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SKYWORTH

SKYWORTH GROUP LIMITED

創維集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00751)

CONTINUING CONNECTED TRANSACTION FINANCIAL ASSISTANCE UNDER LEASEBACK AGREEMENTS

THE LEASEBACK AGREEMENTS

The Board announces that on 8 June 2022, Shenzhen Chuangwei Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leaseback Agreements with the respective Lessees, pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in favour of the respective Lessees at an aggregate initial sale price of RMB60,000,000 (equivalent to approximately HK\$70,800,000).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wong is a controlling shareholder of the Company as he is interested in approximately 47.5% of all the issued Shares in the Company. The equity interests of Nanjing Golden Dragon Bus, Nanjing Chuangyuan Energy, Huhehaote Skywell and Wuhan Skywell are indirectly held by Mr. Wong as to approximately 63.35%, 71.99%, 71.99% and 71.99% respectively, and each of the Lessees is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Leaseback Agreements and the transactions contemplated thereunder, being financial assistance provided by Shenzhen Chuangwei Financial Leasing in favour of the Lessees, constitute continuing connected transactions of the Company.

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of all the transactions contemplated under all the Leaseback Agreements, when aggregated with the transactions contemplated under the Previous Leaseback Agreements, exceed 0.1% but are less than 5%, the Leaseback Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 8 June 2022, Shenzhen Chuangwei Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Leaseback Agreements with the respective Lessees, pursuant to which Shenzhen Chuangwei Financial Leasing has agreed to provide sale and leaseback services in favour of the respective Lessees at an aggregate initial sale price of RMB60,000,000 (equivalent to approximately HK\$70,800,000).

Set out below is a summary of certain key terms of the Leaseback Agreements:-

Date: 8 June 2022

Lessor: Shenzhen Chuangwei Financial Leasing

Lessee: (i) Nanjing Golden Dragon Bus (under Leaseback Agreement A)
(ii) Nanjing Chuangyuan Energy (under Leaseback Agreement B)
(iii) Huhehaote Skywell (under Leaseback Agreement C)
(iv) Wuhan Skywell (under Leaseback Agreement D)

Financing term: The financing term commences on the date of payment of the initial sale price and ends on the date which is 3 years from the date of the Leaseback Agreements.

Subject matter: Leaseback Agreement A

Subject to the terms and conditions of the Leaseback Agreement A, Nanjing Golden Dragon Bus will sell to and leaseback from Shenzhen Chuangwei Financial Leasing a number of production and electricity equipment at an initial sale price (or the leasing principal amount) of RMB30.50 million (equivalent to approximately HK\$35.99 million) over a lease term which is the same as the financing term stated above. The total asset value of the equipment subject to the lease is approximately RMB33.89 million. The original acquisition cost to Nanjing Golden Dragon Bus of the subject assets under the Leaseback Agreement A was approximately RMB67.65 million.

Upon expiry of the lease term and subject to Nanjing Golden Dragon Bus having paid all sums due under the Leaseback Agreement A, Shenzhen Chuangwei Financial Leasing shall transfer title of the leased assets to Nanjing Golden Dragon Bus on an “as-is” basis at a total consideration of RMB1.00 (equivalent to approximately HK\$1.18).

Leaseback Agreement B

Subject to the terms and conditions of the Leaseback Agreement B, Nanjing Chuangyuan Energy will sell to and leaseback from Shenzhen Chuangwei Financial Leasing a number of production, transportation, electricity and office equipment at an initial sale price (or the leasing principal amount) of RMB20.00 million (equivalent to approximately HK\$23.60 million) over a lease term which is the same as the financing term stated above. The total asset value of the equipment subject to the lease is approximately RMB22.22 million. The original acquisition cost to Nanjing Chuangyuan Energy of the subject assets under the Leaseback Agreement B was approximately RMB26.96 million.

Upon expiry of the lease term and subject to Nanjing Chuangyuan Energy having paid all sums due under the Leaseback Agreement B, Shenzhen Chuangwei Financial Leasing shall transfer title of the leased assets to Nanjing Chuangyuan Energy on an “as-is” basis at a total consideration of RMB1.00 (equivalent to approximately HK\$1.18).

Leaseback Agreement C

Subject to the terms and conditions of the Leaseback Agreement C, Huhehaote Skywell will sell to and leaseback from Shenzhen Chuangwei Financial Leasing a number of production equipment at an initial sale price (or the leasing principal amount) of RMB5.50 million (equivalent to approximately HK\$6.49 million) over a lease term which is the same as the financing term stated above. The total asset value of the equipment subject to the lease is approximately RMB6.12 million. The original acquisition cost to Huhehaote Skywell of the subject assets under the Leaseback Agreement C was approximately RMB8.06 million.

Upon expiry of the lease term and subject to Huhehaote Skywell having paid all sums due under the Leaseback Agreement C, Shenzhen Chuangwei Financial Leasing shall transfer title of the leased assets to Huhehaote Skywell on an “as-is” basis at a total consideration of RMB1.00 (equivalent to approximately HK\$1.18).

Leaseback Agreement D

Subject to the terms and conditions of the Leaseback Agreement D, Wuhan Skywell will sell to and leaseback from Shenzhen Chuangwei Financial Leasing a number of production and electronic equipment at an initial sale price (or the leasing principal amount) of RMB4.00 million (equivalent to approximately HK\$4.72 million) over a lease term which is the same as the financing term stated above. The total asset value of the equipment subject to the lease is approximately RMB4.45 million. The original acquisition cost to Wuhan Skywell of the subject assets under the Leaseback Agreement D was approximately RMB6.60 million.

Upon expiry of the lease term and subject to Wuhan Skywell having paid all sums due under the Leaseback Agreement D, Shenzhen Chuangwei Financial Leasing shall transfer title of the leased assets to Wuhan Skywell on an “as-is” basis at a total consideration of RMB1.00 (equivalent to approximately HK\$1.18).

Lease payments and interest rate:

Lease payments under the Leaseback Agreements are to be made by the respective Lessees quarterly on the 20th day of the relevant month (save that the interest period between first and second lease payments and the last and second last lease payments are shorter than 3 calendar months) at a fixed interest rate of 7% per annum, which is determined as 330 basis points above the one-year loan prime rate (LPR) as announced by the National Interbank Funding Center (全國銀行間同業拆借中心) of the PRC on 21 May 2022. The said interest is accrued daily (on the basis of a 360-day year) over the lease principal amount in accordance with a repayment schedule as set out in the Leaseback Agreements.

Guarantee:

Mr. Wong entered into a guarantee in favour of Shenzhen Chuangwei Financial Leasing in respect of all sums payable by Nanjing Golden Dragon Bus to Shenzhen Chuangwei Financial Leasing under Leaseback Agreement A.

Each of Mr. Wong and Nanjing Golden Dragon Bus entered into the respective guarantees in favour of Shenzhen Chuangwei Financial Leasing in respect of all sums payable by each of Nanjing Chuangyuan Energy, Huhehaote Skywell and Wuhan Skywell to Shenzhen Chuangwei Financial Leasing under Leaseback Agreement B, Leaseback Agreement C and Leaseback Agreement D, respectively.

INFORMATION ON THE GROUP AND SHENZHEN CHUANGWEI FINANCIAL LEASING

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

Shenzhen Chuangwei Financial Leasing is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in finance leasing and factoring business.

INFORMATION ON THE LESSEES

Nanjing Golden Dragon Bus is a company established in the PRC and is principally engaged in the business of production and sales of new energy vehicles, including buses, logistic cars and passenger vehicles. It is owned as to 88% by 開沃新能源汽車集團有限公司 (Sky-well New Energy Automobile Group Co. Ltd.*) (“**Sky-well**”), a company established in the PRC. Sky-well is owned by Mr. Wong as to approximately 71.99% and Mr. Lin Jin (an executive Director) as to approximately 0.28%. Therefore, Nanjing Golden Dragon Bus is ultimately owned by Mr. Wong as to approximately 63.35%. There are 12 other shareholders (which are controlled by persons independent of the Company and its connected persons) in Sky-well, and none of them owns more than 10% equity interest in Sky-well.

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

Each of Nanjing Chuangyuan Energy, Huhehaote Skywell and Wuhan Skywell is owed as to 100% by Sky-well.

Nanjing Chuangyuan Energy is a company established in the PRC and is principally engaged in the research and development and production of core automotive components and systems such as rechargeable power battery packs and battery management systems, automotive wiring harnesses, high-voltage distribution boxes, motors, motor controllers, vehicle controllers and charging piles.

Huhehaote Skywell is a company established in the PRC and is principally engaged in research and development, production and sales of new energy vehicles, research and development of new energy technologies, electric vehicles and automotive electronics, production of electric bicycles, non-road special electric vehicles and automotive electronic products, sales of machinery, equipment and self-produced products and provision of after-sales services.

Wuhan Skywell is a company established in the PRC and is principally engaged in the business of sales of new energy vehicles, manufacture of auto parts and accessories, research and development of auto parts, manufacture and sales of smart on-board equipment and provision of rental service.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Leaseback Agreements were entered into as part of the ordinary course of the finance leasing businesses of Shenzhen Chuangwei Financial Leasing which has a focused clientele in the new energy vehicles and consumption sectors, and which the Company believes to have growth potentials. The terms and conditions of the Leaseback Agreements, including the initial sale price and the lease payments, are on normal commercial terms (with reference to the rates offered by Shenzhen Chuangwei Financial Leasing to third party customers), and which have been agreed between Shenzhen Chuangwei Financial Leasing and the respective Lessees after arm's length negotiations.

The lease payment rate under the Leaseback Agreements was determined principally by reference to interest rates and tenor underlying the Previous Agreements and similar historical transactions entered into between Shenzhen Chuangwei Financial Leasing and independent third parties, and taking into account the credit assessment of the respective Lessees by reference to its bank borrowing rates, as well as the credit assessment of Mr. Wong and repayment track record of Nanjing Golden Dragon Bus in respect of its previous leasing transactions with the Group entered into in April 2019 (which had been repaid in full as of the date of this announcement). The respective initial sale price under the Leaseback Agreements is determined with reference to the lending capacity of Shenzhen Chuangwei Financial Leasing and the funding need and the repayment capability of the Lessees, as well as the personal guarantee provided by Mr. Wong. Taking into account the scale of leasing business to be conducted between Shenzhen Chuangwei Financial Leasing and the Lessees as aforesaid, the annual cap of the transactions under the Leaseback Agreements is RMB68,076,794.43 (equivalent to approximately HK\$80,330,617) for the purpose of the Listing Rules, being the aggregate leasing principal amount and the aggregate of the total interest payable throughout the financing term under the Leaseback Agreements.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Leaseback Agreements to be in the ordinary and usual course of business of the Group and will generate revenue and cash flow stream from the leasing interest, that the terms of the Leaseback Agreements are fair and reasonable, and that the Leaseback Agreements are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Ms. Lin Wei Ping and Mr. Lin Jin are the spouse and son of Mr. Wong respectively. According to bye-law 100(1) of the Company's bye-laws, Ms. Lin Wei Ping and Mr. Lin Jin, who are executive Directors, are required to abstain from voting on resolutions by the Board to approve the Leaseback Agreements as they are associates of Mr. Wong. Save as disclosed, none of the Directors is required to abstain from voting on the relevant board resolutions to approve the Leaseback Agreements under the bye-laws of the Company or the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wong is a controlling shareholder of the Company as he is interested in approximately 47.5% of all the issued Shares in the Company. The equity interests of Nanjing Golden Dragon Bus, Nanjing Chuangyuan Energy, Huhehaote Skywell and Wuhan Skywell are indirectly held by Mr. Wong as to approximately 63.35%, 71.99%, 71.99% and 71.99% respectively, and each of the Lessees is therefore an associate of Mr. Wong and a connected person of the Company under the Listing Rules. Accordingly, the Leaseback Agreements and the transactions contemplated thereunder, being financial assistance provided by Shenzhen Chuangwei Financial Leasing in favour of the Lessees, constitute continuing connected transactions of the Company.

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of all the transactions contemplated under all the Leaseback Agreements, when aggregated with the transactions contemplated under the Previous Leaseback Agreements, exceed 0.1% but are less than 5%, the Leaseback Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Skyworth Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 00751);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Huhehaote Skywell”	呼和浩特開沃汽車有限公司 (Huhehaote Skywell Automobile Co., Ltd.*), a company established with limited liability in the PRC;
“Leaseback Agreement A”	the sale and leaseback agreement dated 8 June 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor) and Nanjing Golden Dragon Bus (as lessee) in respect of the initial sale of production and electricity equipment owned by the lessee to the lessor, and the subsequent leaseback and buyback of the same by the lessee;

“Leaseback Agreement B”	the sale and leaseback agreement dated 8 June 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor) and Nanjing Chuangyuan Energy (as lessee) in respect of the initial sale of production, transportation, electricity and office equipment owned by the lessee to the lessor, and the subsequent leaseback and buyback of the same by the lessee;
“Leaseback Agreement C”	the sale and leaseback agreement dated 8 June 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor) and Huhehaote Skywell (as lessee) in respect of the initial sale of production equipment owned by the lessee to the lessor, and the subsequent leaseback and buyback of the same by the lessee;
“Leaseback Agreement D”	the sale and leaseback agreement dated 8 June 2022 entered into between Shenzhen Chuangwei Financial Leasing (as lessor) and Wuhan Skywell (as lessee) in respect of the initial sale of production and electronic equipment owned by the lessee to the lessor, and the subsequent leaseback and buyback of the same by the lessee;
“Lessees”	the respective lessees under the Leaseback Agreements, namely Nanjing Golden Dragon Bus (with respect to Leaseback Agreement A), Nanjing Chuangyuan Energy (with respect to Leaseback Agreement B), Huhehaote Skywell (with respect to Leaseback Agreement C) and Wuhan Skywell (with respect to Leaseback Agreement D);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wong”	Mr. Wong Wang Sang, Stephen who is a controlling shareholder of the Company, and the spouse of Ms. Lin Wei Ping and the father of Mr. Lin Jin, who are executive Directors;
“Nanjing Chuangyuan Energy”	南京創源動力科技有限公司 (Nanjing Chuangyuan Energy Technology Co., Ltd.*), a company established with limited liability in the PRC;
“Nanjing Golden Dragon Bus”	南京金龍客車製造有限公司 (Nanjing Golden Dragon Bus Co., Ltd.*), a company established with limited liability in the PRC;
“PRC”	the People’s Republic of China;
“Previous Leaseback Agreements”	the four sale and leaseback agreements, including: (i) a sale and leaseback agreement dated 22 March 2022 entered into by Shenzhen Chuangwei Financial Leasing as lessor and Nanjing Golden Dragon Bus as lessor in respect of certain equipment for an initial sale price of RMB110,000,000 (equivalent to approximately HK\$129,800,000), details of which are set out in the Company’s announcement dated 22 March 2022; and (ii) three sale and leaseback agreements, all dated 24 February 2022, entered into by Shenzhen Chuangwei Financial Leasing as lessor, and (a) Nanjing Golden Dragon Bus; (b) 南京創源天地動力科技有限公司 (Nanjing Chuangyuan Tiandi Energy Technology Co., Ltd.*); and (c) 南京開沃重工有限公司 (Nanjing Skywell Heavy Industries Co., Ltd.*) as the respective lessees (all being associates of Mr. Wong) in respect of certain equipment for an

aggregate initial sale price of RMB135,000,000 (equivalent to approximately HK\$159,300,000), details of which are set out in the Company's announcements dated 24 February 2022 and 25 February 2022;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shenzhen Chuangwei Financial Leasing”	深圳創維融資租賃有限公司 (Shenzhen Chuangwei Financial Leasing Company Limited*), an indirect wholly-owned subsidiary of the Company established in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuhan Skywell”	武漢開沃汽車有限公司 (Wuhan Skywell Automobile Co., Ltd.*), a company established with limited liability in the PRC; and
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, the conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 to HK\$1.18. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 8 June 2022

As at the date of this announcement, the Board of the Company comprises six executive Directors, namely Mr. Lai Weide (Chairman), Mr. Liu Tangzhi (Vice Chairman), Mr. Shi Chi (Chief Executive Officer), Ms. Lin Wei Ping, Mr. Lin Jin and Mr. Lam Shing Choi, Eric; and three independent non-executive Directors, namely Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Hung Ka Hai, Clement.

** For identification purposes only*