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## **TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED**

**TCL 多媒體科技控股有限公司**

**(the “Company”)**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

### **REVISION OF ANNUAL CAPS UNDER THE MASTER SUBCONTRACTING AGREEMENT AND THE MASTER LEASE, PRODUCTION LINE AND VEHICLE (LESSOR) AGREEMENT**

#### **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Announcement in relation to, among other things, the entering into of (1) Master Subcontracting Agreement and (2) Master Lease, Production Line and Vehicle (Lessor) Agreement. In view of the rapid growth in business of TCL Corporation Group and thus increasing demand for the Group’s processing services and production facilities, the Board proposes to revise the annual caps for the three years ending 31 December 2014 under the aforesaid agreements.

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 61.81% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, (1) Master Subcontracting Agreement and (2) Master Lease, Production Line and Vehicle (Lessor) Agreement constitute continuing connected transactions of the Company. Pursuant to the Listing Rules, if the Company proposes to revise the annual caps under the continuing connected transactions, the Company is required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios with reference to the respective revised annual caps of (1) Master Subcontracting Agreement and (2) Master Lease, Production Line and Vehicle (Lessor) Agreement exceed 0.1% but are still less than 5%, the continuing connected transactions contemplated thereunder are exempted from independent shareholders’ approval requirement under Rule 14A.34(1) but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the Announcement in relation to, among other things, the entering into of (1) Master Subcontracting Agreement and (2) Master Lease, Production Line and Vehicle (Lessor) Agreement (the “Agreements”). In view of the rapid growth in business of TCL Corporation Group and thus increasing demand for the Group’s processing services and production facilities, the Board proposes to revise the annual caps for the three years ending 31 December 2014 under the Agreements. The details of the Agreements have already been set out in the Announcement, the same are set out below again for Shareholders’ easy reference.

### **(1) MASTER SUBCONTRACTING AGREEMENT**

On 26 October 2011, the Company (for itself and on behalf of its subsidiaries) entered into the Master Subcontracting Agreement with TCL Corporation (for itself and on behalf of its subsidiaries and associates) for a term of three years from 1 January 2012 to 31 December 2014.

Under the Master Subcontracting Agreement, at the request of the Group, TCL Corporation Group will further process the raw materials into certain semi-finished materials and/or finished goods. Further, both TCL Corporation Group and the Group may now provide the processing services to the other.

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 and the TCL Associates (as the case may be) shall not be less favourable than those offered by such third party; and (b) where the relevant member of TCL Corporation Group and the TCL Associates (as the case may be) 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 and the TCL Associates (as the case may be) to the Group shall not be less favourable than those offered by such relevant member of TCL Corporation Group and the TCL Associates (as the case may be) to that third party;

3. in case where any of the member of TCL Corporation Group and the TCL Associates (as the case may be) 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 and the TCL Associates (as the case may be) shall be no more favourable than those offered by such relevant member of the Group to such third party; and
4. 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.

It has also been set out in the Master Subcontracting Agreement that the processing fee to be charged by TCL Corporation Group and the TCL Associates against the Group shall be no less favourable than the terms available to the Group from independent third parties, and the processing fee to be charged by the Group against TCL Corporation Group and the TCL Associates shall be no more favourable than the terms which the Group offers to independent third parties.

## **(2) MASTER LEASE, PRODUCTION LINE AND VEHICLE (LESSOR) AGREEMENT**

On 26 October 2011, the Company as lessor (for itself and on behalf of its subsidiaries) entered into the Master Lease, Production Line and Vehicle (Lessor) Agreement with TCL Corporation as lessee (for itself and on behalf of its subsidiaries) for a term of three years from 1 January 2012 to 31 December 2014 in relation to leasing certain properties by the Group to TCL Corporation Group.

Under the Master Lease, Production Line and Vehicle (Lessor) Agreement, the rental shall be determined with reference to the prevailing market rate which shall be no less than the rent payable by an independent third party to the Group for comparable tenancies. In addition to the rental, unless otherwise agreed, the Group 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 parties have also agreed that the expiry date of each of the leases contemplated under the Master Lease, Production Line and Vehicle (Lessor) Agreement shall not be later than 31 December 2014.

## HISTORICAL FIGURES

The historical transaction amounts for the two years ended 31 December 2010 and the six months ended 30 June 2011 concerning the transactions contemplated under the Agreements have been disclosed in the Announcement. Given certain months have lapsed for the transactions since the entering into of the Agreements, set out below are the historical figures for the three years ended 31 December 2011 and the three months ended 31 March 2012:

			For the	For the	For the	For the
			year ended	year ended	year ended	three months
Continuing Connected Transactions			31 December	31 December	31 December	ended
			2009	2010	2011	31 March 2012
			(audited)	(audited)	(audited)	(unaudited)
			HK\$'000	HK\$'000	HK\$'000	(for actual amount only)/ for the year ending
						31 December
						2012 (for original annual cap only)
						HK\$'000
1)	<b>Master Subcontracting Agreement</b>	Actual	nil	nil	nil	2,615
	(in relation to subcontracting by the Group)	Original annual cap	nil	nil	nil	97,453
2)	<b>Master Lease, Production Line and Vehicle (Lessor) Agreement</b>	Actual	1,561	1,684	864	17,239
		Original annual cap	1,574	1,694	1,824	35,914

## REVISION OF ANNUAL CAPS

Due to the rapid business growth of TCL Corporation Group and proliferating demand for the Group's processing services and production facilities, the Board expects that the original annual caps under the Agreements as disclosed in the Announcement will not be sufficient for the expected amount of subcontracting fees and rental received by the Group for the three years ending 31 December 2014. The Board therefore proposes the original annual caps under the Master Subcontracting Agreement (only the annual caps

in relation to the subcontracting by the Group are to be revised, whilst the annual caps in relation to the subcontracting by TCL Corporation Group remain unchanged) and the Master Lease, Production Line and Vehicle (Lessor) Agreement to be revised as follows:

Continuing Connected Transactions		For the	For the	For the
		year ending 31 December 2012 <i>HK\$'000</i>	year ending 31 December 2013 <i>HK\$'000</i>	year ending 31 December 2014 <i>HK\$'000</i>
1) <b>Master Subcontracting Agreement</b> (in relation to subcontracting by the Group)	Original annual cap	97,453	94,878	90,442
	Revised annual cap	109,866	165,031	178,501
2) <b>Master Lease, Production Line and Vehicle (Lessor) Agreement</b>	Original annual cap	35,914	38,759	41,848
	Revised annual cap	104,108	112,204	120,948

#### **REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS**

With the completion of the acquisition of TOT in January this year, the Group has ample production capacity which has yet to be fully utilised. In order to fully utilised the resources of TOT, the Group makes available certain production lines for leasing. Since the first quarter of 2012, the Board also noticed that there was an increasing demand for rental of production lines under the Master Lease, Production Line and Vehicle (Lessor) Agreement from TCL Corporation Group. It has come to the Company's knowledge that Shenzhen Huaxing Photoelectronics, a non-wholly owned subsidiary of TCL Corporation, has commenced its full scale production and has been undergoing a rapid growth of business, thus leading to an increasing demand for production lines from the Group, and the increase is expected to continue throughout the duration of the Master Lease, Production Line and Vehicle (Lessor) Agreement. Similarly, the expanding business and scale of production of Shenzhen Huaxing Photoelectronics also leads to an increasing demand of the subcontracting services from the Group, which necessitates the revision of the original annual caps in relation to the subcontracting services provided by the Group to TCL Corporation Group under the Master Subcontracting Agreement.

All the above factors, coupled with the Company's expectation of the continuing growth of business in the coming years, reinforce the need for larger annual caps to cope with the increasing demand for services and facilities under the Agreements.

The Directors (including the independent non-executive Directors) are of the view that insofar as the subcontracting services provided and the production lines leased by the Group to TCL Corporation Group are concerned, the original annual caps under the Agreements as previously disclosed should be further increased to a more realistic level in order to cope with future demand. It is expected that such growth trend will continue in near future with expanding scale of Shenzhen Huaxing Photoelectronics. The Directors (including the independent non-executive Directors) consider that the revised annual caps are in the interests of the Company and its Shareholders as a whole.

Mr. Li Dongsheng, Mr. Bo Lianming, Mr. Zhao Zhongyao, Mr. Yu Guanghui, Ms. Xu Fang and Mr. Huang Xubin, directors of the Company, have interests in TCL Corporation. Of which, Mr. Li Dongsheng is interested in 472,012,400 shares, Mr. Bo Lianming is interested in 802,340 shares and options to subscribe for 6,871,400 shares, Mr. Zhao Zhongyao is interested in 3,557,478 shares and options to subscribe for 3,077,800 shares, Mr. Yu Guanghui is interested in options to subscribe for 1,026,000 shares, Ms. Xu Fang is interested in 40,000 shares (held by her spouse) and options to subscribe for 3,383,400 shares and Mr. Huang Xubin is interested in options to subscribe for 4,833,400 shares in TCL Corporation, the shares held by Mr. Li Dongsheng, Mr. Bo Lianming, Mr. Zhao Zhongyao and Ms. Xu Fang represent approximately 5.569%, 0.009%, 0.042% and 0.0005% of its registered share capital of TCL Corporation respectively. Notwithstanding their respective interest in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the Master Subcontracting Agreement and the Master Lease, Production Line and Vehicle (Lessor) Agreement, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

## **LISTING RULES REQUIREMENT**

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 61.81% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company. Pursuant to the Listing Rules, if the Company proposes to revise the annual caps under the continuing connected transactions, the Company is required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios with reference to the respective revised annual caps of the Agreements exceed 0.1% but are still less than 5%, the continuing connected transactions contemplated thereunder are exempted from independent shareholders' approval requirement under Rule 14A.34(1) but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

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

TCL Corporation and its subsidiaries (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at <http://www.tcl.com> (the information that appears in this website does not form part of this announcement).

## **DEFINITIONS**

“Announcement”	the announcement of the Company dated 26 October 2011 relating to renewal of and/or revising of existing continuing connected transactions and entering into of new continuing connected transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	TCL Multimedia Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01070)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Lease, Production Line and Vehicle (Lessor) Agreement”	the master lease, production line and vehicle (lessor) agreement entered into between the Company as lessor and TCL Corporation as lessee on 26 October 2011
“Master Subcontracting Agreement”	the master subcontracting agreement entered into between the Company and TCL Corporation on 26 October 2011
“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 Agreement
“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 and/or finished goods pursuant to the Master Subcontracting Agreement
“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
“Shareholders”	holders of share(s) of the Company
“Shenzhen Huaxing Photoelectronics”	Shenzhen Huaxing Photoelectronics Technology Company Limited (深圳市華星光電技術有限公司), a limited liability company established under the laws of the PRC and a non-wholly owned subsidiary of TCL Corporation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL Associates”	the associates of TCL Corporation
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling shareholder of the Company
“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 Agreements but does not include the Group for the purpose of this announcement



“TOT” TCL Optoelectronics Technology (Huizhou) Co., Ltd.  
(TCL光電科技(惠州)有限公司), a limited liability  
company established under the laws of the PRC and a  
wholly owned subsidiary of the Company

“%” per cent

By order of the Board  
**Li Dongsheng**  
*Chairman*

Hong Kong, 19 June 2012

*As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, ZHAO Zhongyao, YU Guanghui and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.*