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TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

TCL 多媒體科技控股有限公司

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION

MASTER AFTER SALE SERVICE (TV PRODUCTS) (2016 RENEWAL) AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 24 October 2016, the Company entered into the Master After Sale Service (TV Products) (2016 Renewal) Agreement with TCL Corporation, pursuant to which the Company appoints TCL Corporation as its service provider of the Services in the PRC. The Master After Sale Service (TV Products) (2016 Renewal) Agreement is in substance renewal of the existing Master After Sale Service (TV Products) Agreement. The Master After Sale Service (TV Products) (2016 Renewal) Agreement is a master agreement setting out the principal provisions for subsequent transactions, and the conditions of which will be governed by further Service Contract(s) in greater detail.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 52.14% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective proposed Annual Caps of the Master After Sale Service (TV Products) (2016 Renewal) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM, at which an ordinary resolution will be proposed for the purposes of, inter alia, considering and if thought fit, approving the Master After Sale Service (TV Products) (2016 Renewal) Agreement, the transactions contemplated thereunder and the proposed Annual Caps. The voting at such meeting will be taken on a poll and the Company will make an announcement of the poll results. TCL Corporation and its respective associates will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the Master After Sale Service (TV Products) (2016 Renewal) Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of and the proposed Annual Caps of the Master After Sale Service (TV Products) (2016 Renewal) Agreement. The Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Master After Sale Service (TV Products) (2016 Renewal) Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser in relation to the abovementioned agreement; and (iv) a notice of EGM will be despatched to the Shareholders on or before 21 November 2016.

INTRODUCTION

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MASTER AFTER SALE SERVICE (TV PRODUCTS) (2016 RENEWAL) AGREEMENT

Major terms of the Master After Sale Service (TV Products) (2016 Renewal) Agreement are set out as below:

Date: 24 October 2016

Parties: (i) TCL Corporation as the Service Provider (for itself and on behalf of its Subsidiaries); and

(ii) the Company as the User (for itself and on behalf of its Subsidiaries)

Duration: 1 January 2017 to 31 December 2019 (both dates inclusive), subject to early termination pursuant to the terms of the Master After Sale Service (TV Products) (2016 Renewal) Agreement.

Condition Precedent: The commencement of transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement is conditional upon the Company's compliance with the applicable Listing Rules concerning the signing of the Master After Sale Service (TV Products) (2016 Renewal) Agreement and the transactions contemplated thereunder, including but not limited to obtaining approval from the Independent Shareholders.

Provision of Services: Subject to the compliance by the Company with any applicable Listing Rules (including the obligation and/or liability of the Company as a result of the Annual Caps for the transaction amount as determined from time to time pursuant to the Listing Rules), the User and the Service Provider agree to enter into further Service Contract(s) between Relevant Member(s) of the User and Relevant Member(s) of the Service Provider according to the Master After Sale Service (TV Products) (2016 Renewal) Agreement under which Relevant Member(s) of the User will engage Relevant Member(s) of the Service Provider to provide Relevant Member(s) of the User with the Services in the PRC.

Terms of transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement: The terms upon which Relevant Member(s) of the Service Provider provide(s) the Services in the PRC to Relevant Member(s) of the User (including but not limited to Service Fees and payment terms) shall be on normal commercial terms, in the respective interests of both parties and determined with reference to the then prevailing arm's length price range of relevant services in the PRC market. In case of absence of comparable transactions, relevant transaction terms (including Service Fees and payment terms) shall be no less favourable to Relevant Member(s) of the User than the terms of services of the same nature which Relevant Member(s) of the User demand from and/or Relevant Member(s) of the Service Provider propose to any independent third party.

During the effective period of the Master After Sale Service (TV Products) (2016 Renewal) Agreement, Relevant Member(s) of the Service Provider and Relevant Member(s) of the User may, from time to time and in compliance with the principles under the Master After Sale Service (TV Products) (2016 Renewal) Agreement, negotiate and enter into Service Contract(s) setting forth all specific terms relating to the provision of the Services for the scope of the Services, service response time, service process, the supply and purchase of spare parts and other relevant requirements.

Service Fees:

Without prejudice to the principles mentioned in the “Terms of transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement” above, Service Fees will be determined in the following way:

Relevant Member(s) of the User shall pay Relevant Member(s) of the Service Provider the Service Fees in respect of the provision of Services. The Service Fees shall be calculated and charged based on no more than 2.5% of the sales revenue of the relevant TV Products. The exact fee rate shall be negotiated and determined by both parties after taking into account various factors such as costs and inflation rate. The Service Provider and the User shall conduct an annual review of the provision of Services and the Service Fees to decide whether any revision shall be made.

Payment terms:

Relevant Member(s) of the User and Relevant Member(s) of the Service Provider shall meet regularly with each other to cross-check the settlement amounts in respect of the Service Fees. Relevant Member(s) of the Service Provider is required to issue an invoice to Relevant Member(s) of the User on or before a specified date, and the Relevant Member(s) of the User shall transfer the relevant Service Fees to the bank account designated by Relevant Member(s) of the Service Provider within 60 days (the exact number of days will be agreed in Service Contract(s)) after Relevant Member(s) of the User has been invoiced.

Termination:

In case that the level of the Services provided by Relevant Member(s) of the Service Provider is apparently lower, or the Service Fees were apparently less favourable to Relevant Member(s) of the User, than the average level in the industry or the existing level of Relevant Member(s) of the User, the User is entitled to terminate the Master After Sale Service (TV Products) (2016 Renewal) Agreement by giving three months’ written notice to the Service Provider.

Other major term: Service Provider undertakes, and undertakes to procure, that when any Relevant Member(s) of the User demand the Services from the Service Provider, the Service Provider shall procure Relevant Member(s) of the Service Provider to provide the Services.

HISTORICAL FIGURES

The following table sets out the actual amounts of the Services as contemplated under the Master After Sale Service (TV Products) Agreement for the two years ended 31 December 2015 and the six months ended 30 June 2016, and the respective annual caps for the three years ending 31 December 2016:

	For the year ended 31 December 2014 (audited) <i>HK\$'000</i>	For the year ended 31 December 2015 (audited) <i>HK\$'000</i>	For the six months ended 30 June 2016 (unaudited) (for actual amount only)/for the year ending 31 December 2016 (for original annual cap only) <i>HK\$'000</i>
Actual	81,461	246,095	124,158
Original annual cap	337,820	649,546	795,491

PROPOSED ANNUAL CAPS

The following table sets out the proposed Annual Caps for the Services contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement for the three years ending 31 December 2019:

	For the year ending 31 December 2017 <i>HK\$'000</i>	For the year ending 31 December 2018 <i>HK\$'000</i>	For the year ending 31 December 2019 <i>HK\$'000</i>
Service Fees	423,666	469,524	512,014

REASONS FOR THE PROPOSED ANNUAL CAPS

The proposed Annual Caps for the Service Fees for the transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement are determined by reference to, among other things:

- (i) the historical transaction amounts under the Master After Sale Service (TV Products) Agreement;
- (ii) the estimated gradual increase in the sales amount and volume of the TV Products and in turn the amount of after sale service expenses to be incurred, thus leading to an increasing demand for the Services during the term of the Master After Sale Service (TV Products) (2016 Renewal) Agreement;
- (iii) the exchange rate between Renminbi and HK\$ which is expected to be more or less the same until 31 December 2019; and
- (iv) the historical gross domestic product growth and anticipated inflation in the PRC, thus leading to an increase in the sales revenue of the TV Products and in turn the Service Fees.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AFTER SALE SERVICE (TV PRODUCTS) (2016 RENEWAL) AGREEMENT

The Directors (including the independent non-executive Directors) consider that the terms of the Master After Sale Service (TV Products) (2016 Renewal) Agreement and the transactions contemplated thereunder are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the Master After Sale Service (TV Products) (2016 Renewal) Agreement and the transactions contemplated thereunder for the following reasons:

- (i) as the evolution of the sales channels for, and upgrading of, television sets products has become increasingly fast nowadays, the demand for provision to customers of specialized after sale service is acute. Certain members within the TCL Corporation Group have vast and past experience with the provision of after sale services for electronic appliances and are well equipped with experienced personnel and advanced IT systems for providing after sale services. The Directors believe that TCL Corporation Group will be able to fully utilize its existing resources to continue providing the after sale services for TV Products;
- (ii) provision by TCL Corporation Group of specialized and high quality services will help put the Group in a better position to attract and retain more customers, which will in turn increase the sales volume and sales revenue of the Group; and
- (iii) by outsourcing the Services to TCL Corporation Group, the Group will be able to better focus, and concentrate its resources, on its core business of the manufacture, assembly and distribution of TV Products, whereby the core competitiveness of the Group can be maintained and further promoted.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 52.14% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective proposed Annual Caps of the Master After Sale Service (TV Products) (2016 Renewal) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

None of the Directors is considered as having a material interest in the transaction contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement. Therefore, all Directors are entitled to vote pursuant to the Company's articles of association.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of and the proposed Annual Caps of the Master After Sale Service (TV Products) (2016 Renewal) Agreement. The Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Master After Sale Service (TV Products) (2016 Renewal) Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser in relation to the abovementioned agreement; and (iv) a notice of EGM will be despatched to the Shareholders on or before 21 November 2016.

TCL Corporation and its respective associates will be required to abstain from voting on the resolution in respect of the Master After Sale Service (TV Products) (2016 Renewal) Agreement to be put forward at the EGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution in respect of the Master After Sale Service (TV Products) (2016 Renewal) Agreement to be put forward at the EGM.

GENERAL INFORMATION OF THE PARTIES

The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets. The Group has factories in the PRC, Poland, Mexico and Vietnam and distributes its products in all major markets globally. For more information on the Group, please visit its official website at <http://multimedia.tcl.com> (the information that appears in this website does not form part of this announcement).

TCL Corporation and its Subsidiaries (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, audio-visual products, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation’s official website at <http://www.tcl.com> (the information that appears in this website does not form part of this announcement).

DEFINITIONS

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

“Annual Caps”	the annual caps for the transactions contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	TCL Multimedia Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 01070)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purposes of, inter alia, considering and, if thought fit, approving the Master After Sale Service (TV Products) (2016 Renewal) Agreement, the transactions contemplated thereunder and the proposed Annual Caps
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms and the proposed Annual Caps of the Master After Sale Service (TV Products) (2016 Renewal) Agreement

“Independent Shareholders”	Shareholders (other than TCL Corporation and its respective associates, and any Shareholders who are involved in, or interested in the Master After Sale Service (TV Products) (2016 Renewal) Agreement)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master After Sale Service (TV Products) Agreement”	the master after sale service (TV products) agreement entered into between the Company and TCL Corporation on 19 May 2014
“Master After Sale Service (TV Products) (2016 Renewal) Agreement”	the master after sale service (TV products) (2016 renewal) agreement entered into between the Company and TCL Corporation on 24 October 2016
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Relevant Member(s) of the Service Provider”	relevant member(s) of TCL Corporation Group which serve(s) as the Service Provider
“Relevant Member(s) of the User”	relevant member(s) of the Group which serve(s) as the User
“Services”	<p>after sale services in respect of the TV Products provided by Relevant Member(s) of the Service Provider to Relevant Member(s) of the User, including but not limited to:</p> <ol style="list-style-type: none"> (1) the maintenance and repair services and assistance in handling products with malfunction in batches of the products before sale, in sale and after sale and the sold products that was returned to the distributors after negotiation due to kinds of reasons; (2) the provision to the users of the after sale services being repair claiming, the installation and commissioning, the maintenance, relocation, assessment and verification and repair and replacement;

- (3) the supply of the front end servicing of the sold products that was returned to the distributors after negotiation due to kinds of reasons to the users, the assessment and verification of the returned products and technical supports, and the assistance in handling thereof under the requirements of Relevant Member(s) of the User to the user;
- (4) the participation and coordination in sales activities, the service brand building, the handling of complaints, the emergency dealing, the feedback of market quality and the feedback of products quality information;
- (5) the assistance in the sampled inspection of products by government departments;
- (6) the preparation and implementation of spare parts plan;
- (7) logistics and call centre services; and
- (8) other services that are requested or confirmed by the Relevant Member(s) of the User;

and the above-mentioned after sale services shall comply with the standards of “Three Guarantees” (for repair, replacement or return of products) imposed in the PRC

“Service Contract(s)”	the service contract(s) to be entered into between Relevant Member(s) of the User and Relevant Member(s) of the Service Provider for the provision of Services as contemplated under the Master After Sale Service (TV Products) (2016 Renewal) Agreement
“Service Fees”	service fees that Relevant Member(s) of the User shall pay to Relevant Member(s) of the Service Provider in respect of the provision of Services
“Service Provider”	provider of the Services
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling shareholder of the Company
“TCL Corporation Group”	TCL Corporation and its Subsidiaries, for the purpose of the Master After Sale Service (TV Products) (2016 Renewal) Agreement, excluding the Group
“TV Products”	television sets products and their accessories and ancillary products manufactured by the Group
“User”	user of the Services

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 24 October 2016

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, Winston Shao-min CHENG and Abulikemu ABULIMITI as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.