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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 AND MAJOR TRANSACTION – MASTER QIANHAI SAILING COOPERATION AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 12 August 2015 the Company entered into the Master Qianhai Sailing Cooperation Agreement with Qianhai Sailing, pursuant to which Qianhai Sailing Group will source the Goods for the Group in accordance with the Group's production need.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 64.32% of the issued share capital of the Company, and is a connected person of the Company under the Listing Rules. Since Qianhai Sailing is owned as to 40% by TCL Corporation, it is a TCL Associate and is thus a connected person of the Company. The transactions contemplated under the Master Qianhai Sailing Cooperation Agreement therefore constitute continuing connected transactions.

Notwithstanding the respective interest of certain Directors in TCL Corporation (the substantial shareholder of Qianhai Sailing), none of them is considered as having a material interest in the transactions contemplated under the Master Qianhai Sailing Cooperation Agreement. Therefore, all Directors are entitled to vote pursuant to the Company's articles of association.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Qianhai Sailing Cooperation Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios with reference to the annual caps of the Master Qianhai Sailing Cooperation Agreement exceed 25%, in addition to being continuing connected transactions, the transactions contemplated thereunder also constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders on the terms and the proposed caps of the Master Qianhai Sailing Cooperation Agreement. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will despatch to the Shareholders a circular containing further details of the Master Qianhai Sailing Cooperation Agreement, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM on or before 2 September 2015.

TCL Corporation and TCL Associates will abstain from voting on the resolution in respect of the Master Qianhai Sailing Cooperation Agreement required to be put forward at the EGM.

INTRODUCTION

The Board is pleased to announce that on 12 August 2015 the Company entered into the Master Qianhai Sailing Cooperation Agreement with Qianhai Sailing, pursuant to which Qianhai Sailing Group will source the Goods for the Group in accordance with the Group's production need.

Major terms of the Master Qianhai Sailing Cooperation Agreement are set out as below:

- Date:** 12 August 2015
- Parties:**
- (i) The Company (for itself and on behalf of the Group)
 - (ii) Qianhai Sailing (for itself and on behalf of the Qianhai Sailing Group)
- Duration:** From the Shareholders' Approval Day to 31 December 2017 (both days inclusive)

Major terms:

Sourcing of Goods

- (1) Member(s) of the Group may from time to time give member(s) of the Qianhai Sailing Group the Plan indicating the production need of the Group with particulars of the Goods (including the quantity, models, technical specifications, preferred manufacturers and Maximum Price of the Goods) to satisfy such need.
- (2) Qianhai Sailing Group shall use its best endeavour to prepare itself to meet the need of the Group as set out in the Plan as soon as possible after the receipt of the Plan by (i) arranging procurement of the Goods on its own account and at its own expense in accordance with the need of the Group as stated on the Plan and pursuant to the terms and conditions of the Master Qianhai Sailing Cooperation Agreement; and (ii) arranging the Goods so acquired to be stored at the Storage Location(s) at the own risk of and with the title vested in Qianhai Sailing Group.
- (3) The relevant member(s) of the Group may at any time within a period of three (3) months from the date of the relevant Plan give the relevant member(s) of the Qianhai Sailing Group the Purchase Order(s) for the Goods (or any part thereof) with particulars and on terms within the scope of the Plan.
- (4) Within five (5) Business Days from the date of the Purchase Order(s), the relevant member(s) of the Qianhai Sailing Group shall sell the Goods to such relevant member(s) of the Group at the Purchase Price in accordance with the Purchase Order(s) and the relevant member(s) of the Group shall take physically possession of the Goods as specified on the Purchase Order (i.e. Delivery). Upon the Group acknowledging receipt of any Goods under Delivery, the title of and the risk in such Goods shall pass to such member(s) of the Group.

- (5) The relevant member(s) of the Group shall pay to the relevant member(s) of the Qianhai Sailing Group the Purchase Price for the Goods within seventy five (75) days from the date of the Delivery.
- (6) The Purchase Price shall be the Acquisition Price plus the Premium, which shall not exceed the Maximum Price in any event.

Adjustment of The Premium

- (1) If the PBOC Rate or the WACC differs from the respective values on the date of the Master Qianhai Sailing Cooperation Agreement or the last Adjustment Date (whichever is later) by 10%, either Party may serve a written notice (the “Adjustment Notice”) on the other Party proposing an adjustment to the Premium.
- (2) The Parties shall agree in writing on a new percentage for the Premium within ten (10) Business Days after the day on which the Adjustment Notice is issued (the “Stipulated Period”), provided always that (i) the adjustment to the Premium shall be proportional to the variation of the PBOC Rate or the WACC; and (ii) the annualised percentage rate of the Premium shall be no higher than the lower of PBOC Rate or the WACC on the day of the Adjustment Notice. If no agreement is reached on or before the expiry of the Stipulated Period, the Premium shall remain unchanged.

Qianhai Sailing’s Obligation

Qianhai Sailing Group shall:

- (1) acquire the Goods on terms and with particulars which conform to the specifications stated on the Plan;
- (2) ensure sufficient Goods to be in stock at the Storage Locations which can satisfy the Group’s need as specified in the Plan from time to time;

- (3) bear and assume all risks in respect of the Goods before the Delivery and shall keep the Group indemnified and harmless on a full indemnity basis against all and any losses, claims, damages, demands, costs, expenses (including but not limited to legal costs) that may be incurred and/or suffered by the Group arising from and/or in connection with any damage, loss, defect and malfunction to the Goods at the time when they are stored at the Storage Location; and
- (4) obtain all export licences, clearances and other consents/approvals that are necessary for transportation the Goods to the Storage Location(s) and sale of the Goods to the Group.

Qianhai Sailing's Warranties and Undertaking

Qianhai Sailing warrants, represents, undertakes and guarantees that at Delivery:

- (1) the Goods sold to the Group by any member of the Qianhai Sailing Group under the Master Qianhai Sailing Cooperation Agreement shall:
 - (a) be free from defects, manifest or latent, in materials and workmanship;
 - (b) conform with the specifications, drawings, and descriptions set out in the Plan; and
 - (c) be suitable and fit, in every aspect, for the purposes intended by the Group;
- (2) Qianhai Sailing Group will have full, clear and unencumbered title to the Goods, and the clear and unencumbered right, power and authority to sell, transfer and deliver all of the Goods to the Group; and
- (3) the Group will acquire a valid, unqualified and unencumbered title to the Goods and shall enjoy quiet possession of the Goods upon Delivery.

Disposal of Goods by Qianhai Sailing Group

Subject to Qianhai Sailing Group's duty to ensure sufficient Goods to meet the Group's need, Qianhai Sailing Group may freely dispose of any of the Goods stored at the Storage Locations.

Risk In The Goods

For the period after acquisition of the Goods by Qianhai Sailing Group but before the Delivery, the Goods shall at all times be at Qianhai Sailing Group's risk and the Group shall in no circumstances be held liable or account for any breakage of, loss of and/or damage to the Goods when the same are stored at the Storage Location(s).

Use of the Group's Premises as Storage Location(s)

The Company shall procure the provision of sufficient space in the Group's Storage House to Qianhai Sailing Group as a Storage Location free of charge, for the purpose of storing the Goods.

The Group may Serve as Agent for Procurement of Goods

For the purpose of facilitating the Qianhai Sailing Group to fulfill its obligations under the Master Qianhai Sailing Cooperation Agreement, the Group may (but under no obligation to) upon reasonable request by the Qianhai Sailing Group act as agent to assist member(s) of the Qianhai Sailing Group to purchase Goods from the relevant suppliers, and in such case:

- (1) the Group shall not charge Qianhai Sailing Group any fee for so acting; and
- (2) Qianhai Sailing Group shall indemnify the Group and keep the Group indemnified and harmless on a full indemnity basis against all and any losses, claims, damages, demands, costs, expenses (including but not limited to legal costs) that may be incurred and/or suffered by Group as a result of or in connection with the Group acting as an agent to or otherwise procure the Goods for the Qianhai Sailing Group.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the Master Qianhai Sailing Cooperation Agreement:

	For the year ending 31 December 2015 <i>HK\$'000</i>	For the year ending 31 December 2016 <i>HK\$'000</i>	For the year ending 31 December 2017 <i>HK\$'000</i>
Purchase of Goods from Qianhai Sailing Group	1,179,490	3,113,854	3,425,239

REASONS FOR THE PROPOSED ANNUAL CAPS

The annual caps for the aggregated transactions under the Master Qianhai Sailing Cooperation Agreement are determined by reference to, among other things, (i) the historical amounts of the Goods purchased by the Group through other channels; (ii) the possible requirement of raw materials, semi-finished materials and finished goods with respect to the projected business volumes and the estimated growth rates of the relevant business lines of the Group (which in turn are estimated by reference to, among other things, the relevant industry demand and the target market share of the Group); and (iii) the growth in the Group's LCD business.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Using Qianhai Sailing Group as an intermediary to purchase the Goods for supply to the Group, the Group has no obligation to pay for the Goods acquired by Qianhai Sailing Group before Delivery. The Group would issue the Purchase Order only when it requires the Goods in its manufacturing process and the Group is only required to settle the Purchase Price within seventy five days after the date of the Delivery. This arrangement could significantly speed up the Group's inventory turnover and relief the strain on the Group's cash flow position.

The suppliers of the Goods from time to time offer discount on their products. In the past, the Group may not be able to fully capitalise on such opportunity because of its tight cashflow position. However, with the Master Qianhai Sailing Cooperation Agreement, the Group would be able to seize the opportunity by giving Qianhai Sailing Group the Plan and specify the particulars of the Goods and the Maximum Price so that Qianhai Sailing Group could acquire the Goods at discounted price at its own costs first. When the Group is in need of the Goods and its cashflow position allows, it could then purchase the Goods from Qianhai Sailing Group at the Acquisition Price plus the Premium. Since the Premium when fixed and adjusted would be lower than the PBOC Rate and the WACC, the Group is better off with this arrangement instead of obtaining other financing for acquiring the Goods. This arrangement also gives the Group much more flexibility in managing its inventory and cashflow.

The Directors (excluding the independent non-executive Directors) consider that the terms of the Master Qianhai Sailing Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole to enter into the Master Qianhai Sailing Cooperation Agreement.

LISTING RULES IMPLICATIONS

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Notwithstanding the respective interest of certain Directors in TCL Corporation (the substantial shareholder of Qianhai Sailing), none of them is considered as having a material interest in the transactions contemplated under the Master Qianhai Sailing Cooperation Agreement. Therefore, all Directors are entitled to vote pursuant to the Company's articles of association.

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TCL Corporation and TCL Associates will abstain from voting on the resolution in respect of the Master Qianhai Sailing Cooperation Agreement required to be put forward at the EGM.

GENERAL INFORMATION OF THE PARTIES

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

Qianhai Sailing is principally engaged in the business of logistics and supply chain management. It currently has one wholly owned subsidiary established in Hong Kong, i.e. Qihang Import & Export Limited, which carries out the business of trading, storage and logistics.

DEFINITIONS

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

“Acquisition Price”	the actual price paid by Qianhai Sailing for the acquisition of the Goods from the supplier(s)
“Adjustment Date”	a day on which the Premium is adjusted in accordance with the Master Qianhai Sailing Cooperation Agreement
“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 Hong Kong are open to conduct business generally throughout their normal business hours and the Stock Exchange is open for trading, excluding a Saturday, Sunday, public holidays and days on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00 on weekdays
“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

“Delivery”	the taking of physical possession of the Goods by member(s) of the Group from Qianhai Sailing Group in accordance with the provisions of the Master Qianhai Sailing Cooperation Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, approve the Master Qianhai Sailing Cooperation Agreement and the transactions contemplated thereunder
“Goods”	those articles, things, components or raw materials which are required for the manufacturing or production of the Products
“Group”	the Company and its Subsidiaries
“Group’s Storage House”	the storage house of any member of the Group to be specified by the Company from time to time
“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 terms of and the proposed annual caps for the Master Qianhai Sailing Cooperation Agreement
“Independent Shareholders”	Shareholders other than TCL Corporation and TCL Associates and those who are required to abstain from voting on the resolution at the EGM approving the Master Qianhai Sailing Cooperation Agreement and the annual caps for the transactions contemplated thereunder
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“Master Qianhai Sailing Cooperation Agreement”	the master Qianhai Sailing cooperation agreement entered into between the Company and Qianhai Sailing on 12 August 2015

“Maximum Price”	the maximum Purchase Price to be paid by the relevant member of the Group to the relevant member of Qianhai Sailing Group for acquiring the Goods as stated on the Plan
“Parties”	the Company and Qianhai Sailing and their respective successors and permitted assigns, and each a “Party”
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PBOC Rate”	the RMB benchmark loan interest rate of financial institutions for one-year loan (金融機構人民幣一年期貸款基準利率) as promulgated by PBOC from time to time
“Plan”	a production prediction plan of the Group for the three months following the date of such Plan
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Premium”	a premium of 0.3% of the Acquisition Price for the Goods
“Products”	electronic products including televisions, audio-visual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group
“Purchase Order”	the purchase order given by the Group to a member of Qianhai Sailing Group instructing it to sell a member of the Group the Goods
“Purchase Price”	the consideration for the sale of the Goods from member(s) of Qianhai Sailing Group to member(s) of the Group
“Qianhai Sailing”	Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd. (深圳前海啟航供應鏈管理有限公司), a company established in the PRC with limited liability, and a TCL Associate
“Qianhai Sailing Group”	Qianhai Sailing and its Subsidiaries

“Shareholder(s)”	holder(s) of share(s) of the Company
“Shareholders’ Approval Day”	the day on which Independent Shareholders’ approval for the Master Qianhai Sailing Cooperation Agreement, the transactions contemplated thereunder and the relevant annual cap(s) therefor, as required under the Listing Rules, are obtained
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Storage Location”	the premise where the Goods are stored after the acquisition of the Goods by Qianhai Sailing
“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 Associate(s)”	the associate(s) of TCL Corporation
“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, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100)
“WACC”	the weighted average cost of capital of the Group

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 12 August 2015

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