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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

(1) SOURCING FRAMEWORK AGREEMENT

AND

(2) KEY COMPONENT SOURCING CONTRACT

INTRODUCTION

The Board announces that on 18 May 2015, TCL Overseas entered into (i) the Sourcing Framework Agreement with Leshi Zhixin, pursuant to which TCL Overseas agreed to supply Products to Leshi Zhixin, and (ii) the Key Component Sourcing Contract, pursuant to which Leshi Zhixin agreed to supply the Key Materials to TCL Overseas for the production of Products.

LISTING RULES IMPLICATIONS

Since Leshi Zhixin was an Independent Third Party when the Sourcing Framework Agreement and the Key Component Sourcing Contract were entered into and the transactions contemplated thereunder were of revenue nature and in the ordinary and usual course of business of the Group, both the Sourcing Framework Agreement and the Key Component Sourcing Contract were not subject to disclosure and other requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Upon completion of the Subscription Agreement on 11 May 2016, Leshi Zhixin, being the holding company of Letv (HK), which currently holding approximately 20.09% of the number of issued shares of the Company, becomes a connected person of the Company under the Listing Rules. As a result, the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) with reference to the respective Caps of the Sourcing Framework Agreement and the Key Component Sourcing Contract exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract are exempted from independent 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.

INTRODUCTION

On 18 May 2015, TCL Overseas entered into (i) the Sourcing Framework Agreement with Leshi Zhixin, pursuant to which TCL Overseas agreed to supply Products to Leshi Zhixin, and (ii) the Key Component Sourcing Contract, pursuant to which Leshi Zhixin agreed to supply the Key Materials to TCL Overseas for the production of Products. The terms of the Sourcing Framework Agreement and the Key Component Sourcing Contract were confirmed before the completion of the Subscription Agreement.

SOURCING FRAMEWORK AGREEMENT

Major terms of the Sourcing Framework Agreement are set out as below:

Parties: (i) Leshi Zhixin – customer
(ii) TCL Overseas – supplier

Duration: 18 May 2015 to 17 May 2017 (both dates inclusive), subject to early termination pursuant to the terms of the Sourcing Framework Agreement

Major terms: **Sale of Products**

TCL Overseas shall supply the Products to Leshi Zhixin listed in the Valid Purchase Order(s).

TCL Overseas is not obliged to supply the Products to Leshi Zhixin unless the Purchase Order(s) issued by Leshi Zhixin is accepted or deemed accepted by TCL Overseas in accordance with the Sourcing Framework Agreement (in which case the Purchase Order(s) will become Valid Purchase Order(s)). There is also no provision in the Sourcing Framework Agreement which prohibits Leshi Zhixin from producing or sourcing products similar or identical to the Products from third parties.

Prices of the Products

The prices of the Products shall be set out in the Valid Purchase Order(s).

If TCL Overseas has supplied the same Products to any third party at lower prices within the same period or under the same conditions, TCL Overseas shall immediately inform Leshi Zhixin. Further quotes given by TCL Overseas in respect of such Products shall be the abovementioned prices agreed with the third party.

In case there are substantial changes to the quantity of Products to be supplied or other factors which may affect the prices of the Products, both parties shall have the right to request for a re-negotiation of the prices.

Payment Terms

TCL Overseas shall provide invoice within the first fifteen days of each month to Leshi Zhixin in respect of the Products supplied which passed the quality checks conducted by Leshi Zhixin, and Leshi Zhixin shall settle the invoice within 60 days after receipt of the invoice.

Staff Training, Technical Support and After-sale Services

TCL Overseas shall provide all necessary free trainings over the relevant sale, after-sale repair services and other techniques to the staff of Leshi Zhixin, and provide technical supports on installing, combining, processing, selling, after-sale services and other usages.

KEY COMPONENT SOURCING CONTRACT

Major terms of the Key Component Sourcing Contract are set out as below:

- Parties:
- (i) Leshi Zhixin – supplier
 - (ii) TCL Overseas – customer
- Duration: 18 May 2015 to 17 May 2017 (both dates inclusive), subject to early termination pursuant to the terms of the Key Component Sourcing Contract

Major terms: **Sourcing of the Key Materials**

Pursuant to the Key Component Sourcing Contract, TCL Overseas may purchase the Key Materials from Leshi Zhixin for production of the Products under the Sourcing Framework Agreement, by issuing Component Purchase Order subject to acceptance or deemed acceptance by Leshi Zhixin.

Prices of the Key Materials

The prices at which Leshi Zhixin sells the Key Materials to TCL Overseas shall not be higher than the prices at which Leshi Zhixin sells the same products to any third party. The prices of the Key Materials shall include the component price, tariff, value-added tax, transportation fee and other expenses and costs, etc. borne by Leshi Zhixin in the fulfilment of the Component Purchase Order pursuant to the Key Component Sourcing Contract. Payment shall be made in RMB. Leshi Zhixin shall not impose extra fee, tax and compensation on TCL Overseas without mutual consent.

In general, the prices of the Key Materials shall be determined and updated once a year. However, in case of substantial price fluctuations for goods similar to the Key Materials in the market, the parties may negotiate and adjust the prices.

Payment Terms

Leshi Zhixin shall provide invoice within the first fifteen days of each month to TCL Overseas in respect of the Key Materials supplied but not yet invoiced, and TCL Overseas shall settle the invoice within one month after receipt of the invoice.

FUTURE ARRANGEMENT

Both the Sourcing Framework Agreement and the Key Component Sourcing Contract, when negotiated and executed, did not take into account that the transactions contemplated thereunder may become continuing connected transactions of the Company under Chapter 14A of the Listing Rules, in order to continue the continuing transactions of sale of the Products to, and purchase of the Key Materials from Leshi Zhixin, the Company and Leshi Zhixin are negotiating on New Framework Agreements, which is expected to be concluded on or before 31 December 2016, to govern the rights and obligations of the parties in respect of the sale and purchase of the Products and the Key Materials up to 31 December 2018.

HISTORICAL FIGURES

The following table sets out the respective actual amounts of the transactions under the Sourcing Framework Agreement and the Key Component Sourcing Contract:

| | For the period from 18 May 2015 to 31 December 2015 (unaudited) <i>HK\$'000</i> | For the period from 1 January 2016 to 31 March 2016 (unaudited) <i>HK\$'000</i> |
|---|---|---|
| Sale of the Products by TCL Overseas to Leshi Zhixin under the Sourcing Framework Agreement | 355,406 | 277,294 |
| Sourcing of the Key Materials from Leshi Zhixin by TCL Overseas under the Key Component Sourcing Contract | 125,786 | 131,322 |

PROPOSED ANNUAL CAPS OF THE SOURCING FRAMEWORK AGREEMENT AND THE KEY COMPONENT SOURCING CONTRACT

The following table sets out the proposed Caps of the continuing connected transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract for the period from the day on which Leshi Zhixin became a connected person of the Company, i.e. 11 May 2016 to 31 December 2016:

| | For the period from 11 May 2016 to 31 December 2016 (both dates inclusive) <i>HK\$'000</i> |
|---|--|
| Sale of the Products by TCL Overseas to Leshi Zhixin under the Sourcing Framework Agreement | 400,000 |
| Sourcing of the Key Materials from Leshi Zhixin by TCL Overseas under the Key Component Sourcing Contract | 200,000 |

REASONS FOR THE PROPOSED ANNUAL CAPS

The Caps for the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract are determined by reference to, among other things:

- (i) the historical transaction amounts under the Sourcing Framework Agreement and the Key Component Sourcing Contract;

- (ii) the forecast of the requirement of the need for the Products under the Sourcing Framework Agreement (and accordingly the need for the Key Materials under the Key Component Sourcing Contract) for the period from 11 May 2016 to 31 December 2016;
- (iii) the exchange rate between RMB and Hong Kong dollars which is expected to be more or less the same until 31 December 2016; and
- (iv) the New Framework Agreements are expected to be entered into on or before 31 December 2016, after which the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract would be carried out under the New Framework Agreements for which separate annual caps would be set and the Company will comply with the relevant requirements under the Listing Rules with reference to the separate annual caps.

Since the Company and Leshi Zhixin are negotiating on the New Framework Agreements to govern the rights and obligations of the parties in respect of the sale and purchase of the Products and the Key Materials up to 31 December 2018, and the New Framework Agreements are expected to be entered into on or before 31 December 2016, by which the Sourcing Framework Agreement and the Key Component Sourcing Contract will terminate, the Group does not expect to carry out any transaction under the Sourcing Framework Agreement and the Key Component Sourcing Contract for the period from 1 January 2017 to 17 May 2017 and hence has not set annual caps for the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract for the period from 1 January 2017 to 17 May 2017.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Sourcing Framework Agreement

The Sourcing Framework Agreement enables the Group to sell its products to Leshi Zhixin through TCL Overseas on normal commercial terms which would contribute to the volume of products sold and the amount of revenue of the Group. Sale of the Group's products to Leshi Zhixin would in turn increase the utilisation rate of the production capacity of the Group so that overhead expenses could be more widely distributed.

Key Component Sourcing Contract

By entering into the Key Component Sourcing Contract, TCL Overseas would be able to source the Key Materials required for production of the Products to be sold to Leshi Zhixin under the Sourcing Framework Agreement if the overall terms for supply of the Key Materials offered by Leshi Zhixin are more favourable than those offered by other suppliers.

LISTING RULES IMPLICATIONS

Since Leshi Zhixin was an Independent Third Party when the Sourcing Framework Agreement and the Key Component Sourcing Contract were entered into and the transactions contemplated thereunder were of revenue nature and in the ordinary and usual course of business of the Group, both the Sourcing Framework Agreement and the Key Component Sourcing Contract were not subject to disclosure and other requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Upon completion of the Subscription Agreement on 11 May 2016, Leshi Zhixin, being the holding company of Letv (HK), which currently holding approximately 20.09% of the number of issued shares of the Company, becomes a connected person of the Company under the Listing Rules. As a result, the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) with reference to the respective Caps of the Sourcing Framework Agreement and the Key Component Sourcing Contract exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract are exempted from independent 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 Sourcing Framework Agreement and the Key Component Sourcing Contract were entered into in the ordinary and usual course of business of the Group, and the Sourcing Framework Agreement and the Key Component Sourcing Contract have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms thereunder together with the respective proposed Caps in respect thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of Directors present at the Board meeting is considered as having a material interest in the transaction contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract. Therefore, all Directors are entitled to vote pursuant to the Company's articles of association. The appointment of Mr. CHENG Hau Ming and Mr. Ablikim ABLIMIT, the non-executive Directors nominated by Letv (HK) under the Subscription Agreement, took effect after the aforesaid Board meeting held for approving the continuation of the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract.

GENERAL INFORMATION OF THE PARTIES

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

Leshi Zhixin is a limited liability company established in the PRC. Its principal activities include the information technology service, the advertising business, the manufacturing and sale of hard disk players, the development and sale of electronic products and mechanical equipments and the import and export business of goods and technologies. 58.55% in equity interest of Leshi Zhixin is directly held by Leshi Internet Information and Technology Corp., Beijing (樂視網信息技術(北京)股份有限公司).

DEFINITIONS

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

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|----------------------------|--|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Caps” | the respective caps for the transactions contemplated under the Sourcing Framework Agreement and the Key Component Sourcing Contract for the period from the day on which Leshi Zhixin became a connected person of the Company, i.e. 11 May 2016 to 31 December 2016 (both dates inclusive) |
| “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) |
| “Component Purchase Order” | the component purchase order made by TCL Overseas to Leshi Zhixin for sourcing of the Key Materials from Leshi Zhixin |
| “connected person(s)” | has the meanings ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |

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|-----------------------------------|---|
| “Group” | the Company and its Subsidiaries |
| “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 the Company or any of its subsidiaries and their respective associates |
| “Key Materials” | the key materials required by TCL Overseas to produce Products, which comprise displays (screens, Open Cell), chips (core controlling chips including main board chips, FRC chips, network chips, audio, sound, etc.), storage components (DDR, Flash, hard disks), structural components (artistic components including front frames, back cases, bases), accessories (functional components including ultra remote controls) and other components |
| “Key Component Sourcing Contract” | the key component sourcing contract entered into between Leshi Zhixin and TCL Overseas on 18 May 2015, as supplemented and confirmed by any subsequent supplemental agreement(s) or confirmation(s) thereto before the completion of the Subscription Agreement, subject to the terms and conditions of the Sourcing Framework Agreement |
| “Leshi Zhixin” | Leshi Zhixin Electronic Technology (Tianjin) Co., Ltd. (樂視致新電子科技(天津)有限公司), a limited liability company established in the PRC |
| “Letv (HK)” | Letv ZhiXin Investment (HK) Limited, a wholly owned Subsidiary of Leshi Zhixin, designated by Leshi Zhixin as the subscriber according to the Subscription Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “New Framework Agreements” | the new framework agreements to be entered into between Leshi Zhixin and the Company or one of its subsidiaries which replace the Sourcing Framework Agreement and the Key Component Sourcing Contract and govern the rights and obligations of the parties in respect of the sale and purchase of the Products and the Key Materials up to 31 December 2018 |

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| “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 |
| “Products” | electronic products including televisions, audio-visual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group which are listed in the Purchase Order, and include renewal/improvement of the products, updating of the versions or functional replacements |
| “Purchase Order(s)” | the purchase order(s) issued by Leshi Zhixin to TCL Overseas which specify the model numbers of the Products, the amounts, prices, payment terms, etc. |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | holder(s) of share(s) of the Company |
| “Sourcing Framework Agreement” | the sourcing framework agreement entered into between Leshi Zhixin and TCL Overseas on 18 May 2015, as supplemented and confirmed by any subsequent supplemental agreement(s) or confirmation(s) thereto before the completion of the Subscription Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary” | any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly |
| “Subscription Agreement” | the subscription agreement dated 11 December 2015 entered into between the Company and Leshi Zhixin |
| “TCL Overseas” | TCL Overseas Electronics (Huizhou) Limited, a wholly owned Subsidiary of the Company |

“Valid Purchase Order(s)”

the Purchase Order(s) issued by Leshi Zhixin and accepted by TCL Overseas in accordance with the Sourcing Framework Agreement

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 16 May 2016

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, HUANG Xubin, CHENG Hau Ming and Ablikim ABLIMIT as non-executive directors, and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.