

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION ARRANGEMENT IN RESPECT OF THE CAPITAL INCREASE OF A SUBSIDIARY BY THE COMPANY AND TENCENT DIGITAL

THE CAPITAL INCREASE AGREEMENT AND THE JV CONTRACT

The Board is pleased to announce that, on 2 July 2017, the Company, FFalcon (a direct wholly-owned subsidiary of the Company), the JV Partners, Thunderbird Technology (an indirect non-wholly owned subsidiary of the Company) and Tencent Digital entered into the Capital Increase Agreement, pursuant to which, Tencent Digital and FFalcon agreed to make capital contribution of RMB450 million and RMB30 million, respectively, to Thunderbird Technology. Upon completion of the Capital Increase, Tencent Digital's interest in Thunderbird Technology will be 16.67%, and the Company's interest in Thunderbird Technology through FFalcon will be reduced from 54.05% to 45.55%. On 2 July 2017, FFalcon, the JV Partners, Thunderbird Technology and Tencent Digital also entered into the JV Contract.

IMPLICATIONS UNDER THE LISTING RULES

Following the completion of the Capital Increase, the Company's interest in Thunderbird Technology will be diluted from 54.05% to 45.55%, which constitutes a deemed disposal under Rule 14.29 of the Listing Rules. Since one or more of the applicable percentage ratios in respect of the Capital Increase exceeds 5% but is less than 25%, the Capital Increase constitutes a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that, on 2 July 2017, the Company, FFalcon (a direct wholly-owned subsidiary of the Company), the JV Partners, Thunderbird Technology (an indirect non-wholly owned subsidiary of the Company) and Tencent Digital entered into the Capital Increase Agreement, pursuant to which, Tencent Digital and FFalcon agreed to make capital contribution of RMB450 million and RMB30 million, respectively, to Thunderbird Technology. Upon completion of the Capital Increase, the registered capital of Thunderbird Technology will be increased from RMB100 million to RMB120 million (with the rest of the capital contribution to be credited to capital reserve). Tencent Digital's interest in Thunderbird Technology will be 16.67%, and the Company's interest in Thunderbird Technology through FFalcon will be reduced from 54.05% to 45.55%. Accordingly, upon completion of the Capital Increase, Thunderbird Technology will cease to be a subsidiary of the Company, but FFalcon will remain as the single largest shareholder of Thunderbird Technology.

On 2 July 2017, FFalcon, the JV Partners, Thunderbird Technology and Tencent Digital also entered into the JV Contract, whereby the parties agreed on the mechanism of the management of Thunderbird Technology, and set out their respective obligations and rights in accordance with the terms and conditions as contained in the JV Contract.

THE CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are summarised below:

- Date : 2 July 2017
- Parties : (i) the Company;
(ii) FFalcon (a direct wholly-owned subsidiary of the Company);
(iii) the JV Partners;
(iv) Thunderbird Technology (an indirect non-wholly owned subsidiary of the Company); and
(v) Tencent Digital.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the JV Partners, Tencent Digital and their respective ultimate beneficial owners are Independent Third Parties.

Capital Increase : Tencent Digital shall contribute RMB450 million to Thunderbird Technology in order to acquire 16.67% equity interest in Thunderbird Technology after the Capital Increase.

FFalcon shall contribute RMB30 million to Thunderbird Technology in order to acquire 1.11% equity interest in Thunderbird Technology after the Capital Increase.

The amounts to be contributed by Tencent Digital and FFalcon were determined on arm's length negotiation among the Company, FFalcon and Tencent Digital, after taking into account and by making reference to various factors including, among others, industry prospects, valuation of peer companies, business operation of Thunderbird Technology.

Upon completion of the Capital Increase, FFalcon, Zhida Tafang, Lexiang Tengsheng, Fende Investment and Tencent Digital will hold the equity interest in Thunderbird Technology as to 45.55%, 11.11%, 11.11%, 15.56% and 16.67%, respectively.

Conditions precedent : Completion of the Capital Increase is subject to all of the following conditions being fully satisfied or waived by FFalcon or Tencent Digital (as the case may be) in writing:

- (i) the Capital Increase Agreement having been duly signed, and the transaction documents related to the Capital Increase having been delivered to the Subscribers;
- (ii) the Capital Increase having been approved by the board of directors of Thunderbird Technology (but the qualification as a shareholder and right to appoint directors of Tencent Digital shall take effect only after completion);
- (iii) the Thunderbird Group, FFalcon and the JV Partners having obtained the requisite approvals, consents, filings, registrations or waivers from the relevant governmental authorities or third parties for the signing of the transaction documents and completion of the Capital Increase, if required;
- (iv) the undertakings that are required to be fulfilled by the Thunderbird Group, FFalcon and the JV Partners prior to completion under the Capital Increase Agreement having been fulfilled by them;
- (v) as at the date of completion, save as disclosed to Tencent Digital in the disclosure letter, the representations and warranties made by Thunderbird Technology, FFalcon and the JV Partners in the Capital Increase Agreement shall remain true, accurate, complete and not misleading in all material respects;

- (vi) there being no material adverse change in the shareholding structure, assets, financial position, operations and other state of affairs of the Thunderbird Group, save for those caused by Tencent Digital;
- (vii) FFalcon and the JV Partners having fully paid up the existing registered capital of Thunderbird Technology, and having provided the Subscribers with the original of the capital verification report issued by a qualified accounting firm confirming the fully paid-up registered capital as mentioned above;
- (viii) Thunderbird Technology, the Company and Tencent Digital having been able to commence business cooperation;
- (ix) completion of the Internal Restructuring;
- (x) there being no judicial judgment, arbitration award or decision of administrative penalty that may materially and adversely affect the Thunderbird Group;
- (xi) there being no law, regulation or policy that would render a failure of the transactions as contemplated under the Capital Increase Agreement;
- (xii) Thunderbird Technology having issued to the Subscribers a notice of payment for the Capital Increase;
- (xiii) Thunderbird Technology having reached agreement with TCL Corporation and its subsidiaries on the transactions to be contemplated under the principal businesses of the Thunderbird Group; and
- (ix) the Subscribers having received a completion certificate, signed by the Thunderbird Group, FFalcon and the JV Partners, confirming all conditions precedent to completion have been satisfied.

In case any condition precedent is not fulfilled or waived in writing within 120 days from the date on which the Capital Increase Agreement is entered into or a longer period as otherwise agreed by the parties, each of the parties shall have the right to terminate the Capital Increase Agreement.

Completion : Within ten working days from the date of all of the conditions precedent to completion (other than those have been waived) having been satisfied as confirmed by the Subscribers in writing, the Subscribers shall, at one time, fully pay up its capital contribution by transferring funds to Thunderbird Technology's designated account. The date on which the contribution is paid up is the date of completion. The Subscribers shall proceed to completion separately and the completions by the Subscribers are not inter-conditional on each other.

Principal undertakings : (i) Undertakings by Thunderbird Technology, FFalcon and the JV Partners

(1) Up to the date of completion, the agreements made by Thunderbird Technology (including accounting changes, settlement of material litigation, business cooperation that causes material adverse effects) shall obtain the approval of Tencent Digital;

(2) They shall use their best efforts to facilitate the matters related to the Internal Restructuring; and

(3) They shall continuously regulate the operation of Thunderbird Technology, and use their best efforts to eliminate any impediments to its business operation.

(ii) Undertakings by the Subscribers

They shall use their reasonable efforts to give business support to the Thunderbird Group for the growth of its principal businesses.

(iii) Undertakings by the Company

Apart from sub-licensing, the Company shall use its reasonable effort to assist Thunderbird Technology in negotiating with owners of the intellectual properties necessary for its business. The Company shall not jeopardize relevant license rights of Thunderbird Technology, and shall use its commercially best effort to promote the development of the principal businesses of Thunderbird Technology.

THE JV CONTRACT

The principal terms of the JV Contract are summarised below:

Date : 2 July 2017

- Parties : (i) FFalcon;
(ii) the JV Partners;
(iii) Thunderbird Technology; and
(iv) Tencent Digital.

Restrictions on : (i) Transfer restrictions imposed on FFalcon and the JV Partners
share transfer

Unless otherwise stipulated in the agreement, without the consent of more than 5% of investor shareholder (if any), the following transfers are not allowed: (1) transfer to any third party other than FFalcon and the JV Partners of its interest in Thunderbird Technology; (2) transfer between FFalcon and the JV Partners that would lead to a change of the single largest shareholder or de facto controller of Thunderbird Technology; (3) any transfer that would reduce the percentage of the direct or indirect shareholding of the Company, FFalcon and their respective associates in Thunderbird Technology, in aggregate, to below 20%; and (4) transfer by FFalcon and the JV Partners of their interest in Thunderbird Technology to certain companies in the industry as specified in the agreement.

- (ii) Transfer restrictions imposed on Tencent Digital

Without the consent of FFalcon, Tencent Digital shall not transfer its interest in Thunderbird Technology to certain companies in the industry as specified in the agreement.

Pre-emptive : (i) If any shareholder intends to transfer its equity interest to
right and right any third party, it shall give written notice to other
of co-sale shareholders. Each of other shareholders shall have the right
(but not obliged) to acquire, prior to the third party, such
equity interest pursuant to the procedures as set out in the
agreement.

- (ii) If FFalcon or the JV Partners intends to transfer its equity interest, and if Tencent Digital has approved such transfer and has not exercised its pre-emptive right, Tencent Digital shall have the right to request to co-sell with the transferring shareholder its equity interest to the purchaser on the same conditions.

Redemption : Except in the circumstances specified in the agreement, upon the occurrence of any of the following circumstances, Tencent Digital shall have the right to request Thunderbird Technology or FFalcon to redeem its then shareholding in Thunderbird Technology in accordance with the procedures and terms under the agreement:

- (i) any transaction document related to the Capital Increase is terminated, cancelled, revoked or becomes invalid only by reason of the wilful or gross negligent default of Thunderbird Technology and FFalcon;
- (ii) any agreement related to the Internal Restructuring is terminated, cancelled, revoked, becomes invalid or impracticable only by reason of the wilful or gross negligent default of Thunderbird Technology or the Company;
- (iii) Thunderbird Technology disposes of all or substantially all of its assets (the right shall be exercised within three months after such disposal); or
- (iv) the cooperation between Tencent Digital and Thunderbird Technology is terminated only by reason of the wilful or gross negligent default of Thunderbird Technology or the Company.

Board of directors and management : The board of directors shall comprise five directors, of which FFalcon shall be entitled to appoint two directors, Tencent Digital shall be entitled to appoint one director, Fende Investment shall be entitled to appoint one director, and Lexiang Tengsheng shall be entitled to appoint one director. As long as the shareholding of Tencent Digital in Thunderbird Technology is no less than 5%, the number of directors it can appoint shall not be less than one. The board of directors shall have one chairman and one vice chairman, with the chairman to be directly appointed by FFalcon.

Thunderbird Technology shall have one general manager and one vice general manager, to be appointed by the board of directors. Its financial officer, chief operating officer and chief technology officer shall be nominated by the general manager and approved by the board of directors.

In addition, customary arrangements among shareholders of Thunderbird Technology have also been specified in the JV Contract, including preferential subscription right upon capital increase and anti-dilution right of the parties.

INFORMATION ABOUT THUNDERBIRD TECHNOLOGY

Thunderbird Technology was co-founded by FFalcon and the JV Partners in May 2017, with registered capital of RMB100 million. It has three wholly-owned subsidiaries. As at the date of this announcement, FFalcon and the JV Partners is interested in Thunderbird Technology as to 54.05% and 45.95%, respectively. Thunderbird Technology is principally engaged in the operation of internet television business, which is now being operated by other members of the Group. Upon completion of the Internal Restructuring, the internet television business will be operated by Thunderbird Technology.

The table below sets out the audited financial information of the internet television business for the two years ended 31 December 2016:

	For the year ended	
	31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Revenue	72,393.63	44,319.70
Profit before income tax	(13,163.60)	(10,230.61)
Profit after income tax	(13,163.60)	(10,230.61)

The audited total and net asset value of the internet television business as at 31 December 2016 was approximately RMB41.07 million and RMB(37.69 million), respectively.

Taking into account of the unaudited consolidated net asset value of Thunderbird Technology as at 30 June 2017, it is estimated to record a gain of RMB175 million as a result of the deemed disposal. The actual amount of the gain or loss on deemed disposal to be recognised in the consolidated financial statements of the Group will be calculated based on the net asset value of Thunderbird Technology as at the date of completion of the Capital Increase, and therefore, it may differ from the amount stated above.

Thunderbird Technology intends to apply the proceeds from the Capital Increase towards creating an industrial ecosystem with focus on family internet, in order to attract talents in internet operation and technological development; investing in the development of advanced technologies; cultivating operation and market; and funding in preparation of the possible intensified competition in the market.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The fast development of smart television business is an important move for the Group to achieve “smart + internet” strategic transformation and to build a “products + services” business model. The number of operating devices and active users of TCL’s smart television platform is proliferating, with accumulated active users reaching 20 million. The business model based on paid content revenue sharing, business flow revenue sharing, service advertisement revenue sharing and paid value added service fees is developed rapidly.

Tencent Holdings Limited is currently a leading internet value added service provider in China. It possesses excellent internet operation capability, with rich resources and development capability in video, game and advertisement areas.

This strategic cooperation provides not only funding support for the development of smart television business, but also establishes a joint operation team for both parties. It will increase business operation value through big television screens for family entertainment, and deepen the cooperation in product upgrade and innovation, market resource synergies and membership coherence, so as to achieve strategic cross-boundary complementary effect on resources. Through this cooperation, the Company enables to access further into the family entertainment sector, to improve the living room economic ecosystem, speed up the promotion of new business model and boost the growth of revenue from its family internet business.

In light of the aforesaid, the Board is of the view that the terms of the Capital Increase Agreement and the JV Contract are on normal commercial terms, and are fair and reasonable, and that the entering into of the Capital Increase Agreement and the JV Contract is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Following the completion of the Capital Increase, the Group’s interest in Thunderbird Technology will be diluted from 54.05% to 45.55%, which constitutes a deemed disposal under Rule 14.29 of the Listing Rules. Since one or more of the applicable percentage ratios in respect of the Capital Increase exceeds 5% but is less than 25%, the Capital Increase constitutes a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements but is exempt from the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. Since its establishment and up to the date of this announcement, Thunderbird Technology has been an insignificant subsidiary of the Group under Rule 14A.09 of the Listing Rules.

None of the Directors is considered as having a material interest in the transactions contemplated under the Capital Increase Agreement and the JV Contract. Therefore, all the Directors are entitled to vote on the Board resolution for considering and approving the Capital Increase Agreement and the JV Contract pursuant to the Company's articles of association.

GENERAL INFORMATION

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 that website does not form part of this announcement).

FFalcon is a direct wholly-owned subsidiary of the Company established in Hong Kong. Its principal business activity is investment holding.

Zhida Tafang is a limited partnership established and subsisting under the laws of the PRC. Its principal business activity is investment holding.

Lexiang Tengsheng is a limited partnership established and subsisting under the laws of the PRC. Its principal business activity is investment holding.

Fende Investment is a limited liability company established and subsisting under the laws of the PRC. Its principal business activity is investment holding.

Tencent Digital is a limited liability company established and subsisting under the laws of the PRC. Its principal business activities are the development of computer hardware and software, sale of self-developed software and provision of related technological services.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Capital Increase”	the capital contribution to be made by FFalcon and Tencent Digital pursuant to the Capital Increase Agreement to Thunderbird Technology in the amount of RMB30 million and RMB450 million, respectively

“Capital Increase Agreement”	the capital increase agreement entered into among the Company, FFalcon, the JV Partners, Tencent Digital and Thunderbird Technology dated 2 July 2017
“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
“Fende Investment”	Shenzhen Qianhai Fende Investment Company Limited* (深圳市前海芬德投資有限公司), a limited liability company established in the PRC, is an Independent Third Party
“FFalcon”	FFalcon Technology Holding Limited, a limited company established and subsisting under the laws of Hong Kong, is a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) independent of, and not connected with, the Group and its connected persons
“Internal Restructuring”	the internal restructuring of assets and operating rights relating to the internet television business to be undergone by the Group for the purpose of independent operation of such business by Thunderbird Technology
“JV Contract”	the joint venture operation contract entered into among FFalcon, the JV Partners, Thunderbird Technology and Tencent Digital dated 2 July 2017

“JV Partners”	Zhida Tafang, Lexiang Tengsheng and Fende Investment, being the joint venture partners of FFalcon in Thunderbird Technology as at the date of this announcement, and is interested in Thunderbird Technology as to 13.51%, 13.51% and 18.92%, respectively
“Lexiang Tengsheng”	Shenzhen Lexiang Tengsheng Technology Partnership (Limited Partnership)* (深圳樂享騰生科技合夥企業(有限合夥)), a limited partnership established in the PRC, is an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	FFalcon and Tencent Digital
“Tencent Digital”	Tencent Digital (Shenzhen) Company Limited* (騰訊數碼(深圳)有限公司), a limited liability company established and subsisting under the laws of the PRC, is a subsidiary of Tencent Holdings Limited as at the date of this announcement
“Thunderbird Group”	Thunderbird Technology and its subsidiaries
“Thunderbird Technology”	Shenzhen Thunderbird Network Technology Company Limited* (深圳市雷鳥網絡科技有限公司), a limited liability company established and subsisting under the laws of the PRC, is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement

“Zhida Tafang”

Shenzhen Zhida Tafang Technology Partnership (Limited Partnership)* (深圳智達拓方科技合夥企業(有限合夥)), a limited partnership established in the PRC, is an Independent Third Party

“%”

per cent.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 2 July 2017

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

* for identification purpose only