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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)

(the "Company")

### **CONNECTED TRANSACTION DISPOSAL OF ASSETS AND BUSINESS**

**AND**

### **CONTINUING CONNECTED TRANSACTIONS RENTAL AGREEMENTS**

#### **SALE & PURCHASE AGREEMENT**

The Board is pleased to announce that on 10 May 2018, the Vendor, a subsidiary of the Company entered into Sale & Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to transfer the Assets and the Business to the Purchaser, and that the Purchaser has agreed to acquire the Assets and the Business and to assume the Liabilities, at a consideration of RMB328,964,988.18 (equivalent to approximately HK\$407,291,551.87).

#### **RENTAL AGREEMENTS**

In order to provide for the use of part of the Premises by the Tenants after the Transfer, on 10 May 2018, the Purchaser as the landlord and the Tenants as the tenants entered into the Rental Agreements, whereby the Purchaser has agreed to lease part of the Premises to the Tenants on terms and conditions thereof.

#### **LISTING RULES IMPLICATIONS**

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 52.49% of the number of the issued shares of the Company and hence TCL Corporation is a connected person of the Company under the Listing Rules. As the Purchaser is an associate of TCL Corporation, thus is connected person of the Company under the Listing Rules, the Transfer therefore constitutes connected transaction of the Company.

As one or more of the applicable percentage ratios of the Transfer exceed 0.1% but all are less than 5%, the Transfer is subject to notification and announcement requirements, but is exempt from circular and Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

Pursuant to the Master Rental Agreement entered into between TCL Corporation and the Company on 29 September 2017, member(s) of TCL Corporation Group and member(s) of the Group on the other hand may from time to time rent and/or lease certain properties which the lessor owns or otherwise has the right to rent and/or lease to the other party at a monthly rent and management fee. The Rental Agreements form part of the transactions contemplated under the Master Rental Agreement and constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and hence will be subject to the annual caps in respect of the Master Rental Agreement (together with all other transactions contemplated under the Master Rental Agreement).

## **SALE & PURCHASE AGREEMENT**

The Board is pleased to announce that on 10 May 2018, the Vendor, a subsidiary of the Company entered into Sale & Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to transfer the Assets and the Business to the Purchaser, and that the Purchaser has agreed to acquire the Assets and the Business and to assume the Liabilities, at a consideration of RMB328,964,988.18 (equivalent to approximately HK\$407,291,551.87).

The principal terms of the Sale & Purchase Agreement are summarised below:

Date: 10 May 2018

Parties: (i) the Vendor; and  
(ii) the Purchaser

Subject matter: (i) Transfer of the Assets

The Vendor shall transfer its title in the Assets to the Purchaser.

(ii) Transfer of the Business

The Vendor shall transfer the Business to the Purchaser and provide the Purchaser with the documentation relating thereto so as to enable the Purchaser to conduct the Business upon completion.

(iii) Assumption of the Liabilities

The Purchaser shall assume the Liabilities and that the Vendor shall cease to be liable for the Liabilities.

The Assets, Business, Liabilities, employment relationship and other rights and obligations to be transferred under the Sale & Purchase Agreement are inseparable and shall be transferred as a whole.

Consideration: The Consideration was RMB328,964,988.18 (equivalent to approximately HK\$407,291,551.87).

Payment terms: The Purchaser shall pay the Consideration for the transfer of the Assets and the Business in cash in the following manner:

- (i) 30% of the Consideration (which is RMB98,689,496.45 (equivalent to approximately HK\$122,187,465.56)) shall be payable within 10 Working Days from the effective date of the Sale & Purchase Agreement; and
- (ii) 70% of the Consideration (which is RMB230,275,491.73 (equivalent to approximately HK\$285,104,086.31)) shall be payable within 10 Working Days from the date by which the Vendor having fulfilled its obligations as set out under the paragraph “Handover of Assets and Business” below.

Effective date of the Sale & Purchase Agreement: The Sale & Purchase Agreement shall become effective upon being duly executed by the parties.

Handover of subject matter and

Completion: Handover of Assets and Business  
The Vendor shall handover to the Purchaser all the Assets and the certificates and documents in relation thereto (whereas cash and deposits shall be deposited into the designated accounts of the Purchaser) within 30 Working Days of the effective date of the Sale & Purchase Agreement and the Vendor and the Purchaser shall together handle all work in relation to the handover and stock-taking. The date on which the Assets are handover to the Purchaser is the completion date under the Sale & Purchase Agreement (“Completion Date”).

On Completion Date and prior to Completion Date, the ownership of the Assets shall vest in the Vendor, and the Vendor shall be entitled to possess and use such Assets and to exercise rights relating thereto and is entitled to the proceeds arising therefrom as well as to bear the corresponding obligations arising therefrom; from the day immediately following the Completion Date, the ownership of the Assets shall vest in the Purchaser and the Purchaser shall be free to possess and use those Assets and to exercise rights relating thereto and is entitled to the proceeds arising therefrom as well as to assume the corresponding obligations arising therefrom, and the Vendor shall not by contracts acquire any interests in such Assets after the Completion Date unless the Vendor has already disclosed to the Purchaser such arrangement prior to the entering into of the Sale & Purchase Agreement.

The Vendor shall handover to the Purchaser the contract documentation, customer list, correspondence documentation and other related materials in respect of the Assets within 30 Working Days from the effective date of the Sale & Purchase Agreement to enable the Purchaser to carry out the related Business immediately after such handover.

The Vendor shall transfer to the Purchaser, by way of contractual transfer, all rights and obligations of the Vendor under all contracts, agreements and other legal documents in relation to the Business as more particularly listed out in the Sale & Purchase Agreement such that the interest under such contracts shall vest in the Purchaser. If such transfer of contracts is subject to the consent of the counterparty to such contracts in accordance with the applicable law or under the relevant contracts, the Vendor shall be responsible to obtain such consent from the counterparty to such contracts, or the Vendor, the Purchaser and such counterparty shall enter into a tri-partite agreement in respect of such transfer.

#### Arrangement of Employees

The Purchaser agrees to take up all employees (as listed out in the Sale & Purchase Agreement) of the Vendor in respect of the Assets under the Transfer, and the Vendor, the Purchaser and each of such employees shall enter into supplemental agreement such that the Purchaser shall continue to acknowledge and honour the length of service of all the employees working under the Vendor, and to ensure that all such employees shall receive the statutory remuneration package based on such length of service, and to ensure that wages and other terms of employment offered to such employees shall not differ from those prior to the Transfer.

In respect of employee(s) who is/are not willing to enter into employment with the Purchaser, the Vendor shall be responsible for handling and compensating such employee(s) according to statutory requirements.

Contingent Liabilities

All Liabilities in respect of the Transfer have been disclosed to the Purchaser. If there is any liability that incurred prior to the Completion Date, or any liability arising as a result of any matter that occurred prior to the Completion Date which has not been disclosed in the Sale & Purchase Agreement and leading to actual loss or threat of actual loss on the part of the Purchaser, the Purchaser shall raise such claim with the Vendor within two years from the Completion Date and the Vendor shall compensate the Purchaser for such loss, but if the Purchaser fails to raise such claim with the Vendor within two years from the Completion Date, the Vendor shall not be liable to compensate the Purchaser.

The Consideration was arrived at arm's length negotiations between the Vendor and the Purchaser and with reference to (i) the valuation of the Premises at RMB328,790,000 (equivalent to approximately HK\$407,074,899) as at 31 March 2018 as assessed by an independent professional valuer engaged by the Company and (ii) the balance of RMB174,988.18 (equivalent to approximately HK\$216,652.87) of the book value of the debt receivables at RMB194,378.18 (equivalent to approximately HK\$240,659.62) to be transferred net of the Liabilities at RMB19,390.00 (equivalent to approximately HK\$24,006.75) as at 30 April 2018.

**FINANCIAL INFORMATION OF THE ASSETS AND THE BUSINESS**

The unaudited net book value of the Assets and the Business as at 30 April 2018 is RMB188,869,836.85 (equivalent to approximately HK\$233,839,745.00).

The net rental loss attributable to the Assets and the Business for the financial years ended 31 December 2016 and 31 December 2017 were RMB3,254,929.31 and RMB2,191,110.14, respectively (*note: no information on the breakdown of taxation applicable on the Assets and Business is available*).

## CONTINUING CONNECTED TRANSACTIONS – RENTAL AGREEMENTS

In order to provide for the use of part of the Premises by the Tenants after the Transfer, on 10 May 2018, the Purchaser as the landlord and the Tenants as the tenants entered into the Rental Agreements, whereby the Purchaser has agreed to lease part of the Premises to the Tenants on terms and conditions thereof.

Set out below are the major terms of the Rental Agreements:

Date: 10 May 2018

		Rental Agreement 1	Rental Agreement 2	Rental Agreement 3	Rental Agreement 4
Parties:	landlord tenant	Purchaser Vendor	Purchaser Tenant 2	Purchaser Tenant 3	Purchaser Tenant 4
Gross floor area: (square meters)		5,247.65	3,388.20	9,476.74	1,542.11
Term:		31 months commencing from 1 June 2018 and ending on 31 December 2020			
Monthly Rental:		(i) For the 12 months commencing from 1 June 2018 and ending on 31 May 2019, RMB85 (equivalent to approximately HK\$105.24) per square meter per month;			
		(ii) For the 12 months commencing from 1 June 2019 and ending on 31 May 2020, RMB89.25 (equivalent to approximately HK\$110.50) per square meter per month; and			
		(iii) For the 7 months commencing from 1 June 2020 and ending on 31 December 2020, RMB93.71 (equivalent to approximately HK\$116.02) per square meter per month.			
Management fee:		Throughout the terms of the Rental Agreements, the management fee shall be RMB8 (equivalent to approximately HK\$9.90) per square meter per month			
Usage:		Commercial use and office use			

The monthly rental and management fee were determined after arm's length negotiations between the parties with reference to the rental valuation of the Premises as determined by an independent professional valuer engaged by the Company and management fee for comparable property in the market.

As announced by the Company on 29 September 2017, TCL Corporation and the Company entered into Master Rental Agreement to provide the framework of the terms of the lease of the properties among the members of the TCL Corporation Group and the Group for a term of three years commenced on 1 January 2018 and ending on 31 December 2020.

The terms of the Rental Agreements are coterminous with the term of the Master Rental Agreement and hence the Rental Agreements fall within the ambit of the Master Rental Agreement and the Rental Agreements (together with all other transactions contemplated under the Master Rental Agreement) will be subject to the annual caps in respect of the Master Rental Agreement.

### **REASONS FOR AND BENEFITS OF THE SALE & PURCHASE AGREEMENT**

The Transfer allows the Company to realise non-current assets with a value of approximately RMB329 million and re-allocate its resources to develop businesses with higher rate of potential returns in order to create greater value for the Shareholders.

- With the construction of an integrated smart manufacturing industrial base for panel module and TV products assembly in the Tonghu Ecological Smart Zone in Huizhou, the PRC, certain departments situated in the Premises will be re-located. Also, following the promotion of efficiency and staff optimization of the Group, the Premises would not be fully utilised in the future. The Transfer provides the Group with an opportunity to realise non-current assets into cash and will help to further improve cash flow position of the Group.
- As set out in the Company's announcement dated 25 April 2018 on business update for the first quarter of 2018, the Group's sales volume and turnover achieved the highest growth rates in the past five years, the PRC market stabilised and rebounded, while the overseas markets maintained strong growth; with the continuous enhancement in product mix, the ASP of self-branded products increases constantly; the gross profit margin rose steadily, and costs were under sustained control, which altogether led to a remarkable increase in profitability; the Group's internet platform continued to gain operating strengths. Turnover for the first quarter of 2018 rose to approximately RMB68.87 million, representing a substantial surge of approximately 338% from approximately RMB15.74 million in the corresponding period last year. As the operation of the Company has fundamental improvement, it would be in better interest of the Company and its Shareholders to re-allocate its resources and devote the same on profit-generating businesses rather than on property.
- Also, the Group is able to enjoy continuous use of part of the Premises which are leased based on its actual needs pursuant to the Rental Agreements and the Transfer will not have any material adverse effect on the operations of the Group.



In this regard, the Directors (including the independent non-executive Directors) are of the view that notwithstanding that the Sale & Purchase Agreement is not entered in the ordinary and usual course of business of the Group, it is incidental to the Group's development of its ordinary and usual course of business, and that the terms of the Sale & Purchase Agreement were determined based on arm's length negotiation. The Directors are further of the view that the terms of the Sale & Purchase Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

Notwithstanding the respective interest and/or role of certain Directors in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the Sale & Purchase Agreement and the Rental Agreements, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

### **FINANCIAL EFFECTS OF THE TRANSFER AND PROPOSED USE OF PROCEEDS**

The Group is expected to record an unaudited gain of approximately RMB140 million (equivalent to approximately HK\$173 million) as a result of the Sale & Purchase Agreement, representing the difference between the Consideration and the unaudited net book value of the Assets and the Business as at 30 April 2018. The actual gain as a result of the disposal of the Assets and the Business is subject to the final audit to be performed by the Group.

The Vendor intends to apply the proceeds from the Transfer as general working capital.

### **LISTING RULES IMPLICATIONS**

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 52.49% of the number of the issued shares of the Company and hence TCL Corporation is a connected person of the Company under the Listing Rules. As the Purchaser is an associate of TCL Corporation, thus is connected person of the Company under the Listing Rules, the Transfer therefore constitutes connected transaction of the Company.

As one or more of the applicable percentage ratios of the Transfer exceed 0.1% but all are less than 5%, the Transfer is subject to notification and announcement requirements, but is exempt from circular and Shareholders' approval requirements, under Chapter 14A of the Listing Rules.



Pursuant to the Master Rental Agreement entered into between TCL Corporation and the Company on 29 September 2017, member(s) of TCL Corporation Group and member(s) of the Group on the other hand may from time to time rent and/or lease certain properties which the lessor owns or otherwise has the right to rent and/or lease to the other party at a monthly rent and relevant management fee (as the case may be). The Rental Agreements form part of the transactions contemplated under the Master Rental Agreement and constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and hence will be subject to the annual caps in respect of the Master Rental Agreement (together with all other transactions contemplated under the Master Rental Agreement).

## **GENERAL**

The Group (including Vendor) 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).

The Purchaser is principally engaged in letting, investment and management of property, warehouse storage, information technology consulting, electronic commerce consulting, business administration consulting, financial information consulting, architectural project consulting and construction consulting.

## **DEFINITIONS**

“ASP”	average selling price
“Assets”	all assets held by the Vendor, including, among others, the Club Membership Interests and all debts receivable held by the Vendor, as more particularly listed out in the Sale & Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business”	all businesses in relation to the Assets, including but not limited to all rights and obligations under all business contracts (including rental contracts and employment contracts) in relation thereto of the Vendor, as more particularly listed out in the Sale & Purchase Agreement
“Club”	R&D Elite Club (高科技精英俱樂部), a membership club established by the TCL Corporation Group

“Club Membership Interests”	the entire club membership interest of the Vendor in the Club, which, subject to the articles of association of the Club, covers all the rights of the Club, including the exclusive rights to occupy and use the Premises free of charge and to let Premises and receive any revenue or profits generated from the Premises
“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)
“Completion Date”	has the meaning as set out under the paragraph “Handover of Assets and Business”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the amount payable by the Purchaser to the Vendor in consideration of the Transfer pursuant to the Sale & Purchase Agreement
“Director(s)”	the director(s) of the Company
“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
“Liabilities”	all debts and liabilities in relation to the Assets and the Business incurred by the Vendor as at the Cut-off Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Rental Agreement”	the master rental (2017) agreement entered into between the Company and TCL Corporation on 29 September 2017
“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

“Premises”	the premises which is situated at Unit 102 (category B of 1st floor) for commercial use, the whole floors of 2nd to 6th and 9th to 12th for office use of D4 building, International E City, Tongle Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC* (中國廣東省深圳市南山區同樂路國際E城D4棟1層B型102單元層商業單元、2至6層及9至12層寫字樓單元) with a total gross floor area of 23,415.94 square meters
“Purchaser”	TCL Technology Industrial Park (Shenzhen) Co., Ltd.* (TCL 科技產業園(深圳)有限公司), a company established under the laws of PRC and a subsidiary of TCL Corporation
“Rental Agreement 1”	the rental agreement entered into between the Purchaser and the Vendor on 10 May 2018 in relation to lease of part of the Premises
“Rental Agreement 2”	the rental agreement entered into between the Purchaser and Tenant 2 on 10 May 2018 in relation to lease of part of the Premises
“Rental Agreement 3”	the rental agreement entered into between the Purchaser and Tenant 3 on 10 May 2018 in relation to lease of part of the Premises
“Rental Agreement 4”	the rental agreement entered into between the Purchaser and Tenant 4 on 10 May 2018 in relation to lease of part of the Premises
“Rental Agreements”	Rental Agreement 1, Rental Agreement 2, Rental Agreement 3 and Rental Agreement 4 collectively
“RMB”	Renminbi, the lawful currency of the PRC
“Sale & Purchase Agreement”	the sale and purchase agreement entered into between the Vendor and the Purchaser on 10 May 2018 in relation to the Transfer (as may be amended and supplemented from time to time)
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to in the Listing Rules and the term “subsidiaries” shall be construed accordingly

“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder of the Company, the shares of which are listed on Shenzhen Stock Exchange (Stock code: 000100)
“TCL Corporation Group”	TCL Corporation and its subsidiaries and any entity that may become subsidiary of the TCL Corporation from time to time during the term of the Master Rental Agreement but does not include the Group for the purpose of this announcement
“Tenant 2”	TCL King Electrical Appliances (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司), a company established under the laws of PRC with limited liability and a subsidiary of the Company
“Tenant 3”	Shenzhen TCL Digital Technology Co., Ltd* (深圳TCL數字技術有限公司), a company established under the laws of PRC with limited liability and a subsidiary of the Company
“Tenant 4”	Shenzhen Qianhai Maojia Software Technology Co., Ltd.* (深圳前海茂佳軟件科技有限公司), a company established under the laws of PRC with limited liability and a subsidiary of the Company
“Tenants”	the Vendor, Tenant 2, Tenant 3 and Tenant 4 collectively
“Transfer”	the transactions contemplated under the Sale & Purchase Agreement
“Vendor” or “Tenant 1”	Shenzhen TCL New Technology Company Limited (深圳TCL新技術有限公司), a sino-foreign joint venture established under the laws of PRC with limited liability and a subsidiary of the Company
“Working Day(s)”	any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government

On behalf of the Board  
**LI Dongsheng**  
*Chairman*

Hong Kong, 10 May 2018

*The English transliteration of the Chinese name(s) in this announcement, where indicated with “\*”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

*For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB1.00 = HK\$1.2381 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.*

*As at the date of this announcement, the Board comprises Mr. LI Dongsheng, 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. ZHANG Zhiwei and Mr. LIU Hong as non-executive directors and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive directors.*