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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)

CONTINUING CONNECTED TRANSACTIONS

(A) REVISION OF ANNUAL CAPS

UNDER THE MASTER SERVICE AGREEMENT

AND

(B) STRATEGIC COOPERATION FRAMEWORK AGREEMENT

REVISION OF ANNUAL CAPS UNDER THE MASTER SERVICE AGREEMENT

Reference is made to the Announcement and the circular of the Company dated 8 December 2011 in relation to, among other things, the entering into of the Master Service Agreement. In view of the rapid growth in the demand for internet television products and the Value Added Services in the PRC, the Board proposes to revise the annual caps for the three years ending 31 December 2014 under the Master Service Agreement.

STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Reference is made to the Announcement, the Group has entered into various research and development agreements with TCL Corporation Group, including the Joint Design Centre and Expertise Agreement and Know-how Development Agreement.

For better management of the continuing connected transactions in relation to the research and development of smart televisions, and with the objective of further enhancing the cooperation and management efficiency between the Company and TCL Corporation in future, the Company intends to establish a long term strategic cooperation relationship with TCL Corporation for carrying out research and development for the products of the Company. Therefore, on 27 November 2012, the Company entered into the Strategic Cooperation Framework Agreement with TCL Corporation, pursuant to which the parties agree to (i) consolidate the transactions previously contemplated under the Existing Agreements; and (ii) establish an uniform system setting out the principal provisions for future implementation of the Projects.

LISTING RULES REQUIREMENTS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 61.78% 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 Master Service Agreement and the entering into of the Strategic Cooperation Framework 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 all of the applicable percentage ratios with reference to (A) the respective revised annual caps contemplated under the Master Service Agreement and (B) the respective annual caps contemplated under the Strategic Cooperation Framework Agreement exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the said agreements 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.

A. REVISION OF ANNUAL CAPS UNDER THE MASTER SERVICE AGREEMENT

1. Background

Reference is made to the Announcement and the circular of the Company dated 8 December 2011 in relation to, among other things, the entering into of the Master Service Agreement. In view of the rapid growth in the demand for internet television products and the Value Added Services in the PRC, the Board proposes to revise the annual caps for the three years ending 31 December 2014 under the Master Service Agreement. The details of the Master Service Agreement have already been set out in the Announcement and the circular of the Company dated 8 December 2011, the same are set out below again for Shareholders' easy reference.

2. Major terms of the Master Service Agreement

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

Pursuant to the Master Service Agreement, at the request of the Group, TCL Corporation shall procure members of TCL Corporation Group to provide the Group with:

- (i) certain basic services (“Basic Services”) in respect of the production and sale of the internet television products, 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.

It has also been set out in the Master Service Agreement that in respect of the Basic Services provided by TCL Corporation Group, the Group shall pay to TCL Corporation Group a service fee for each internet television product involved at a rate to be calculated based on actual costs incurred by TCL Corporation Group for related operations. The service fee would only be revised with the consent of the parties. The total number of internet television products involved shall be calculated each month and the service fee payable shall be settled within the next 3 months.

In respect of the Valued Added Services provided by TCL Corporation Group, 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.

3. Historical figures

The historical transaction amounts for the year ended 31 December 2010 and the six months ended 30 June 2011 concerning the transactions contemplated under the Master Service Agreement have been disclosed in the Announcement and the circular of the Company dated 8 December 2011. Given certain months have lapsed for the transactions since the entering into of the Master Service Agreement, the following table sets out the historical figures for the two years ended 31 December 2011 and the nine months ended 30 September 2012, and the respective original annual caps for the three years ending 31 December 2012:

		For the year ended 31 December 2010 (audited) <i>HK\$'000</i>	For the year ended 31 December 2011 (audited) <i>HK\$'000</i>	For the nine months ended 30 September 2012 (unaudited) (for actual amount only)/for the year ending 31 December 2012 (for original annual cap only) <i>HK\$'000</i>
Continuing Connected Transactions				
Master Service Agreement	Actual			
	– service fee	4,502	22,535	42,734
	– content income	–	–	–
	Sub-total:	4,502	22,535	42,734
	Original annual caps			
	– service fee	17,466	62,365	54,758
	– content income	–	2,399	2,633
	Sub-total:	17,466	64,764	57,391

4. Revision of annual caps

Due to the increasing popularity and the proliferating demand for internet television products in the PRC, the Board expects that the original annual caps under the Master Service Agreement as disclosed in the Announcement and the circular of the Company dated 8 December 2011 will not be sufficient for (i) the expected amount of service fee to be paid by the Group under the Basic Services; and (ii) the amount of content income shared by the Group with TCL Corporation Group in relation to the Value Added Services for the three years ending 31 December 2014. The Board therefore proposes the original annual caps under the Master Service Agreement to be revised as follows:

Continuing Connected Transactions		For the year ending 31 December 2012 <i>HK\$'000</i>	For the year ending 31 December 2013 <i>HK\$'000</i>	For the year ending 31 December 2014 <i>HK\$'000</i>
Master Service Agreement	Original annual caps			
	– service fee	54,758	76,554	100,770
	– content income	2,633	7,088	15,268
	Sub-total:	57,391	83,642	116,038
	Revised annual caps			
	– service fee	107,735	157,909	232,302
– content income	5,176	15,136	37,166	
Sub-total:	112,911	173,045	269,468	

5. Reasons for and benefits of the revised annual caps

With the rising income per capita in the PRC, growing popularity of internet television products and stepping up of the Group's research and development efforts in the high-end television products in the PRC, more internet television products are expected to be produced in order to meet the increasing demand. The increase in the production and sales volume of the internet television products also leads to a corresponding growth in the demand of the Value Added Services, thus leading to an increase in the amount of the service fee and content income under the Master Service Agreement and necessitates the revision of the original annual caps thereunder. The Company has also taken into account the possible further appreciation of RMB against HK\$ during the term of the Master Service Agreement for the determination of revised annual caps.

All the above factors, coupled with the Company's expectation of the continuing growth of internet television business in the coming years, reinforce the need for larger annual caps to cope with the increasing demand for Basic Services and Value Added Services under the Master Service Agreement.

B. STRATEGIC COOPERATION FRAMEWORK AGREEMENT

1. Background

Reference is made to the Announcement, the Group has entered into various research and development agreements with TCL Corporation Group, including the Existing Agreements.

For better management of the continuing connected transactions in relation to the research and development of smart televisions, and with the objective of further enhancing the cooperation and management efficiency between the Company and TCL Corporation in future, the Company intends to establish a long term strategic cooperation project with TCL Corporation for carrying out research and development for the products of the Company. Therefore, on 27 November 2012, the Company entered into the Strategic Cooperation Framework Agreement with TCL Corporation, pursuant to which the parties agree to (i) consolidate the transactions previously contemplated under the Existing Agreements; and (ii) establish an uniform system setting out the principal provisions for future implementation of the Projects. The principal terms of the Strategic Cooperation Framework Agreement are set out below.

2. Major terms of the Strategic Cooperation Framework Agreement

Date: 27 November 2012

Parties:

- (1) the Company (for itself and on behalf of its Subsidiaries); and
- (2) TCL Corporation (for itself and on behalf of its Subsidiaries).

Duration: Unless being terminated by either of the parties, the Strategic Cooperation Framework Agreement is effective from 27 November 2012 to 31 December 2013.

The cooperation:

Scope of services: The Company shall, and shall procure the Group members to engage TCL Corporation Group for the provision of R&D Service in relation to the Projects through entering into of the Cooperation Agreements.

The Strategic Cooperation Framework Agreement covers the following aspects of research and development:

- (i) the Joint Design Centre Project (三中心項目); and

- (ii) 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).

Obligations of the parties:

Obligations of the Group:

The Group undertakes the following responsibilities:

1. to be responsible for all costs of the Projects, including but not limited to salary, rent and operation expenses; and
2. to prepay the proportionate amount of service fees for the R&D Service based on the progress and budget of the Projects of the next quarter to the TCL Corporation Group at the end of every quarter.

Obligations of TCL Corporation Group:

The TCL Corporation Group undertakes the following responsibilities:

1. to be responsible for the daily management of matters in relation to the Projects; and
2. to convene monthly project management meetings and report to the strategic cooperation committee (the “Committee”) on the progress of the Projects.

Common obligations of both parties:

The parties to the Strategic Cooperation Framework Agreement undertake to each other that the Group and the TCL Corporation Group shall from time to time delegate their personnel and jointly set up the Committee for the Projects whenever necessary, and the constitution and operation of which shall be determined by the parties to the Cooperation Agreements depending on the objectives and operations of the relevant Projects. In principle, the Committee shall oversee the Projects including but not limited to setting of targets, evaluation of milestones, testing of targets and carrying out inspection on the results. The parties also undertake that they 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 every year.

Unless otherwise specified in the Strategic Cooperation Framework Agreement, the Joint Design Centre Project and the Know-how Development Project shall be managed in accordance to the terms in the Joint Design Centre and Expertise Agreement and the Know-how Development Agreement respectively. The terms of both agreements have been set out in the Announcement.

**Intellectual
property rights:**

The intellectual property rights arising from the Projects shall be jointly and equally owned by the Group and the TCL Corporation Group, and the parties are entitled to use the relevant intellectual property rights at zero cost. Revenue received from independent third parties for permission to use the intellectual property rights concerned shall be apportioned equally between the parties, i.e. both the Group and the TCL Corporation Group shall be entitled to 50% of the revenue.

The right to file an application for or to register the intellectual property rights arising from the results of the Projects shall be dealt with in the following manner:

1. where the intellectual property rights arise from the sole author's effort, the right to file an application for or to register the intellectual property rights shall belong to the sole author's respective party;
2. where the intellectual property rights arise from the joint development of the parties, the right to file an application for or to register the intellectual property rights shall belong to the first responsible author's respective party; and
3. where the intellectual property rights arise from the substantial and innovative technical results brought by further development of the results of the Projects by either of the parties, the right to file an application for or to register the intellectual property rights shall belong to that party.

**Service fees and
payment term:**

The service fees for the R&D Service shall be negotiated and agreed by the parties based on normal commercial terms after arm's length transactions and with reference to the prevailing market fees for comparable services. Where no comparable reference terms are available, the terms (including service fees and payment terms for the R&D Service) shall be no less favourable than (i) those proposed by independent third parties to the Group; and/or (ii) those given by the TCL Corporation Group to independent third parties.

The parties to the Strategic Cooperation Framework Agreement agree that at the end of every quarter, they would agree on the budget regarding the amount of investment to be invested in the Projects in the next quarter, and the relevant amount would be paid by the Group based on the assessment of the progress of the Projects. Detailed payment terms and arrangement in relation to the Projects shall be negotiated and agreed by the parties of the Cooperation Agreements.

The Group intends to satisfy the service fees for the R&D Service by its internal resources.

3. Historical figures

The following table sets out the historical figures of the continuing connected transactions grouped under the Strategic Cooperation Framework Agreement for the year ended 31 December 2011 and the nine months ended 30 September 2012, and the respective original annual caps for the three years ending 31 December 2013:

Continuing Connected Transactions		For the year ended 31 December 2011 (audited) <i>HK\$'000</i>	For the nine months ended 30 September 2012 (unaudited) (for actual amount only)/for the year ending 31 December 2012 (for original annual cap only) <i>HK\$'000</i>	For the year ending 31 December 2013 (for original annual cap only) <i>HK\$'000</i>
1. Joint Design Centre and Expertise Agreement	Actual	9,668	24,776	N/A
	Original annual caps	13,689	31,591	34,024
2. Know-how Development Agreement	Actual	914	4,176	N/A
	Original annual caps	1,589	6,450	9,215

4. Proposed annual caps

The following table sets out the proposed annual caps of the continuing connected transactions under the Strategic Cooperation Framework Agreement:

Continuing Connected Transactions		For the period ending 31 December 2012 HK\$'000	For the year ending 31 December 2013 HK\$'000
Strategic Cooperation Framework Agreement	1. Joint Design Centre Project	8,373	37,026
	2. Strategic Mutual Research and Mid-to-Long-Term Planning Project	41,813	72,217
	Total:	50,186	109,243

5. Reasons for the proposed annual caps

The annual caps contemplated under the Strategic Cooperation Framework Agreement are determined based on (i) the scheduled progress and budget of the research and development of the Group; and (ii) the expected sales volume of smart televisions in the coming year, the rising purchasing power of the targeted customers and the amount of general research and development expenses in the past.

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

6. Reasons for and benefits of entering into the Strategic Cooperation Framework Agreement

The Group has always been keen on research and development of new products, and as smart televisions and internet televisions will inevitably be the key driving force for the television industry in future, the Group intends to further strengthen its effort in various aspects of the research and development regarding smart television technology including but not limited to cloud computing, display technology, basic software platform, ergonomic products and digital family. For better management of the existing research and development agreements and a further strengthening of the effort in the exploration and development of new technology, the Company enters

into the Strategic Cooperation Framework Agreement which enables the consolidation of the Existing Agreements, and provides an uniform system for the Group's research and development arrangement. It is expected that the entering into of the Strategic Cooperation Framework Agreement will further strengthen the Group's research and development capabilities to launch new products and to develop cutting-edge technology in order to maintain its competitiveness in the television industry.

LISTING RULES REQUIREMENTS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 61.78% 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 Master Service Agreement and the entering into of the Strategic Cooperation Framework 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 all of the applicable percentage ratios with reference to (A) the respective revised annual caps contemplated under the Master Service Agreement and (B) the respective annual caps contemplated under the Strategic Cooperation Framework Agreement exceed 0.1% but are 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.

The Directors (including the independent non-executive Directors) are of the view that (A) insofar as the Basic Services and Value Added Services provided by TCL Corporation Group to the Group in relation to the production and sale of internet television products are concerned, the original annual caps under the Master Service Agreement 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 the increased popularity of internet television products and the revised annual caps are in the interests of the Company and its Shareholders as a whole; and (B) the Strategic Cooperation Framework Agreement is entered into or expected to be entered into in the ordinary and usual course of business of the Group, and the Strategic Cooperation Framework Agreement has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms thereunder together with the annual caps in respect thereof are fair and reasonable and 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 491,585,800 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, the share interest held by Mr. Li Dongsheng, Mr. Bo Lianming, Mr. Zhao Zhongyao and Ms. Xu Fang represent approximately 5.8%, 0.01%, 0.04% 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 Service Agreement and the Strategic Cooperation Framework Agreement, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

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
“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
“Cooperation Agreements”	the technology development (cooperation) agreements (技術開發(合作)合同) 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
“Existing Agreements”	Joint Design Centre and Expertise Agreement and Know-how Development Agreement
“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
“Joint Design Centre and Expertise Agreement”	the joint research and development services agreement entered into between Shenzhen R&D Centre and TCL Research Institute on 26 October 2011
“Joint Design Centre Project”	the project contemplated under the Joint Design Centre and Expertise Agreement, including but not limited to the establishment of a joint design centre for the research, development and promotion of smart television project
“Know-how Development Agreement”	the know-how development agreement entered into between Shenzhen R&D Centre and TCL Lab on 26 October 2011
“Know-how Development Project”	the project, namely, the experimental project at the research centre in North America (北美研發中心實驗項目), contemplated under the Know-how Development Agreement concerning digital television and other research and development projects as requested by Shenzhen R&D Centre
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“Master Service Agreement”	the master service agreement entered into between the Company and TCL Corporation on 26 October 2011
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Projects”	the Joint Design Centre Project and the Strategic Mutual Research and Mid-to-Long-Term Planning Project

“RMB”	Renminbi, the lawful currency of the PRC
“R&D Service”	the research and development service to be provided by the TCL Corporation Group to the Group in relation to the Projects in a number of technological areas including but not limited to cloud computing, smart television and display technology
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shenzhen R&D Centre”	Shenzhen TCL New Technology Co., Ltd (深圳TCL新技術有限公司), a company established in the PRC and an indirect wholly owned Subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Framework Agreement”	the long term strategic cooperation framework agreement (長期戰略合作框架協議) entered into between the Company and TCL Corporation dated 27 November 2012
“Strategic Mutual Research and Mid-to-Long-Term Planning Project”	includes (i) the research and development in relation to mutual technology on cloud computing, basic software platform, ergonomic design products, advanced display technology and digital family; and (ii) research and development projects including the Know-how Development Project, the establishment of exchange and cooperation with the high schools in Silicon Valley, participation in international technology and standard committees, control of third party resources and establishment of cooperative mechanism between institutions and enterprises; of which, the Know-how Development Project is governed by the Know-how Development Agreement
“Subsidiary”/“Subsidiaries”	any entity within the meaning of the term “subsidiary” as defined 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

“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 Service Agreement and Strategic Cooperation Framework Agreement but does not include the Group for the purpose of this announcement
“TCL Lab”	TCL Lab (US) Inc., a company established in the USA which is an indirect wholly owned Subsidiary of TCL Corporation
“TCL Research Institute”	Shenzhen TCL Advanced Technology Development Co., Ltd (深圳市TCL高新技術開發有限公司), a company established in the PRC and a wholly owned Subsidiary of TCL Corporation

By order of the Board
Li Dongsheng
Chairman

Hong Kong, 28 November 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.