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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 TRANSACTIONS – MASTER SALE AND PURCHASE (2017) AGREEMENT, MASTER AFTER SALE SERVICE (2017) AGREEMENT AND MASTER RENTAL (2017) AGREEMENT,

RENEWAL OF AND/OR REVISING OF EXISTING CONTINUING CONNECTED TRANSACTIONS

AND

MAJOR TRANSACTIONS IN RESPECT OF MASTER SALE AND PURCHASE (2017) AGREEMENT AND MASTER SOURCING (2017 RENEWAL) AGREEMENT

AND

CLARIFICATION

INTRODUCTION

The Board is pleased to announce that the Group had on 29 September 2017 entered into the following agreements with certain connected persons and the transactions contemplated thereunder constitute continuing connected transactions:

1. Master Sale and Purchase (2017) Agreement;
2. Master After Sale Service (2017) Agreement;
3. Master Rental (2017) Agreement;
4. Master TCL Trademark License (2017 Renewal) Agreement;
5. Master Logistics Service Supply (2017 Renewal) Agreement;
6. Master Sourcing (2017 Renewal) Agreement;
7. Master Qianhai Sailing Cooperation (2017 Renewal) Agreement;
8. Sourcing Framework Agreement (2017);
9. Key Component Sourcing Contract (2017);
10. Master Strategic Cooperation (2017 Renewal) Agreement;
11. Master Subcontracting (2017 Renewal) Agreement; and
12. Master Service (2017 Renewal) Agreement.

Agreements 1 to 3 are new agreements consolidated from existing agreements and the terms of these agreements are in substance substantially incorporated from the respective existing agreements.

Agreements 4 to 12 are in substance renewal of the existing agreements and the terms of most of the renewal agreements are substantially the same as the previous respective agreements.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 51.89% of the issued shares of the Company, while Leshi Zhixin is the holding company of Letv (HK) which currently holds approximately 20.00% of the issued shares of the Company, and hence both TCL Corporation and Leshi Zhixin are connected persons of the Company under the Listing Rules. The counter parties to all of the above mentioned agreements are either TCL Corporation or Leshi Zhixin themselves or their respective associates, thus they are connected persons of the Company under the Listing Rules. The transactions contemplated under the aforesaid agreements therefore constitute continuing connected transactions.

Notwithstanding the respective interest and/or role of certain Directors in TCL Corporation Group and/or Leshi Zhixin Group, none of them is considered as having a material interest in the transactions contemplated under the various agreements on continuing connected transactions to be renewed or entered into, 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 respective annual caps of agreements 3 (as aggregated with the annual cap of the Licence Agreement (Hong Kong Science Park)) and 10 to 12 (i.e. agreements for the Partially Exempted Transactions) exceed 0.1% but are less than 5%, the continuing connected transactions contemplated thereunder are exempted from the Independent Shareholders' approval requirement under Rule 14A.76(2)(a) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of the agreements 1, 2 and 4 to 9 (i.e. agreements for the Non-exempt Transactions) 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 respective annual caps of the agreements 1 and 6 exceed 25%, in addition to being continuing connected transactions, they 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 has been established to advise the Independent Shareholders on the terms and the proposed caps of the Non-exempt Transactions. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will dispatch to the Shareholders a circular containing further details of the Non-exempt Transactions, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM on or before 30 November 2017 since more time is required to finalise the circular.

TCL Corporation and TCL Associates will abstain from voting in respect of the Non-exempt Transactions (other than the Leshi Transactions) required to be put forward at the EGM.

Leshi Zhixin and its associates will abstain from voting in respect of the Non-exempt Transactions required to be put forward at the EGM.

INTRODUCTION

The Board is pleased to announce that the Group had on 29 September 2017 entered into the following agreements with TCL Corporation, TCL associates and/or Leshi Zhixin and the transactions contemplated thereunder constitute continuing connected transactions:

1. Master Sale and Purchase (2017) Agreement;
2. Master After Sale Service (2017) Agreement;
3. Master Rental (2017) Agreement;
4. Master TCL Trademark License (2017 Renewal) Agreement;
5. Master Logistics Service Supply (2017 Renewal) Agreement;
6. Master Sourcing (2017 Renewal) Agreement;
7. Master Qianhai Sailing Cooperation (2017 Renewal) Agreement;
8. Sourcing Framework Agreement (2017);
9. Key Component Sourcing Contract (2017);
10. Master Strategic Cooperation (2017 Renewal) Agreement;
11. Master Subcontracting (2017 Renewal) Agreement; and
12. Master Service (2017 Renewal) Agreement.

Set out below are details of the continuing connected transactions.

CONTINUING CONNECTED TRANSACTIONS

1. Master Sale and Purchase (2017) Agreement

The Company has entered into the Master Supply (2014 Renewal) Agreement and the Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement on 11 November 2014 with TCL Corporation, both of which will be expired on 31 December 2017.

As the Company wishes to continue and consolidate the continuing connected transactions contemplated thereunder, the Company entered into the Master Sale and Purchase (2017) Agreement, the terms of which are substantially incorporated from the Master Supply (2014 Renewal) Agreement and Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement.

Set out below are the major terms of the Master Sale and Purchase (2017) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions thereunder:

Date:	29 September 2017
Parties:	(i) the Company (for itself and on behalf of its Subsidiaries) (ii) TCL Corporation (for itself and on behalf of its Subsidiaries and TCL Associates)
Duration:	Three years from 1 January 2018 to 31 December 2020 (both days inclusive) (Subject to the approval of the Independent Shareholders)
Major terms:	TCL Corporation shall sell and procure members of TCL Corporation Group and TCL Associates to sell and the Company shall purchase and procure members of the Group to purchase the Parent Products. TCL Corporation shall purchase and procure members of TCL Corporation Group and TCL Associates to purchase and the Company shall sell and procure members of the Group to sell the Group Products.

Such sale and purchase shall be in accordance with individual sale and purchase contracts to be entered into with the relevant member of TCL Corporation Group on the one hand, and the relevant member of the Group on the other hand, provided that the terms of such sale and purchase contracts are consistent with the Master Sale and Purchase (2017) Agreement.

Sourcing of Goods

The Company may purchase part of the Group's required Goods produced or manufactured in the PRC from TCL Corporation Group provided that they can offer terms (including price and payment terms) no less favourable than terms available from independent third parties and are capable of meeting the timeline, quality and quantity of the relevant order placed.

TCL Corporation shall procure the relevant members of TCL Corporation Group to sell to the relevant members of the Group the requested Goods.

Sale of Goods

If the relevant member of TCL Corporation Group requests or makes a written offer to any member of the Group to purchase from the Group any Goods for its business including distribution resale or otherwise, the member of the Group is entitled offer to supply to or accept such offer to purchase made by relevant member of TCL Corporation Group provided that the terms (including price and payment terms) of the offer by TCL Corporation Group are no less favourable than terms available to the Group from independent third parties.

Pricing policy and price determination:

1. The terms (including price and payment terms) shall be agreed between the parties based on normal commercial terms after arm's length negotiations and with reference to the fair market price ranges of products comparable to Goods offered in the market as at the time when the relevant sale and purchase is performed.
2. The prices charged for the Goods are under regular review and may be adjusted from time to time on mutual agreement. In determining if the prices charged are on normal commercial terms, the Group shall obtain quotations from TCL Corporation Group and independent third parties for comparable goods on a periodic basis and make comparisons. The Group would consider, compare and take reference of the said price quotations in determining the final prices charged.
3. If at any time during the term of the Master Sale and Purchase (2017) Agreement, TCL Corporation Group provides Goods to other independent third parties at more favourable terms, TCL Corporation Group shall immediately offer to provide Goods to the Group at equivalent terms accorded to such other independent third parties starting from the next applicable period.
4. If no comparable transactions are available for references, the Group shall obtain quotations from independent third parties for provision of products similar to the Parent Products and the terms (including price and payment terms) shall be no less favourable than those available to or from the independent third parties for provision of products similar to the Parent Products.
5. The relevant member of the Group has the absolute discretion to decide whether to accept an offer from the relevant member of TCL Corporation Group.

6. The relevant member of the Group has the right to sell or resell the Parent Products which it has acquired from the relevant member of TCL Corporation Group at such price as it may in its absolute discretion determine.
7. The relevant member of the Group may demand the relevant member of TCL Corporation Group to purchase back the Parent Products at the original selling price offered to the Group if they remain unsold to third parties for six months.

2. Master After Sale Service (2017) Agreement

The Company has entered into the Master After Sale Service (2014 Renewal) Agreement on 11 November 2014, pursuant to which TCL Corporation Group appointed the Group as its service provider of the After Sale Service in the PRC in respect of the TV Products manufactured by TCL Corporation Group, and the Group would provide TCL Corporation Group with certain Basic and Other After Sale Services in relation to the TV Products manufactured by TCL Corporation Group.

The Company has entered into the Master After Sale Service (TV Products) (2016 Renewal) Agreement on 24 October 2016, pursuant to which the Company appoints TCL Corporation as its service provider of the After Sale Services in the PRC in respect of the TV Products manufactured by the Group, and TCL Corporation Group would provide the Group with certain after sale services in relation to the TV Products manufactured by the Group.

As the Master After Sale Service (2014 Renewal) Agreement will expire on 31 December 2017 and the Master After Sale Service (TV Products) (2016 Renewal) Agreement will expire on 31 December 2019 and the Company wishes to continue the continuing connected transactions contemplated thereunder and consolidate the cooperation between the parties in terms of providing the relevant after sale services, the Company entered into the Master After Sale Service (2017) Agreement, the terms of which are substantially incorporated from the Master After Sale Service (2014 Renewal) Agreement and the Master After Sale Service (TV Products) (2016 Renewal) Agreement.

Upon the coming into effect of the Master After Sale Service (2017) Agreement, the Master After Sale Service (2014 Renewal) Agreement and the Master After Sale Service (TV Products) (2016 Renewal) Agreement shall be automatically terminated.

Set out below are the major terms of the Master After Sale Service (2017) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

- Date: 29 September 2017
- Parties:
- (i) the Company (for itself and on behalf of its Subsidiaries) – service provider regarding TV Products manufactured by TCL Corporation Group and user regarding TV Products manufactured by the Group
 - (ii) TCL Corporation (for itself and on behalf of its Subsidiaries and/or TCL Associates) – user regarding TV Products manufactured by TCL Corporation Group and service provider regarding TV Products manufactured by the Group
- Duration: Three years from 1 January 2018 to 31 December 2020 (both days inclusive) (Subject to the approval of the Independent Shareholders)
- Major terms: TCL Corporation Group shall appoint the Group as its service provider of the relevant After Sale Services in the PRC in respect of the TV Products manufactured by TCL Corporation Group, whereas the Group shall appoint TCL Corporation Group as its service provider of the relevant After Sale Services in the PRC in respect of the TV Products manufactured by the Group.

Price determination: Regarding the relevant After Sale Service provided by the Group, before determining the service fees payable by the relevant members of the user, the Group shall make reference to the fair price ranges in the market for comparable services (including obtaining quotations from independent third parties for comparable services) and make comparisons. If no such market information is obtainable, the service fees paid for the TV Products involved shall then not be lower than the budgeted warranty costs of the Group and be determined on normal commercial terms and be agreed by both parties in accordance with their independent interests.

For the service fees for Other After Sale Service, they shall be determined with reference to the prevailing market fees for comparable services. If services other than the Basic After Sale Service are requested, the relevant parties shall determine the payment terms with reference to comparable practice in the market, and the relevant members of the service provider are entitled to terminate the After Sale Service if the relevant members of the user fail to pay the service fees within the specified time. Where no comparable reference terms are available, the terms (including fees and payment terms) shall be no less favourable than (i) those proposed by independent third parties to TCL Corporation Group and/or (ii) those given by the Group to independent third parties.

Regarding the relevant After Sale Service provided by TCL Corporation Group, relevant member(s) of the Group shall pay the relevant member(s) of TCL Corporation Group in respect of the provision of the relevant After Sale Services. The service fees shall be calculated and charged based on no more than 2.5% of the sales revenue of the relevant 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 parties shall conduct an annual review of the provision of the relevant After Sale Services and the service fees to decide whether any revision shall be made.

3. Master Rental (2017) Agreement

The Group has been leasing certain properties and vehicles to TCL Corporation Group under the Master Lease and Vehicle (Lessor) Agreement dated 11 November 2014 and renting certain premises from TCL Corporation Group under the Master Lease (Tenant) Agreement dated 11 November 2014, both of which will expire on 31 December 2017. Further, TCL Optoelectronics (Huizhou) Company Limited* (TCL 光電科技(惠州)有限公司) (a company established under the laws of the PRC and a direct wholly-owned Subsidiary of the Company) has on 23 December 2016 entered into a rental agreement with TCL Intelligence Industry (Huizhou) Company Limited* (TCL智慧工業(惠州)有限公司) (a company established under the laws of the PRC and a direct wholly-owned Subsidiary of TCL Corporation) under which the former leased certain property to the latter. As the Company wishes to continue the leases and/or rentals contemplated thereunder and enter into new leases and/or rentals in the future as well as to consolidate the foregoing existing standalone rental agreement into a master agreement, the Company entered into the Master Rental (2017) Agreement.

Set out below are the major terms of the Master Rental (2017) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

- Date: 29 September 2017
- Parties: (i) The Company (for itself and on behalf of its Subsidiaries)
- (ii) TCL Corporation (for itself and on behalf of its Subsidiaries and TCL Associates)
- Duration: Three years from 1 January 2018 to 31 December 2020 (both days inclusive)
- Major terms: Member(s) of TCL Corporation Group and member(s) of the Group on the otherhand may from time to time rent and/or lease certain properties and vehicles which the lessor owns or otherwise has the right to rent and/or lease to the other party at a monthly rent.

The relevant lessee shall pay to the lessor the monthly rent to be calculated in accordance with rental agreements to be entered into between the parties in conformity with Master Rental (2017) Agreement.

Unless otherwise agreed, the relevant lessor shall pay all the (i) taxes, (ii) management fees, (iii) other charges payable to the central and local government of the PRC or the government of Hong Kong and (iv) the routine repair and maintenance fees.

The usage of the leased properties and vehicles shall be limited to those stipulated in rental agreements to be entered into between the parties in conformity with the Master Rental (2017) Agreement.

Further, the parties may in writing add, delete, revise and/or adjust the location and size of the area leased provided that it is agreed with the relevant lessor(s) and lessee(s) and such variation(s) complies with the Master Rental (2017) Agreement and Listing Rules.

Pricing policy and price determination: The rental, and/or management fee and maintenance price determination: fee shall be determined with reference to the prevailing market rate which shall be no less than the rental payable by an independent third party to the Group and/or TCL Corporation Group for comparable tenancies.

To ensure the rental receivables by the Group are on normal commercial terms, the relevant lessor shall first obtain market data for rental receivables from independent third parties for comparable tenancies and make comparisons before entering into the individual tenancy agreements pursuant to the Master Rental (2017) Agreement.

Lease period: The expiry date of each of the leases and/or rentals contemplated under the Master Rental (2017) Agreement shall not be later than 31 December 2020.

4. Master TCL Trademark License (2017 Renewal) Agreement

The Company has entered into the Master TCL Trademark License (2014 Renewal) Agreement on 11 November 2014, which will expire on 31 December 2017. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master TCL Trademark License (2017 Renewal) Agreement, the terms of which are substantially the same as the Master TCL Trademark License (2014 Renewal) Agreement.

Set out below are major terms of the Master TCL Trademark License (2017 Renewal) Agreement and the price determination thereunder:

Date: 29 September 2017

Parties: (i) TCL Corporation – Licensor (for itself and on behalf of its Subsidiaries); and
(ii) the Company – Licensee (for itself and on behalf of certain of its Subsidiaries)

Duration: Three years from 1 January 2018 to 31 December 2020 (both days inclusive) (Subject to the approval of the Independent Shareholders)

Major terms: TCL Corporation Group has granted to the Group an exclusive (subject to certain limited exceptions which are related to some existing obligations or business of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks for the manufacture, production, sale and distribution of Multimedia Products in the territories as specified in the Master TCL Trademark License (2017 Renewal) Agreement (“Licensed Trademarks”). Under the Master TCL Trademark License (2017 Renewal) Agreement, the Group is also entitled (subject to certain exceptions) to use the trademark “TCL” as part of its business name and in all business applications in which a company’s name is commonly used.

TCL Corporation Group will continue to conduct general brand promotion and marketing in respect of the Licensed Trademarks that the Group uses on products produced by it in its ordinary and usual course of business.

Price determination: The Group shall pay to TCL Corporation Group royalties which shall be calculated based on the net sales of Multimedia Products bearing any of the Licensed Trademarks under the Master TCL Trademark License (2017 Renewal) Agreement and the applicable royalty rates. Under the Master TCL Trademark License (2017 Renewal) Agreement, the royalty rates range from 0% to 1.5% depending on the types of trademarks, territories and performance of the Group.

Under the Master TCL Trademark License (2017 Renewal) Agreement, the Group shall reimburse TCL Corporation Group for the relevant portion of the cost and expenses incurred for the general brand advertising costs by TCL Corporation Group or any other entities controlled by TCL Corporation or under the common control of TCL Corporation Group during the term of the Master TCL Trademark License (2017 Renewal) Agreement. Under the Master TCL Trademark License (2017 Renewal) Agreement, the annual amount of the general brand advertising costs payable by the Group to TCL Corporation Group shall range from 0.25% to 2.0% of the annual net sales of the Group for the relevant fiscal year depending on the types of products, provided that the aforesaid percentage may be varied from time to time with the written mutual consent of the parties.

5. Master Logistics Service Supply (2017 Renewal) Agreement

The Company has entered into the Master Logistics Service Supply Agreement on 11 November 2014, which will expire on 31 December 2017. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Logistics Service Supply (2017 Renewal) Agreement, the terms of which are substantially the same as the Master Logistics Service Supply Agreement.

Set out below are the major terms of the Master Logistics Service Supply (2017 Renewal) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

Date:	29 September 2017
Parties:	(i) Speedex – service provider (ii) the Company – client (for itself and on behalf of its Subsidiaries)
Duration:	Three years from 1 January 2018 to 31 December 2020 (both days inclusive) (Subject to the approval of the Independent Shareholders)

Major terms:

Speedex shall provide to the Group the following services:

1. delivery and transfer of raw materials, components, finished goods, etc. among the Group's suppliers, distributors, customers, warehouses and distribution centres;
2. storage and warehouse management services; and
3. other logistics services as agreed between the parties to the agreement from time to time.

Where Speedex offers to the Company to provide logistics services at terms no less favourable than (i) those offered by Speedex to other independent third parties and/or (ii) those offered by other independent third parties to the Group, the Company shall procure itself and/or its Subsidiaries to actively consider using the service provided by Speedex. For the avoidance of doubt, the Group is entitled to use the logistics services provided by other independent service providers from time to time.

Pricing policy
and price
determination:

1. Speedex shall provide logistics services at terms no less favourable than (i) those offered by Speedex to other independent third parties and/or (ii) those offered by other independent third parties to the Group for the provision of comparable service.
2. The logistics services fees charged are under regular review and may be adjusted from time to time on mutual agreement of the parties. In determining if the logistics services are provided on normal commercial terms, the Group shall obtain quotations from Speedex and independent third parties for comparable logistics services on a periodic basis and make comparisons. The Group would consider, compare and make reference of the said price quotations in determining the final logistics services fees charged.

3. If at any time during the term of the Master Logistics Service Supply (2017 Renewal) Agreement, Speedex provides comparable logistics services at more favourable terms to other independent third parties, Speedex shall immediately offer to provide logistics services to the Group at equivalent terms offered to such other independent third parties starting from the next applicable period.
4. If there are no comparable terms offered to the Group by other independent third parties for comparable services, the terms of the services to be provided by Speedex to the Group shall then be determined after negotiations at arms' length between the parties and shall be on normal commercial terms.
5. If the logistics services provided by Speedex to the Group under Master Logistics Service Supply (2017 Renewal) Agreement involve engaging a third party service provider and/or any agent, and therefore Speedex has to pay for any such third party provider and/or agent's fees, Speedex shall only charge the Group the actual cost incurred by Speedex in this regard.
6. If so requested by Speedex, the Company shall also reimburse Speedex for the cost and expenses incurred by Speedex in respect of any service improvement work at the request of or agreed by the Group based on terms previously agreed between the parties or any reasonable sum.

6. Master Sourcing (2017 Renewal) Agreement

The Company has entered into the Master Sourcing (2014 Renewal) Agreement on 11 November 2014, which will expire on 31 December 2017. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Sourcing (2017 Renewal) Agreement, the terms of which are substantially the same as the Master Sourcing (2014 Renewal) Agreement.

Set out below are the major terms of the Master Sourcing (2017 Renewal) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

Date:	29 September 2017
Parties	<p>(i) the Company (for itself and on behalf of its Subsidiaries)</p> <p>(ii) TCL Corporation (for itself and on behalf of its Subsidiaries and/or TCL Associates)</p>
Duration:	Three years from 1 January 2018 to 31 December 2020 (both days inclusive) (Subject to the approval of the Independent Shareholders)
Major terms:	<p>Relevant member of TCL Corporation Group (i) acts as the intermediary for the Group to purchase and import the required Overseas Materials from the Company's Overseas Subsidiaries in places other than the PRC and/or from the independent third parties (designated by the Company's Overseas Subsidiaries) in places other than the PRC and (ii) sells such Overseas Materials to the Company's nominated Subsidiaries in the PRC as a local supplier.</p> <p>It should be noted that the second part of the Overseas Materials Sourcing Service mentioned above is different from and does not form part of the transactions under the Sourcing of Goods described in the section of "Master Sale and Purchase (2017) Agreement" below.</p>
Pricing Policy and price determination:	<p>1. In respect of the purchase of the Overseas Materials by TCL Corporation Group from the Company's Overseas Subsidiaries in places other than the PRC, the relevant member of the Group charges TCL Corporation Group the costs of the Overseas Materials.</p>

2. In respect of the sale of the Overseas Materials by TCL Corporation Group to the Company's nominated Subsidiaries in the PRC, TCL Corporation Group charges the relevant member of the Group for the acquisition cost of the Overseas Materials (i.e. the cost charged by the Group or independent third parties designated by the Overseas Subsidiaries to TCL Corporation Group as mentioned above) plus all import duties payable by TCL Corporation Group and an administrative charge covering import administrative expenses and insurance fee and all out-of-pocket expenses incurred by TCL Corporation Group relating to the importation and delivery of the relevant Overseas Materials into the PRC.
3. The administrative charges charged by TCL Corporation Group shall be no less favourable than those charged by independent third parties for the purpose of importing overseas materials for the Group. The Group shall at regular intervals obtain quotations for comparable services from independent third parties, where available, in order to compare such quotations with the administrative charge proposed to be charged by TCL Corporation Group. TCL Corporation Group will pay the cost of the Overseas Materials to the relevant member of the Group in places other than the PRC after the receipt of payment (cost of the Overseas Materials plus import duties and administrative charge) from the relevant member of the Group in the PRC. The payment terms largely correspond to the payment terms allowed by the PRC governmental authorities and independent third parties to which import duties and other expenses are paid.

7. Master Qianhai Sailing Cooperation (2017 Renewal) Agreement

The Company has entered into the Master Qianhai Sailing Cooperation Agreement on 12 August 2015 which will expire on 31 December 2017. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Qianhai Sailing Cooperation (2017 Renewal) Agreement, the terms of which are substantially the same as the Master Qianhai Sailing Cooperation Agreement.

Set out below are the major terms of the Master Qianhai Sailing Cooperation (2017 Renewal) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

Date: 29 September 2017

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: Three years from 1 January 2018 to 31 December 2020 (both days inclusive) (Subject to the approval of the Independent Shareholders)

Major terms: **Sourcing of Qianhai Goods**

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 Qianhai Goods (including the quantity, models, technical specifications, preferred manufacturers and Maximum Price of the Qianhai Goods) to satisfy such need.

Qianhai Sailing Group shall use its best endeavours to prepare itself to meet the needs 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 Qianhai Goods on its own account and at its own expense in accordance with the needs of the Group as stated in the Plan and pursuant to the terms and conditions of the Master Qianhai Sailing Cooperation Agreement; and (ii) arranging the Qianhai 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.

Pricing policy and price determination: The Purchase Price shall be the Acquisition Price plus the Premium, which shall not exceed the Maximum Price in any event.

The Acquisition Price is calculated as the actual price paid by Qianhai Sailing Group for the acquisition of the Qianhai Goods from the relevant supplier(s).

The Premium is calculated by 0.3% of the Acquisition Price for the Qianhai Goods.

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 on the other Party proposing an adjustment to the Premium.

8. Sourcing Framework Agreement (2017)

The Company has entered into the Sourcing Framework Agreement (2016) with Leshi Zhixin, pursuant to which the Group agreed to supply the Products to the Leshi Zhixin Group on 20 May 2016, which will expire on 31 December 2018. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Sourcing Framework Agreement (2017), the terms of which are substantially the same as the Sourcing Framework Agreement (2016).

Upon the coming into effect of the Sourcing Framework Agreement (2017), the Sourcing Framework Agreement (2016) shall be automatically terminated.

Set out below are the major terms of the Sourcing Framework Agreement (2017) and the price determination thereunder:

Date: 29 September 2017

Parties (i) Leshi Zhixin (for itself and on behalf of all members of the Leshi Zhixin Group) as customer
(ii) The Company (for itself and on behalf of all members of the Group) as supplier

Duration: From 1 January 2018 to 31 December 2020 (both dates inclusive)
(Subject to the approval of the Independent Shareholders)

Major terms:

Sale of the Products:

Members of the Group shall supply the Products to members of the Leshi Zhixin Group listed in the Valid Purchase Order(s).

Members of the Group are not obliged to supply the Products to members of the Leshi Zhixin Group unless the Purchase Order(s) issued by the relevant member of the Leshi Zhixin Group is accepted or deemed accepted by the relevant member of the Group in accordance with the Sourcing Framework Agreement (2017) (in which case the Purchase Order(s) will become Valid Purchase Order(s)). There is also no provision in the Sourcing Framework Agreement (2017) which prohibits members of the Leshi Zhixin Group from producing or sourcing products similar or identical to the Products from third parties.

Prices of the Products:

The prices of the Products shall be set out in the Valid Purchase Order(s).

If the member of the Group supplying the Products to member of the Leshi Zhixin Group has supplied the same Products to any third party at lower prices within the same period or under the same conditions, the relevant member of the Group shall immediately inform the relevant member of the Leshi Zhixin Group. Further quotes given by the relevant member of the Group in respect of such Products shall be the abovementioned prices agreed with the third party.

In case there are substantial changes to the quantity of Products to be supplied or other factors which may affect the prices of the Products, both parties shall have the right to request for a re-negotiation of the prices.

Payment Terms: The relevant member of the Group shall provide invoice within the first fifteen days of each month to the relevant member of the Leshi Zhixin Group in respect of the Products supplied which passed the quality checks conducted by the relevant member of the Leshi Zhixin Group, and the relevant member of the Leshi Zhixin Group shall settle the invoice within 60 days after receipt of the invoice.

Staff Training, Technical Support and After-sale Services: The relevant members of the Group shall provide all necessary free trainings over the relevant sale, after-sale repair services and other techniques to the staff of the relevant members of the Leshi Zhixin Group, and provide technical supports on installing, combining, processing, selling, after-sale services and other usages.

9. Key Component Sourcing Contract (2017)

The Company has entered into the Key Component Sourcing Contract (2016), pursuant to which Leshi Zhixin agreed to supply the Key Materials to the Group for the production of the Products on 20 May 2016, which will expire on 31 December 2018. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Key Component Sourcing Contract (2017), the terms of which are substantially the same as the Key Component Sourcing Contract (2016).

Upon the coming into effect of the Key Component Sourcing Contract (2017), the Key Component Sourcing Contract (2016) shall be automatically terminated.

Set out below are the major terms of the Key Component Sourcing Contract (2017) and the price determination thereunder:

Date: 29 September 2017

Parties:

- (i) Leshi Zhixin (for itself and on behalf of all members of the Leshi Zhixin Group) as supplier
- (ii) The Company (for itself and on behalf of all members of the Group) as customer

Duration: From 1 January 2018 to 31 December 2020 (both dates inclusive)
(Subject to the approval of the Independent Shareholders)

Major terms:

Sourcing of the Key Materials: Pursuant to the Key Component Sourcing Contract (2017), members of the Group may purchase the Key Materials from members of the Leshi Zhixin Group for the production of the Products under the Sourcing Framework Agreement (2017), by issuing Component Purchase Order subject to acceptance or deemed acceptance by the relevant member of the Leshi Zhixin Group.

Prices of the Key Materials: The prices at which members of the Leshi Zhixin Group sell the Key Materials to members of the Group shall not be higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials to any third party. The prices of the Key Materials shall include the component price, tariff, value-added tax, transportation fee and other expenses and costs, etc. borne by the relevant members of the Leshi Zhixin Group in the fulfilment of the Component Purchase Order pursuant to the Key Component Sourcing Contract (2017). Payment shall be made in RMB. Members of the Leshi Zhixin Group shall not impose extra fee, tax and compensation on members of the Group without mutual consent, members of the Group may purchase the Key Materials from members of the Leshi Zhixin Group for the production of the Products under the Sourcing Framework Agreement (2017), by issuing Component Purchase Order subject to acceptance or deemed acceptance by the relevant member of the Leshi Zhixin Group.

In general, the prices of the Key Materials shall be determined and updated once a year. However, in case of substantial price fluctuations for goods similar to the Key Materials in the market, the parties may negotiate and adjust the prices.

Payment Terms: The relevant member of the Leshi Zhixin Group shall provide an invoice within the first fifteen days of each month to the relevant member of the Group in respect of the Key Materials supplied but not yet invoiced, and the relevant member of the Group shall settle the invoice within one month after receipt of the invoice.

10. Master Strategic Cooperation (2017 Renewal) Agreement

Reference is made to the announcement dated 8 December 2015 in relation to the entering into of the Master Strategic Cooperation (2016) Agreement. Since the Master Strategic Cooperation (2016) Agreement will expire on 31 December 2018, the Company has entered into Master Strategic Cooperation (2017 Renewal) Agreement with TCL Corporation on 29 September 2017 on substantially the same terms as the Master Strategic Cooperation (2016) Agreement.

Pursuant to the Master Strategic Cooperation (2017 Renewal) Agreement, comprehensive and extensive R&D Service will be provided by TCL Corporation Group to the Group. The Master Strategic Cooperation (2017 Renewal) Agreement sets out the principal provisions for future cooperation in technological development, the implementation of which will be governed by further Cooperation Agreements in greater details, if applicable.

Upon the coming into effect of the Master Strategic Cooperation (2017 Renewal) Agreement, the Master Strategic Cooperation (2016) Agreement shall be automatically terminated.

Set out below are the major terms of the Master Strategic Cooperation (2017 Renewal) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

Date: 29 September 2017

Parties: (1) the Company (for itself and on behalf of its Subsidiaries)
(2) TCL Corporation (for itself and on behalf of its Subsidiaries and TCL Associates)

Duration: Three years from 1 January 2018 to 31 December 2020 (both dates inclusive)

The cooperation:

Scope of services: The Master Strategic Cooperation (2017 Renewal) Agreement covers the following aspects of research and development:

- (i) the joint laboratory project (the “Joint Laboratory Project”) (聯合實驗室項目), in which the Smart TV Joint Design Centre would:
 - i. complete the introduction of the productisation of smart TV products as planned between 2018 and 2020; and
 - ii. continue to research and develop differentiated innovative products for their productisation and marketing year by year; and
- (ii) the strategic mutual research and mid-to-long-term planning project (the “Strategic Mutual Research and Mid-to-Long-Term Planning Project”) (戰略共性技術研究及中長期規劃項目) which includes:
 - i. research and development in relation to internet operation and services technology, new display technology, standardisation for Android-based software platform, research and productisation of TV+ Operating System, cloud computing, digital family, image and sound algorithm technology, artificial intelligence and big data. The output of results of technology developed will be delivered in stages according to the strategic plan of the Group and TCL Corporation Group; and

- ii. the Know-how Development Project and the Hong Kong Research Institute Project, the establishment of exchange and cooperation with high schools and scientific research and development institutes in the United States of America and Hong Kong, participation in international technology and standard committees, control of third party resources and establishment of cooperative mechanism between institutions and enterprises.

Obligations of the parties:

Obligations of the Group:

The Group shall supervise the progress of the Strategic Mutual Research and Mid-to-Long-Term Planning Project. In addition, the Group shall pay the service fees for the R&D Service (depending on the progress and budget of the Projects) to TCL Corporation Group in the manner as set out in the paragraph headed “Service fees and payment terms” in this announcement.

Obligations of TCL Corporation:

TCL Corporation Group shall:

1. decide and manage the Strategic Mutual Research and Midto- Long-Term Planning Project in accordance with the strategic plans and requests of the Group and the advice of Committee of Technology & Intellectual Property Rights (技術與知識產權委員會) which is established by TCL Corporation Group; and
2. report to the Group on the progress of the Projects.

Common obligations of both parties: The parties to the Master Strategic Cooperation (2017 Renewal) Agreement would negotiate and agree with each other as to the content, duration, progress, target and the resources allocation of the Projects to be carried out under the Master Strategic Cooperation (2017 Renewal) Agreement.

Intellectual property rights: The intellectual property rights arising from the Projects shall be jointly owned by the Group and TCL Corporation Group, and they are entitled to use the relevant intellectual property rights at no cost. In the event that there is revenue received from independent third parties for the use of the intellectual property rights concerned, the apportionment between the Group and TCL Corporation Group shall be subject to their further negotiation and agreement.

The right to file an application for registration of any patentable invention arising from the Projects shall be dealt with in the following manner:

1. in case the invention is the result of sole inventor, application for registration of the relevant invention shall be filed by the relevant party by which the sole inventor is employed, which shall also be responsible to maintain and protect such invention, as well as to bear the costs of such patent application, maintenance and protection fees and rewards for such invention;
2. in case the invention is the result of joint inventors, application for registration of the relevant invention shall be filed by the relevant party by which the first inventor is employed, which shall also be responsible to maintain and protect such invention, as well as to bear the costs of such patent application, maintenance and protection fees and rewards for such invention; and

3. any new invention or derivation work with material and innovative technical advancement arising from further advancement or development based on or using or exploiting any results of the Projects shall belong to the party which made such advancement or development.

Service fees and
payment terms:

The service fees for the R&D Service shall be negotiated and agreed by the parties.

The parties to the Master Strategic Cooperation (2017 Renewal) Agreement agree that the service fees for the R&D Service shall be determined in the following manner:

1. in respect of the service fees for the Joint Laboratory Project, the Group shall pay to TCL Corporation Group such amount of sum which covers the actual expenses incurred by the latter in relation to:
 - (i) the monthly salaries of the staff involved in the research and development service for the Joint Laboratory Project in accordance with the human resources units; and
 - (ii) the reasonable expenses incurred by the Joint Laboratory Project in respect of daily operation, rent and asset investment, etc. Details of the payment terms shall be determined after negotiation between the parties and will be set out in the Cooperation Agreements; and

2. in respect of the service fees for the Strategic Mutual Research and Mid-to-Long-Term Planning Project, the Group shall contribute to the research and development fund at a rate of 0.15% of the revenue from principal operations of the Group for each quarter of the year. Such rate is subject to revision as shall be mutually agreed in writing by the Group and TCL Corporation Group, with reference to the content, project cycle, progress, target and the resources allocation of the research projects to be carried out every year. The research and development fund contributed by the Group shall be used mainly for the purpose of the research and development under the Strategic Mutual Research and Mid-to-Long-Term Planning Project. Such contribution shall be payable quarterly and each within 15 days from the expiry of each quarter.

As a guiding principle, the terms of provision of R&D Service by TCL Corporation Group to the Group shall be on normal commercial terms upon arm's length negotiations and with reference to the prevailing market fees for comparable services. Where no comparable reference terms are available, the terms (including fees and payment terms) shall be no less favourable than (i) those proposed by independent third parties to the Group; and/or (ii) those given by TCL Corporation Group to independent third parties.

Detailed payment terms and arrangement in relation to the Projects shall be negotiated and agreed by the parties to the Cooperation Agreements in accordance with the requirements of the Projects.

11. Master Subcontracting (2017 Renewal) Agreement

The Company has entered into the Master Subcontracting Agreement (2014 Renewal) in relation to the provision of processing services of raw materials into certain semi-finished materials and/or finished goods to each other on 11 November 2014. As the Master Subcontracting Agreement (2014 Renewal) will be expired on 31 December 2017 and the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Subcontracting (2017 Renewal) Agreement to extend their cooperation in the processing of raw materials and moulds.

Set out below are the major terms of the Master Subcontracting (2017 Renewal) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

- Date: 29 September 2017
- Parties: (i) the Company (for itself and on behalf of its Subsidiaries)
- (ii) TCL Corporation (for itself and on behalf of its Subsidiaries and TCL Associates)
- Duration: Three years from 1 January 2018 to 31 December 2020 (both days inclusive)
- Major terms: If any member of the Ordering Group so requests, the Processing Group shall or procure the relevant member and/or associate (as the case may be) of its group to process raw materials (including but not limited to plastic parts) as provided by the Ordering Group into certain semi-finished materials and/or finished goods for the relevant member and/or associate (as the case may be) of the Ordering Group in accordance with the processing procedures and specifications of the semi-finished materials and/or finished goods as provided by the Ordering Group, provided that:
1. the relevant member and associate (as the case may be) of the Processing Group considers that it has the relevant resources to meet the timeline, quality and quantity of the relevant order placed;

2. in case where the member of the Group places the order: (a) where the relevant member of the Group simultaneously requests an independent third party to provide the same service to it, the overall commercial terms (including charges and payment terms) offered by the relevant member of TCL Corporation Group shall not be less favourable than those offered by such third party; and (b) where the relevant member of TCL Corporation Group provides the same service to an independent third party, the overall commercial terms (including charges and payment terms) offered by the relevant member of TCL Corporation Group to the Group shall not be less favourable than those offered by such relevant member of TCL Corporation Group to that third party;
3. in case where any of the member of TCL Corporation Group places the order: (a) where such member and associate simultaneously requests an independent third party to provide the same service to it, the overall commercial terms (including charges and payment terms) offered by the relevant member of the Group to such member and associate shall be no more favourable than those offered by such third party; and (b) where the relevant member of the Group provides the same service to an independent third party, the overall commercial terms (including charges and payment terms) offered by the relevant member of the Group to TCL Corporation Group shall be no more favourable to TCL Corporation Group than those offered by such relevant member of the Group to such third party; and

The material processing services provided by Processing Group shall be on a non-exclusive basis but orders placed by the Ordering Group shall be given priority.

- Pricing Policy and price determination:
1. The processing fee to be charged by TCL Corporation Group against the Group shall be no less favourable than the terms available to the Group from independent third parties;
 2. The processing fee to be charged by the Group against TCL Corporation Group shall be no more favourable to TCL Corporation Group than those which the Group offer to independent third parties;
 3. For the processing fee to be charged by TCL Corporation Group, the processing fee to be charged are under regular review and may be adjusted from time to time on mutual agreement. In determining if the processing fees to be charged are in conformity with the foregoing paragraph 1, the Group shall obtain quotations from TCL Corporation Group and independent third parties for comparable processing services on a periodic basis and make comparisons. The Group would consider, compare and take reference of the said fees quotations in determining the final processing fees to be charged by TCL Corporation Group; and
 4. If at any time during the term of the Master Subcontracting (2017 Renewal) Agreement, TCL Corporation Group provides comparable processing services to other independent third parties at more favourable terms, TCL Corporation Group shall immediately offer to provide processing services to the Group at equivalent terms accorded to such other independent third parties starting from the next applicable period.

12. Master Service (2017 Renewal) Agreement

The Company has entered into the Master Service (2014 Renewal) Agreement on 11 November 2014 whereby an associate and certain Subsidiaries of TCL Corporation Group have agreed to provide the Subsidiary(ies) of the Group certain services in respect of production and sale of internet televisions. The Master Service (2014 Renewal) Agreement will be expired on 31 December 2017. As the Company wishes to continue the continuing connected transaction contemplated thereunder, the Company entered into the Master Service (2017 Renewal) Agreement, the terms of which are substantially the same as the Master Service (2014 Renewal) Agreement.

Set out below are the major terms of the Master Service (2017 Renewal) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

- Date: 29 September 2017
- Parties:
- (i) the Company – client (for itself and on behalf of its Subsidiaries)
 - (ii) TCL Corporation – service provider (for itself and on behalf of its Subsidiaries and TCL Associates)
- Duration: Three years from 1 January 2018 to 31 December 2020 (both days inclusive)
- Major terms: At the request of the Group, TCL Corporation shall procure Huan Technology or any members of TCL Corporation Group (if applicable) to provide the Group with:
- (i) certain basic services (“Basic Services”) in respect of the production and sale of the internet televisions, including, among other things, planning, research and development, presale training, market research and promotion, contents update, interface design, technical support, call centre and maintenance of the system of internet television products; and
 - (ii) value added services (“Value Added Services”) to end users including but not limited to provision of electronic magazines, products for educational purposes and games.

For the avoidance of doubt, the Group is entitled to use similar services provided by other independent service providers.

Price determination, In respect of the Basic Services provided by Huan payment terms and Technology or any members of TCL Corporation Group (if profit distribution: applicable), the Group shall pay to TCL Corporation Group a standard software fee for each internet television involved. The scales of the standard software fees are as follows: (i) RMB12 levied on each internet television for the first 2 million sets; (ii) RMB9 levied on each internet television for the next 0.5 million sets (i.e. more than 2 million but less than 2.5 million sets); (iii) RMB6 levied on each internet television for the next 0.5 million sets (i.e. more than 2.5 million but less than 3 million sets) and (iv) RMB3 levied on each internet television for more than 3 million sets. The standard software fee would only be revised with the consent of the parties. The total number of internet televisions involved shall be calculated each month and the standard software fee payable shall be settled within the next 3 months.

In respect of the Valued Added Services provided by Huan Technology or any members of TCL Corporation Group (if applicable), the content income for the value added services obtained by TCL Corporation Group, after deducting the content purchase costs and the distribution payable to other third parties, shall be shared equally between the Group and TCL Corporation Group.

Notwithstanding the absence of specific pricing terms for certain continuing connected transactions above, the Directors are of the view that given the methods and procedures adopted allow comprehensive comparison between these pricing terms with market standards, they can ensure the fairness and reasonableness of these pricing terms and that the continuing connected transactions are conducted on normal commercial terms, hence the interests of the Company as a whole and its minority shareholders are not prejudiced.

HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the respective actual amounts and proposed annual caps of the continuing connected transactions as described above for the two years ended 31 December 2016 and the six months ended 30 June 2017, and the respective annual caps for the three years ending 31 December 2020:

	For the year ended 31 December 2015 (audited for actual amount only) HK\$'000	For the year ended 31 December 2016 (audited for actual amount only) HK\$'000	For the 6 months ending 30 June 2017 (unaudited) (for actual amount only)/for the year ending	For the year ending 31 December 2018 HK\$'000	For the year ending 31 December 2019 HK\$'000	For the year ending 31 December 2020 HK\$'000
			31 December 2017 (for original annual cap only) HK\$'000			
Continuing Connected Transactions <i>(Note 1)</i>						
1. Master Sale and Purchase (2017)						
<i>Agreement</i>						
<i>Master Supply (2014 Renewal)</i>						
<i>Agreement</i>						
Sourcing of Goods						
– Actual	6,910,894	8,720,168	6,004,917			
– Original annual cap	18,954,763	22,495,059	25,650,532			
Sale of Goods						
– Actual	3,182,116	2,911,657	1,493,020			
– Original annual cap	7,988,320	12,216,885	18,201,831			
<i>Master Electronic and Electrical</i>						
<i>Goods Sourcing (2014</i>						
<i>Renewal) Agreement</i>						
– Actual	3,048	11,100	11,173			
– Original annual cap	34,679	46,320	63,487			
Proposed annual cap						
Sourcing of Goods				14,614,563	16,690,691	18,684,994
Sale of Goods				6,376,902	7,942,647	8,718,899

	For the year ended 31 December 2015 (audited for actual amount only) HK\$'000	For the year ended 31 December 2016 (audited for actual amount only) HK\$'000	For the 6 months ending 30 June 2017 (unaudited) (for actual amount only)/for the year ending 31 December 2017 (for original annual cap only) HK\$'000	For the year ending 31 December 2018 HK\$'000	For the year ending 31 December 2019 HK\$'000	For the year ending 31 December 2020 HK\$'000
Continuing Connected Transactions (Note 1)						
2. Master After Sale Service (2017)						
<i>Agreement</i>						
<i>Master After Sale Service (2014 Renewal) Agreement</i>						
- Actual	28,952	14,844	2,336			
- Original annual cap	58,163	66,119	75,956			
<i>Master After Sale Service (TV Products) (2016 Renewal) Agreement (Note 2)</i>						
- Actual	246,095	279,610	145,293			
- Original annual cap	649,546 (Note 3)	795,491 (Note 3)	423,666	469,524	512,014	
Proposed annual cap				1,014,088	1,157,530	1,292,787

Continuing Connected Transactions (Note 1)	For the year	For the year	For the 6 months	For the year	For the year	For the year	
	ended	ended	ending	ending	ending	ending	
	31 December 2015	31 December 2016	30 June 2017	31 December 2017	31 December 2018	31 December 2019	31 December 2020
	(audited for actual	(audited for actual	(unaudited)	(for original	ending	ending	For the year ending
	amount only)	amount only)	(for actual amount	annual cap only)	31 December 2018	31 December 2019	31 December 2020
	HK\$'000	HK\$'000	only)/for	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			the year ending				
3. Master Rental (2017) Agreement							
<i>Master Lease and Vehicle</i>							
<i>(Lessor) (2014 Renewal)</i>							
<i>Agreement</i>							
- Actual	12,306	10,794	7,442				
- Original annual cap	30,536	33,427	35,204				
<i>Master Lease (Tenant)</i>							
<i>(2014 Renewal) Agreement</i>							
- Actual	2,399	3,600	1,749				
- Original annual cap	4,726	5,291	5,928				
<i>Rental Agreement</i>							
- Actual	N/A	40	801				
- Original annual cap	N/A	42	1,697				
Proposed annual cap				159,272	164,092	160,088	
4. Master TCL Trademark License							
<i>(2017 Renewal) Agreement</i>							
aggregate royalty (Note 4)							
- Actual	nil	nil	nil				
- Original annual cap	nil	nil	158,988				
Proposed annual cap				0	0	0	
aggregate branding fee							
reimbursement							
- Actual	431,952	315,370	70,085				
- Original annual cap	560,661	663,298	737,963				
Proposed annual cap				773,521	906,831	1,100,904	

	For the year ended 31 December 2015 (audited for actual amount only) HK\$'000	For the year ended 31 December 2016 (audited for actual amount only) HK\$'000	For the 6 months ending 30 June 2017 (unaudited) (for actual amount only)/for the year ending 31 December 2017 (for original annual cap only) HK\$'000	For the year ending 31 December 2018 HK\$'000	For the year ending 31 December 2019 HK\$'000	For the year ending 31 December 2020 HK\$'000
Continuing Connected Transactions <i>(Note 1)</i>						
5. Master Logistics Service Supply (2017 Renewal) Agreement						
– Actual	264,645	347,463	183,502			
– Original annual cap	507,529	615,125	733,229			
Proposed annual cap				514,484	611,722	702,869
6. Master Sourcing (2017 Renewal) Agreement						
<i>Purchase of Overseas</i>						
Materials by TCL Corporation Group from the Group						
– Actual	835,594	756,191	337,432			
– Original annual cap	857,425	1,076,386	1,360,851			
Proposed annual cap				1,171,878	1,349,892	1,555,053
sale of Overseas Materials by TCL Corporation Group to the Group						
– Actual	824,518	802,215	325,446			
– Original annual cap	1,063,207	1,334,718	1,687,455			
Proposed annual cap				976,565	1,124,910	1,295,878
7. Master Qianhai Sailing Cooperation (2017 Renewal) Agreement (Note 5)						
– Actual	342,229	563,190	287			
– Original annual cap	1,179,490	3,113,854	3,425,239			
Proposed annual cap				690,809	995,988	1,022,307

	For the year ended 31 December 2015 (audited for actual amount only) HK\$'000	For the year ended 31 December 2016 (audited for actual amount only) HK\$'000	For the 6 months ending 30 June 2017 (unaudited) (for actual amount only)/for the year ending 31 December 2017 (for original annual cap only) HK\$'000	For the year ending 31 December 2018 HK\$'000	For the year ending 31 December 2019 HK\$'000	For the year ending 31 December 2020 HK\$'000
Continuing Connected Transactions <i>(Note 1)</i>						
8. Sourcing Framework Agreement <i>(2017) (Note 6)</i>						
– Actual	N/A	1,036,953	493,677			
– Original annual cap	N/A	4,576,514	9,058,503			
Proposed annual cap				2,860,498	3,289,573	3,289,573
9. Key Component Sourcing Contract (2017) (Note 7)						
– Actual	N/A	229,882	149,317			
– Original annual cap	N/A	1,601,780	3,019,501			
Proposed annual cap				943,964	1,085,559	1,085,559
10. Master Strategic Cooperation (2017 Renewal) Agreement <i>(Note 8)</i>						
Joint laboratory project						
– Actual	19,752	10,501	–			
– Original annual cap	27,608	26,735	29,409			
Proposed annual cap	<i>(Note 9)</i>			53,228	56,901	60,827
Strategic mutual research and mid-to-long-term planning project						
– Actual	50,311	49,002	18,716			
– Original annual cap	82,824	70,179	77,264			
Proposed annual cap	<i>(Note 9)</i>			63,367	67,739	72,413

Continuing Connected Transactions (Note 1)	For the year	For the year	For the 6 months	For the year	For the year	For the year	
	ended	ended	ending	ending	ending	ending	
	31 December 2015	31 December 2016	30 June 2017	31 December 2017	31 December 2018	31 December 2019	31 December 2020
	(audited for actual	(audited for actual	(unaudited)	(for original	ending	ending	For the year ending
	amount only)	amount only)	(for actual amount	annual cap only)	31 December 2018	31 December 2019	31 December 2020
	HK\$'000	HK\$'000	only)/for	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			the year ending				
11. Master Subcontracting (2017							
Renewal) Agreement							
subcontracting by TCL							
Corporation Group							
– Actual	1,265	–	4,862				
– Original annual cap	9,657	9,367	27,390				
Proposed annual cap				95,829	94,809	93,340	
subcontracting by the Group							
– Actual	515	686	–				
– Original annual cap	2,651	2,788	2,933				
Proposed annual cap				–	–	–	
12. Master Service (2017 Renewal)							
Agreement							
service fee							
– Actual	44,920	43,780	18,153				
– Original annual cap	55,424	64,831	75,771				
Proposed annual cap				56,163	64,587	74,275	
content income							
– Actual	2,914	5,466	–				
– Original annual cap	9,073	20,964	44,356				
Proposed annual cap				49,781	61,497	71,685	

- Note 1:* For easy comparison of the historical figures and the proposed annual caps, names of the new master agreements are used herein.
- Note 2:* The Master After Sale Service (TV Products) (2016 Renewal) Agreement was for the term from 1 January 2017 to 31 December 2019.
- Note 3:* These represent the original annual caps under the Master After Sale Service (TV Products) Agreement dated 19 May 2014.
- Note 4:* No royalty was payable by the Group for the two years ended 31 December 2016 and six months ended 30 June 2017 as the actual performance of the Group for the relevant period did not reach the threshold which triggered the royalty payment obligations under the Master TCL Trademark License (2014 Renewal) Agreement.
- Note 5:* The Master Qianhai Sailing Cooperation Agreement was for the term from 25 September 2015 to 31 December 2017.
- Note 6:* The Sourcing Framework Agreement (2016) was for the term from 19 July 2016 to 31 December 2018.
- Note 7:* The Key Component Sourcing Contract (2016) was for the term from 19 July 2016 to 31 December 2018.
- Note 8:* The Master Strategic Cooperation (2016) Agreement was for the term from 1 January 2016 to 31 December 2018.
- Note 9:* These represent the original annual caps under the Master Strategic Cooperation (2014) Framework Agreement dated 24 February 2014.

REASONS FOR THE PROPOSED ANNUAL CAPS

The major bases and assumptions for determining the proposed annual caps for the various continuing connected transactions are set out below.

1. Proposed annual caps for the Master Sale and Purchase (2017) Agreement

The annual caps for the aggregated transactions under the Master Sale and Purchase (2017) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Supply (2014 Renewal) Agreement and the Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement;
- (ii) in respect of Sourcing of Goods, 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);
- (iii) in respect of Sale of Goods, TCL Corporation Group's projected requirement of raw materials, semi-finished materials and finished goods for its operations, which is expected to increase substantially; and
- (iv) the growth in the Group's LCD business.

2. Proposed annual caps for the Master After Sale Service (2017) Agreement

The proposed annual caps for the After Sale Service as contemplated under the Master After Sale Service (2017) Agreement have been determined taking into account (i) the historical transaction amounts under the Master After Sale Service (2014 Renewal) Agreement and the Master After Sale Service (TV Products) (2016 Renewal) Agreement; (ii) the estimated gradual increase in the sales amount and volume of the TV Products and the budgeted warranty cost incurred by the relevant service provider, thus leading to an estimated increasing demand for the After Sale Service during the term of the Master After Sale Service (2017) Agreement; (iii) the exchange rate between Renminbi and Hong Kong Dollar which is expected to be more or less the same until 31 December 2020; and (iv) the historical gross domestic product growth and anticipated inflation in the PRC, thus leading to an increase in the sales revenue of the TV Products and in turn the After Sale Service fees.

3. Proposed annual caps for the Master Rental (2017) Agreement

The proposed annual caps for the leases as contemplated under the Master Rental (2017) Agreement have been calculated with reference to the estimated aggregate annual rental payable by the Group to TCL Corporation Group or by TCL Corporation Group to the Group (as the case maybe) under the existing leases and potential new leases. Factors including the possible increase in the area of the properties to be leased and potential new leases and the potential increase in market rentals during the term of the said Master Rental (2017) Agreement have also been taken into account when determining the proposed annual caps.

4. Proposed annual caps for the Master TCL Trademark License (2017 Renewal) Agreement

Taken into account the sales growth of Multimedia Products in particular in the PRC and the emerging markets, it is still expected that no royalty will be payable by the Group for the two years ending 31 December 2019 as the estimated performance of the Group for the relevant period will not reach the threshold which triggers the royalty payment obligations under the Master TCL Trademark License (2017 Renewal) Agreement. The annual caps in respect of the aggregate branding fee reimbursement for the transaction under the Master TCL Trademark License (2017 Renewal) Agreement are estimated based on (i) the historical sales amount with an expected growth in the next three years with reference to the expected growth in market shares of the Group's Multimedia Products and certain market estimates of the expected growth in the sales of televisions, especially the substantial growth in LCD televisions market consumption, in the PRC and other regions around the world; and (ii) the estimated advertising and promotion expenses of the promotion projects intended to be launched during the coming 3 years. More potential cooperation opportunities with (i) well-known television shows such as "Voice of China" and (ii) certain open world sports events such as the Wuhan Open are expected to be continued in the future.

5. Proposed annual caps for the Master Logistics Service Supply (2017 Renewal) Agreement

The estimated transaction values of the transactions under the Master Logistics Service Supply (2017 Renewal) Agreement are determined based on (i) the historical cost and expenses incurred by the Group in respect of the logistics services provided by Speedex in the PRC; and (ii) the projected sales volume in the next three years determined with reference to, among other factors, future growth rates in sales volume, the increasing quantity of products sold in the PRC in particular having regard to the growth in the Group's LCD business in the PRC.

6. Proposed annual caps for the Master Sourcing (2017 Renewal) Agreement

The annual caps for the aggregated transactions under the Master Sourcing (2017 Renewal) Agreement are determined by reference to, among other things, (i) the historical amounts of the relevant transactions; (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); (iii) TCL Corporation Group's projected requirement of raw materials, semi-finished materials and finished goods for its operations, which is expected to increase substantially; and (iv) the growth in the Group's LCD business.

7. Proposed annual caps for the Master Qianhai Sailing Cooperation (2017 Renewal) Agreement

The proposed annual caps for the aggregated transactions under the Master Qianhai Sailing Cooperation (2017 Renewal) Agreement are determined by reference to, among other things:

- (i) the historical amounts of the Qianhai 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.

8. Proposed annual caps for the Sourcing Framework Agreement (2017)

The proposed caps for the transactions contemplated under the Sourcing Framework Agreement (2017) are determined by reference to, among other things:

- (i) the historical transaction amounts under the Sourcing Framework Agreement (2016);
- (ii) the forecast of the requirement of the need for the Products under the Sourcing Framework Agreement (2017);
- (iii) the expected increase in exchange rate between RMB and Hong Kong dollars during the terms of the Sourcing Framework Agreement (2017); and
- (iv) the negotiation with Leshi Zhixin pursuant to which the Company and Leshi Zhixin have arrived at a non-binding understanding on the approximate amounts of Products to be sold and Key Materials to be supplied for the period from 1 January 2018 to 31 December 2020 and the respective financial years ending 31 December 2019 and 2020, under which it is expected that the respective amounts of sale of the Products would be significantly increased.

9. Proposed annual caps for the Key Component Sourcing Contract (2017)

The proposed caps for the transactions contemplated under the Key Component Sourcing Contract (2017) are determined by reference to, among other things:

- (i) the historical transaction amounts under the Key Component Sourcing Contract (2016);
- (ii) the forecast of the requirement of the need for the Products under the need for the Key Materials under the Key Component Sourcing Contract (2017) for the period from 1 January 2018 to 31 December 2020;
- (iii) the expected increase in exchange rate between RMB and Hong Kong dollars during the terms of the Key Component Sourcing Contract (2017); and
- (iv) the negotiation with Leshi Zhixin pursuant to which the Company and Leshi Zhixin have arrived at a non-binding understanding on the approximate amounts of Key Materials to be supplied for the period from 1 January 2018 to 31 December 2020 and the respective financial years ending 31 December 2019 and 2020, under which it is expected that the respective amounts of sourcing of the Key Materials would be significantly increased.

10. Proposed annual caps for the Master Strategic Cooperation (2017 Renewal) Agreement

The proposed annual caps are determined based on (i) the scheduled progress and budget of the research and development of the Group; (ii) the expected sales volume of smart TVs from 2018 to 2020; (iii) the rising purchasing power of the targeted customers; and (iv) the amount of general research and development expenses in the past.

The Board is of the view that the proposed annual caps are in line with the estimated development of the business of the Group, and are determined based on the principles of fairness and reasonableness.

11. Proposed annual caps for the Master Subcontracting (2017 Renewal) Agreement

The annual caps for the transactions under the Master Subcontracting (2017 Renewal) Agreement are determined by reference to, among other things, (i) the historical amounts of the relevant transactions; (ii) the possible requirement of raw materials, moulds, 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) TCL Corporation Group's projected requirement of raw materials, moulds, semi-finished materials and finished goods for its operations, which is expected to increase substantially.

12. Proposed annual caps for the Master Service (2017 Renewal) Agreement

The annual caps for the Basic Services of the Master Service (2017 Renewal) Agreement are determined based on the historical amounts of the relevant transactions, its projected sales volume and estimated increase in demand of internet televisions in 2018-2020; and the annual caps for the content income are determined based on the estimated demand and income from the Value Added Services in the coming three years from 2018.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors (other than, in respect of the Non-exempt Transactions, the independent non-executive Directors whose view will be set out in the circular to be dispatched by the Company) consider that the terms of the aforesaid continuing connected transactions are fair and reasonable, on normal commercial terms, and it is in the interests of the Company and the Shareholders as a whole to enter the aforesaid continuing connected transactions for the following reasons:

1. Master Sale and Purchase (2017) Agreement

The Directors consider that the transactions under the Sourcing of Goods will continue to facilitate the smooth operation of the Group's business by providing a stable and reliable source of supply of the necessary materials manufactured in the PRC for the Group's manufacture of the Multimedia Products and the necessary finished goods for the Group's operations. The Sale of Goods will also allow the Group to better manage its level of raw materials by providing additional flexibility to the Group for managing its surplus materials (if any) and will allow the Group to widen its revenue base by supplying Goods to TCL Corporation Group.

The Master Sale and Purchase (2017) Agreement would also enable the Group to source TCL Products from TCL Corporation Group on normal commercial terms with a view to distributing such TCL Products for profits. It will continuously provide the Group with an additional source of revenue and margin by capitalising upon its established distribution network of the Group of TCL Products without incurring significant additional overheads; the Group will also benefit by securing a reliable source of high quality TCL Products for re-sale to customers and an additional income will be derived from re-selling the TCL Products to customers by utilising the Group's existing distribution network in the territories concerned.

2. Master After Sale Service (2017) Agreement

The Group has vast experiences with display and multimedia products and is equipped with experienced personnel and equipment for providing after sale service in respect of these products, the Directors believe that the Group would be able to fully utilise the existing resources and generate additional source of income by providing the Service to TCL Corporation Group in respect of the TV Products. Furthermore, by acting as a service provider of the After Sale Service in relation to TV Products, it will help the Group build up its image as an experienced display products manufacturer, and thereby putting the Group in a better position to attract and retain more customers, which will in turn increase the revenue of the Group.

On the other hand, as the evolution of the sales channel for, and upgrading of, television sets products have become increasingly fast nowadays, the demand for provision to customers of specialized After Sale Service is acute. Certain members within TCL Corporation Group have vast and past experience with the provision of After Sale Services for electronic appliances and are well equipped with experienced personnel and advanced IT systems for providing After Sale Services. The Group believes that TCL Corporation Group will be able to fully utilise its existing resources to continue providing the After Sale Services for TV Products.

The 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. Also, by outsourcing the relevant After Sale 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.

3. Master Rental (2017) Agreement

The Group has been leasing certain properties from TCL Corporation Group as its offices, factory, warehouse and dormitory in respect of the Group's various business segments as well as renting out certain premises to TCL Corporation Group so as to better utilize its unused assets. The Company considers it is the interests of the Company and the Shareholders as a whole to enter into the Master Rental (2017) Agreement in order to regulate the existing and new leases entered into between the Group and TCL Corporation Group.

4. Master TCL Trademark License (2017 Renewal) Agreement

TCL Corporation Group owns and has registered certain trademarks which are used by the Group for the marketing and distribution of Multimedia Products. Such trademarks are considered to be important to the successful long-term operation of the business of the Group. The Master TCL Trademark License (2017 Renewal) Agreement allows the Group to secure the use of such trademarks over a reasonable period of time at attractive rates.

5. Master Logistics Service Supply (2017 Renewal) Agreement

In order to streamline the cost structure and operations of the Group, the Company considers it is beneficial to the Group to continue to outsource the logistics services to specialized service units. Given the close relationship between the Group and TCL Corporation Group, the Group will be placed in a better position to monitor the services to be provided under the Master Logistics Service Supply (2017 Renewal) Agreement than by other outside service providers.

6. Master Sourcing (2017 Renewal) Agreement

In respect of the Master Sourcing (2017 Renewal) Agreement, the arrangement under the Overseas Materials Sourcing Service is the best alternative for the Group to source Overseas Materials for the Group's production in view of the requirements of the business licenses of certain members of the Group.

7. Master Qianhai Sailing Cooperation (2017 Renewal) Agreement

Using Qianhai Sailing Group as an intermediary to purchase the Qianhai Goods for supply to the Group, the Group has no obligation to pay for the Qianhai Goods acquired by Qianhai Sailing Group before Delivery. The Group would issue the Purchase Order only when it requires the Qianhai Goods in its manufacturing process and the Group is only required to settle the Purchase Price within seventy five (75) 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 Qianhai Goods from time to time offer discount on their products. In the past, the Group may not be able to fully capitalize on such opportunity because of its tight cashflow position. However, with the Master Qianhai Sailing Cooperation (2017 Renewal) Agreement, the Group would be able to seize the opportunity by giving Qianhai Sailing Group the Plan and specify the particulars of the Qianhai Goods and the Maximum Price so that Qianhai Sailing Group could acquire the Qianhai Goods at discounted price at its own costs first. When the Group is in need of the Qianhai Goods and its cashflow position allows, it could then purchase the Qianhai 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 Qianhai Goods. This arrangement also gives the Group much more flexibility in managing its inventory and cashflow.

8. Sourcing Framework Agreement (2017)

The Sourcing Framework Agreement (2017) enables the Group to sell its products to the Leshi Zhixin Group on normal commercial terms which would contribute to the volume of products sold and the amount of revenue of the Group. Sale of the Group's products to the Leshi Zhixin Group would in turn increase the utilisation rate of the production capacity of the Group so that overhead expenses could be more widely distributed.

9. Key Component Sourcing Contract (2017)

By entering into the Key Component Sourcing Contract (2017), the Group would be able to source the Key Materials required for production of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2017) if the overall terms for supply of the Key Materials offered by the Leshi Zhixin Group are more favourable than those offered by other suppliers.

10. Master Strategic Cooperation (2017 Renewal) Agreement

The Group has always been keen on research and development of new products, and as smart TVs will inevitably continue to be the key driving force for TV industry in future, the Group intends to further strengthen its effort in various aspects of the research and development. For further strengthening of the effort in the exploration and development of new technology, the Company enters into the Master Strategic Cooperation (2017 Renewal) Agreement which provides a system for the Group's research and development arrangement. The entering into of the Master Strategic Cooperation (2017 Renewal) Agreement will strengthen the Group's research and development capabilities to launch new products and to develop cutting-edge technology. The Group expects that the results of the Projects will help enhance the Group's (i) smart TV technology which may bring innovative ideas in developing high-end TV products; and (ii) other technologies including but not limited to big-data, cloud computing, distance detector and basic software platform which are applicable to smart TV products and other products of the Group as well. If the Company were to develop these technologies on its own, a huge amount of set-up cost and maintenance fee would be incurred. The Company considers that it would be more cost effective to establish a long term strategic cooperation relationship with TCL Corporation so that the Group can enjoy the benefits brought by the expertise, experience and resources of TCL Corporation Group in technological development.

11. Master Subcontracting (2017 Renewal) Agreement

In respect of the Master Subcontracting (2017 Renewal) Agreement, the Directors consider that the arrangement under the Master Subcontracting (2017 Renewal) Agreement will facilitate the management of its stock level of raw materials and the efficient use of resources by the Group and TCL Corporation Group since the Ordering Group may use the semi-finished materials provided by the Processing Group for the manufacture of its products wherever necessary and the Processing Group may fully utilise its production capacity and obtain additional income in the course of providing semi-finished materials and/or finished goods for the Ordering Group.

12. Master Service (2017 Renewal) Agreement

By entering into the Master Service (2017 Renewal) Agreement, the Group is able to utilise the resources of TCL Corporation Group to develop the Group's business in the production and sale of the internet televisions. Further, the Group is able to obtain additional income from the Master Service (2017 Renewal) Agreement as it is agreed that the value added services income obtained by TCL Corporation Group, after deducting the content purchase costs and the payment or distribution to other third parties, shall be shared equally between the Group and TCL Corporation Group.

For the Partially Exempt Transactions contemplated under Master Rental (2017) Agreement, Master Strategic Cooperation (2017 Renewal) Agreement, Master Subcontracting (2017 Renewal) Agreement and Master Service (2017 Renewal) Agreement above, the Directors (including the independent non-executive Directors) consider that the terms of each of the Partially Exempt Transactions are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its Shareholders as a whole.

For the Non-exempt Transactions contemplated under agreements 1, 2 and 4 to 9 above, the independent non-executive Directors' view on such will be set out in the circular to be dispatched by the Company.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 51.89% of the issued shares of the Company, and is a connected person of the Company under the Listing Rules.

Since Speedex is a joint venture of TCL Corporation, Qianhai Sailing is owned as to 40% by TCL Corporation, each of them is a TCL Associate thus the aforesaid (including TCL Corporation) are connected persons of the Company under the Listing Rules. The transactions contemplated under the aforesaid agreements between the Group on the one hand and TCL Corporation or TCL Associates on the other hand therefore constitute continuing connected transactions.

Leshi Zhixin, being the holding company of Letv (HK) which holds approximately 20.00% of the number of issued shares of the Company, is a connected person of the Company under the Listing Rules. The transactions contemplated under the Leshi Transactions therefore constitute continuing connected transactions of the Company.

Notwithstanding the respective interest and/or role of certain Directors in TCL Corporation Group and/or Leshi Zhixin Group, none of them is considered as having a material interest in the transactions contemplated under the various agreements on continuing connected transactions to be renewed or entered into, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

On 1 November 2016, the Company entered into the Licence Agreement (Hong Kong Science Park) with TCL Corporate Research (Hong Kong), pursuant to which TCL Corporate Research (Hong Kong) granted a licence to the Company to use certain premises. For further details, please refer to the announcement on the same of the Company dated 1 November 2016.

As the Master Rental (2017) Agreement and the License Agreement (Hong Kong Science Park) are entered into with related parties, and the subject matter of each of the two agreements relates to the provision of use of premises by TCL Corporation Group to the Group, the transactions contemplated thereunder constitute a series of continuing connected transactions to be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) with reference to the respective annual caps of the agreements 3 (as aggregated with the annual cap of the Licence Agreement (Hong Kong Science Park)) and 10 to 12 (i.e. agreements for the Partially Exempted Transactions) exceed 0.1% but are less than 5%, the continuing connected transactions contemplated thereunder are exempted from Independent Shareholders' approval requirement under Rule 14A.76(2)(a) but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of the agreements 1, 2 and 4 to 9 (i.e. agreements for the Non-exempt Transactions) 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 respective annual caps of the agreements 1 and 6 exceed 25%, in addition to being continuing connected transactions, they 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 has been established to advise the Independent Shareholders on the terms and the proposed caps of the Non-exempt Transactions. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will dispatch to the Shareholders a circular containing further details of the Non-exempt Transactions, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM on or before 30 November 2017 since more time is required to finalise the circular.

TCL Corporation and TCL Associates will abstain from voting in respect of the Non-exempt Transactions required to be put forward at the EGM, whilst Leshi Zhixin and its associates will abstain from voting in respect of all the Non-exempt Transactions other than the Leshi Transactions 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).

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, audio-visual products, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at www.tcl.com (the information that appears in this website does not form part of this announcement).

Speedex is principally engaged in the provision of logistics services in the PRC.

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.

The principal activities of the Leshi Zhixin Group include the information technology service, the advertising business, the manufacturing and sale of hard disk players, the development and sale of electronic products and mechanical equipments and the import and export business of goods and technologies.

CLARIFICATION

Reference is made to the Company's announcement dated 22 September 2017 in respect of among others, change of directors. The Board would like to take this opportunity to clarify that, after having made further enquires with Tonly Electronics Holdings Limited ("**Tonly Electronics**", an associated corporation of the Company under Part XV of the Securities and Futures Ordinance), Mr. Kevin WANG Cheng was informed that he had been granted certain awarded shares by Tonly Electronics out of which 3,024 shares had been vested prior to Mr. Kevin WANG Cheng's appointment as an executive Director of the Company on 22 September 2017 and hence as at the date of the said announcement and as at the date hereof, Mr. Kevin WANG Cheng was deemed to be interested in a total of 4,153 shares (instead of 1,129 as disclosed in the said announcement) of Tonly Electronics. Save as disclosed above, the Board confirms that all information in the said announcement remains unchanged.

DEFINITIONS

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

“After Sale Service”	means (i) basic after sale service in relation to TV Products manufactured by TCL Corporation Group, including call centre, management services, basic installation, repair, backup, spare parts management, services before sale of TV Products manufactured by TCL Corporation Group, shared platform for spare parts, technical support and quality management (“Basic After Sale Service”); (ii) those services outside the scope of Basic After Sale Services, including but not limited to accidental incidents handlings, bulk incidents handling, return and rejection of goods handlings, extraordinary installation and all other related services as set out in the customer service policy given by the Group as service provider in relation to the TV Products in the PRC from time to time (“Other After Sale Service”) and (iii) after sale service in relation to TV Products manufactured by the Company, including but not limiting to pre-sale, during-sale and after sale repair services, basic installation backup, replacement, return, spare part management, technical support, participating and organizing sales, service brand building, handling complaints, accidental incidents handlings, market and product quality reviews, assistance regarding sampling by government authorities logistics and call centre services and other services requested or confirmed by the Company;
“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);

“Component Purchase Order”	the component purchase order made by member(s) of the Group to member(s) of the Leshi Zhixin Group for sourcing of the Key Materials from member(s) of the Leshi Zhixin Group;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Cooperation Agreements”	the cooperation agreements to be entered into between the Group and TCL Corporation Group from time to time in respect of the Projects;
“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 Non-exempt Transactions;
“Goods”	the Multimedia Products or the Parent Products (as the case may be) and the articles, things, components or raw materials required for the manufacture or production of such products and waste products arising from manufacturing or production of any such products;
“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;
“Hong Kong Research Institute Project”	the research projects to be performed by TCL Corporate Research (Hong Kong) pursuant to Shenzhen TCL Digital Technology’s request from time to time in respect of the research and development of digital TV project, the scope of which includes, but is not limited to (i) confirming the feasibility of product concepts; (ii) developing electrical circuits; (iii) developing software; (iv) confirming the functions and specifications of the products; and (v) project management under the Master Strategic Cooperation (2017 Renewal) Agreement;

“Huan Technology”	Huan Technology Co., Ltd.* (廣州歡網科技有限責任公司), a company established in the PRC which is owned as to 40.25% by TCL Corporation;
“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 Non-exempt Transactions;
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions in respect of the Non-exempt Transactions;
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any connected person(s);
“Key Materials”	the key materials required by member(s) of the Group to produce Products, which comprise displays (screens, Open Cell), chips (core controlling chips including main board chips, FRC chips, network chips, audio, sound, etc.), storage components (DDR, Flash, hard disks), structural components (artistic components including front frames, back cases, bases), accessories (functional components including ultra remote controls) and other components;
“Key Component Sourcing Contract (2016)”	the key component sourcing contract (2016) entered into between Leshi Zhixin and the Company on 20 May 2016;
“Key Component Sourcing Contract (2017)”	the key component sourcing contract (2017) entered into between Leshi Zhixin and the Company on 29 September 2017;
“Know-how Development Project”	the research projects to be performed by TCL Research America pursuant to Shenzhen TCL Digital Technology’s request from time to time in respect of the research and development of digital TV project, the scope of which includes, but not limited to (i) confirming the feasibility of product concepts; (ii) developing electrical circuits; (iii) developing software; (iv) confirming the functions and specifications of the products; and (v) project management under the Master Strategic Cooperation (2017 Renewal) Agreement;

“Leshi Zhixin”	Leshi Zhixin Electronic Technology (Tianjin) Co., Ltd. (樂視致新電子科技(天津)有限公司), a limited liability company established in the PRC;
“Leshi Zhixin Group”	Leshi Zhixin and its Subsidiaries;
“Letv (HK)”	Letv ZhiXin Investment (HK) Limited, a wholly-owned Subsidiary of Leshi Zhixin, designated by Leshi Zhixin as the subscriber according to the Subscription Agreement;
“Leshi Transactions”	Transactions contemplated under the Sourcing Framework Agreement (2017) and the Key Component Sourcing Contract (2017) together with their respective proposed annual caps;
“LCD”	Liquid crystal display;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Master After Sale Service (2014 Renewal) Agreement”	the master after sale service agreement (售後服務(2014重續)主協議) entered into between TCL Corporation and the Company dated 11 November 2014;
“Master After Sale Service (TV Products) (2016 Renewal) Agreement”	the master after sale service agreement (電視產品之售後服務(2016重續)主協議) entered into between TCL Corporation and the Company dated 24 October 2016;
“Master After Sale Service (2017) Agreement”	the master after sale service (2017) agreement (售後服務主協議) entered into between TCL Corporation and the Company dated 29 September 2017;
“Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement”	the master electronic and electrical goods or appliances supply framework agreement entered into between the Company and TCL Corporation on 11 November 2014;
“Master Lease (Tenant) (2014 Renewal) Agreement”	the master lease (tenant) agreement entered into by the Company as tenant and TCL Corporation as landlord on 11 November 2014 in relation to the lease of certain properties owned by TCL Corporation Group;

“Master Lease and Vehicle (Lessor) (2014 Renewal) Agreement”	the master lease and vehicle (lessor) agreement entered into between the Company as lessor and TCL Corporation as lessee on 11 November 2014;
“Master Logistics Service Supply (2014 Renewal) Agreement”	the master logistics service supply agreement (物流服務供應(2014重續)主協議) entered into between the Company and Shenzhen Speed Distribution Platform Co., Ltd. (predecessor of Speedex) on 11 November 2014;
“Master Logistics Service Supply (2017 Renewal) Agreement”	the master logistics service supply agreement (物流服務供應(2017重續)主協議) entered into between the Company and Speedex on 29 September 2017;
“Master Rental (2017) Agreement”	the master rental (2017) agreement entered into between the Group and TCL Corporation on 29 September 2017;
“Master Service (2014 Renewal) Agreement”	the master service agreement dated 11 November 2014 entered into between the Group and TCL Corporation with certain services in respect of production and sale of internet televisions;
“Master Service (2017 Renewal) Agreement”	the master service agreement entered into between the Group and TCL Corporation on 29 September 2017;
“Master Sourcing (2014 Renewal) Agreement”	the master sourcing agreement entered into between the Company and TCL Corporation on 11 November 2014;
“Master Sourcing (2017 Renewal) Agreement”	the master sourcing agreement entered into between the Company and TCL Corporation on 29 September 2017;
“Master Strategic Cooperation (2016) Agreement”	the master strategic cooperation (2016) agreement (戰略合作 (二零一六年) 主協議) entered into between the Company and TCL Corporation dated 8 December 2015;
“Master Strategic Cooperation (2017 Renewal) Agreement”	the master strategic cooperation (2017 Renewal) agreement (戰略合作 (二零一七年重續) 主協議) entered into between the Company and TCL Corporation dated 29 September 2017;

“Master Subcontracting (2014 Renewal) Agreement”	the master subcontracting (2014 renewal) agreement entered into between the Company and TCL Corporation on 11 November 2014;
“Master Subcontracting (2017 Renewal) Agreement”	the master subcontracting (2017 renewal) agreement entered into between the Company and TCL Corporation on 29 September 2017;
“Master Supply (2014 Renewal) Agreement”	the master supply agreement entered into between the Company and TCL Corporation on 11 November 2014 in respect of the Sourcing of Goods and the Sale of Goods;
“Master Sale and Purchase (2017) Agreement”	the master supply agreement entered into between the Company and TCL Corporation on 29 September 2017 in respect of the Sourcing of Goods and the Sale of Goods;
“Master TCL Trademark License (2014 Renewal) Agreement”	the master TCL trademark license agreement dated 11 November 2014 entered into between TCL Corporation and the Company;
“Master TCL Trademark License (2017 Renewal) Agreement”	the master TCL trademark license agreement dated 29 September 2017 entered into between TCL Corporation and the Company;
“Multimedia Products”	electronic consumer products including televisions, audio-visual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group;
“Non-exempt Transactions”	the transactions under the Master Sale and Purchase (2017) Agreement, Master After Sale Service (2017) Agreement, Master TCL Trademark License (2017 Renewal) Agreement, Master Logistics Service Supply (2017 Renewal) Agreement, Master Sourcing (2017 Renewal) Agreement, Master Qianhai Sailing Cooperation (2017 Renewal) Agreement, Sourcing Framework Agreement (2017) and Key Component Sourcing Contract (2017) together with their respective proposed annual caps;
“ODM”	original design manufacturing;
“OEM”	original equipment manufacturing;

“Ordering Group”	the Group or TCL Corporation Group and the TCL Associates (as the case may be) which places the order pursuant to the Master Subcontracting (2017 Renewal) Agreement;
“Overseas Materials”	those articles, things, components or raw materials manufactured or produced in areas other than the PRC which are required for the manufacture or production of the Multimedia Products;
“Overseas Materials Sourcing Service”	the sale and purchase by the Group to and from TCL Corporation Group of the Overseas Materials for the manufacture of the Multimedia Products pursuant to the Master Sourcing (2014 Renewal) Agreement and the Master Sourcing (2017 Renewal) Agreement;
“Parent Products”	any goods or appliances including electronic, telecommunications, information technology or electrical and audio-visual products (including but not limited to refrigerators, dishwashers, air conditioners, home use telephones, electrical accessories and their components) designed, developed, manufactured, produced or otherwise sold, marketed or supplied by TCL Corporation Group and TCL Associates pursuant to the Master Sale and Purchase (2017) Agreement;
“Partially Exempt Transactions”	the transactions under the Master Rental (2017) Agreement, Master Strategic Cooperation (2017 Renewal) Agreement, Master Subcontracting (2017 Renewal) Agreement and Master Service (2017 Renewal) Agreement together with their respective proposed annual caps;
“PBOC”	the People’s Bank of China, the central bank of the PRC;
“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;
“Projects”	the Joint Laboratory Project and the Strategic Mutual Research and Mid-to-Long-Term Planning Project;

“Processing Group”	the Group or TCL Corporation Group and the TCL Associates (as the case may be) which processes the raw materials as provided by the Ordering Group into semi-finished materials pursuant to the Master Subcontracting (2017 Renewal) Agreement;
“Purchase Order(s)”	the purchase order(s) issued by member(s) of the Leshi Zhixin Group to member(s) of the Group which specify the model numbers of the Products, the amounts, prices, payment terms, etc.;
“Qianhai Goods”	those articles, things, components or raw materials which are required for the manufacturing or production of electronic products including televisions, audio-visual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group;
“R&D Service”	the research and development services to be provided by TCL Corporation Group to the Group in relation to the Projects in a number of technological areas which may bring innovative ideas in developing high-end TV products;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Goods”	the sale of the Goods by the Group to TCL Corporation Group and the TCL Associates pursuant to the Master Sale and Purchase (2017) Agreement;
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Shenzhen TCL Digital Technology Ltd.”	Shenzhen TCL Digital Technology Ltd.* (深圳TCL數字技術有限公司), a company established in the PRC with limited liability, an indirect wholly-owned Subsidiary of the Company;

“Smart TV Joint Design Centre”	TCL Smart TV Joint Design Centre* (TCL智能電視聯合設計中心), a centre set up by the Group and is specialised in research and development and promotion of smart TV products;
“Sourcing Framework Agreement (2016)”	the sourcing framework agreement (2016) entered into between Leshi Zhixin and the Company on 20 May 2016;
“Sourcing Framework Agreement (2017)”	the sourcing framework agreement (2017) entered into between Leshi Zhixin and the Company on 29 September 2017;
“Sourcing of Goods”	the purchase by the Group from TCL Corporation Group and the TCL Associates of the Goods produced or manufactured in the PRC pursuant to the Master Sale and Purchase (2017) Agreement;
“Speedex”	Speedex Logistics Co. Ltd. *(速必達希杰物流有限公司), a company established in the PRC and a joint venture of TCL Corporation, which is principally engaged in the provision of logistics services in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subcontracting Arrangement”	the subcontracting arrangement under which the Processing Group processes raw materials sourced and owned by the Ordering Group into certain semifinished materials and/or finished goods which will then be used by the Ordering Group for its manufacture of electronic products including television products pursuant to the Master Subcontracting (2017 Renewal) Agreement;
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly;
“Subscription Agreement”	the subscription agreement dated 11 December 2015 entered into between the Company and Leshi Zhixin;
“TCL Associates”	the associates of TCL Corporation;

“TCL Corporate Research (Hong Kong)”	TCL Corporate Research (Hong Kong) Co., Limited, a company incorporated and registered in Hong Kong with limited liability, a branch research and development institute under 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);
“TCL Corporation Group”	TCL Corporation, its Subsidiaries, TCL Associates and any entity that may become Subsidiary of TCL Corporation or TCL Associate from time to time but does not include the Group for the purpose of this announcement;
“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, a wholly-owned Subsidiary of TCL Corporation and the immediate holding company of the Company;
“TCL Intelligence Industry”	TCL Intelligence Industry (Huizhou) Company Limited* (TCL智慧工業(惠州)有限公司), a company established under the laws of the PRC and a direct wholly-owned Subsidiary of TCL Corporation;
“TCL Research America”	TCL Research America Inc., a company established in United States of America with limited liability, an indirect wholly-owned Subsidiary of TCL Corporation;
“TV(s)”	television(s);
“TV Products”	television sets products and their accessories and ancillary products sold by TCL Corporation Group and/or the Company; and

“Valid Purchase Order(s)” the Purchase Order(s) issued by member(s) of the Leshi Zhixin Group and accepted by member(s) of the Group in accordance with the Sourcing Framework Agreement (2017).

On behalf of the Board
BO Lianming
Chairman

Hong Kong, 29 September 2017

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Board comprises Mr. BO Lianming, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. WANG Yi Michael as executive directors, Mr. Albert Thomas DA ROSA, Junior, Mr. HUANG Xubin, Mr. LIANG Jun and Mr. LIU Hong as non-executive directors and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang as independent non-executive directors.