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**Skyworth**

**SKYWORTH DIGITAL HOLDINGS LIMITED**

**(創維數碼控股有限公司\*)**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 751)**

**DISCLOSEABLE TRANSACTION  
INVOLVING DISPOSAL OF 80% EQUITY INTEREST IN  
創維移動通信技術(深圳)有限公司  
(SKYWORTH MOBILE COMMUNICATION  
(SHENZHEN) LIMITED)**

Due to the under performance of the Group's mobile telephone business, the Directors have decided to dispose of 80% equity interest in Skyworth Mobile Communication-Shenzhen in order to limit the Group's exposure to the financial and operational risks from the business.

On 18 June 2008, the Company's two wholly-owned subsidiaries, Skyworth Mobile Communication-BVI and Skyworth-RGB entered into the Sale and Purchase Agreement with Shenzhen Baoyi and Shine Success, under which Skyworth Mobile Communication-BVI and Skyworth-RGB agreed to sell and Shenzhen Baoyi and Shine Success agreed to purchase, an aggregate of 80% equity interest in Skyworth Mobile Communication Shenzhen at a nominal consideration of RMB1 (equivalent to approximately HK\$1.13) and HK\$1 respectively.

As one of the results of the size tests is above 5%, the entering into of the Sale and Purchase Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details on the Sale and Purchase Agreement will be despatched in due course.

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Set out in this announcement are the principal terms of the Sale and Purchase Agreement.

## SALE AND PURCHASE AGREEMENT

Date: 18 June 2008

### Parties

- Vendors:
- (i) Skyworth Mobile Communication-BVI, a wholly-owned subsidiary of the Company; and
  - (ii) Skyworth-RGB, a wholly-owned subsidiary of the Company
- Purchasers:
- (i) Shenzhen Baoyi which is one of the suppliers and creditors of Skyworth Mobile Communication Shenzhen; and
  - (ii) Shine Success which is a related company of Shenzhen Baoyi.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Shenzhen Baoyi and Shine Success and their ultimate beneficial owners are parties independent of the Company and its connected persons.

### Subject Matter

80% equity interest in Skyworth Mobile Communication-Shenzhen.

<u>Identity of equity holders</u>	<u>Existing equity interests in Skyworth Mobile Communication-Shenzhen</u>	<u>Equity interests in Skyworth Mobile Communication-Shenzhen after Disposal</u>
Skyworth Mobile Communication Limited-BVI	40%	0%
Skyworth-RGB	60%	20%
Shenzhen Baoyi	0%	40%
Shine Success	0%	40%
<b>Total:</b>	<u>100%</u> =====	<u>100%</u> =====

### Consideration

RMB1 (equivalent to approximately HK\$1.13) payable by Shenzhen Baoyi to Skyworth-RGB.

HK\$1 payable by Shine Success to Skyworth Mobile Communication-BVI.

### Conditions

The Sale and Purchase Agreement will become effective upon the approval by the relevant PRC regulatory authorities of:

- (A) a joint venture agreement to be entered into between the joint venture parties; and
- (B) new articles of association of Skyworth Mobile Communication-Shenzhen.

## **Other principal terms**

Skyworth Mobile Communication-Shenzhen is and has been experiencing difficulties in its business. As at 31 May 2008, it had estimated net liabilities in the amount of approximately RMB132,800,000 (equivalent to approximately HK\$150,064,000). The net liabilities are estimated with reference to the unaudited financial statements of Skyworth Mobile Communication-Shenzhen as at 31 March 2008 prepared under HK GAAP and adjusted to include the estimated losses of the business based on the unaudited management reports in the months of April and May 2008. As the consolidated financial statements of the Group for the year ended 31 March 2008 are now being audited, the estimated net liabilities for approximately RMB132,800,000 (equivalent to approximately HK\$150,064,000) are subject to possible adjustments resulting from the audit. In light of such financial situation of Skyworth Mobile Communication-Shenzhen, it is a term of the Sale and Purchase Agreement that:-

- (A) Skyworth-RGB would inject into Skyworth Mobile Communication-Shenzhen an initial amount of RMB40,000,000 (equivalent to approximately HK\$45,200,000); and
- (B) Shenzhen Baoyi and Shine Success would inject into Skyworth Mobile Communication-Shenzhen a minimum amount of RMB50,000,000 (equivalent to approximately HK\$56,500,000) in accordance with its operating needs.

The parties to the Sale and Purchase Agreement have agreed to appoint an independent party to assist on the ascertainment of the latest amount of the net liabilities of Skyworth Mobile Communication-Shenzhen. Skyworth-RGB would be responsible for 45% of such net liabilities amount subject to a cap of RMB66,880,000 (equivalent to approximately HK\$75,574,400), RMB40,000,000 (equivalent to approximately HK\$45,200,000) of which would be injected into Skyworth Mobile Communication-Shenzhen under (A) above.

Skyworth Mobile Communication-Shenzhen has a loan with a PRC bank in the total outstanding amount of approximately RMB19,000,000 (equivalent to approximately HK\$21,470,000) as at 31 May 2008, in respect of which a guarantee has been provided by Skyworth-RGB. Such loan will first be settled so that Skyworth-RGB will be released from the guarantee. The parties to the Sale and Purchase Agreement have further agreed that the settlement of those amounts owed to the Group and Shenzhen Baoyi will be negotiated by the parties later and no such settlement shall be made by using the amounts injected into Skyworth Mobile Communication-Shenzhen under the Sale and Purchase Agreement without consensus of the parties.

## **Board composition**

After the Disposal, the board of directors of Skyworth Mobile Communication Shenzhen will constitute five directors, one of whom will be nominated by Skyworth-RGB and the remaining four to be nominated by Shenzhen Baoyi and Shine Success.

## **USE OF "SKYWORTH" BRAND AND TRADEMARK**

Shenzhen-RGB agreed to licence to Skyworth Mobile Communication Shenzhen, without charge, the right to use the "Skyworth" brand and trademark in respect of mobile telephone products for a period of five years.

## INFORMATION ON SKYWORTH MOBILE COMMUNICATION SHENZHEN AND REASONS FOR THE TRANSACTION

Skyworth Mobile Communication Shenzhen is principally engaged in the design, manufacturing and sale of mobile telephones. The table below sets out its unaudited net profit before and after taxation for the two years ended 31 March 2007, prepared under the HK GAAP.

	Year ended 31 March 2006 <i>RMB</i> ( <i>HK\$ equivalent</i> )	Year ended 31 March 2007 <i>RMB</i> ( <i>HK\$ equivalent</i> )
Profit before taxation	694,000 (784,220)	11,612,000 (13,121,560)
Profit after taxation	568,000 (641,840)	9,521,000 (10,758,730)

The business of Skyworth Mobile Communication-Shenzhen began to deteriorate from the first quarter of the financial year ended 31 March 2008 as the new models of mobile phones launched in the PRC were not well received by the market. According to the unaudited management accounts of Skyworth Mobile Communication-Shenzhen, it has incurred losses after taxation in the amount of approximately RMB56,311,000 (equivalent to approximately HK\$63,631,430) for the six months ended 30 September 2007 under the HK GAAP.

In light of its under performance, the Directors have decided to dispose of 80% of the equity interest in Skyworth Mobile Communication-Shenzhen in order to limit the Group's exposure to the financial and operational risks from the business. Due to the rapid changes in the PRC mobile phone industry, the business of Skyworth Mobile Communication-Shenzhen now requires more capital than that has already been injected into the business by the Group. The Disposal is therefore consistent with the Group's strategy to keep its financial commitment to mobile phone business at a low level. In order to maintain its credibility and reputation which is essential for the continuous success of the Group's brand development and other business segments, the Group has however honoured its commitment to the creditors of Skyworth Mobile Communication-Shenzhen by agreeing to be responsible for 45% of the net liabilities of Skyworth Mobile Communication-Shenzhen.

As Shenzhen Baoyi has been operating the business of sale of communication products and electronic products, the Directors believe it has the management experience in operating the mobile telephone business. The disposal of a majority stake in the Group's mobile telephone business will enable the Group to better deploy its resources by focusing on the more profitable divisions of the Group. By maintaining a 20% equity interest in Skyworth Mobile Communication-Shenzhen, the Group will be able to enjoy the potential upside in Skyworth Mobile Communication-Shenzhen should the business improve in the future, and to maintain its resource in mobile communication technology which is considered to be one of the key resources for a successful television manufacturer.

Upon the Disposal, Skyworth Mobile Communication-Shenzhen will cease to be a subsidiary of the Company. As a result of the Disposal, the Company is expected to recognise a gain in the amount of approximately RMB39,360,002 (equivalent to approximately HK\$44,476,802) in its consolidated financial statements for the year ending 31 March 2009. The gain is estimated on the basis of the sum of the consideration (approximately RMB2 (equivalent to approximately HK\$2.13)) and 80% of the estimated net liabilities of Skyworth Mobile Communication-Shenzhen as at 31 May 2008 (approximately RMB106,240,000 (equivalent to approximately HK\$120,051,200)) less the maximum amount of net liabilities to be responsible by Skyworth-RGB (RMB66,880,000 (equivalent to approximately HK\$75,574,400)) . However, the amount of actual gain to be recognised may differ from the amount of estimated gain of approximately RMB39,360,002 (equivalent to approximately HK\$44,476,802) depending on the actual amount of the net liabilities of Skyworth Mobile Communication-Shenzhen as at 31 May 2008 and the actual amount of the 45% of the net liabilities of Skyworth Mobile Communication-Shenzhen to be responsible by Skyworth-RGB, both of which are yet to be ascertained.

## INFORMATION ON THE GROUP

The Group's principal operations are the design, manufacturing and sale of televisions, digital set-top boxes, mobile telephones and other electronic products, and property investment.

## GENERAL

As one of the results of the size tests is above 5%, the entering into of the Sale and Purchase Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details on the Sale and Purchase Agreement will be despatched in due course.

## DEFINITIONS

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

"Company"	Skyworth Digital Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
"Directors"	directors of the Company
"Disposal"	the disposal by Skyworth Communication Mobile-BVI and Skyworth-RGB to Shenzhen Baoyi and Shine Success of an aggregate of 80% equity interest in Skyworth Communication Mobile-Shenzhen under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK\$"	Hong Kong dollars
“HK GAAP”	accounting principles generally accepted in Hong Kong
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
"RMB"	Renminbi

"Sale and Purchase Agreement"	sale and purchase agreement dated 18 <sup>th</sup> June, 2008 entered into between Skyworth Communication Mobile-BVI, Skyworth-RGB, Shenzhen Baoyi and Shine Success in respect of the Disposal
"Shenzhen Baoyi"	深圳市寶易通訊有限公司(Shenzhen Baoyi Communication Limited), a company established in the PRC with limited liability whose principal businesses include the sale of communication products and electronic products
"Skyworth-RGB"	深圳創維-RGB 電子有限公司 (Shenzhen Skyworth-RGB Digital Limited), a company established in the PRC with limited liability whose principal business is design, manufacture and sale of consumer electronic products
"Shine Success"	Shine Success Group Limited, a company incorporated in the British Virgin Islands with limited liability whose principal businesses are investment and trading, and is a related company of Shenzhen Baoyi
"Skyworth Mobile Communication-BVI"	Skyworth Mobile Communication Limited, a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding
"Skyworth Mobile Communication-Shenzhen"	創維移動通信技術(深圳)有限公司(Skyworth Mobile Communication (Shenzhen) Limited), a company established in the PRC with limited liability whose principal business activities are the design, manufacture and sale of mobile telephones

*In this announcement, RMB are translated into HK\$ at a translation rate of RMB1 to HK\$1.13 for sole illustration purpose only.*

For and on behalf of the Board  
**Skyworth Digital Holdings Limited**  
**Leung Chi Ching, Frederick**  
*Executive Director*

Hong Kong, 24 June 2008

*As at the date of this announcement, the Board comprises Mr. Zhang Xuebin as executive Chairman of the Board and executive Director, Ms. Ding Kai, Mr. Leung Chi Ching, Frederick, Ms. Lin Wei Ping and Mr. Yang Dongwen as executive Directors and Mr. So Hon Cheung, Stephen, Mr. Li Weibin and Mr. Xie Zhengcai as independent non-executive Directors.*

\* *For identification purpose only*