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## **TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED**

### **TCL 通訊科技控股有限公司**

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

(stock code: 2618)

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

### **R&D FUND FRAMEWORK (RENEWAL 2015) AGREEMENT AND BRAND PROMOTION (RENEWAL 2015) AGREEMENT**

Reference is made to the Company's announcements dated 26 June 2013 and 17 December 2012 regarding, among others, the Strategic Cooperation Framework Agreement and the Brand Promotion (Renewal 2012) Agreement respectively. Since the Strategic Cooperation Framework Agreement and the Brand Promotion (Renewal 2012) Agreement, as supplemented by the Supplemental Brand Promotion Agreement, will expire on 31 December 2015, the Company and TCL Corporation have on 24 December 2015 entered into the R&D Fund Framework (Renewal 2015) Agreement and the Brand Promotion (Renewal 2015) Agreement to continue the relevant continuing connected transactions.

#### **LISTING RULES IMPLICATIONS**

TCL Corporation, being the ultimate controlling Shareholder of the Company (holding approximately 64.78% of the issued share capital of the Company as of the date of this announcement), is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) calculated with reference to the annual caps of each of the R&D Fund Framework (Renewal 2015) Agreement and the Brand Promotion (Renewal 2015) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempt from circular (including independent financial advice) and Shareholders' approval requirement under Rule 14A.76(2)(a) but are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the Company's announcements dated 26 June 2013 and 17 December 2012 regarding, among others, the Strategic Cooperation Framework Agreement and the Brand Promotion (Renewal 2012) Agreement respectively. Since the Strategic Cooperation Framework Agreement and the Brand Promotion (Renewal 2012) Agreement, as supplemented by the Supplemental Brand Promotion Agreement, will expire on 31 December 2015, the Company and TCL Corporation have on 24 December 2015 entered into the R&D Fund Framework (Renewal 2015) Agreement and the Brand Promotion (Renewal 2015) Agreement to continue the relevant continuing connected transactions.

## **R&D FUND FRAMEWORK (RENEWAL 2015) AGREEMENT**

Date: 24 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: From 1 January 2016 to 31 December 2018 (both dates inclusive)

### **The Cooperation:**

Scope of services: The R&D Fund Framework (Renewal 2015) Agreement covers the following aspects of research and development:

- (i) the Joint Laboratory Project for:
  - i. the completion, by a research institute of TCL Corporation which is specialised in communication technology, of the introduction of the productisation of intelligent mobile terminal products as planned in 2015; and
  - ii. the continuing research and development of differentiated innovative products for their productisation and marketing year by year; and
- (ii) the Strategic Mutual Research and Mid-to-Long-Term Planning Project which includes:
  - i. the research and development in relation to forward-looking technology research, industries convergence technology, establishment of technology management platform and development of new products, internet operated services techniques, new display techniques, mutual technology on system optimization for Android-based software platform, promotion and productisation of handsets read-only-memory, research & productisation of and Firefox operating system, cloud computing, and image and sound algorithm technology,

artificial intelligence and strategic projects on cloud computing, base software platform, user experience, new type display and digit home, etc.; and

- ii. research and development projects including the USA Institute Project and the HK Institute Project, the establishment of exchange and cooperation with the high schools and research institutes in 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.

The Group is entitled, from time to time, to supervise the progress of the Strategic Mutual Research and Mid-to-Long-Term Planning Project and to review the monthly report of the progress of the Projects prepared by TCL Corporation.

**Obligations of the parties:**

Obligations of the Group: The Group undertakes to pay the service fees for the R&D Service (depending on the progress and budget of the Projects) to TCL Corp Group in the manner as set out in the paragraph headed "Service Fees and Payment Terms" in this announcement.

Obligations of the TCL Corp Group: TCL Corp Group shall:

1. commence and manage any sub-projects under the Strategic Mutual Research and Mid-to-Long-Term Planning Project in accordance with the strategic plans and requests of the Group and Committee of Technology & Intellectual Property Rights;
2. be responsible for the daily management of the Projects; and
3. convene monthly project management meetings and report to the Committee of Technology & Intellectual Property Rights on the progress of the Projects.

Common obligations of both parties: The parties to the R&D Fund Framework (Renewal 2015) 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 R&D Fund Framework (Renewal 2015) Agreement.

**Intellectual  
Property  
Rights:**

The intellectual property rights arising from the Projects shall be jointly owned by the Group and TCL Corp 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 jointly owned intellectual property rights concerned, the apportionment between the Group and TCL Corp 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 using or exploiting any results of the Projects shall belong to the party which made such advancement or development.

**Service Fees  
and payment  
term:**

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

The parties to the R&D Fund Framework (Renewal 2015) 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 Corp 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 specific

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 Corp 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 Corp 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.

## **BRAND PROMOTION (RENEWAL 2015) AGREEMENT**

Date: 24 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: From 1 January 2016 to 31 December 2018 (both dates inclusive)

Major terms: The Company is required to contribute to the Common Fund (i) 2% of the Group's estimated or actual sales income (before value added tax) from the sale of its mobile communication products (including but not limited to mobile handsets manufactured, produced or otherwise sold by the Group) bearing the "TCL" brand name, whichever is higher; and (ii) 0.25% of the Group's estimated or actual sales income (before value added tax) from the sale of its ODM and OEM products for each

year from 2016 to 2018, whichever is higher. Such contribution shall be payable monthly within 15 days from the expiry of each month.

The Common Fund receives contributions from participating members of the TCL Corp Group and the Group and entities in which TCL Corporation has an interest, and is dedicated to the development, promotion and management of the "TCL" brand name.

The Common Fund is regulated by the Fund Articles by which members of the Common Fund agree to abide.

## HISTORICAL FIGURES

The following table sets out the respective historical aggregate approximate amounts of the continuing connected transactions contemplated under the Strategic Cooperation Framework Agreement and Brand Promotion (Renewal 2012) Agreement, as supplemented by the Supplemental Brand Promotion Agreement, between the Company and TCL Corporation for the two financial years ended 31 December 2014 and the ten months ended 31 October 2015:

	<b>For the financial year ended 31 December 2013</b>	<b>For the financial year ended 31 December 2014</b>	<b>For the ten months ended 31 October 2015</b>
	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
<b>Strategic Cooperation Framework Agreement</b>	21,537	52,882	40,416
Joint Laboratory Project	765	5,427	6,361
Strategic Mutual Research and Mid-to-Long-Term Planning Project	20,772	47,455	34,055
<b>Brand Promotion (Renewal 2012) Agreement</b>	9,515	43,415	17,705

## PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement as described above for the three financial years ending 31 December 2018:

	<b>For the financial year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>R&amp;D Fund Framework (Renewal 2015) Agreement</b>	97,000	140,000	200,000
Joint Laboratory Project	17,000	26,000	38,000
Strategic Mutual Research and Mid-to-Long-Term Planning Project	80,000	114,000	162,000
<b>Brand Promotion (Renewal 2015) Agreement</b>	104,000	150,000	233,000

## **BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS**

### ***R&D Fund Framework (Renewal 2015) Agreement***

The proposed annual caps for the transactions contemplated under the R&D Fund Framework (Renewal 2015) Agreement are determined after taking into account (i) the scheduled progress and budget of the research and development of the Group; (ii) the estimated growth in the Group' business and gradual increase in product sales of the Group in the coming year; (iii) the expected rising research and development expenses due to possible inflation and/or the increase in gross domestic production in the PRC; and (iv) the amount of general research and development expenses in the past.

### ***Brand Promotion (Renewal 2015) Agreement***

The proposed annual caps for the transactions contemplated under the Brand Promotion (Renewal 2015) Agreement are determined with the estimated sales income (before value added tax) (i) from sale of "TCL" brand mobile communication products; and (ii) from the sale of its ODM and OEM products and the annual contribution rate at 2% and 0.25% respectively. The proposed annual caps are determined after taking into account the following factors:

- (a) the historical sales of "TCL" brand mobile communication products in the past years; and
- (b) the anticipated growth in sales of "TCL" brand mobile communication products having considered the expected increase in production capacity and growth in the Group's business, in particular taking into account the successful launch of mid to high-end products.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS FOR CONTINUING CONNECTED TRANSACTIONS**

### ***R&D Fund Framework (Renewal 2015) Agreement***

The Group has always been keen on research and development of new products, and as smart phones will inevitably be the key driving force for the mobile phone 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 R&D Fund Framework (Renewal 2015) Agreement which provides a system for the Group's research and development arrangement.

The entering into of the R&D Fund Framework (Renewal 2015) 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) smartphone technology including but not limited to intelligent mobile terminal, cloud computing and intelligent technology core algorithm; and (ii) other technology including but not limited to new display techniques, artificial intelligence and basic software platform which are applicable to smartphone products and other products of the Group as well, such as featured phones and other smart devices. 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 Corp Group in technological development.

### ***Brand Promotion (Renewal 2015) Agreement***

The Common Fund represents a collective effort on the part of members of the TCL Corp Group, including the Group, to share the costs and expenses of promoting the "TCL" brand name. The Directors believe that it would be most cost-effective for the Common Fund to centrally manage, develop and invest in the "TCL" brand name and that the Common Fund is expected to be able to enjoy bulk discounts and obtain competitive rates and other commercial benefits.

## **LISTING RULES IMPLICATIONS**

TCL Corporation, being the ultimate controlling Shareholder of the Company (holding approximately 64.78% of the issued share capital of the Company as of the date of this announcement), is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rule.

As one or more of the applicable percentage ratios (other than the profits ratio) calculated with reference to the annual caps of each of the R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempt from



circular (including independent financial advice) and Shareholders' approval requirement under Rule 14A.76(2)(a) but are 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 R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement are entered into in the ordinary and usual course of business of the Group, and the R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms thereunder together with the relevant 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 interests of certain Directors in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the R&D Fund Framework (Renewal 2015) Agreement and Brand Promotion (Renewal 2015) Agreement. Therefore, all Directors are entitled to vote pursuant to the Company's memorandum and articles of association.

## **GENERAL INFORMATION OF THE PARTIES**

The Group, designs, manufactures and markets an expanding portfolio of mobile and internet products worldwide under two key brands – "TCL" and "ALCATEL ONETOUCH". The Group's portfolio of products is currently sold in the PRC and over 170 countries throughout the North America, Latin America, Europe, the Middle East and Africa and Asia Pacific. The Group operates its highly efficient manufacturing plants and research and development centres in various provinces of the PRC with its headquarters in Shenzhen, the PRC. For more information, please visit the Company's official website at <http://tclcom.tcl.com> (the information that appears in this website does not form part of this announcement).

TCL Corp Group (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, 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**

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Brand Promotion (Renewal 2012) Agreement"	the brand promotion (renewal 2012) agreement dated 17 December 2012 entered into between the Company and TCL Corporation

"Brand Promotion (Renewal 2015) Agreement"	the brand promotion (renewal 2015) agreement dated 24 December 2015 entered into between the Company and TCL Corporation in order to continue the transactions contemplated under the Brand Promotion (Renewal 2012) Agreement with certain modifications
"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 Corp Group
"Common Fund"	TCL Brand Common Fund, established and owned by TCL Corporation, for the development, promotion and management of the "TCL" brand name
"Company"	TCL Communication 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 : 2618)
"Cooperation Agreement(s)"	the cooperation agreement(s) to be entered into between the Group and TCL Corp Group from time to time in respect of the Projects
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Fund Articles"	the articles of association of the Common Fund
"Group"	the Company and its Subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Institute Project"	the research projects to be performed by TCL Corporate Research (Hong Kong) pursuant to the Company's request from time to time in respect of the research and development of smartphones, and the research tasks include but are 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
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of our Company and/or any of its Subsidiaries and their respective associates

"Joint Laboratory Project"	the establishment of joint laboratory centres as more particularly set out in the paragraph "R&D Fund Framework (Renewal 2015) Agreement" in this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"ODM"	original design manufacturing under which the manufacturer owns the design of the products which are sold under the customer's brand
"OEM"	original equipment manufacturing whereby products are manufactured in whole or in part in accordance with the customer's specifications and are marketed under the customer's own brandnames
"PRC"	the People's Republic of China excluding Hong Kong, 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 which shall be mainly used for the purpose of the Strategic Mutual Research and Mid-to-Long Term Planning Project
"R&D Fund Framework (Renewal 2015) Agreement"	the R&D fund framework (renewal 2015) agreement entered into between the Company and TCL Corporation dated 24 December 2015 in order to continue the transactions contemplated under the Strategic Cooperation Framework Agreement
"R&D Service"	the research and development service to be provided by TCL Corp Group to the Group in relation to the Projects in a number of technological areas including but not limited to intelligent mobile terminal, cloud computing and intelligent technology core algorithm
"Shareholder(s)"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Cooperation Framework Agreement"	the long term strategic cooperation framework agreement entered into between the Company and TCL Cooperation dated 26 June 2013

"Strategic Mutual Research and Mid-to-Long-Term Planning Project"	the strategic mutual research and mid-to-long-term planning project as more particularly set out in the paragraph "R&D Fund Framework (Renewal 2015) Agreement" in this announcement
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supplemental Brand Promotion Agreement"	the supplemental brand promotion agreement dated 31 December 2013 entered into between the Company and TCL Corporation, pursuant to which, with effective from 1 January 2014, the annual contribution rate to be made by the Company to the Common Fund in respect of its mobile communication products bearing the "TCL" brand name was increased to 2% of the Group's sales income (before value added tax) from the sale of such products
"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 shares of which are listed on Shenzhen Stock Exchange (stock code: 000100)
"TCL Corp Group"	TCL Corporation and its Subsidiaries, but does not include the Group, for the purpose of this announcement
"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 Research America"	TCL Research America Inc., formerly known as TCL Lab (US) Inc., a company incorporated in USA and a member of the TCL Corp Group
"USA"	United States of America
"USA Institute Project"	the research projects to be performed by TCL Research America pursuant to the Company's request from time to time in respect of the research and development of cloud computing and mobile intelligent terminal, and the research tasks include but are 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
"% "	per cent

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

Hong Kong, 24 December 2015

*As at the date of this announcement, the Board comprises Mr. LI Dongsheng, Mr. GUO Aiping, Mr. WANG Jiyang and Mr. Nicolas Daniel Bernard ZIBELL, being the executive Directors; Mr. HUANG Xubin and Mr. LIAO Qian, being the non-executive Directors; and Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, being the independent non-executive Directors.*