests of the Company and its shareholders as a whole, and the terms of the respective Agreements are fair and reasonable.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal underlying the Agreements (on an aggregated basis) is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

"Agreements"	Agreement A and Agreement B
"Agreement A"	the sale and purchase agreement dated 12 June 2020 entered into between Vendor A and the Purchaser in respect of the sale and purchase of Sale Shares A
"Agreement B"	the sale and purchase agreement dated 12 June 2020 entered into between Vendor B and the Purchaser in respect of the sale and purchase of Sale Shares B
"Board"	the board of Directors
"Company"	Skyworth Group Limited, a company incorporated in Bermuda with limited liability and the ordinary shares of which are listed on the main board of the Stock Exchange under stock code: 00751
"Completion"	completion of the Disposal in respect of Target A and/or Target B pursuant to the terms and conditions of the relevant Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Conditions"	the conditions precedent to the effectiveness of each of the Agreements
"Consideration"	the consideration for the sale and purchase of the Sale Shares pursuant to the terms of the respective Agreements
"Directors"	the directors of the Company
"Disposal"	the disposal by the Vendors of the respective Sale Shares in each of the Targets as contemplated under the respective Agreement
"Group"	the Company and its subsidiaries
"Guarantor"	創維集團有限公司(Chuangwei Group Co., Ltd.*), an indirect wholly-owned subsidiary of the Company established under the laws of the PRC and is the guarantor in respect of the Vendors' obligations under each of the Agreements
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a person who is independent from the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"PRC"	the People's Republic of China
"Properties"	Property A and Property B
"Property A"	the land parcel situated at 中國廣州科學城開創大道以南、開達路以西 (South of Kaichuang Avenue and West of Kaida Road, Guangzhou Science City, the PRC*) with lot number KXC-K1-0 (the property is for commercial purpose), and the buildings thereon, with a total site area of approximately 10,829 sq.m., which are construction-in-progress as at the date of this announcement
"Property B"	the land parcel situated at 中國廣州開發區開達路 99 號 (No. 99 Kaida Road, Guangzhou City Development Zone, the PRC*) with lot number KXC-K1-3, and the buildings thereon, with a total site area of approximately 172,404 sq.m., which are being used by Target B as manufacturing, product development and office premises (an outmoded production base) as at the date of this announcement and to be vacated pursuant to the provisions under Agreement B
"Purchaser"	科學城(廣州)投資集團有限公司 (Science City (Guangzhou) Investment Group Co. Ltd.*), a company established under the laws of the PRC and is an Independent Third Party
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	Sale Shares A and Sale Shares B
"Sale Shares A"	90% equity interest in Target A that forms the subject of the transactions underlying Agreement A
"Sale Shares B"	90% equity interest in Target B that forms the subject of the transactions underlying Agreement B
"sq. m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Targets"	Target A and Target B
"Target A"	廣州創維電子有限公司 (Guangzhou Skyworth Electronics Co., Ltd.*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
"Target B"	廣州創維平面顯示科技有限公司 (Guangzhou Flat Display Technology Co., Ltd.*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Vendors”	Vendor A and Vendor B
“Vendor A”	創維集團建設發展有限公司 (Skyworth Group Construction Development Co. Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Vendor B”	深圳創維-RGB 電子有限公司 (Shenzhen Chuangwei-RGB Electronics Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Skyworth Group Limited
Lai Weide
Chairman of the Board

Hong Kong, 12 June 2020

As at the date of this notice, the Board comprises Mr. Lai Weide as the Chairman of the Board, Mr. Liu Tangzhi as executive Director and the chief executive officer, Ms. Lin Wei Ping, Mr. Shi Chi, Mr. Lin Jin and Mr. Lam Shing Choi, Eric as executive Directors; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement as independent non-executive Directors.

* *for identification purposes only*