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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 (2016)

AND

(2) KEY COMPONENT SOURCING CONTRACT (2016)

INTRODUCTION

Reference is made to the announcement of the Company dated 16 May 2016, in which it was announced 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 the 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 the Products.

The Board is pleased to announce that in order to better govern the relationship between the Group and the Leshi Zhixin Group in respect of the transactions for the supply of the Products by the Group to the Leshi Zhixin Group and the supply of the Key Materials by the Leshi Zhixin Group to the Group, on 20 May 2016, the Company entered into (i) the Sourcing Framework Agreement (2016) with Leshi Zhixin, pursuant to which the Group agreed to supply the Products to the Leshi Zhixin Group, and (ii) the Key Component Sourcing Contract (2016), pursuant to which the Leshi Zhixin Group agreed to supply the Key Materials to the Group for the production of the Products.

The Sourcing Framework Agreement (2016) and Key Component Sourcing Contract (2016) shall only become effective upon approval by the Independent Shareholders, and would terminate the Sourcing Framework Agreement and Key Component Sourcing Contract respectively when coming into effect.

LISTING RULES IMPLICATIONS

Leshi Zhixin, being the holding company of Letv (HK) which holds approximately 20.09% of the number of issued shares of the Company, is a connected person of the Company under the Listing Rules. The transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) therefore constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) exceed 5%, the continuing connected transactions contemplated thereunder are therefore subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek Independent Shareholders' approval for the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps.

An Independent Board Committee will be established to advise the Independent Shareholders on the terms and the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016). The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will despatch to the Shareholders a circular containing further details of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM on or before 21 June 2016. Leshi Zhixin and its associates are required to abstain from voting on the ordinary resolutions in respect of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) to be put forward at the EGM.

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SOURCING FRAMEWORK AGREEMENT (2016)

Major terms of the Sourcing Framework Agreement (2016) are set out as below:

- Date: 20 May 2016

- Parties:
 - (i) Leshi Zhixin (for itself and on behalf of all members of the Leshi Zhixin Group) as customer

 - (ii) The Company (for itself and on behalf of all members of the Group) as supplier

- Duration: From Shareholders’ Approval Date to 31 December 2018 (both dates inclusive), subject to early termination pursuant to the terms of the Sourcing Framework Agreement (2016)

- Major terms: **Sale of the Products**

Members of the Group shall supply the Products to members of the Leshi Zhixin Group listed in the Valid Purchase Order(s).

Members of the Group are not obliged to supply the Products to members of the Leshi Zhixin Group unless the Purchase Order(s) issued by the relevant member of the Leshi Zhixin Group is accepted or deemed accepted by the relevant member of the Group in accordance with the Sourcing Framework Agreement (2016) (in which case the Purchase Order(s) will become Valid Purchase Order(s)). There is also no provision in the Sourcing Framework Agreement (2016) which prohibits members of the Leshi Zhixin Group 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 the member of the Group supplying the Products to member of the Leshi Zhixin Group has supplied the same Products to any third party at lower prices within the same period or under the same conditions, the relevant member of the Group shall immediately inform the relevant member of the Leshi Zhixin Group. Further quotes given by the relevant member of the Group 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

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

Staff Training, Technical Support and After-sale Services

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

Termination of the Sourcing Framework Agreement

The Sourcing Framework Agreement shall be terminated on the Shareholders' Approval Date.

KEY COMPONENT SOURCING CONTRACT (2016)

Major terms of the Key Component Sourcing Contract (2016) are set out as below:

- Date: 20 May 2016
- Parties: (i) Leshi Zhixin (for itself and on behalf of all members of the Leshi Zhixin Group) as supplier
- (ii) The Company (for itself and on behalf of all members of the Group) as customer
- Duration: From Shareholders' Approval Date to 31 December 2018 (both dates inclusive), subject to early termination pursuant to the terms of the Key Component Sourcing Contract (2016)
- Major terms: **Sourcing of the Key Materials**

Pursuant to the Key Component Sourcing Contract (2016), members of the Group may purchase the Key Materials from members of the Leshi Zhixin Group for the production of the Products under the Sourcing Framework Agreement (2016), by issuing Component Purchase Order subject to acceptance or deemed acceptance by the relevant member of the Leshi Zhixin Group.

Prices of the Key Materials

The prices at which members of the Leshi Zhixin Group sell the Key Materials to members of the Group shall not be higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials 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 the relevant members of the Leshi Zhixin Group in the fulfilment of the Component Purchase Order pursuant to the Key Component Sourcing Contract (2016). Payment shall be made in RMB. Members of the Leshi Zhixin Group shall not impose extra fee, tax and compensation on members of the Group 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

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

Termination of the Key Component Sourcing Contract

The Key Component Sourcing Contract shall be terminated on the Shareholders' Approval Date.

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) HK\$'000	For the period from 1 January 2016 to 31 March 2016 (unaudited) HK\$'000
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 CAPS OF THE SOURCING FRAMEWORK AGREEMENT (2016)
AND THE KEY COMPONENT SOURCING CONTRACT (2016)**

The following table sets out the proposed Caps of the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016):

	For the the period from the Shareholders' Approval Date to 31 December 2016 <i>HK\$'000</i>	For the year ending 31 December 2017 <i>HK\$'000</i>	For the year ending 31 December 2018 <i>HK\$'000</i>
Sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016)	4,576,514	9,058,503	12,211,463
Sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract (2016)	1,601,780	3,019,501	4,274,012

REASONS FOR THE PROPOSED CAPS

The proposed Caps for the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) 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 (2016) (and accordingly the need for the Key Materials under the Key Component Sourcing Contract (2016)) for the period from the Shareholders' Approval Date to 31 December 2018;
- (iii) the expected increase in exchange rate between RMB and Hong Kong dollars during the terms of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016); and

- (iv) the negotiation with Leshi Zhixin pursuant to which the Company and Leshi Zhixin have arrived at a non-binding understanding on the approximate amounts of Products to be sold and Key Materials to be supplied for the period from the Shareholders' Approval Date to 31 December 2016 and the respective financial years ending 31 December 2017 and 2018, under which it is expected that the respective amounts of sale of the Products and sourcing of the Key Materials would be significantly increased.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Sourcing Framework Agreement (2016)

The Sourcing Framework Agreement (2016) enables the Group to sell its products to the Leshi Zhixin Group 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 the Leshi Zhixin Group 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 (2016)

By entering into the Key Component Sourcing Contract (2016), the Group would be able to source the Key Materials required for production of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) if the overall terms for supply of the Key Materials offered by the Leshi Zhixin Group are more favourable than those offered by other suppliers.

LISTING RULES IMPLICATIONS

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As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) exceed 5%, the continuing connected transactions contemplated thereunder are therefore subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek Independent Shareholders' approval for the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps.

An Independent Board Committee will be established to advise the Independent Shareholders on the terms and the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016). The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will despatch to the Shareholders a circular containing further details of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM on or before 21 June 2016. Leshi Zhixin and its associates are required to abstain from voting on the ordinary resolutions in respect of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) to be put forward at the EGM.

The Directors (other than the independent non-executive Directors) consider that the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) were entered into in the ordinary and usual course of business of the Group, were negotiated between the parties on arm's length basis and were on normal commercial terms, and the terms thereunder together with the proposed Caps in respect thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Before the appointment of Mr. Winston Shao-min CHENG and Mr. Ablikim ABLIMIT, the non-executive Directors nominated by Letv (HK) under the Subscription Agreement, the Board approved the establishment of a special committee comprising Mr. BO Lianming, an executive Director and the chief executive officer of the Company, and Mr. WANG Yi, the chief financial officer of the Company, which later approved the entering into the Sourcing Framework Agreement (2016) and the Key Component Sourcing (2016), the transactions contemplated thereunder and the proposed Caps therefor. None of Directors present at the said Board meeting and members of the said special committee is considered as having a material interest in the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016). Therefore, all Directors and members of the said special committee are entitled to vote pursuant to the Company's articles of association at the said Board meeting and the said special committee meeting, respectively, on the resolutions approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016).

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).

The principal activities of the Leshi Zhixin Group 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.

DEFINITIONS

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

“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 (2016) and the Key Component Sourcing Contract (2016) for the period from the Shareholders’ Approval Date to 31 December 2016 and the years ending 31 December 2017 and 2018
“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 member(s) of the Group to member(s) of the Leshi Zhixin Group for sourcing of the Key Materials from member(s) of the Leshi Zhixin Group
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, approve the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps

“Group”	the Company and its Subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and the proposed Caps for the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016)
“Independent Shareholder(s)”	Shareholder(s) other than Leshi Zhixin and its associates and those who are required to abstain from voting on the ordinary resolutions at the EGM approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps
“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 member(s) of the Group 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
“Key Component Sourcing Contract (2016)”	the key component sourcing contract (2016) entered into between Leshi Zhixin and the Company on 20 May 2016

“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
“Leshi Zhixin Group”	Leshi Zhixin and its Subsidiaries
“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
“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 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 member(s) of the Leshi Zhixin Group to member(s) of the Group 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
“Shareholders’ Approval Date”	the date on which Independent Shareholders’ approval at the EGM for approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps, as required under the Listing Rules, is obtained

“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
“Sourcing Framework Agreement (2016)”	the sourcing framework agreement (2016) entered into between Leshi Zhixin and the Company on 20 May 2016
“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 member(s) of the Leshi Zhixin Group and accepted by member(s) of the Group in accordance with the Sourcing Framework Agreement (2016)

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 20 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, Winston Shao-min CHENG 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.