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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: 02618)

**DISCLOSEABLE TRANSACTION:  
AMENDED LICENSE AGREEMENT FOR USE OF CERTAIN  
TRADEMARKS**

The Board is pleased to announce that on 19 September 2011, TCT Mobile Limited, a wholly owned subsidiary of the Company, has entered into the Amended License Agreement with Alcatel Lucent. Pursuant to the amendments thereunder, TCT Mobile Limited agreed to pay to the Licensor a lump sum of US\$ 40 million (equivalent to HK\$ 310 million) in substitution of its obligation to pay royalties to the Licensor for the period from 1 July 2011 to 31 December 2024. The Amended License Agreement is expected to enable the Group to save costs in view of the anticipated sales growth in the coming years and secure a better use of the Licensed Marks with extended scope of products including not only mobile handsets but also tablets, wireless mobile network appliance equipment which primary function is to create a wireless private area network.

As one of the applicable percentage ratios in relation to the Amended License Agreement exceeds 5% but is less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules.

**BACKGROUND**

Reference is made to the Original License Agreement pursuant to which the Licensor has granted to the Licensee an exclusive worldwide right and license to use certain trademarks bearing the name or logo of "Alcatel" solely on or in connection with the manufacture, sale, marketing, advertising, promotion, distribution and use of mobile handsets manufactured or assembled by the Group (subject to certain conditions) for an initial term of ten years.

No royalty or license fees is payable by the Licensee for a period of six years from the date of the Original License Agreement and thereafter the Group is obliged to pay to the Licensor, as long as the agreement is in force, royalties at the rate of 1% of the net selling price of the mobile handsets sold under any of the Licensed Marks.

With the significant growth in the sales of the Group's products and the anticipated and sustainable growth for smartphones as a result of the convergence of the telecommunication network, television broadcasting network and internet, it is expected that the amount of license fees payable under the Original License Agreement will be significant and on a rising trend in the coming few years. Therefore, with a view of costs saving and to secure a better use of the Licensed Marks, the Group started to negotiate with the Licensor for amendment(s) to be made to the Original License Agreement. The Board is pleased to announce that on 19 September 2011, the Licensee entered into the Amended License Agreement with the Licensor. Set out below are the major amendments made under the Amended License Agreement:

## **THE AMENDED LICENSE AGREEMENT**

### **Date:**

19 September 2011

### **Parties:**

- (i) Alcatel Lucent (as the Licensor); and
- (ii) TCT Mobile Limited (as the Licensee).

### **Major amendments under the Amended License Agreement:**

1. Provided that the Licensee shall pay the consideration in accordance with the payment schedule as set out in the Amended License Agreement as described below, the Licensee is no longer liable to pay the royalty of 1% to the Licensor from 1 July 2011 until 31 December 2024 as mentioned in the background above.
2. The term of Amended License Agreement shall be effective from the Effective Date until 31 December 2024, which effectively extended the expiry date of the license from 31 August 2014 under the Original License Agreement to 31 December 2024. However, the Amended License Agreement will automatically terminate without any notification upon the Licensee's failure to pay any part of the consideration in accordance with the payment schedule, and any sum already paid will not be refunded to the Licensee. Besides, on or before the termination date of the Amended License Agreement, provided that the Licensor desires at that time to grant a license to use the Licensed Marks, the Licensor agrees to offer the Licensee together with all other licensees of the Licensed Marks to join discussions regarding the renewal or the continuation of the license arrangement.
3. The Licensed Marks under the Amended License Agreement have been amended to include those trademarks bearing the name of "Alcatel" in Roman characters and in other characters and the Licensee will cease to use the Alcatel logo by the Effective Date.

4. In addition to mobile handsets as previously covered by the Original License Agreement, the scope of license under the Amended License Agreement is extended to cover tablets and wireless mobile network appliance equipment which primary function is to create a wireless private area network. The Licensee has the exclusive rights to use the Licensed Marks on the aforesaid products.
5. Although fixed line telephone is expressly carved out from the coverage due to the Licensor's existing arrangement with other licensees, the Licensor will offer the Licensee to join discussions with all other licensees in case the Licensor desires to renew such license with those licensees.
6. As new features, the Licensor also grants the Licensee the right to use the internet domain name "alcatel-mobilephones.com" in a specified manner and puts in place at the address www.alcatel.com, a landing page featuring the name and / or logo of the Licensee which enables the redirection to the websites of the Licensor as well as the Licensee.
7. The Licensee shall be fully responsible for its distributors' or agents' use of the Licensed Marks whose incompliance with the terms and conditions may result in the license arrangements being terminated.
8. In case the Licensor desires to sell the Licensed Marks, the Licensee shall have the right of first refusal to acquire the Licensed Marks.

**Consideration and payment terms:**

To substitute its obligation to pay royalties for the period from 1 July 2011 to 31 December 2024, the Licensee is required to pay to the Licensor under the Amended License Agreement a lump sum of US\$ 40 million (equivalent to HK\$ 310 million), such sum is payable by the Licensee in two instalments:

1. the first instalment of US\$ 20 million (equivalent to HK\$ 155 million) shall be payable on or before 30 September 2011; and
2. the second instalment of US\$ 20 million (equivalent to HK\$155 million) shall be payable on or before 31 March 2012.

The consideration will be financed by internal resources and existing banking facilities, if necessary, of the Group.

The consideration was determined after arm's length negotiation between the Licensee and Licensor with reference to factors including the historical revenue, the number of products to be manufactured or sold under the business plan of the Group and the expected financial performance of the Group for the coming years and the historical royalties paid under the Original License Agreement.

The Amended License Agreement is supplemental to the Original License Agreement and, save as expressly amended above, all the provisions of the Original License Agreement shall remain in full force and effect.

## **REASONS FOR THE TRANSACTION**

In view of the anticipated growth in the Group's business, in particular the increasing popularity of smartphones and development of high-end convergence products, it is expected that the license fees under the Original License Agreement will increase in line with its sales growth, causing a substantial amount of royalty expenses to be paid by the Group to the Licensor. In order to provide the Group with a higher flexibility on capital allocation, to enhance the Group's profitability and to save costs, the Board is of the view that the entering into of the Amended License Agreement will enable the Group to save a substantial amount of royalty expenses. The upfront payment of a lump sum fee for the use of the Licensed Marks, however, will not cause any material financial impact to the Group.

In addition, the ambit of use under the Amended License Agreement will extend to variety of Consumer Products including tablets and wireless mobile network appliance equipment, which are favorable to the Group's future development. The Amended License Agreement will further step up the Group's effort in enhancing the brand reputation of its products, as well as expanding the global presence and enriching product portfolio of the Group.

The Directors (including the independent non-executive directors) are of the opinion that the Amended License Agreement was entered into (i) in the ordinary and usual course of business of the Group and (ii) on normal commercial terms after arm's length negotiations between the parties. The Directors consider that the terms of the Amended License Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios in relation to the Amended License Agreement exceeds 5% but is less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules.

The Board wishes to confirm that no Director has any material interest in the said transaction and therefore none of them is required to abstain from voting on the board resolution for approving the said transaction.

## **GENERAL INFORMATION ON THE PARTIES**

The Group, including the Licensee, designs, manufactures and markets an expanding portfolio of mobile and internet products worldwide including mobile handsets under two brands – “TCL” and “ALCATEL ONE TOUCH”. The Group's portfolio of products is currently sold in the PRC and over 120 countries throughout the Americas, Europe, the Middle East, Africa and Asia Pacific. The Group operates its highly

efficient manufacturing plants and R&D centres in various provinces of China with its headquarters in Shenzhen, China. For more information, please visit the Group's official website at <http://tclcom.tcl.com>.

The Licensor is a global telecommunication corporation headquartered in France. It provides telecommunication solutions to service providers, enterprises, and governments around the world, enabling these customers to deliver voice, data, and video services. The company focuses on fixed, mobile and converged networking hardware, intellectual property technologies, software, and services. It holds one of the largest innovation and research and development in the communications industry and has operations in more than 130 countries.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

"Amended License Agreement"	the third amendment to the Original License Agreement
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Company"	TCL Communication Technology Holdings Limited (TCL通訊科技控股有限公司), the shares of which are listed and traded on the Stock Exchange (stock code: 02618)
"Consumer Products"	means a product that is marketed and sold for personal, family or household and non-business use / application only
"Director(s)"	the director(s) of the Company, including the independent non-executive directors of the Company
"Effective Date "	any date on which both the Licensor and the Licensee signed the Amended License Agreement
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Licensed Marks"	the marks licensed under the Original License Agreement or the Amended License Agreement, as the case may be

"Licensee"	TCT Mobile Limited (formerly known as Tam Holdings Limited), a limited liability company incorporated under the laws of Hong Kong, now a wholly-owned subsidiary of the Company. Previously it was a joint venture company held by the Company and the Licensor as to 55% and 45% respectively and since 18 July 2005 the Licensor ceased to have any interest therein
"Licensor"	Alcatel Lucent, a limited liability company incorporated under the laws of France, the shares of which are listed on the Euronext Paris S.A., the Stock Exchange Automated Quotation International in London and the New York Stock Exchange in the form of American Depository Shares
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Original License Agreement"	the Alcatel Mark License Agreement dated 31 August 2004 entered into between the Licensor and the Licensee and as amended and supplemented by the first amendment to the Alcatel Mark License Agreement on 31 August 2004 and the second amendment to the Alcatel Mark License Agreement on 11 May 2005. At the time when the Original License Agreement was entered into the Licensor was a substantial shareholder and thus a connected person of the Company
"PRC" or "China"	the People's Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of PRC
"Share(s)"	share(s) of HK\$1.00 each in the capital of the Company
"Shareholders"	holders of the Shares
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00 = HK\$7.75 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchange at such a rate or any other rates.*

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

Hong Kong, 21 September 2011

*As at the date of this announcement, the Board comprises Mr. Li Dongsheng, Mr. Guo Aiping and Mr. Wang Jiyang, being the executive Directors; Mr. Bo Lianming, Mr. Huang Xubin and Ms. Xu Fang, being the non-executive Directors; Mr. Lau Siu Ki, Mr. Look Andrew and Mr. Kwok Hoi Sing, being the independent non-executive Directors.*