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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)

CONTINUING CONNECTED TRANSACTION THE MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT

The Board is pleased to announce that on 19 May 2014, the Company entered into the Master After Sale Service (TV Products) 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) 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.

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 61.20% 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) Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios with reference to the respective proposed annual caps of the Master After Sale Service (TV Products) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval 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) Agreement and the transactions contemplated thereunder. 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 abstain from voting at the EGM in respect of the ordinary resolution to approve the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established for the purpose of reviewing the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder. 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 Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder are fair and reasonable and whether the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder are 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 Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder 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 28 May 2014.

BACKGROUND

The Board is pleased to announce that on 19 May 2014, the Company entered into the Master After Sale Service (TV Products) 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) 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.

THE MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT

Date: 19 May 2014

Parties: (i) TCL Corporation as the Service Provider (for itself and on behalf of its Subsidiaries) (known as the “Relevant Member(s) of the Service Provider”); and

(ii) the Company as the User (for itself and on behalf of its Subsidiaries) (known as the “Relevant Member(s) of the User”)

Duration: Unless being terminated according to the termination clause of the Master After Sale Service (TV Products) Agreement, the Master After Sale Service (TV Products) Agreement shall be effective from 19 May 2014 to 31 December 2016. The transactions contemplated thereunder shall commence from the date on which all conditions precedent as set out hereinbelow are fulfilled.

Conditions Precedent: The commencement of transactions contemplated under the Master After Sale Service (TV Products) Agreement is conditional upon:

1. the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder have been considered and approved by Independent Shareholders;
2. the Non-Competition Arrangement has been considered and approved by Independent Shareholders; and
3. the Kuyu Capital Increase has been completed.

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 caps for the transaction amount as determined from time to time pursuant to the Listing Rules), the User and 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) Agreement under which Relevant Member(s) of the User will engage the 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 Master After Sale Service (TV Products) 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) 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) 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 Master After Sale Service (TV Products) 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 Services it provides. The Service Fees shall be calculated and charged based on no more than 2% of the sales revenue of the 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 shall meet regularly with Relevant Member(s) of the Service Provider 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 30-60 days (the exact number of days will be agreed in Service Contract(s)) after the Relevant Member(s) of the User has been invoiced.

Termination: In case that the level of the Services provided by the Relevant Member(s) of the Service Provider is apparently lower, or the Service Fees were apparently less favourable to the Relevant Member(s) of the User, than the average level in the industry or the existing level of the Relevant Member(s) of the User, the User is entitled to terminate the Master After Sale Service (TV Products) 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 the Relevant Member(s) of the Service Provider to provide the Services.

PROPOSED ANNUAL CAPS OF THE MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT

It is expected that the proposed annual caps for the Services as contemplated under the Master After Sale Service (TV Products) Agreement for the three years ending 31 December 2016 will not exceed the amounts set out below:

Master After Sale Service (TV Products) Agreement	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Service Fees	337,820	649,546	795,491

The proposed annual caps for the Service Fees for the transactions contemplated under the Master After Sale Service (TV Products) Agreement have been determined after taking into account the cost for the after sale service incurred by the Group in the past, certain call centre services provided by the TCL Corporation Group to the Group (the service fees for which amounted to approximately HK\$18.58 million, HK\$20.20 million and HK\$27.20 million for three years ending 31 December 2013, respectively. For relevant details, please refer to the "Report of Directors" section in the annual report of the Company for 2011, 2012 and 2013), the estimated gradual increase in the sales volume of the TV Products and the amount of after sale service expenses to be incurred as a result of a further extension of the scope of the after sale service, thus leading to an increasing demand for the Services during the term of the Master After Sale Service (TV Products) Agreement. The Company has also taken into account the likely appreciation of Renminbi and inflation in the PRC in the coming years.

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

The Directors (excluding the independent non-executive Directors) consider that the terms of the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder are fair and reasonable, and that it is in the interest of the Company and the Shareholders as a whole to enter into the Master After Sale Service (TV Products) 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 experience with the provision of after sale service for electronic appliances and are well equipped with experienced personnel and advanced IT systems for providing after sale service. The Directors believe that TCL Corporation Group will be able to fully utilise its existing resources to provide 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.

The entering into of the Master After Sales Service (TV Products) Agreement and transactions contemplated thereunder have been approved by the Board on 19 May 2014. Mr. Li Dongsheng, Mr. Hao Yi, Mr. Yan Xiaolin, Mr. Bo Lianming, Mr. Huang Xubin and Mr. Shi Wanwen, all being Directors, have interests in TCL Corporation. Of such interest in TCL Corporation, Mr. Li Dongsheng is interested in 638,273,688 shares, Mr. Hao Yi is interested in 201,600 shares (held by his spouse), Mr. Yan Xiaolin is interested in 793,000 shares and options to subscribe for 1,522,400 shares, Mr. Bo Lianming is interested in 2,663,175 shares and options to subscribe for 2,061,420 shares, Mr. Huang Xubin is interested in 1,933,360 shares and options to subscribe for 1,450,020 shares, and Mr. Shi Wanwen is interested in 5,799,518 shares and options to subscribe for 1,780,740 shares. The share interest held by Mr. Li Dongsheng, Mr. Hao Yi, Mr. Yan Xiaolin, Mr. Bo Lianming, Mr. Huang Xubin and Mr. Shi Wanwen represent approximately 6.75%, 0.002%, 0.008%, 0.03%, 0.02% and 0.06% of its registered share capital of TCL Corporation respectively. Notwithstanding their respective interest in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the Master After Sale Service (TV Products) Agreement, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

LISTING RULES REQUIREMENTS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 61.20% 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) Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios with reference to the respective proposed annual caps of the Master After Sale Service (TV Products) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder. 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 abstain from voting at the EGM in respect of the ordinary resolution to approve the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established for the purpose of reviewing the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder. 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 Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder are fair and reasonable and whether the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder are 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 Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder 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 28 May 2014.

GENERAL

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, 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

“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) Agreement and transactions contemplated thereunder
“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 established for the purpose of reviewing the Master After Sale Service (TV Products) Agreement and advising the Independent Shareholders in respect of the transaction contemplated thereunder
“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) Agreement and/or the Non-Competition Arrangement (as the case may be))
“Kuyu Capital Increase”	the capital increase contemplated under the capital increase agreement of Kuyu, which was entered into among various parties on 24 April 2014, as disclosed in the announcement of the Company dated 24 April 2014
“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 agreement in relation to TV Products entered into between the Company and TCL Corporation on 19 May 2014
“Non-Competition Arrangement”	the proposed arrangement as contemplated under the Deed of Third Variation dated 24 April 2014 entered into among TCL Corporation, T.C.L. Industries Holdings (H.K.) Limited and the Company, as disclosed in the announcement of the Company dated 24 April 2014
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement

“Services”	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 the maintenance and repair services 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 and the assistance in handling products with malfunction in large quantities; the offering of the after sale services to the users like repair claiming, the installation and commissioning, the maintenance, assessment and repair and replacement; the supply of the front end servicing of the sold products that was returned to the distributors after negotiation due to kinds of reasons and the verification of the returned products, and the assistance in handling thereof under the requirements of the Relevant Member(s) of the User; the participation and coordination in sales activities; the service brand building; the emergency dealing; the feedback of products quality information; the assistance in the sampling of products by government departments; the preparation and implementation of spare parts plan and call centre services; 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 after sale services as contemplated under the Master After Sale Service (TV Products) Agreement
“Service Fees”	service fees that the Relevant Member(s) of the User shall pay to the 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) Agreement, excluding the Group
“TV Products”	television sets products and their accessories and ancillary products manufactured by the Group
“User”	user of the Services

By order of the Board
LI Dongsheng
Chairman

Hong Kong, 19 May 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.