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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)

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION MASTER STRATEGIC COOPERATION (2016) AGREEMENT**

Reference is made to the announcement dated 24 February 2014 in relation to the entering into of the Strategic Cooperation (2014) Framework Agreement. Since the Strategic Cooperation (2014) Framework Agreement will expire on 31 December 2015, the Company has entered into the Master Strategic Cooperation (2016) Agreement with TCL Corporation on 8 December 2015 on substantially the same terms as the Strategic Cooperation (2014) Framework Agreement.

Pursuant to the Master Strategic Cooperation (2016) Agreement, comprehensive and extensive R&D Service will be provided by TCL Corporation Group to the Group. The Master Strategic Cooperation (2016) 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.

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 63.14% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Master Strategic Cooperation (2016) Agreement constitutes a continuing connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios with reference to the Annual Caps of the service fees for the R&D Service exceed 0.1% but all are less than 5%, the continuing connected transaction contemplated under the Master Strategic Cooperation (2016) Agreement is exempted from independent Shareholders’ approval requirement under Rule 14A.76(2)(a) of the Listing Rules but is subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement dated 24 February 2014 in relation to the entering into of the Strategic Cooperation (2014) Framework Agreement. Since the Strategic Cooperation (2014) Framework Agreement will expire on 31 December 2015, the Company has entered into the Master Strategic Cooperation (2016) Agreement with TCL Corporation on 8 December 2015 on substantially the same terms as the Strategic Cooperation (2014) Framework Agreement.

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The principal terms of the Master Strategic Cooperation (2016) Agreement are set out below.

## **MASTER STRATEGIC COOPERATION (2016) AGREEMENT**

**Date:** 8 December 2015

**Parties:**

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

**Duration:** Unless being terminated by the parties, the Master Strategic Cooperation (2016) Agreement is effective from 1 January 2016 to 31 December 2018 (both dates inclusive).

### **The cooperation:**

**Scope of services:** The Master Strategic Cooperation (2016) 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 2016 and 2018; 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+OS, cloud computing, digital family and image and sound algorithm technology. The output of results of technology developed will be delivered in stages according to the strategic plan of the Company and TCL Corporation; 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 USA 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 the TCL Corporation Group: TCL Corporation Group shall:

- 1. decide and manage the Strategic Mutual Research and Mid-to-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; and
- 2. report to the Group on the progress of the Projects.

Common obligations of both parties:

The parties to the Master Strategic Cooperation (2016) 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 (2016) 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 (2016) 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 R&D 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 Company and TCL Corporation, with reference to the content, project cycle, progress, target and the resources allocation of the research projects to be carried out every year. The R&D 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 principal, 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.

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

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.

## HISTORICAL FIGURES

The following table sets out the respective actual amounts of the continuing connected transaction contemplated under the Strategic Cooperation (2014) Framework Agreement for the year ended 31 December 2014 and the nine months ended 30 September 2015:

<b>Strategic Cooperation (2014) Framework Agreement</b>	<b>For the year ended December 2014 (audited) HK\$'000</b>	<b>For the nine months ended 30 September 2015 (unaudited) HK\$'000</b>
1. Joint Laboratory Project	20,192	13,768
2. Strategic Mutual Research and Mid-to-Long-Term Planning Project	46,134	43,862
Total:	66,326	57,630

## PROPOSED ANNUAL CAPS OF THE MASTER STRATEGIC COOPERATION (2016) AGREEMENT

The following table sets out the proposed Annual Caps of the continuing connected transaction contemplated under the Master Strategic Cooperation (2016) Agreement:

<b>Master Strategic Cooperation (2016) Agreement</b>	<b>For the year ending 31 December</b>		
	<b>2016 HK\$'000</b>	<b>2017 HK\$'000</b>	<b>2018 HK\$'000</b>
1. Joint Laboratory Project	26,735	29,409	32,349
2. Strategic Mutual Research and Mid-to-Long-Term Planning Project	70,179	77,264	85,017
Total:	96,914	106,673	117,366

## **REASONS FOR THE PROPOSED ANNUAL CAPS**

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 in the coming three years; (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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER STRATEGIC COOPERATION (2016) 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 (2016) Agreement which provides a system for the Group's research and development arrangement. The entering into of the Master Strategic Cooperation (2016) 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.

## **LISTING RULES IMPLICATIONS**

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 63.14% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Master Strategic Cooperation (2016) Agreement constitutes a continuing connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios with reference to the Annual Caps of the service fees for the R&D Service exceed 0.1% but all are less than 5%, the continuing connected transaction contemplated under the Master Strategic Cooperation (2016) Agreement is exempted from independent Shareholders' approval requirement under Rule 14A.76(2)(a) of the Listing Rules but is subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.



The Directors (including the independent non-executive Directors) consider that the Master Strategic Cooperation (2016) Agreement is entered into in the ordinary and usual course of business of the Group, and the Master Strategic Cooperation (2016) Agreement has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms thereunder together with the proposed Annual Caps in respect thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Notwithstanding the respective interest of certain Directors in TCL Corporation, none of them is considered as having a material interest in the transaction contemplated under the Master Strategic Cooperation (2016) Agreement. Therefore, all Directors are entitled to vote pursuant to the Company's articles of association.

## **GENERAL INFORMATION OF THE PARTIES**

The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including TV 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 electronic, audio-visual products, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit its official website at <http://www.tcl.com> (the information that appears in this website does not form part of this announcement).

## **DEFINITIONS**

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

“Annual Caps”	the annual caps of the service fees of the R&D Service for the three years ending 31 December 2018
“Board”	the board of Directors
“Committee of Technology & Intellectual Property Rights”	the committee of technology and intellectual property rights (技術與知識產權委員會) which is established by TCL Corporation Group
“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 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
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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

“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 Laboratory Project and the Strategic Mutual Research and Mid-to-Long-Term Planning Project
“R&D Fund”	the research and development fund to be contributed by the Group to TCL Corporation Group which shall be used mainly for the purpose of the Strategic Mutual Research and Mid-to-Long Term Planning Project
“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
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shenzhen TCL Digital Technology”	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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation (2014) Framework Agreement”	the strategic cooperation (2014) framework agreement (戰略合作(二零一四年)框架協議) entered into between the Company and TCL Corporation dated 24 February 2014
“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 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 and its Subsidiaries and any entity that may become Subsidiary of TCL Corporation from time to time during the term of the Master Strategic Cooperation (2016) Agreement but does not include the Group for the purpose of this announcement
“TCL Research America”	TCL Research America Inc., a company established in the USA with limited liability, an indirect wholly-owned Subsidiary of TCL Corporation
“TV(s)”	television(s)
“TV+OS”	TV+ Operating System
“USA”	United States of America

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

Hong Kong, 8 December 2015

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