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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)

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



CONNECTED TRANSACTIONS CAPITAL INJECTION INTO KUYU NON-COMPETITION ARRANGEMENT

On 24 April 2014, TCL King, an indirect wholly-owned subsidiary of the Company, entered into the Kuyu Capital Increase Agreement with TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu, pursuant to which the Company agreed to inject RMB80 million in cash to Kuyu as its registered capital. The subscription money was determined on arm's length terms among the parties and will be funded by the internal resources of TCL King.

As of the date of this announcement, TCL Corporation, the ultimate controlling shareholder of the Company, holds 61.19% of the total issued share capital of the Company. On the other hand, TCL Corporation holds 80% interest in Kuyu. Also, each of the TCL Associates is regarded as an associate of TCL Corporation under the Listing Rules. Mr. Shi Wanwen, a director of the Company, owns 46.2% interests in Pengpeng Keji. Mr. Yang Bin, a director of three subsidiaries of the Company, owns 60% interests in Wuheshen Keji. Therefore, TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu are connected persons of the Company under the Listing Rules. The Kuyu Capital Injection thus constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios with reference to the Kuyu Capital Injection exceed 0.1% but are less than 5%, the connected transaction contemplated thereunder is exempted from independent shareholders' approval requirement under the Listing Rule 14A.32(1) but is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

To implement the Kuyu Capital Increase, the Company entered into the Third Variation Deed (2014) with TCL Corporation and TCL Industries on 24 April 2014. Given the fact that TCL Corporation and TCL Industries are the controlling shareholders of the Company, the Non-Competition Arrangement under the Third Variation Deed (2014) constitutes a connected transaction of the Company under the Listing Rules. The Non-Competition Arrangement under the Third Variation Deed (2014) is not in the ordinary and usual course of business of the Company and is therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 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 transaction 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 RHB OSK Capital Hong Kong Limited as 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 RHB OSK Capital Hong Kong Limited, and the recommendations from the Independent Board Committee will be despatched to the Shareholders on or before 16 May 2014.

A. BACKGROUND OF THE RELEVANT PARTIES

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 King, an indirect wholly-owned subsidiary of the Company, is principally engaged in the manufacture and sale of television sets and trading of components.

TCL Corporation and its subsidiaries (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of electronic, audio-visual products, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit its 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.

Each of the TCL Associates is regarded as an associate of TCL Corporation under the Listing Rules. Their respective principal activities are as follows:

Name of TCL Associate	Principal activities
Huizhou TCL Mobile	Manufacture, distribution and maintenance of digital mobile phones and related components and parts
TCL Air-conditioner	Production of variable-frequency, fuzzy and smart split-type air conditioners and window-mounted air conditioners with quiet mode, components and parts (excluding compressors), maintenance and repair of self-manufactured products, as well as provision of ancillary support services and technical consultation
TCL Hefei	Research and development, manufacturing and sales of household appliances, electrical products, hardware and electrical equipment and the products relating to upstream and downstream industries and the supporting services such as the design, maintenance, after-sale services, project installation, logistic services and technological consultancy of the above products and the domestic and overseas sales of the products

Name of TCL Associate	Principal activities
Foshan TCL	Production and sale of household appliances, gas water heaters, gas stoves and gas appliances; import and export of goods and technologies
Huizhou Light	Development, production and sales of tube fluorescent lamps, energy saving lamps, ballasts, indoor lighting, outdoor lighting, multi-functional heaters (bathroom masters), fire emergency luminaires, special luminaires and other related lighting products

Wuhenshen Keji is principally engaged in equity investments and e-commerce business.

Pengpeng Keji is principally engaged in equity investment and e-commerce business.

Kuyu was established as a limited liability company in the PRC. Kuyu is now principally engaged in on-line business of e-commerce.

As of the date of this announcement, TCL Corporation, the ultimate controlling shareholder of the Company, holds 61.19% of the total issued share capital of the Company. On the other hand, TCL Corporation holds 80% interest in Kuyu. Also, each of the TCL Associates is regarded as an associate of TCL Corporation under the Listing Rules. Mr. Shi Wanwen, a director of the Company, owns 46.2% of the interests in Pengpeng Keji. Mr. Yang Bin, a director of three subsidiaries of the Company (namely, Guangzhou Digital Rowa Technology Co., Ltd., Henan Melody-Huana Electronics Co., Ltd. and Huizhou TCL Electrical Appliance Sales Co., Ltd.), owns 60% interests in Wuheshen Keji. Therefore, TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu are connected persons of the Company under the Listing Rules. The Kuyu Capital Injection thus constitutes a connected transaction of the Company.

B. KUYU CAPITAL INJECTION

Kuyu Capital Increase Agreement

On 24 April 2014, the Board approved the entering into of the Kuyu Capital Increase Agreement and the Kuyu Capital Injection contemplated thereunder.

Date: 24 April 2014

Parties: (1) TCL King;
(2) TCL Corporation;
(3) TCL Associates;
(4) Wuheshen Keji;
(5) Pengpeng Keji; and
(6) Kuyu

Interests to be subscribed for 16% interest in the enlarged registered capital of Kuyu

Subscription amount TCL King will inject into Kuyu an amount of RMB80 million in cash as Kuyu's enlarged registered capital. The consideration will be funded by the internal resources of TCL King

Conditions precedent The completion of the Kuyu Capital Increase Agreement shall be conditional upon:

- (1) all necessary approvals or clearances from competent PRC governmental authorities (if any) in relation to Kuyu Capital Increase have been duly obtained;
- (2) proposals or resolutions in relation to Kuyu Capital Increase have been duly passed by the governing body (e.g. board of directors) of each Party;
- (3) the approval by the Independent Shareholders in respect of the Third Variation Deed (2014) has been duly obtained at the EGM;

- (4) the Kuyu Capital Increase has been duly approved by the shareholders of Kuyu;
- (5) amendments to the articles of association of Kuyu with respect to the Kuyu Capital Increase have been made and the amended articles of association have been duly approved by the shareholders of Kuyu;
- (6) Kuyu has provided each of the Parties with its previous capital verification reports to demonstrate that the obligations of previous capital contribution had been duly discharged and there was no false capital contribution in the past; and
- (7) there has been no material adverse change on the part of Kuyu during the period from the date of the entering into of Kuyu Capital Increase Agreement to the date of delivery of relevant documents as specified in “Payment terms” below

Payment terms

Payment of Kuyu Capital Increase shall be made in cash in one lump sum after all of the conditions precedent of the Kuyu Capital Increase Agreement have been satisfied and within five business days of the date on which delivery of relevant documents, as required in the Kuyu Capital Increase Agreement, by Kuyu to the Parties is made

Details of Kuyu Capital Increase are set out below:

Shareholder	% of holding in Kuyu before the Kuyu Capital Increase	Corresponding amount of registered capital held before the Kuyu Capital Increase (RMB)	Amount of capital to be contributed according to the Kuyu Capital Increase Agreement (RMB)	Method(s) of which the capital contribution is/are made	Corresponding amount of registered capital held upon completion of the Kuyu Capital Increase (RMB)	% of holding in Kuyu upon completion of the Kuyu Capital Increase
TCL Corporation	80%	40,000,000	135,000,000	cash	175,000,000	35%
Pengpeng Keji	20%	10,000,000	25,500,000	cash	35,500,000	7.1%
Wuheshen Keji	0%	-	64,500,000	cash	64,500,000	12.9%
TCL King	0%	-	80,000,000	cash	80,000,000	16%
Huizhou TCL Mobile	0%	-	50,000,000	cash	50,000,000	10%
TCL Air-conditioner	0%	-	50,000,000	cash	50,000,000	10%
TCL Hefei	0%	-	30,000,000	cash	30,000,000	6%
Foshan TCL	0%	-	7,500,000	cash	7,500,000	1.5%
Huizhou Light	0%	-	7,500,000	cash	7,500,000	1.5%
TOTAL	100%	50,000,000	450,000,000		500,000,000	100%

Pursuant to the Kuyu Capital Increase Agreement, the registered capital of Kuyu, upon the completion of Kuyu Capital Increase, will increase from RMB50,000,000 to RMB500,000,000.

Kuyu will update its register of shareholders and apply to the competent PRC governmental authority for registration within five business days of the date on which the payment of Kuyu Capital Increase is made.

Upon the completion of the Kuyu Capital Increase, Kuyu will not become a subsidiary of the Company given the fact that the Company (through its subsidiary TCL King) will hold only 16% interest in the registered capital of Kuyu, and therefore its accounts will not be consolidated into the financial statements of the Group.

The Kuyu Capital Injection does not have any material effect on the assets and liabilities of the Group.

Information Regarding Kuyu

Kuyu was established in the PRC as a limited liability company on 6 July 2012 and was owned as to 50%, 30% and 20% in interest in its registered capital by TCL Corporation, Keyin and Pengpeng Keji, respectively.

On 17 April 2014, TCL Corporation acquired 30% interest in the registered capital of Kuyu from its wholly-owned subsidiary, Keyin, at a consideration of RMB15 million. Therefore, TCL Corporation has held 80% interest in the registered capital

of Kuyu. As of the date of this announcement, each of TCL Corporation and Pengpeng Keji maintains 80% and 20% interest in the registered capital of Kuyu, respectively.

Kuyu is an e-commerce company with a team of professional and top-ranking e-commerce experts in the industry. It has a processing capacity of 100,000 retail orders per day and is qualified to issue invoices for retail transactions under its own name.

The following table sets out certain financial information of Kuyu prepared in accordance with the PRC accounting standards:

	For the year ended 31 December 2013 <i>(RMB ten thousands)</i> (audited)	For the year ended 31 December 2012 <i>(RMB ten thousands)</i> (audited)
Operating revenue	153,858	24,516
Operating profit/(loss)	(300)	(340)
Profit/(loss) before tax	(249)	(342)
Net profit/(loss)	(249)	(342)
	As at 31 December 2013 <i>(RMB ten thousands)</i> (audited)	2012 <i>(RMB ten thousands)</i> (audited)
Total assets	29,670	16,352
Total liabilities	25,261	11,694
Net assets	4,409	4,658

Reasons for and Benefits of Capital Injection into Kuyu

Leveraging on Kuyu's strength in e-commerce through investing in Kuyu is one of the Company's most important strategic solutions purporting to make a quick and proactive response to the challenges brought about by, as well as to capture the business opportunities arising from, the new model of consumption behaviour of the rising e-commerce generation.

New behavioural model in consumption

In recent years, e-commerce industry is developing rapidly in the PRC. The application of e-commerce has been continually expanding in different areas nowadays, including the sectors of manufacturing, agriculture, business and trade, transportation, finance, tourism and urban and rural consumption. The extent of application has been deepening as well. The rapid growth of e-commerce has brought substantial changes to the economic and social life and becomes a new driver for economic development in China.

According to relevant data obtained from iResearch and China Internet Network Information Centre, as of June 2013, the total number of internet users in China reached 564 million, of which 271 million people were online shoppers while the numbers are still increasing. The total retail sales of consumer goods in China amounted to RMB23,438 billion in 2013, representing an increase of 13.1% over the previous year, of which online shopping transaction amount was approximately RMB1,850 billion, representing an increase of 42% over the previous year and accounting for 7.8% of total retail sales of consumer goods in China in 2013, being 1.6% higher than that for the previous year.

Online shopping market in China, as a whole, will maintain a relatively high growth rate and the O2O business model will develop rapidly and become the mainstream of e-commerce market. It is expected that the annual transaction amount through online shopping will reach approximately RMB4,000 billion in the PRC market by 2016-2017 and will account for a larger proportion of the total retail sales of consumer goods as a whole.

Cost advantage of retail sales through e-commerce platform

As compared with traditional mode of retail sales featuring extensive retail network of physical stores as well as significant expenses in various areas of operation like human resources, one of the key advantages of the online retail platform is the significant reduction in operation costs with respect to the rental expenses and other related areas like human resources.

As competition in the consumer electronics industry in the PRC has become extremely fierce, the profit margin is becoming increasingly thinner. Therefore, sale volume becomes the key factor to push up the profits of the Group. Given the advantage of lower operation cost, companies with an advanced and quality e-commerce platform, as compared with those operating through traditional sales channels, are better positioned in achieving a higher level of profits by pricing its consumer goods more competitively and in turn to greatly promote the sales volume. In addition, the galloping development of internet infrastructure and thus the instant accessibility of online shopping platform will also help achieve a higher sales volume, while the companies with physical retail network cover only a limited number of geographical areas.

Quick response to the competition

Due to the benefits of having an advanced e-commerce platform as elaborated above, many of the Company's industry peers and competitors have already started to transform their retailing mode by taking a series of measures to establish their e-commerce platforms. Against this background, the Company will risk losing market shares to its competitors if it responds slowly to this trend.

The existing structure of the sales channels and retailing model of the Company was designed to operate its sales function in a traditional manner, i.e. through its physical retail outlets. The Company does not have its own e-commerce platform. The construction of such a platform requires significant investments in time and cost, and the most challenging part is the very limited supply of competent e-commerce experts. The rapid development of internet technology and changes in users' consumption habits do not allow sufficient room for the Company to develop O2O business on its own and to build its own e-commerce capabilities in a gradual manner. In light of this, the Company needs to jump-start the development of its O2O business by taking advantage of the established e-commerce platform of Kuyu.

The O2O business model entails not only the online platform where retail transactions can be conducted by the consumers, but also after-sales services in various areas. Therefore, it is currently planned that, after the completion of Kuyu Capital Increase, Kuyu will use part of the proceeds from the Kuyu Capital Increase to purchase 100% interest in registered capital of Speed Distribution and Keyin from their existing shareholders, which will bring about immediately available capability on the part of Kuyu in the core service areas like logistics service and call centre service, both of which are integral to the O2O business model. For more details of Speed Distribution and Keyin, please refer to the paragraph headed "Future Plan of Kuyu" in this announcement.

Synergy of a TCL brand online retail platform

The Company is currently seeking a transformation from a "product-oriented platform" to a "consumer-oriented platform". The mentality of consumers in the age of internet is well reflected in their natural preference for visiting and shopping in the online stores where a variety of goods are available for sale and where richer and more attractive content can be found. Therefore, by investing in Kuyu and taking advantage of Kuyu's established e-commerce platform along with other TCL brand products (e.g. mobile phone and white goods etc), the Group's TV set products will be able to obtain more extensive exposure to the fans and consumers of other TCL products in addition to its existing consumers, and thus will be greatly benefited from the synergy of a TCL brand "online department store" as a result of the transactions contemplated under the Kuyu Capital Increase Agreement.

Moreover, after investing in Kuyu, the Company will be able to access and make use of the big data base of the entire Kuyu's O2O platform. Consumption data of consumers of other TCL products will be available to the Company. While revenue from a product-oriented platform is typically of a one-off nature, a consumer-oriented platform promotes products and services to target consumers in a continuing manner, therefore it generates sustainable flows of revenue.

Future Plan of Kuyu

Upon the completion of the Kuyu Capital Increase, the registered capital of Kuyu will increase by RMB450,000,000. It is planned that such proceeds will be used in the following manner:

1. to acquire the entire interest in the registered capital of Speed Distribution and Keyin and to increase the registered capital of these two companies so as to enhance the capability of provision of logistics and other relevant services;
2. to establish a big data centre, upgrade the business system for direct retail sales, new media and user operations centre, and set up operation teams of Kuyu; and
3. to set up experience stores to promote user stickiness through improvement of user experience and provision of value-added services.

Speed Distribution

After the completion of the Kuyu Capital Increase, Kuyu will apply approximately RMB15,000,000 to acquire from TCL Corporation and TCL Industries the entire interest in the registered capital of Speed Distribution.

Speed Distribution was established in the PRC as a limited liability company on 14 July 2004 by TCL Corporation and TCL Industries. Speed Distribution is principally engaged in the provision of logistics services. As of the date of this announcement, TCL Corporation and TCL Industries held 75% and 25% interest in registered capital of Speed Distribution, respectively.

The competitive edges of Speed Distribution are set out below:

- (1) it is a long established platform which provides logistics service to TCL Corporation Group;
- (2) its operation costs for logistics business are transparent. It works with all business units in TCL Corporation Group in the course of inviting and discussing procurement bids;

- (3) it has an advanced logistics information technology system to meet with the requirements of orders from different industries for transportation of relevant products;
- (4) it has 39 regional distribution centres in the PRC;
- (5) it is capable of providing specialized logistics solutions to improve transportation efficiency; and
- (6) consolidation of business resources through economies of scale effectively reduces its operation costs for logistics services.

The following table sets out certain financial information of Speed Distribution prepared in accordance with the PRC accounting standards:

	For the year ended 31 December 2013 <i>(RMB ten thousands)</i> (audited)	For the year ended 31 December 2012 <i>(RMB ten thousands)</i> (audited)
Operating revenue	48,163	32,336
Operating profit/(loss)	153	53
Profit/(loss) before tax	295	149
Net profit/(loss)	215	104
	As at 31 December	
	2013 <i>(RMB ten thousands)</i> (audited)	2012 <i>(RMB ten thousands)</i> (audited)
Total assets	18,878	13,669
Total liabilities	16,623	11,628
Net assets	2,256	2,041

Acquisition of 100% interest in the registered capital of Speed Distribution will bring various benefits to Kuyu, including:

- (1) Speed Distribution has already set up branches with operational capacities in 27 provinces, which can be fully utilized by Kuyu after the acquisition; and
- (2) Speed Distribution has implemented the integration of delivery and installation as part of its after-sales service. After the acquisition, Kuyu will have the benefit of having its own delivery-installation integrated capability, which will bring about better customer experience.

Keyin

Apart from Speed Distribution, Kuyu will apply approximately RMB45,000,000 to acquire from TCL Corporation the entire interest in the registered capital of Keyin.

Keyin was established in the PRC as a limited liability company on 18 December 2006. Keyin is a leading call center solution provider in China. It provides operating services through a single TCL service hotline for the TCL Corporation Group, and serves a large number of enterprises with outsourcing and related online services.

As of the date of this announcement, TCL Corporation held 100% interest in the registered capital of Keyin.

The competitive edges of Keyin include the following:

- (1) its operation cost is low;
- (2) it is a call center system platform which has been upgraded to Hawkeye system platform for the utilization of geographical data to support on-line and off-line O2O orders and logistics orders, and for the support of an integrated service for transportation, delivery and installation; and
- (3) it utilizes new multimedia interface platform and Interactive Voice Response (IVR) system to provide a multi-level services, and it has a diverse service interface management to satisfy users' diverse service needs.

The following table sets out certain financial information of Keyin prepared in accordance with PRC accounting standards:

	For the year ended 31 December 2013 <i>(RMB ten thousands)</i> (audited)	For the year ended 31 December 2012 <i>(RMB ten thousands)</i> (audited)
Operating revenue	3,724	51,258
Operating profit/(loss)	(92)	303
Profit/(loss) before tax	(32)	355
Net profit/(loss)	(33)	355
	As at 31 December	
	2013 <i>(RMB ten thousands)</i> (audited)	2012 <i>(RMB ten thousands)</i> (audited)
Total assets	5,094	5,361
Total liabilities	1,084	1,319
Net assets	4,010	4,042

Acquisition of 100% interests in Keyin will bring various benefits to Kuyu:

- (1) Keyin currently has an advanced call center platform which is able to utilize the customers' geographical data to achieve the servicing capability by engineer within the perimeter of 100 meters. After the acquisition, Kuyu will have an equivalent capability of supporting the integrated service of delivery-installation-adjustment for better customer experience; and
- (2) One of the core aspects of O2O is provision of service. To Kuyu, the implication of acquisition of Keyin is to build its own service platform.

Listing Rules Implication

Pursuant to the Listing Rules, the Kuyu Capital Injection constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios with reference to the Kuyu Capital Injection exceed 0.1% but are less than 5%, the connected transaction contemplated thereunder is exempted from independent shareholders' approval requirement under the Listing Rule 14A.32(1) but is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Board has approved the entering into of the Kuyu Capital Increase Agreement and the Kuyu Capital Injection contemplated thereunder. Pursuant to the Listing Rules, Mr. Shi Wanwen, being regarded as having a material interest in the Kuyu Capital Injection, had abstained from voting on the board resolution relating to the Kuyu Capital Injection. Other than Mr. Shi, none of the Directors has a material interest in the Kuyu Capital Injection. The Directors (including independent non-executive Directors) are of the view that the Kuyu Capital Increase Agreement has been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Company than terms available from independent third parties); and (iii) on terms that are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

C. NON-COMPETITION ARRANGEMENT – THIRD VARIATION DEED (2014) Historical Background of the Non-Competition Arrangement among TCL Corporation, TCL Industries and The Company

Reference is made to the circulars of the Company dated 24 May 2002 and 17 July 2013 respectively.

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 ("Restricted Activity"). 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.

To implement the spin-off plan of Tonly Electronics Holdings Limited, the Company further sought for (and obtained) its shareholders' approval for further amendment to the Deed of Non-Competition (1999) by way of entering of the Second Variation Deed (2013) with TCL Corporation and TCL Industries. Pursuant to the Second Variation Deed (2013), the Company agreed to exclude the research and development, manufacturing and sales relating to audio-visual products (excluding TV sets) from the scope of Restricted Activity.

Proposed Changes to the Original Non-Competition Deeds

To implement the Kuyu Capital Increase, it is imperative that amendments shall be made to the Original Non-Competition Deeds so as to avoid the possible technical breach since the investment in Kuyu by the Parties (except TCL King) will be regarded as their participation in the Restricted Activity.

It is proposed that amendments shall be made to the Original Non-Competition Deeds such that the scope of Restricted Activity shall only cover the manufacture and assembly of TV sets.

The following table further illustrates the changes of the scope of Restricted Activity under the Original Non-Competition Deeds and the Third Variation Deed (2014):

	Audio-visual products				White goods				Products relating to internet-related information technology from time to time			
	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance
Deed of Non-Competition (1999)	√	√	√	√	√	√	√	√	√	√	√	√
First Variation Deed (2002)	√	√	√	√	X	X	X	X	√	√	√	√
Second Variation Deed (2013)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X	X	X	X	√	√	√	√
Third Variation Deed (2014)	X (except TV sets)	X (except TV sets)	X	X	X	X	X	X	X	X	X	X

The Third Variation Deed (2014) and the rights and obligations thereunder are subject to and conditional upon the satisfaction of the following:

- the approval by the Independent Shareholders in respect of the Third Variation Deed (2014) having been duly obtained at the EGM; and
- the completion of the Kuyu Capital Increase.

After the conditions precedent set out above have been satisfied, the Third Variation Deed (2014) shall terminate immediately and permanently when the Company and its subsidiaries cease to own an aggregate of 15% or more beneficial interest in the registered capital of Kuyu.

For good corporate governance practices, in relation to compliance with the Third Variation Deed (2014), each of TCL Corporation, TCL Industries and the Company (as the case may be) shall adopt the following measures:

- (i) each of TCL Corporation and TCL Industries shall make a semi-annual confirmation to the Company regarding their respective compliance with the Third Variation Deed (2014) and disclosure in this regard shall be made in the interim or annual report of the Company;
- (ii) the independent non-executive directors of the Company shall review the information provided by each of TCL Corporation and TCL Industries in respect of the compliance and enforcement of Third Variation Deed (2014) as specified in the paragraph (i) above;
- (iii) each of TCL Corporation and TCL Industries shall provide all information necessary for the review by the independent non-executive directors of the Company as specified in the paragraph (ii) above and the enforcement of Third Variation Deed (2014); and
- (iv) the Company shall disclose decisions on matters reviewed by its independent non-executive directors in relation to the compliance and enforcement of Third Variation Deed (2014) through its interim report, annual report or by way of announcements to the public (as the case may be).

Reasons and Benefits to the Company from Non-Competition Arrangement

As mentioned above, the Non-competition Arrangement as proposed is to facilitate and implement the Kuyu Capital Increase and the Group's investment in Kuyu. The benefits that the Company could obtain by agreeing to amend the Original Non-competition Deeds is to invest in Kuyu and to make use of the e-commerce platform currently operated by Kuyu. Reference is also made to the paragraph headed "Reason for and Benefit of Capital Injection into Kuyu" in this announcement.

Exclusion of Distribution and Maintenance of TV Sets

The future operation of Kuyu as an integrated O2O and e-commerce platform for TCL brand products will necessitate the ability to be engaged in distribution and sales of a wide range of consumer electronic appliances, including TV sets.

An indispensable component of O2O business model will be the offline after-sales maintenance for the consumer goods sold through the online e-commerce platform, which is a natural extension of the online retail transactions. Given that the after-sales maintenance of electronic appliances, including TV sets, is regarded by Kuyu as one of its core services in the future, it is necessary to exclude it from the scope of Restricted Activity to avoid the possible technical breach of the Original Non-competition Deeds.

Exclusion of Manufacture, Assembly, Distribution and Maintenance of Products Relating to Internet-related Information Technology from time to time

The original intention of the parties to the Deed of Non-Competition (1999) to include “products relating to internet-related information technology from time to time” in the Restricted Activity was to cover TV set related products and the evolution thereof. As a result of the galloping development of the internet technology during the past 15 years since the entering into of the Non-Competition Deed (1999), the definition and implication of “products relating to internet-related information technology from time to time” has evolved to such an extensive extent that it covers almost all types of consumer products (let alone electrical appliances). Therefore, as time went by, the current literal meaning of this term has resulted in a deviation from the original intent of all parties to the Non-Competition Deed (1999) (including the Company). In addition, its inclusion in the scope of the “Restricted Activity” has increasingly hindered the rapid diversification of business areas of the Company through cooperation with, or investment in, other companies within TCL Corporation Group which may have better business resources in relevant areas. Therefore, the proposed exclusion of “products relating to internet-related information technology from time to time” from Restricted Activity will bring about flexibility for the Company to adopt the approach as it deems suitable and cost-effective to tap into new business areas, such as the e-commerce industry. Besides, such exclusion also provides sufficient room to Kuyu’s operation of its O2O business in respect of various electrical products including products relating to internet-related information technology from time to time.

Listing Rules Implications

The Non-Competition Arrangement has been approved by the Board on 24 April 2014.

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

As at the date of this announcement, TCL Corporation through its wholly owned subsidiary, TCL Industries, holds 816,094,475 Shares, representing approximately 61.19% 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 Non-Competition Arrangement under the Third Variation Deed (2014) is not in the ordinary and usual course of business of the Company and is therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders’ approval requirement under Rule 14A.48 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.

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 RHB OSK Capital Hong Kong Limited as 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 RHB OSK Capital Hong Kong Limited, and the recommendations from the Independent Board Committee will be despatched to the Shareholders on or before 16 May 2014.

DEFINITIONS

“associate”	the meaning ascribed to it in the Listing Rules;
“Board”	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);
“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;

“Directors”	the directors (including independent non-executive directors) 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 Non-Competition Arrangement;
“First Variation Deed (2002)”	the variation deed entered into among TCL Corporation, TCL Industries and the Company on 10 June 2002;
“Foshan TCL”	Foshan TCL Household Appliances (Nanhai) Co., Ltd. (佛山市南海TCL家用電器有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 100% interest in its registered capital is indirectly held by TCL Corporation;
“Group”	the Company and its subsidiaries;
“Huizhou Light”	Huizhou TCL Light Electrical Appliances Co., Ltd. (惠州TCL照明電器有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 80% interest in its registered capital is held by TCL Corporation;
“Huizhou TCL Mobile”	Huizhou TCL Mobile Communication Co., Ltd. (惠州TCL移動通信有限公司), a limited liability company incorporated in the PRC and an associate of TCL Corporation under the Listing Rules, where 100% interest in its registered capital is indirectly owned by TCL Communication;
“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);
“Keyin”	KOYOO ONLINE CO., LTD. (惠州客音商務服務有限公司), a limited company incorporated in the PRC and 100% owned by TCL Corporation;
“Kuyu”	Huizhou Kuyu Network Technology Co., Ltd. (惠州酷友網絡科技有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 80% interest in its registered capital is held by TCL Corporation;
“Kuyu Capital Increase”	the capital increase contemplated under the Kuyu Capital Increase Agreement (including Kuyu Capital Injection);
“Kuyu Capital Increase Agreement”	the capital increase agreement of Kuyu, which was entered into among TCL King, TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu on 24 April 2014;
“Kuyu Capital Injection”	the capital injection of RMB80 million by TCL King into Kuyu as per Kuyu Capital Increase Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Non-Competition Arrangement”	the proposed arrangement as contemplated under the Third Variation Deed (2014);
“O2O”	online to offline;
“Original Non-Competition Deeds”	Deed of Non-Competition (1999), First Variation Deed (2002) and Second Variation Deed (2013);
“Parties”	the parties to the Kuyu Capital Increase Agreement and “Party” means any one of them;

“Pengpeng Keji”	Huizhou Pengpeng Keji Investment Partnership (Limited Partnership) (惠州碰碰科技投資合夥企業 (有限合夥)), a limited partnership established under the laws of the PRC and 46.2% of its interest is owned by Mr. Shi Wanwen and is therefore an associate of Mr. Shi Wanwen under the Listing Rules;
“PRC” / “China”	the People’s Republic of China, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement;
“RMB”	the lawful currency of the PRC;
“Second Variation Deed (2013)”	the variation deed dated 15 July 2013 entered into among TCL Corporation, TCL Industries and the Company;
“Shares”	shares of HK\$1.00 each in the capital of the Company;
“Shareholders”	holders of Share(s);
“Speed Distribution”	Shenzhen Speed Distribution Platform Co., Ltd. (深圳速必達商務服務有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 75% and 25% interest in its registered capital is held by TCL Corporation and TCL Industries respectively;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“TCL Air-conditioner”	TCL Air-conditioner (Zhongshan) Co., Ltd. (TCL 空調器 (中山) 有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 80% interest in its registered capital is indirectly held by TCL Corporation;
“TCL Associates”	Huizhou TCL Mobile, TCL Air-conditioner, TCL Hefei, Foshan TCL and Huizhou Light, each of them is an associate of TCL Corporation under the Listing Rules;

“TCL Communication”	TCL Communication 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: 02618);
“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;
“TCL Hefei”	TCL Home Appliance (Hefei) Co., Ltd. (TCL家用電器(合肥)有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 100% interest in its registered capital is held by TCL Corporation;
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司), a company incorporated under the laws of Hong Kong, the immediate holding company of the Company, and a wholly owned subsidiary of TCL Corporation;
“TCL King”	TCL King Electrical Appliances (Huizhou) Company Limited (TCL王牌電器(惠州)有限公司), a limited liability company incorporated in the PRC and 100% interest in its registered capital is indirectly held by the Company;
“Third Variation Deed (2014)”	the variation deed dated 24 April 2014 entered into among TCL Corporation, TCL Industries and the Company for the purpose of modifying the scope of Restricted Activity;

“Wuheshen Keji”

Huizhou Wuheshen Keji Investement Partnership (Limited Partnership) (惠州五合神科技投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC and 60%, 20% and 20% of its interest is owned by Mr. Yang Bin, Mr. Liu Wenwu and Mr. Wen Aijin (Mr. Liu Wenwu and Mr. Wen Aijin being the senior management of Kuyu), respectively.

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 24 April 2014

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