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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: 00751)

**PROPOSED ISSUE OF CONVERTIBLE BONDS AND
ADOPTION OF RESTRICTED SHARE INCENTIVE SCHEME BY
SKYWORTH DIGITAL CO., LTD**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

On 16 August 2017, Skyworth Digital announced that it proposed to (i) issue the Convertible Bonds which will be listed on the Shenzhen Stock Exchange with principal amounts aggregating up to RMB1,080,000,000 (equivalent to HK\$1,263,600,000). Subject to the approval of the A-share shareholders of Skyworth Digital, Skyworth Digital will enter into the Underwriting and Sponsor Agreement with the Sponsor for the issue of the Convertible Bonds; and (ii) adopt the Subsidiary Restricted Share Incentive Scheme.

Further announcement(s) will be made by the Company on the proposed issue of the Convertible Bonds after A-share shareholders meeting of Skyworth Digital and after the terms of the Underwriting and Sponsor Agreement has been finalised as and when required under the Listing Rules.

Shareholders and potential investors of the Company should note that the proposed issue of the Convertible Bonds will be subject to the approval of the A-share shareholders of Skyworth Digital and CSRC, which may or may not proceed and therefore, should exercise caution when dealing with the securities of the Company.

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PROPOSED TERMS OF THE CONVERTIBLE BONDS

Issuer:	Skyworth Digital Co., Ltd.
Principal amount:	Up to a maximum of RMB 1,080,000,000 (equivalent to approximately HK\$1,263,600,000) in denomination of RMB100 (equivalent to approximately HK\$117) per Convertible Bond
Maturity date:	Six years from the date of issue of the Convertible Bonds
Coupon rate:	To be determined by mutual agreement between Skyworth Digital and the Sponsor prior to the issue of the Convertible Bonds
Conversion Period:	From the first Trading Day immediately after the expiry of six months from the date of issuance of the Convertible Bonds until the Maturity Date
Conversion Price:	Initial Conversion Price shall be determined by mutual agreement between the Sponsor and Skyworth Digital but shall not be less than (i) the Average Trading Price of Skyworth Digital on the Shenzhen Stock Exchange for the 20 Trading Days immediately prior to the release of the announcement for the issue of the Convertible Bonds and (ii) the Average Trading Price of Skyworth Digital on the Shenzhen Stock Exchange on the Trading Day immediately prior to the release of the announcement for the issue of the Convertible Bonds
Conversion Price Adjustments:	The Conversion Price shall be adjusted if Skyworth Digital resolved to issue bonus shares, increased its share capital, placing or issue of new shares (other than issue of Conversion Shares) or the distribution of cash dividends
Listing:	The Convertible Bonds and the Conversion Shares will be listed on the Shenzhen Stock Exchange
Ranking of Conversion Shares:	The Conversion Shares shall have the same rights as the A-shares of Skyworth Digital
Redemption Provision:	<p><i>Redemption at maturity</i></p> <p>Skyworth Digital shall redeem all outstanding Convertible Bonds within 5 Trading Days after the Maturity Date at a price to be determined by the board of directors of Skyworth Digital and the Sponsor based on the then prevailing market condition</p> <p><i>Conditional Redemption prior to maturity</i></p> <p>Skyworth Digital has the right to redeem all or part of the Convertible Bonds at any time during the Conversion Period if:</p> <ol style="list-style-type: none">1. the closing prices of Skyworth Digital as quoted on the Shenzhen Stock Exchange for any 15 Trading Days in a consecutive period of 30 Trading Days are higher than or equal to 130% of the Conversion Price at the time; or

2. the outstanding amount of the Convertible Bonds is less than RMB 30 million (equivalent to HK\$35.1 million)

Repurchase Provision: The Bondholders shall have the right to request for Skyworth Digital to repurchase all or any part of the outstanding Convertible Bonds at the Face Value together with the coupon rate due for that period if:

1. at any time during Year 5 and Year 6, if the closing price of Skyworth Digital as quoted on the Shenzhen Stock Exchange is less than 70% of the Conversion Price at the time for any 30 consecutive Trading Days; or
2. there is any substantial change to the use of proceeds from the issue of the Convertible Bonds

Security: The Convertible Bonds are not secured

Issue of Convertible Bonds to existing A-shares shareholders of Skyworth Digital: Existing A-shares shareholders of Skyworth Digital shall be granted a preferential right to subscribe for the Convertible Bonds. Details of which shall be determined by mutual agreement between Skyworth Digital and the Sponsor according to the prevailing market conditions

Use of Proceeds: It was proposed that the proceeds from the issue of the Convertible Bonds shall be applied in the following manner:

	Projects	Proposed use of proceeds
1	Set-top Box connection with end frame series products intelligent upgrade expansion project	approx. RMB 738 million (equivalent to approx. HK\$864million)
2	Automated driving assistances system upgrade expansion project	approx. RMB 342 million (equivalent to approx. HK\$401million)
	Total	approx. RMB1,080 million

TIMETABLE FOR THE ISSUE OF CONVERTIBLE BONDS

It is expected that a general meeting of the A-share shareholders of Skyworth Digital will be convened on or about the end of August to consider and approve the proposed issuance of the Convertible Bonds. Thereafter application will be made to the CSRC for the approval of the issue of the Convertible Bonds. Subject to approval from the A-share shareholders of Skyworth Digital and the CSRC, Skyworth Digital shall enter into the Underwriting and Sponsor Agreement with the Sponsor for the issue of the Convertible Bonds thereafter. Further announcement(s) will be made by the Company after A-share shareholders meeting of Skyworth Digital and after the terms of the Underwriting and Sponsor Agreement has been finalised as and when required under the Listing Rules.

The Announcement in Chinese (Announcement Number: 2017-034) can be viewed on the information website of the Shenzhen Stock Exchange (<http://www.cninfo.com.cn>).

Shareholders and potential investors of the Company should note that the proposed issue of the Convertible Bonds will be subject to the approval of the A-share shareholders of Skyworth Digital and the CSRC, which may or may not proceed and therefore, should exercise caution when dealing with the securities of the Company.

THE SUBSIDIARY RESTRICTED SHARE INCENTIVE SCHEME

Skyworth Digital proposed to adopt the Subsidiary Restricted Share Incentive Scheme. The adoption of the Subsidiary Restricted Share Incentive Scheme by Skyworth Digital is subject to the approval by the A-share shareholders of Skyworth Digital at a general meeting.

The purpose of the Subsidiary Restricted Share Incentive Scheme is to attract and maintain professional management, core technical and sales personnel of Skyworth Digital and to recognise and motivate the contribution of certain participants and to provide them with a direct economic interest in attaining the long-term business objectives of Skyworth Digital.

Under the Subsidiary Restricted Share Incentive Scheme, one of the proposed participants is an executive Director and the chairman of the Board, Mr. Lai Weide, a connected person of the Company as defined under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules (if applicable) in relation to the proposed grant of Restricted Shares under the Subsidiary Restricted Share Incentive Scheme.

The Subsidiary Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of Skyworth Digital.

DEFINITIONS

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

“Announcement”	the announcement made by Skyworth Digital on 16 August 2017 in relation to, among other matters, the proposed issue of the Convertible Bonds
“Average Trading Price”	the total value of the shares traded / the total volume of shares traded
“Board”	the board of Directors
“Bondholder(s)”	the person who is for the time being the holder of the Convertible Bonds
“Conversion Period”	has the meaning ascribed to it under the paragraph headed “Maturity date” in the section headed “PROPOSED TERMS OF THE CONVERTIBLE BONDS” in this announcement

“Conversion Price”	has the meaning ascribed to it under the paragraph headed “Conversion price” in the section headed “PROPOSED TERMS OF THE CONVERTIBLE BONDS” in this announcement
“Conversion Share(s)”	A-share(s) in Skyworth Digital to be issued pursuant to the conversion of the Convertible Bonds
“Convertible Bonds”	the convertible Bonds in the principal amount of up to RMB1,080,000,000 (equivalent to HK\$ 1,263,600,000)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	has the meaning ascribed to it under the paragraph headed “Maturity date” in the section headed “PROPOSED TERMS OF THE CONVERTIBLE BONDS” in this announcement
“PRC”	The People’s Republic of China
“Restricted Shares”	the A-share of Skyworth Digital to be granted by Skyworth Digital under the Subsidiary Restricted Share Incentive Scheme
“Skyworth Digital”	Skyworth Digital Co., Ltd. (Shenzhen Stock Code: 000810), an A-share company listed on the Shenzhen Stock Exchange and a non-wholly owned subsidiary of the Company
“Sponsor”	the lead underwriter and sponsor to be appointed by Skyworth Digital for the issue of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Restricted Share Incentive Scheme”	the Restricted Share Incentive Scheme of Skyworth Digital proposed by the board of directors of Skyworth Digital and to be approved by the A-share shareholders of Skyworth Digital at a general meeting
“Trading Day”	a day on which the Shenzhen Stock Exchange is open for trading
“Underwriting and Sponsor Agreement”	the agreement to be entered into between Skyworth Digital and the Sponsor in relation to the issue of the Convertible Bonds

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of illustration, the exchange rate of RMB1:HK\$1.17 is used in this announcement

By order of the Board
Skyworth Digital Holdings Limited
Lam Shing Choi, Eric
Company Secretary

Hong Kong, 15 August 2017

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 purpose only*