

SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00751)

Executive Directors:

Mr. Lin Jin (*Chairman of the Board*)
Mr. Shi Chi (*Chief Executive Officer*)
Ms. Lin Wei Ping
Mr. Wu Qinan
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

28 April 2025

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL CASH OFFER BY
CLSA LIMITED ON BEHALF OF
SKYWORTH GROUP LIMITED
TO BUY-BACK UP TO 350,000,000 SHARES
AT HK\$3.11 PER SHARE
AND
(2) NOTICE OF SGM**

INTRODUCTION

On 27 March 2025, the Board announced that the Offer would be made by CLSA Limited on behalf of the Company to buy-back for cancellation, subject to the Condition, up to the Maximum Number, being 350,000,000 Shares, representing approximately 15.67% of the issued Shares as at the Latest Practicable Date, at the Offer Price of HK\$3.11 per Share.

The purpose of this Offer Document is to provide you with, among other things, (i) information relating to the Offer; (ii) a letter from the Independent Board Committee containing its recommendation to the Shareholders in respect of the Offer; (iii) a letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee as to whether the Offer is 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 CLSA Limited on behalf of the Company at the price of HK\$3.11 per Share will not exceed the Maximum Number, being 350,000,000 Shares, representing approximately 15.67% 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\$3.11 per Share valued the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$6,945.5 million.

The Offer Price represents:

- a premium of approximately 7.24% over the closing price of the Shares of HK\$2.90 as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 15.19% over the closing price of the Shares of HK\$2.7000 as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 15.79% over the average closing price of the Shares of approximately HK\$2.6860 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- a premium of approximately 14.89% over the average closing price of the Shares of approximately HK\$2.7070 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- a premium of approximately 15.97% over the average closing price of the Shares of approximately HK\$2.6817 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

- a discount of approximately 64.73% to the Group's net asset value attributable to the Shareholders of approximately HK\$8.8187 per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2024, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB18,238 million (based on the exchange rate of HK\$1:RMB0.92604, the central parity rate published by the People's Bank of China on its website as at 31 December 2024 for illustrative purposes) as at 31 December 2024 and Shares in issue as at the Latest Practicable Date; and
- a discount of approximately 62.48% to the unaudited adjusted consolidated net asset value per Share attributable to the Shareholders in the Company of approximately HK\$8.29, after taking into account of the property valuation report set out in Appendix IV to this Offer Document, based on the total number of issued Shares as at the Latest Practicable Date.

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 for 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 approximately HK\$1,088.5 million in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group.

CITICS HK, being the exclusive financial adviser to the Company, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full in accordance with the terms of the Offer stated in this Offer Document.

CONDITION OF THE OFFER

The Offer will be conditional upon the approval by more than 50% of the votes cast by the Shareholders by way of a poll having been obtained at the SGM in respect of the Offer.

The Condition cannot be waived.

The Offer is subject to the Condition being fulfilled in full. If the resolution to approve the Offer is not passed by the Shareholders, the Offer will not proceed and will immediately lapse.

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 55.86% 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 (being the spouse of Mr. Wong) 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, Ms. Qu Wanfei (being the spouse of Mr. Lin, a Director) and Ms. Tang Yan (being the spouse of Mr. Shi Chi, a Director) are interested in an aggregate of 57,384,719 Shares (representing approximately 2.57% 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 (namely Target Success) not to, accept the Offer. Further, each of the Undertaking Directors, Ms. Qu Wanfei 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.

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 to accept or reject the Offer.

As at the Latest Practicable Date, the trustee of the Share Award Schemes held an aggregate of 3,556,000 Shares (representing approximately 0.16% of the issued Shares as at the Latest Practicable Date), amongst which (i) 500,000 Shares are held for the 2020 Share Award Scheme to be used to satisfy the share awards granted to employee of the Group, and (ii) 3,056,000 Shares are held for the 2024 Share Award Scheme to be used to satisfy the share awards to be granted to employees of the Group. Under the scheme rules of the Share Award Schemes, the trustee shall not exercise the voting rights in respect of any Shares held under the Share Award Schemes. Accordingly, such 3,556,000 Shares shall not be voted at the SGM. In accordance with the scheme rules of the Share Award Schemes, the Board has instructed the trustee of the Share Award Schemes not to accept the Offer.

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the Company's existing shareholding structure and the shareholding structure immediately after completion 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, Ms. Qu Wanfei 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 completion of the Offer:

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Offer	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Wong Concert Party Group				
Target Success (<i>Note 1</i>)	1,200,958,799	53.78	1,200,958,799	63.77
Mr. Wong (<i>Note 2</i>)	37,300,000	1.67	37,300,000	1.98
Ms. Lin (<i>Note 3</i>)	9,160,382	0.41	9,160,382	0.49
Mr. Lin (<i>Note 4</i>)	3,898,719	0.17	3,898,719	0.21
Ms. Qu Wanfei (<i>Note 5</i>)	<u>150,000</u>	<u>0.01</u>	<u>150,000</u>	<u>0.01</u>
Sub-total	<u>1,251,467,900</u>	<u>56.04</u>	<u>1,251,467,900</u>	<u>66.45</u>
Undertaking Directors (apart from Mr. Lin) and Ms. Tang Yan				
Mr. Shi Chi (<i>Note 6</i>)	26,000,000	1.16	26,000,000	1.38
Ms. Tang Yan (<i>Note 7</i>)	20,336,000	0.91	20,336,000	1.08
Mr. Lam Shing Choi, Eric (<i>Note 8</i>)	3,000,000	0.13	3,000,000	0.16
Mr. Wu Qinan (<i>Note 9</i>)	3,000,000	0.13	3,000,000	0.16
Mr. Li Weibin (<i>Note 10</i>)	<u>1,000,000</u>	<u>0.04</u>	<u>1,000,000</u>	<u>0.05</u>
Sub-total	<u>53,336,000</u>	<u>2.39</u>	<u>53,336,000</u>	<u>2.83</u>
Trustee of the 2020 Share Award Scheme	500,000	0.02	500,000	0.03
Trustee of the 2024 Share Award Scheme	<u>3,056,000</u>	<u>0.14</u>	<u>3,056,000</u>	<u>0.16</u>
Company and its concert parties (<i>Note 11</i>)	1,307,359,900	58.54	1,307,359,900	69.42
Independent Shareholders	<u>924,907,520</u>	<u>41.41</u>	<u>574,907,520</u>	<u>30.53</u>
Total	<u><u>2,233,267,420</u></u>	<u><u>100.00</u></u>	<u><u>1,883,267,420</u></u>	<u><u>100.00</u></u>

Notes:

1. 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.
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 of the Company and the spouse of Mr. Wong. Accordingly, Ms. Lin is deemed to be interested in such Shares held by Mr. Wong under the SFO. As at the Latest Practicable Date, Ms. Lin has also been granted share awards in relation to 3,000,000 Shares under the 2024 Share Award Scheme.
4. Mr. Lin is an executive Director of the Company and the son of Mr. Wong and Ms. Lin. As at the Latest Practicable Date, Mr. Lin has also been granted share awards in relation to 12,000,000 Shares under the 2024 Share Award Scheme.
5. Ms. Qu Wanfei is the spouse of Mr. Lin, who holds 150,000 Shares as at the Latest Practicable Date. As such, Mr. Lin is deemed to be interested in such 150,000 Shares held by Ms. Qu Wanfei.
6. Mr. Shi Chi is an executive Director and the Chief Executive Officer of the Company. As at the Latest Practicable Date, Mr. Shi Chi has also been granted share awards in relation to 20,000,000 Shares under the 2024 Share Award Scheme.
7. Ms. Tang Yan is the spouse of Mr. Shi Chi, who holds 20,336,000 Shares as at the Latest Practicable Date. As such, Mr. Shi Chi is deemed to be interested in such 20,336,000 Shares held by Ms. Tang Yan.
8. Mr. Lam Shing Choi, Eric is an executive Director of the Company. As at the Latest Practicable Date, Mr. Lam Shing Choi, Eric has also been granted (i) share awards in relation to 500,000 Shares under the 2020 Share Award Scheme and (ii) share awards in relation to 3,000,000 Shares under the 2024 Share Award Scheme.
9. Mr. Wu Qinan is an executive Director of the Company. As at the Latest Practicable Date, Mr. Wu Qinan has also been granted share awards in relation to 3,000,000 Shares under the 2024 Share Award Scheme.
10. Mr. Li Weibin is an independent non-executive Director of the Company.
11. Concert parties of the Company comprise the Wong Concert Party Group, the Undertaking Directors (other than Mr. Li Weibin, who is an independent non-executive Director), Ms. Tang Yan, trustee of the Share Award Schemes and CITICS HK. CITICS HK is the exclusive financial adviser to the Company in respect of the Offer. Accordingly, CITICS HK and relevant members of the CITICS 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 or Shares held on behalf of non-discretionary investment clients of other parts of the CITICS Group). As at the Latest Practicable Date, CITICS HK and relevant members of the CITICS Group (excluding entities of the CITICS Group that are exempt principal traders or exempt fund managers) did not hold any Shares on a proprietary basis.
12. Numbers may not add up to 100% due to rounding.

Assuming that (i) 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, Ms. Qu Wanfei 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 completion 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 completion of the Offer.

As at the Latest Practicable Date, save as disclosed above, none of the Directors (i) have any interest in the Shares; or (ii) own or control any Shares or any options, warrants, derivatives or securities convertible into Shares.

REASONS FOR THE OFFER

The price of the Shares has historically been traded at a significant discount to the Group's net asset value attributable to the Shareholders per Share. Taking the closing price of the Shares of HK\$2.7000 on the Last Trading Day as the reference date, the discounts to the Group's net asset value attributable to the Shareholders per Share of HK\$8.8187 as at 31 December 2024 for the below periods are as follows:

- (a) on the Latest Practicable Date: 67.12%;
- (b) on the Last Trading Day: 69.38%;
- (c) average discount to the Group's net asset value attributable to the Shareholders per Share as at 31 December 2024 based on the average closing price of the Shares of approximately HK\$2.7463 as quoted on the Stock Exchange for the three months up to and including the Last Trading Day: 68.86%;
- (d) average discount to the Group's net asset value attributable to the Shareholders per Share as at 31 December 2024 based on the average closing price of the Shares of approximately HK\$2.9414 as quoted on the Stock Exchange for the six months up to and including the Last Trading Day: 66.65%; and
- (e) average discount to the Group's net asset value attributable to the Shareholders per Share as at 31 December 2024 based on the average closing price of the Shares of approximately HK\$2.9507 as quoted on the Stock Exchange for the twelve months up to and including the Last Trading Day: 66.54%.

The Directors (other than members of the Independent Board Committee who have expressed their view in the letter from the Independent Board Committee set out in this Offer Document) believe that the Offer provides an opportunity for the Shareholders to realise part of their investments in the Company at a premium over recent market prices, in particular, where a reference is made to the closing price of the Shares on 27 March 2025, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group.

The 64.73% discount to the Group's net asset value attributable to the Shareholders per Share as at 31 December 2024 as implied by the Offer Price when compared to the historical discounts to the Group's net asset value attributable to the Shareholders per Share of HK\$8.8187 as at 31 December 2024 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 attributable to the Shareholders per Share as at 31 December 2024.

INFORMATION ON THE GROUP

The Group is principally engaged in manufacture and sales of smart TV, home access systems, photovoltaic products, smart white appliances, intelligent manufacturing, internet value-added services, property development, property holding, modern services and trading of other products.

FUTURE INTENTIONS ON THE GROUP

The business and management of the Group will remain unchanged and the Company's listing on the Stock Exchange will be maintained upon completion of the Offer. It is intended that no major changes will be introduced to the businesses of the Group and the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer.

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.

FINANCIAL EFFECTS OF THE OFFER

Pursuant to Schedule III to the Takeovers Code, the financial effects of the Offer are set out below, and 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 2024 and the Maximum Number had been bought-back under the Offer, the basic earnings per Share for the year ended 31 December 2024 would, as a result, have increased by approximately 17.89% from RMB24.59 cents per Share to RMB28.99 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 2024 and the Maximum Number had been bought-back under the Offer, the net assets per Share as at 31 December 2024 would, as a result, have increased by approximately 12.00% from RMB8.16 per Share to RMB9.14 per Share.

Liabilities

The Offer will be paid in cash and funded by internal resources of the Group. The liabilities as at 31 December 2024 would remain unchanged at approximately RMB46,870 million following completion of the Offer.

Working capital

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming full acceptance of the Offer was completed on 31 December 2024 and the Maximum Number had been bought-back under the Offer, the working capital (expressed as net current assets) of the Group as at 31 December 2024 would decrease by approximately 8.16% from approximately RMB12,388 million to RMB11,377 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.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Company intends to remain listed on the Stock Exchange. The Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

For the avoidance of doubt, as disclosed in the section headed “*Changes in Shareholding Structure*” above, assuming that (i) 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, Ms. Qu Wanfei 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 completion 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 completion of the Offer.

CODES IMPLICATIONS AND SGM

Based on the Maximum Number of Shares subject to the Offer and taking into account the Irrevocable Undertakings, it is expected that full acceptance of the Offer will not result in change in control of the Company and will not result in acquisition of voting rights by any Shareholder that gives rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

The Offer constitutes a share buy-back by general offer by the Company pursuant to the Share Buy-backs Code. A share buy-back by general offer must be approved by a majority of the votes cast by shareholders in attendance in person or by proxy at a general meeting of the shareholders duly convened and held to consider the proposed share buy-back.

The Offer will be conditional upon the passing of an ordinary resolution by way of poll to approve the Offer by the Shareholders, either voting in person or by proxy, at the SGM. Since there is no Shareholder who has a material interest in the Offer which is different from the interest of the other Shareholders, no Shareholder is required to abstain from voting at the SGM.

Pursuant to the scheme rules of the Share Award Schemes, the trustee shall not exercise the voting rights attached to the Shares held by it, and accordingly, the trustee shall not vote at the SGM. As at the Latest Practicable Date, the trustee of the Share Award Schemes held an aggregate of 3,556,000 Shares (representing approximately 0.16% of the issued Shares as at the Latest Practicable Date), amongst which (i) 500,000 Shares are held for the 2020 Share Award Scheme to be used to satisfy the share awards granted to employee of the Group, and (ii) 3,056,000 Shares are held for the 2024 Share Award Scheme to be used to satisfy the share awards to be granted to employees of the Group.

The SGM will be convened at 5/F, United Centre, 95 Queensway, Admiralty, Hong Kong at 11:00 a.m. on Friday, 23 May 2025 for considering and, if thought fit, approving the resolution in respect of the Offer.

A notice convening the SGM is set out on pages SGM-1 to SGM-2 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) and the Company (<http://investor.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 other than as a Shareholder, has been formed to advise the Shareholders in respect of the Offer. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the Offer is fair and reasonable so far as the Shareholders are concerned, whether they are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting.

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 26 to 27 of this Offer Document and to the letter from Somerley as set out on pages 28 to 63 of this Offer Document. The latter contains, among other things, the advice of Somerley to the Independent Board Committee in respect of the Offer 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 (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee as set out on pages 26 to 27 of this Offer Document) is of the opinion that although the Offer is not in the ordinary and usual course of the business of the Group, the Offer is fair and reasonable and in the interest of the Shareholders as a whole. The Board (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee as set out on pages 26 to 27 of this Offer Document) therefore recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM approving the Offer.

FURTHER INFORMATION

Your attention is also drawn to the terms of the Offer as set out in the letter from CLSA Limited on pages 18 to 25 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 property valuation report as set out in Appendix IV to this Offer Document and the general information as set out in Appendix V to this Offer Document.

Shareholders and potential investors should note that the Offer is subject to the Condition 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,

A handwritten signature in black ink, appearing to be 'Shi Chi', with a stylized, cursive script.

For and on behalf of the Board
Skyworth Group Limited
Shi Chi
Chief Executive Officer