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SKYWORTH DIGITAL HOLDINGS LIMITED

(創維數碼控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 00751)

INSIDE INFORMATION DISCLOSEABLE TRANSACTION DILUTION OF SHAREHOLDING IN A SUBSIDIARY

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 16 March 2018, Skyworth RGB, an indirect wholly owned subsidiary of the Company, entered into the Agreement as one of the managing shareholders of Coocaa in respect of, among other matters, a proposed investment by the Investor which involves capital injection into Coocaa. Upon completion of the said investment, the shareholding interests of the Group in Coocaa will reduce from approximately 71.89% to 64.32%, and such reduction of the Company's indirect shareholding in Coocaa constitutes a deemed disposal by the Company for the purpose of Chapter 14 of the Listing Rules. Coocaa will remain a subsidiary of the Company upon completion of the Deemed Disposal.

LISTING RULES IMPLICATIONS

As one of the percentage ratios pursuant to the Listing Rules applicable to the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9.00 a.m. on 16 March 2018 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the shares with effect from 1:00 p.m. on 16 March 2018.

The Deemed Disposal is subject to, among other things, fulfilment of the certain conditions set out in the section "Conditions precedent and completion" in this announcement. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Deemed Disposal will proceed. Shareholders and potential investors should therefore exercise caution when dealing in or investing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

THE AGREEMENT

The Board is pleased to announce that on 16 March 2018, Skyworth RGB, an indirect wholly owned subsidiary of the Company, entered into the Agreement as one of the managing shareholders of Coocaa in respect of, among other matters, a proposed investment by the Investor which involves capital injection into Coocaa.

Set out below is a summary of certain key terms of the Agreement.

Date

16 March 2018

Parties

1. Coocaa, as the investment target under the Agreement
2. the Investor
3. (i) Skyworth RGB, (ii) Kujin Shenzhen, and (iii) Shenzhen Tangdi, as the managing shareholders of Coocaa

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Investor is an indirect wholly-owned subsidiary of Baidu, Inc. an entity listed on the NASDAQ of the United States of America, which also indirectly controls Beijing iQiYi Technology Limited Company* (北京愛奇藝科技有限公司), an existing shareholder of Coocaa holding approximately 4.61% equity interest in it as at the date of this announcement.

According to information available to the Company, the principal business of the Investor is venture capital management and which is Baidu, Inc. controlled subsidiary and Kujin Shenzhen and Shenzhen Tangdi are principally engaged as shareholding platform for employees' share incentive scheme of Coocaa.

The capital injection and share transfer

Subject to the satisfaction (or waiver as the case may be) of the conditions (which are summarized in the section headed "Conditions Precedent and completion" in this announcement), under the Agreement, the Investor will:-

- (i) contribute RMB1,010,000,000 (equivalent to approximately HK\$1,252,400,000) to Coocaa, of which RMB13,425,493 (equivalent to approximately HK\$16,647,611) will be contributed towards the registered capital of Coocaa, and the remaining portion will be contributed to the capital reserve of Coocaa; and
- (ii) purchase existing equity interest in Coocaa as held by Kujin Shenzhen such that the shareholding interests in Coocaa as held by Kujin Shenzhen will decrease from approximately 10.26% to (on an as-enlarged basis taking into account the effect of the capital injection by the Investor) approximately 8.71%.

Upon completion of the Deemed Disposal, Coocaa will remain a subsidiary of the Company and its shareholding structure is summarized as follows (assuming no other changes to the registered capital of Coocaa from the date of this announcement up to the date of completion of the Deemed Disposal):-

	Shareholding in Coocaa	
	as at the date of this announcement (approx. %)	immediately upon completion of the Deemed Disposal (approx. %)
Skyworth RGB	71.89	64.32
Investor	--	11.00
Kujin Shenzhen	10.26	8.71
Shenzhen Tangdi	5.52	4.94
other shareholders of Coocaa	12.33	11.03
Total	100	100

The amount of capital contribution under the Agreement was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, the registered capital of Coocaa as at the date of the Agreement and the proportion in the equity interest held by the Investor and the other shareholders of Coocaa upon completion of the investment.

Conditions precedent and completion

The Agreement is conditional upon the fulfilment of all of the conditions set out in the Agreement, a summary of which is set out as follows:

- (i) all transaction documents having been duly executed and delivered to the Investor;
- (ii) Coocaa having completed all relevant filing and registration at the administration of industry and commerce including with respect of shareholding and board nomination rights of Investor in Coocaa;
- (iii) the representations, warranties and undertakings in the Agreement remaining true and accurate on the date of completion of the Deemed Disposal;
- (iv) there being no claims or circumstances which can give rise to any claim made by or brought to the attention of any governmental authorities against any party to the Agreement which have a material adverse effect on the transactions contemplated under the Agreement or any conditions thereto;

- (v) the board and shareholders of Coccaa having approved the transactions contemplated under the Agreement and the execution and performance thereof, and the existing shareholders of Coccaa having waived any right of first offer and right of first refusal in respect of the investment by the Investor;
- (vi) all consents, approval or waiver from the relevant governmental authorities or third parties necessary for the execution of the Agreement and performance of the transactions thereunder having been obtained;
- (vii) Coccaa having entered into a business cooperation agreement with the Investor or its affiliates in the form and substance being reasonably satisfactory to the Investor;
- (viii) there being no existing event(s) or evidence indicating the arising of event(s) prior to the completion of the Deemed Disposal which will have a material adverse effect on Coccaa or its business operations;
- (ix) the Investor having completed legal, business, financial, technical and personnel due diligence against Coccaa and the results of which being reasonably satisfactory to the Investor;
- (x) Coccaa and Kujin Shenzhen having provided details of the receiving bank account in respect of payment by the Investor; and
- (xi) Coccaa and its managing shareholders having certified to the Investor in writing in respect of satisfaction of the conditions precedent to completion of the Agreement.

The Investor may waive any of the conditions set out above.

As at the date of this announcement, save for condition (ii) above, all the other conditions to the completion of the Deemed Disposal has been fulfilled.

Upon satisfaction (or waiver, as the case may be) of the above conditions, completion of the transactions under the Agreement will take place within 10 working days of the production of the certificate referred to in sub-paragraph (xi) above, or such other date as the parties to the Agreement may agree in writing, at which the consideration for the capital injection will be settled in cash.

Post-completion undertakings

The Agreement provides that for a number of post-completion undertakings by Coocaa and the managing shareholders including the following intended transactions:-

- (i) Coocaa shall dispose of its television hardware to Skyworth RGB on terms satisfactory to the Investor by 1 May 2018;
- (ii) Skyworth RGB shall enter into a business cooperation agreement with Coocaa by 1 May 2018 in respect of smart television system operations and value-adding services on terms (including duration of not less than 20 years and profit sharing arrangements) satisfactory to the Investor;
- (iii) Within 60 days of completion of the Investor's investment under the Agreement, Skyworth RGB shall dispose or procure the disposal of all intellectual properties necessary for Coocaa's principal business operations at nil consideration and complete the relevant registration of such transfer; and
- (iv) Coocaa will enter into agreements regarding the acquisition of interests in a subsidiary of Skyworth RGB by 1 September 2018.

As at the date of this announcement, no definitive agreement for any of the above transactions has been entered into. The above transactions may, if they materialize, constitute a notifiable transaction of the Company. The Company will make separate announcement(s) in respect of the same as and when appropriate.

Information on Coocaa

The principal businesses of Coocaa include smart television system operations and related value-adding services.

The net profit before and after taxation of Coocaa prepared in accordance with PRC GAAP for the two years ended 31 December 2016 are set out as follows:

	For the year ended 31 December 2016 <i>RMB</i> <i>(Audited)</i>	For the year ended 31 December 2015 <i>RMB</i> <i>(Audited)</i>
Net profit/(loss) before taxation	9,599,754.22	(16,531,359.59)
Net profit/(loss) after taxation	9,551,593.84	(17,025,403.80)

The unaudited net asset of Coocaa prepared according to PRC GAAP as at 31 December 2017 was RMB566,243,525.14 and the audited net asset as at 31 December 2016 was RMB198,507,309.84.

REASONS FOR AND BENEFITS OF THE DEEMED DISPOSAL

The Group is principally engaged in the manufacture and sale of consumer electronic products and upstream accessories, as well as property development and property holding. Skyworth RGB is principally engaged in manufacture and sales of consumer products.

The Directors consider that the Agreement presents an opportunity to enhance the working capital and broaden the capital base of Coocaa. The proceeds from the capital injection by the Investor are expected to be principally applied towards the operations and development of the business of Coocaa.

The Deemed Disposal is expected to have no impact on the Company's consolidated profit and loss statement, subject to the Company's auditor's review.

Based on the above, the Directors consider that the terms of the Agreement are fair and reasonable, and that the Deemed Disposal is in the interests of the Company and its shareholders as a whole.

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DEFINITIONS

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

“Agreement”	the capital injection and share transfer agreement dated 16 March 2018 entered into among Coocaa, the Investor, Skyworth RGB, Kujin Shenzhen, and Shenzhen Tangdi pursuant to which the Investor has conditionally agreed to inject registered capital into, and acquire certain existing shares in, Coocaa
“Board”	the board of Directors
“Company”	Skyworth Digital Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange under stock code: 00751
“connected person”	has the meaning ascribed to it under the Listing Rules
“Coocaa”	深圳市酷開網絡科技有限公司 (Shenzhen Coocaa Network Technology Company Limited*), a company established under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Deemed Disposal”	the deemed disposal (within the meaning of the Listing Rules) by the Company of its indirect interests in Coocaa as a result of the Investor’s capital injection into Coocaa pursuant to the Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who are not connected persons of the Company
“Investor”	達孜縣百瑞翔創業投資管理有限責任公司(Dagze Bairuixiang Venture Investment Management Co., Ltd.*), a company established under the laws of the PRC
“Kujin Shenzhen”	酷金(深圳)投資企業(有限合伙) (Kujin (Shenzhen) Investment Enterprise (LLP)*), a limited liability partnership formed in the PRC and a managing shareholder of Coocaa
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shenzhen Tangdi”	深圳棠棣投資企業(有限合伙) (Shenzhen Tangdi Investment Enterprise (LLP)*), a limited liability partnership formed in the PRC and a managing shareholder of Coocaa

“Skyworth RGB” Shenzhen Chuangwei-RGB Electronics Co., Ltd., an indirect wholly owned subsidiary of the Company established under the laws of the PRC and a managing shareholder of Coocaa

“Stock Exchange” The Stock Exchange of Hong Kong Limited

The amount denominated in RMB in this announcement are translated into HK\$ at the rate of RMB1 to HK\$1.24.

By order of the Board of
Skyworth Digital Holdings Limited
Lai Weide
Chairman of the Board

Hong Kong, 16 March 2018

As at the date of this announcement, the Board of the Company 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 and Mr. Shi Chi as executive Directors; Mr. Yang Dongwen as non-executive Director; and Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Mr. Li Ming as independent non-executive Directors.

** For identification purposes only*