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TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

TCL 多媒體科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

CONNECTED TRANSACTIONS

NON-COMPETITION ARRANGEMENT FOR IMPLEMENTATION OF THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF TONLY HOLDINGS ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial Adviser to the Company



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Reference is made to the announcements of the Company dated 22 February 2013, 19 April 2013, 28 June 2013 and 3 July 2013 with respect of the Proposed Spin-Off of Tonly Holdings. As at the date of this announcement, the application submitted to the Stock Exchange for the listing of, and permission to deal in, the shares of Tonly Holdings is still underway.

For implementation of the Proposed Spin-Off of Tonly Holdings, the Non-Competition Arrangement, consisting of two limbs as set out below, has been entered into:

- the Company entered into the Second Variation Deed (2013) with TCL Corporation and TCL Industries on 15 July 2013; and
- Tonly Holdings entered into the Deed of Non-Competition (Tonly) with TCL Corporation and TCL Industries on 15 July 2013.

The Proposed Spin-Off is conditional upon, inter alia, the approval of the Non-Competition Arrangement by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, TCL Corporation through its wholly owned subsidiary, TCL Industries, holds 816,094,475 Shares, representing approximately 61.31% of the total issued share capital of the Company. Accordingly, TCL Corporation and TCL Industries are connected persons of the Company under the Listing Rules. The proposed entering into of the Non-Competition Arrangement constitutes connected transaction of the Company which are subject to Independent Shareholders' approval as required under Rule 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 Non-Competition Arrangement. The voting at such meeting will be taken on a poll and the Company will make an announcement of the poll results. TCL Corporation, TCL Industries and their respective associates and any Shareholders who are involved in, or interested in the transactions contemplated in this announcement will abstain from voting at the EGM in respect of the ordinary resolution to approve the transactions contemplated in the Non-Competition Arrangement.

The Independent Board Committee has been established for the purpose of reviewing the Non-Competition Arrangement. The Company has appointed an independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Non-Competition Arrangement are fair and reasonable and whether the Non-Competition Arrangement is in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The Company expects the notice of the EGM and the circular giving further information on the Non-Competition Arrangement and containing the advice of the independent financial adviser, and the recommendations from the Independent Board Committee are expected to be despatched to the Shareholders on or about 17 July 2013.

1. BACKGROUND

Information about the Group, TCL Corporation, TCL Industries and Tonly Holdings

The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets and home networking products. 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, 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).

TCL Industries is a wholly owned subsidiary of TCL Corporation. It is an investment holding vehicle of TCL Corporation.

As at the date hereof, Tonly Holdings is a wholly owned subsidiary of the Company. Tonly Group is principally engaged in the research and development, manufacturing and sales of AV products for third parties' brands on an ODM basis. Its products generally fall into three categories, namely (i) video products, mainly DVD Players, BD Players and Media Boxes; (ii) audio products, mainly Home Theater System (家庭影院) ("HTS"), Micro & Mini speakers (小型音箱) ("Micro & Mini"), Soundbars, Dockings and Wireless Speakers; and (iii) other products, mainly Advanced, Broadcasting System-Satellite (直播星) ("ABS-s") and components. For the year ended 31 December 2012, the revenue and net profit after tax of Tonly Group amounted to approximately HK\$3,653.1 million and HK\$94.7 million, respectively and as at 31 March 2013, Tonly Group's total asset and net asset amounted to HK\$3,568.2 million and HK\$437.9 million, respectively.

Proposed Spin-Off

Reference is made to the announcements of the Company dated 22 February 2013, 19 April 2013, 28 June 2013 and 3 July 2013 with respect of the Proposed Spin-Off of Tonly Holdings. The following table summarises the progress of the Proposed Spin-Off up to the date of this announcement for Shareholders' information:

Time	Event
22 February 2013	The Board resolved to consider the feasibility of the Proposed Spin-Off
13 March 2013	The Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 of the Listing Rules
17 April 2013	The Stock Exchange informed the Company that the Company might proceed with the Proposed Spin-Off
19 April 2013	A listing application (Form A1) was submitted to the Stock Exchange for an application for the listing of, and permission to deal in, the shares of Tonly Holdings
since 19 April 2013	The application process is underway
27 June 2013	The listing application was reviewed by the Listing Committee of the Stock Exchange

The shares of Tonly Holdings are intended to be listed by way of introduction and there will be no offering to the Proposed Spin-Off. In accordance with the requirements of PN15 of the Listing Rules, the Board proposes to give due regard to the interests of the Shareholders by providing Shareholders with an assured entitlement to the shares of Tonly Holdings by way of a distribution in specie of 100% of the shares in Tonly Holdings.

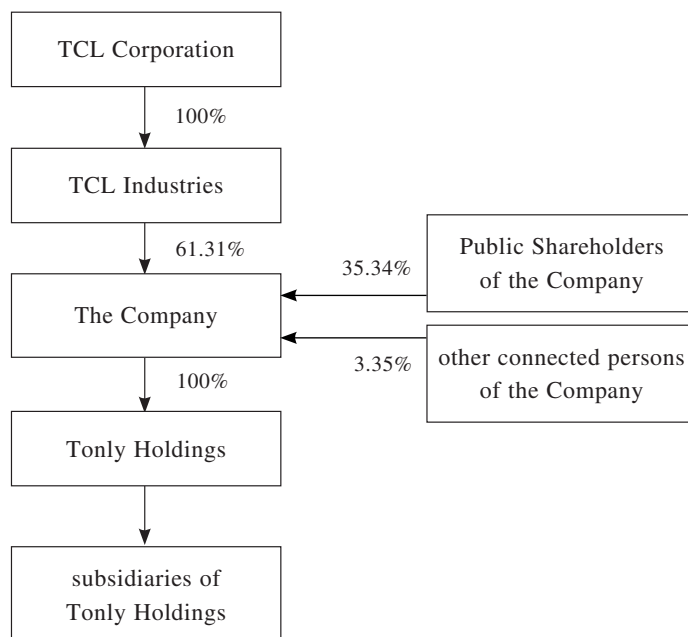
The Proposed Spin-Off is conditional upon:

- (a) the Stock Exchange approving the Proposed Spin-Off;
- (b) the approval of the Non-Competition Arrangement by the Independent Shareholders at the EGM;
- (c) the Listing Committee granting listing of, and permission to deal in, the shares of Tonly Holdings on the Main Board of the Stock Exchange; and
- (d) the sanction by Shareholders of the distribution in specie at the EGM.

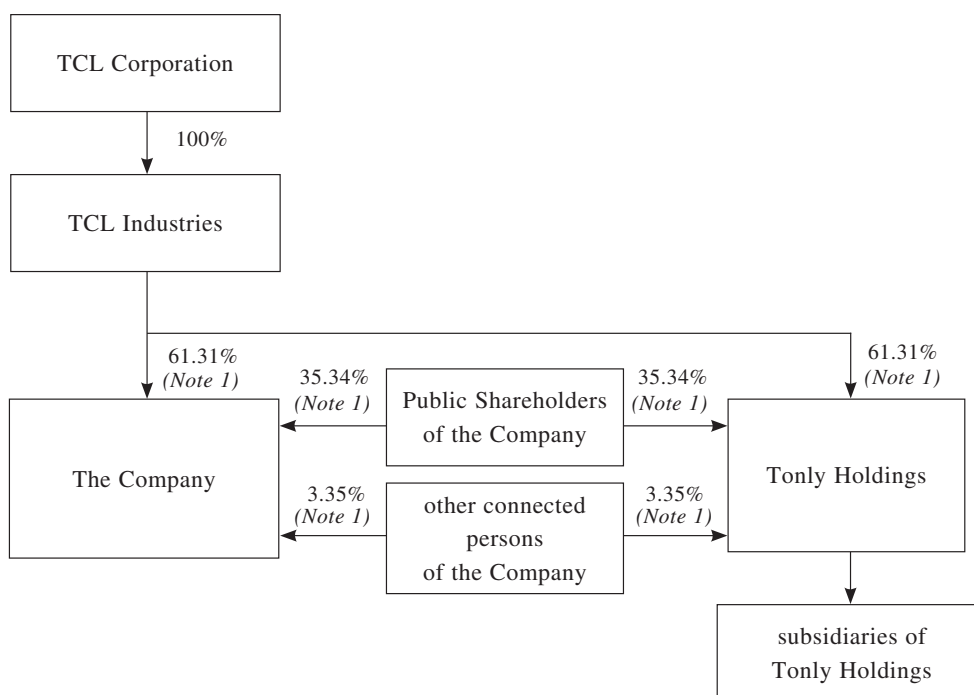
Tonly Holdings has appointed BNP Paribas Securities (Asia) Limited and Kim Eng Securities (Hong Kong) Limited as the joint sponsors in relation to the Proposed Spin-Off.

Set out below is the proposed corporate structure relating to TCL Corporation, TCL Industries and Tonly Holdings before and upon completion of the Proposed Spin-Off:

Before completion of the Proposed Spin-Off



Upon completion of the Proposed Spin-Off



Note:

1. The percentages are calculated based on the issued share capital of the Company and its respective shareholdings as at the Latest Practicable Date and assuming they will remain unchanged immediately after the completion of the Proposed Spin-off.

Deed of Non-Competition (1999) and First Variation Deed (2002)

Reference is made to the circular of the Company dated 24 May 2002.

Pursuant to the Deed of Non-Competition (1999), TCL Corporation and TCL Industries have undertaken not to directly or indirectly, carry on or be engaged or interested in the manufacture, assembly, distribution and maintenance of audio-visual products, white goods and products relating to internet related information technology from time to time. Pursuant to the First Variation Deed (2002), the manufacture, assembly, distribution and maintenance of white goods have been excluded from the scope of the Restricted Activity.

Thus, the combined effect of the Deed of Non-Competition (1999) and First Variation Deed (2002) is that TCL Corporation and TCL Industries cannot participate in the Restricted Activity which include the Relevant Business and TCL Corporation and TCL Industries can only participate in the Relevant Business through the Company.

2. THE NON-COMPETITION ARRANGEMENT

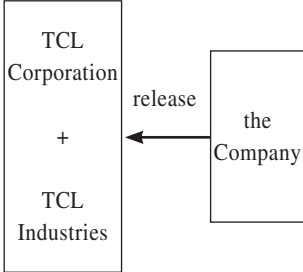
Upon completion of the Proposed Spin-Off, Tonly Holdings will cease to be a subsidiary of the Company. Both Tonly Holdings and the Company will become fellow subsidiaries of TCL Corporation and TCL Industries. Technically speaking, TCL Corporation and TCL Industries (through their shareholdings in Tonly Holdings, instead of the Company) will be engaged in the Relevant Business which currently falls under the scope of non-competition under the Original Non-Competition Deeds, and accordingly will be in breach of the undertakings made under such deeds.

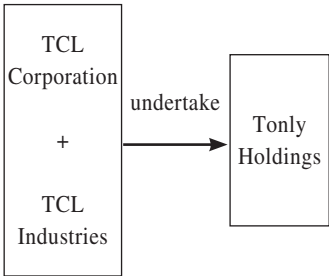
In accordance with PN15 of the Listing Rules, a clear business delineation is required for the Proposed Spin-Off. It is integral that TCL Corporation, TCL Industries and the Company shall not continue to engage in the Relevant Business after completion of the Proposed Spin-Off. In addition, Tonly Holdings shall be free from competition by the Company, TCL Corporation, TCL Industries and their respective associates in the area of Relevant Business.

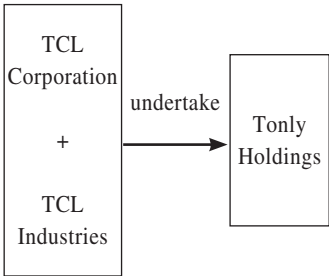
Taking the above-mentioned factors into consideration, the Non-Competition Arrangement consists of two limbs (for details, please refer to page 7 to page 10 of this announcement):

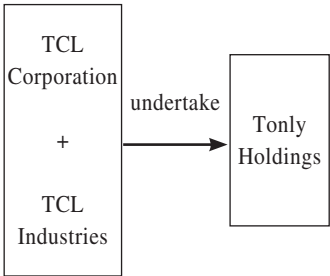
- the Company entered into the Second Variation Deed (2013) with TCL Corporation and TCL Industries on 15 July 2013; and
- Tonly Holdings (the spun-off entity and currently a wholly owned subsidiary of the Company) entered into the Deed of Non-Competition (Tonly) with TCL Corporation and TCL Industries on 15 July 2013.

Set out below is the mechanism of the Non-Competition Arrangement and the details of the relevant agreements:

Deed entered into on 15 July 2013	Parties to the deed				Mechanism and effect
	TCL Corporation	TCL Industries	the Company	Tonly Holdings	
Second Variation Deed (2013): 	√	√	√		<ul style="list-style-type: none"> The Second Variation Deed (2013) will exclude the Relevant Business from the scope of the Original Non-Competition Deeds so as to permit TCL Corporation and TCL Industries to participate in the Relevant Business through Tonly Holdings. Such amendments are made also for avoiding the possible technical breach as a result of the completion of Proposed Spin-Off when Tonly Holdings will cease to be a subsidiary of the Company and become an indirect subsidiary of TCL Corporation through TCL Industries. The Company only permits Tonly Holdings (but not TCL Corporation, TCL Industries and their respective associates (other than Tonly Holdings and its subsidiaries)) to engage in the Relevant Business. This release will be conditional upon: <ol style="list-style-type: none"> the listing of Tonly Holdings; TCL Corporation and TCL Industries remaining as the controlling shareholders of Tonly Holdings; and The Relevant Business remaining as the principal business of Tonly Holdings.

Deed entered into on 15 July 2013	Parties to the deed				Mechanism and effect
	TCL Corporation	TCL Industries	the Company	Tonly Holdings	
Deed of Non-Competition (Tonly):  <pre> graph LR subgraph Box1 [] direction TB A[TCL Corporation] B[+] C[TCL Industries] end Box1 -- undertake --> D[Tonly Holdings] </pre>	√	√		√	<ul style="list-style-type: none"> • The Deed of Non-Competition (Tonly) is an undertaking from TCL Corporation and TCL Industries to Tonly Holdings. TCL Corporation and TCL Industries (“Covenantors”) shall not and shall procure that their respective associates not to, directly or indirectly, carry on or be engaged or interested in the Relevant Business (except for holding interest in Tonly Holdings). • Even though the Company is not a party to this deed, TCL Corporation and TCL Industries will exercise their influence on the board and management of the Company, which is a non-wholly owned subsidiary of TCL Corporation and TCL Industries so as to cause the Company to comply with this undertaking. • Notwithstanding the undertaking above, <ol style="list-style-type: none"> (1) there is no restriction on TCL Corporation and TCL Industries directly or indirectly engaging or having an interest in or continuing to engage or have an interest in the Relevant Business if they are so involved through their respective direct or indirect interest in Tonly Holdings;

Deed entered into on 15 July 2013	Parties to the deed				Mechanism and effect
	TCL Corporation	TCL Industries	the Company	Tonly Holdings	
Deed of Non-Competition (Tonly):  <p>The diagram shows a box on the left containing 'TCL Corporation' and 'TCL Industries' with a '+' sign between them. An arrow labeled 'undertake' points from this box to a box on the right labeled 'Tonly Holdings'.</p>	√	√		√	<p>(2) there is no restriction on the Covenantors either directly or indirectly holding or being interested in shares or other securities in any company which is engaged or interested in any Relevant Business and whose Shares or securities are listed on a stock exchange (the “Subject Company”) provided that (i) the aggregate number of shares held by the Covenantors or in which they are interested does not amount to more than 10 per cent. of the issued shares of the Subject Company; (ii) the revenue or assets of the Subject Company attributable to the Relevant Business recorded in the consolidated audited accounts of the latest full financial year immediately before the acquisition is less than 20% of its consolidated total revenue or consolidated total assets (as the case may be); or (iii) neither the Covenantors nor any of their subsidiaries can exercise any control, directly or indirectly, over the board of directors of the Subject Company; and</p> <p>(3) there is no restriction on the Covenantors directly or indirectly engaging in the sales of AV Products (excluding TV sets) which are purchased by the Covenantors or any of their subsidiaries from the Tonly Group with the sole purpose of such subsequent sales to customers.</p>

Deed entered into on 15 July 2013	Parties to the deed				Mechanism and effect
	TCL Corporation	TCL Industries	the Company	Tonly Holdings	
Deed of Non-Competition (Tonly):  <p>The diagram shows a box on the left containing 'TCL Corporation' and 'TCL Industries' with a '+' sign between them. An arrow labeled 'undertake' points from this box to a box on the right labeled 'Tonly Holdings'.</p>	√	√		√	<ul style="list-style-type: none"> The procurement obligation on the part of TCL Corporation and TCL Industries will be conditional upon: <ol style="list-style-type: none"> the listing of Tonly Holdings; TCL Corporation and TCL Industries remaining as the controlling shareholders of Tonly Holdings; and The Relevant Business remaining as the principal business of Tonly Holdings.

3. MEASURES TO BE TAKEN

For good corporate governance practices, in relation to compliance with the terms of the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly), the Company and Tonly Holdings will adopt the following measures:

- (i) Each of TCL Corporation and TCL Industries shall make a semi-annual confirmation to the Company and Tonly Holdings regarding their respective compliance with the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly) and disclosure in this regard will be made in the interim or annual reports of the Company and Tonly Holdings (as the case may be). Disclosure on how the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly) is complied with and enforced is consistent with the principles of making voluntary disclosures in the corporate governance report of the Company and Tonly Holdings (as the case may be).
- (ii) The independent non-executive Directors of the Company and Tonly Holdings (as the case may be) shall review, at least on a semi-annual basis, the information provided by TCL Corporation and TCL Industries in respect of the compliance and enforcement of the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly).
- (iii) Each of TCL Corporation and TCL Industries shall undertake to provide all information necessary for the review by the independent non-executive Directors of the Company and Tonly Holdings and the enforcement of the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly) (as the case may be).

(iv) The Company and Tonly Holdings (as the case may be) shall disclose decisions on matters reviewed by its independent non-executive Directors in relation to the compliance and enforcement of the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly) through the interim or annual report, or by way of announcements to the public.

4. REASONS FOR ENTERING INTO THE NON-COMPETITION ARRANGEMENT

The purpose of the Non-Competition Arrangement is to implement the Proposed Spin-Off. The agreements are designed to deal with the technical issues arising from the Original Non-Competition Deeds and to meet the needs for maintaining a proper operation of Tonly Holdings as a separate listed company. The Board is of the view that the separate listing of Tonly Holdings will be beneficial to both the Company (as well as the Shareholders) and Tonly Holdings. The reasons were set out in the announcement of the Company dated 19 April 2013 in detail.

5. LISTING RULES IMPLICATIONS

The Non-Competition Arrangement has been approved by the Board on 15 July 2013.

As none of Directors have a material interest in the proposed entering into of the Non-Competition Arrangement, none of them were required to nor had abstained from voting at the Board resolution approving the transactions contemplated in this announcement.

As at the Latest Practicable Date, TCL Corporation through its wholly owned subsidiary, TCL Industries, holds 816,094,475 Shares, representing approximately 61.31% of the total issued share capital of the Company. Accordingly, TCL Corporation and TCL industries are connected persons of the Company under the Listing Rules. The proposed entering into of the Non-Competition Arrangement constitutes connected transaction of the Company which are subject to Independent Shareholders' approval as required under Rule 14A of the Listing Rules. TCL Corporation, TCL Industries and their respective associates and any Shareholders who are involved in, or interested in the Non-Competition Arrangement shall abstain from voting at the EGM in respect of the ordinary resolution to approve the Non-Competition Arrangement.

6. EGM

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 Non-Competition Arrangement. The voting at such meeting will be taken on a poll and the Company will make an announcement of the poll results. TCL Corporation, TCL Industries and their respective associates and any Shareholders who are involved in, or interested in the transactions contemplated in this announcement will abstain from voting at the EGM in respect of the ordinary resolution to approve the transactions contemplated in the Non-Competition Arrangement.

The Independent Board Committee has been established for the purpose of reviewing the Non-Competition Arrangement. The Company has appointed an independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Non-Competition Arrangement are fair and reasonable and whether the Non-Competition Arrangement is in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The Company expects the notice of the EGM and the circular giving further information on the Non-Competition Arrangement and containing the advice of the independent financial adviser, and the recommendations from the Independent Board Committee are expected to be despatched to the Shareholders on or about 17 July 2013.

DEFINITIONS

“AV”	audio-visual
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day on which banks in the PRC and Hong Kong are open for normal banking business (excluding Saturdays, Sundays and public holidays)
“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

“Deed of Non-Competition (1999)”	the deed executed by TCL Corporation, TCL Electronics Corporation (deregistered on 29 January 2002) and TCL Industries on 15 November 1999 in favour of the Company whereby each of TCL Corporation, TCL Electronics Corporation and TCL Industries has undertaken not to directly or indirectly, carry on or be engaged or interested in the Restricted Activity, which was disclosed in the Company’s prospectus dated 17 November 1999
“Deed of Non-Competition (Tonly)”	the deed of non-competition entered into among TCL Corporation, TCL Industries and Tonly Holdings on 15 July 2013
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 1 August 2013 for the purposes of, inter alia, considering and, if thought fit, approving the Non-Competition Arrangement
“First Variation Deed (2002)”	the variation deed entered into among TCL Corporation, TCL Industries and the Company on 10 June 2002
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be established for the purpose of reviewing the Non-Competition Arrangement and advising the Independent Shareholders in respect of the transaction contemplated thereunder
“Independent Shareholders”	Shareholders of the Company (other than TCL Corporation, TCL Industries and their respective associates, and any Shareholders who are involved in, or interested in the Non-Competition Arrangement)
“Independent Shareholders’ Approval”	the Independent Shareholders’ approval given at the EGM for the Non-Competition Arrangement

“Independent Third Party(ies)”	third party(ies) not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the Listing Rules
“Latest Practicable Date”	10 July 2013, being the latest practicable date prior to this announcement for the purpose of ascertaining certain information contained in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Competition Arrangement”	the proposed arrangement as contemplated by the Second Variation Deed (2013) and Deed of Non-Competition (Tonly)
“ODM”	original design manufacturing under which the manufacturer owns the design of the products which are sold under the customer’s brand
“Original Non-Competition Deeds”	Deed of Non-Competition (1999) and First Variation Deed (2002)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Spin-Off”	the proposed spin-off of Tonly Holdings, details of which are set out in the announcements of the Company dated 22 February 2013, 19 April 2013, 28 June 2013 and 3 July 2013
“Relevant Business”	the research and development, manufacturing and sales relating to AV products (excluding TV sets)
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Proposed Spin-Off, the results of which are that the subsidiaries of the Company engaging in the research and development, manufacturing and sales of AV products for third parties’ brands on an ODM basis would become the subsidiaries of Tonly Holdings

“Restricted Activity”	means the restricted activities from carrying on by TCL Corporation and TCL Industries and their respective associates pursuant to the Original Non-Competition Deeds which, at present are the manufacture, assembly, distribution and maintenance of audiovisual products and products relating to internet related information technology
“Second Variation Deed (2013)”	the variation deed entered into among TCL Corporation, TCL Industries and the Company on 15 July 2013 for the purpose of modifying the scope of Restricted Activity
“Shareholders”	holders of Share(s)
“Shares”	Shares of HK\$1.00 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of TCL Corporation
“Tonly Group”	Tonly Holdings and its subsidiaries
“Tonly Holdings”	Tonly Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability and wholly-owned by the Company as at the date of this announcement
“%”	per cent.

By order of the Board
LI Dongsheng
Chairman

Hong Kong, 15 July 2013

As at the date of this announcement, the Board comprises LI Dongsheng, ZHAO Zhongyao and YU Guanghui as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, BO Lianming and YAN Xiaolin as non-executive directors, TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors and HAO Yi as alternate director to ZHAO Zhongyao.