
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
(TCL多媒體科技控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

**RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS
AND NEW CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to the Independent Board Committee
and Independent Shareholders**



A letter from the Board is set out on pages 8 to 38 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 39 of this circular. A letter from Somerley Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 60 of this circular.

A notice convening the EGM of TCL Multimedia Technology Holdings Limited to be held at Salon I & II, Mezzanine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 25 November 2008, Tuesday at 4:30 p.m. is set out on pages 72 to 76 of this circular.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch registrar of the Company, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 October 2008

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 9 October 2008 relating to the renewal of various continuing connected transactions and new continuing connected transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Charge Agreement(s)”	the charge agreement(s) to be entered into by the Group with the Lender(s) from time to time for charge of assets of the Group to secure the repayment obligation of TCL Corporation Group under the Loan Agreement(s)
“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
“CRT(s)”	cathode ray tube(s)
“Deposit Services”	deposit of money by the TCL Multimedia Qualified Members with Finance Company pursuant to the Financial Services Framework (Renewal) Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Salon I & II, Mezzaine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong, on 25 November 2008, Tuesday at 4:30 p.m. for the purposes of considering and, if thought fit, approving, the Non-exempt Transactions together with the relevant proposed caps
“Finance Company”	TCL Finance Co., Ltd., a company owned as to 62% by TCL Corporation, as to 20% by The Bank of East Asia, Limited (an independent third party), as to 14% by TCL King Electrical Appliances (Huhehaote) Company Limited (an indirect wholly-owned subsidiary of the Company) and as to 4% by TCL Mobile Communication (Hohhot) Co., Ltd. (an indirect wholly-owned subsidiary of 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 and an associate of TCL Corporation)

DEFINITIONS

“Finance Services”	the services of money lending and other financing (including loans, guarantees, receivable factoring, bill acceptance and bill discounting) which may be provided by Finance Company to the TCL Multimedia Qualified Members pursuant to the relevant Financial Services Framework (Renewal) Agreement
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company, TCL Corporation and Finance Company on 27 October 2006
“Financial Services Framework (Renewal) Agreement”	the master agreement dated 9 October 2008 entered into between the Company and TCL Corporation in order to extend the Financial Services Framework Agreement on substantially the same terms
“First Supplemental Agreement”	the first supplemental agreement dated 5 January 2007 entered into between the Company and the TCL Corporation to extend the term of the Master Overseas Supply Agreement to 31 December 2009
“Goods”	the Multimedia Products or the Parent Products (as the case may be) and the raw materials required for manufacture or production of such products
“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
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and the proposed caps for the Non-exempt Transactions
“Independent Shareholders”	Shareholders other than TCL Corporation and its associates
“Industrial Institute”	深圳TCL工業研究院有限公司 (Shenzhen TCL Central R&D Co., Ltd.), a company established under the laws of the PRC and is indirectly wholly-owned by TCL Corporation
“Latest Practicable Date”	27 October 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Lease Framework Agreement”	the existing lease framework agreement entered into by the Company with Industrial Institute on 21 June 2006 for lease of certain properties located at TCL Tower
“Lease”	the existing lease between the Group and Industrial Institute and lease between the Group and TCL Real Estate in respect of the Properties
“Lender(s)”	the PRC Bank(s) which is to enter into the Loan Agreement(s) with TCL Corporation Group, to provide loan(s) or credit facility(ies) to TCL Corporation Group from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement(s)”	the loan agreement(s) to be entered into between TCL Corporation Group and the PRC Banks from time to time and the loans or advances obtained thereunder shall be fully utilized by the Group under the Loan and Charge Agreement
“Loan and Charge Agreement”	the loan and charge agreement entered into between the Company and TCL Corporation on 9 October 2008
“Master Call Centre Services Supply Agreement”	the master call centre services agreement entered into between the Company and TCL Corporation on 5 January 2007
“Master Logistics Service Supply Agreement”	the master logistics service supply agreement entered into between the Company and Speed Distribution on 5 January 2007
“Master Overseas Supply Agreement”	the master overseas supply agreement dated 29 December 2004 entered into between the Company and the TCL Corporation as amended by the First Supplemental Agreement dated 5 January 2007
“Master Sourcing Agreement”	the master agreement dated 27 February 2006 entered into between the Company and TCL Corporation in respect of the Overseas Materials Sourcing Service
“Master Sourcing (Renewal) Agreement”	the master agreement dated 9 October 2008 entered into between the Company and TCL Corporation in order to extend the term of the Master Sourcing Agreement to 31 December 2011 with substantially the same terms

DEFINITIONS

“Master Subcontracting Agreement”	the master agreement dated 27 February 2006 entered into between the Company and TCL Corporation in respect of the Subcontracting Arrangement
“Master Subcontracting (Renewal) Agreement”	the master agreement dated 9 October 2008 entered into between the Company and TCL Corporation in order to extend the term of the Master Subcontracting Agreement to 31 December 2011 with substantially the same terms
“Master Supply Agreement”	the master agreement dated 27 February 2006 entered into between the Company and TCL Corporation in respect of the Sourcing of Goods and the Sale of Goods
“Master Supply (Renewal) Agreement”	the master agreement dated 9 October 2008 entered into between the Company and TCL Corporation in order to extend the term of the Master Supply Agreement to 31 December 2011 with substantially the same terms
“Multimedia Products”	electronic products including televisions, personal computers and audio-visual products manufactured, produced or otherwise sold or distributed by the Group
“New Lease Framework (Tenant) Agreement”	the lease framework agreement entered into by the Company with TCL Corporation on 9 October 2008 in relation to the lease of the certain landed Properties owned by TCL Corporation Group
“Non-exempt Transactions”	the transactions under the TCL Trademark License Agreement, the Master Overseas Supply Agreement (as extended), Master Sourcing (Renewal) Agreement, Master Supply (Renewal) Agreement, the Deposit Services under the Financial Services Framework (Renewal) Agreement, Master Logistics Service Supply Agreement (as extended), the Master Call Centre Services Supply Agreement (as extended), the Master Subcontracting (Renewal) Agreement, Loan and Charge Agreement and New Lease Framework (Tenant) Agreement together with their respective proposed caps
“Other Financial Services”	all financial services which may be provided by Finance Company to the TCL Multimedia Qualified Members under the Financial Services Framework (Renewal) Agreement other than the Deposit Services and the Finance Services

DEFINITIONS

“Overseas Materials Sourcing Services”	the sale and purchase by the Group to and from TCL Corporation Group of the Overseas Materials for the manufacture of the Multimedia Products pursuant to the Master Sourcing Agreement
“Overseas Materials”	those articles, things, components or raw materials manufactured or produced in areas other than the PRC which are required for the manufacture or production of the Multimedia Products
“Overseas Territories	any territory or geographical area in the world other than the PRC
“Parent Products”	electronic, telecommunications, information technology and electrical products designed, developed, manufactured or otherwise marketed by the TCL Corporation Group
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“PRC Bank(s)”	banks or financial institutions in the PRC
“Properties”	TCL Tower, which is located at West of Keji Nan Shi Road and North of Gaoxin Nan Yi Road, Nanshan District, Shenzhen, Guangdong Province, the PRC and TCL King Er Ji Di, which is located at Zhongkai Development District, Huizhou, Guangdong Province, the PRC
“Qualified Members”	all companies which Finance Company will be allowed to provide services to pursuant to the Administrative Measures on Group Finance Companies (企業集團財務公司管理辦法) promulgated by the China Banking Regulatory Commission, which shall only include TCL Corporation, any subsidiary of which TCL Corporation owns an equity interest of 51% or more, any company in which TCL Corporation or any of its subsidiaries own, individually or collectively, an equity interest of over 20% and any company in which TCL Corporation or any of its subsidiaries are, individually or collectively, the largest shareholder
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale of Goods”	the sale of the Goods by the Group to the TCL Corporation Group and the TCL Associates pursuant to the Master Supply Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shareholders”	holders of share(s) of the Company
“Sommerley”	Sommerley Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Transactions
“Sourcing of Goods”	the purchase by the Group from the TCL Corporation Group and the TCL Associates of the Goods produced or manufactured in the PRC pursuant to the Master Supply Agreement
“Speed Distribution”	深圳速必達商務服務有限公司 (Shenzhen Speed Distribution Platform Co., Ltd), a company established in the PRC and a wholly owned subsidiary of TCL Corporation, which is principally engaged in the provision of logistics services in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontracting Arrangement”	the subcontracting arrangement under which the TCL Corporation Group and the TCL Associates processes raw materials sourced and owned by the Group into certain semi-finished materials which will then be used by the Group for its manufacture of electronic products including television, personal computers and audiovisual products pursuant to the Master Subcontracting Agreement
“TCL Associates”	the associates of TCL Corporation
“TCL Corporation”	TCL集團股份有限公司 (TCL Corporation), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder
“TCL Corporation Group”	TCL Corporation and its subsidiaries (excluding the members comprising the Group)

DEFINITIONS

“TCL Multimedia Qualified Member”	such member(s) of the Group which is a/are Qualified Member(s)
“TCL Preferred Supplier Agreement”	the TCL preferred supplier agreement dated 30 July 2004 entered into between the TCL Corporation and TTE and has been terminated by termination agreement dated 9 October 2008
“TCL Products”	any goods including electronic or electrical goods or appliances (including but not limited to home electrical appliances traditionally designed in light colour, including but not limited to refrigerators, washing machines and air conditioners, communication equipment, electrical accessories and their components) manufactured, produced or otherwise sold or supplied by any member of the TCL Corporation Group under the Master Overseas Supply Agreement
“TCL Real Estate”	惠州TCL房地產開發有限公司 (Huizhou TCL Real Estate), a company incorporated under the laws of the PRC, is owned by TCL Corporation as to 41.5% direct interest and 25% indirect interest, which engages in development of real estate projects in the PRC
“TCL Trademark License Agreement”	the TCL trademark license agreement dated 30 July 2004 entered into between the TCL Corporation and TTE
“TTE”	TTE Corporation, a wholly owned subsidiary of the Company
“TTE Group”	TTE and its subsidiaries
“2004 Circular”	the circular of the Company dated 31 May 2004
“2005 Circular”	the circular of the Company dated 19 January 2005
“2006 February Circular”	the circular of the Company dated 10 February 2006
“2006 March Circular”	the circular of the Company dated 27 March 2006
“2007 Circular”	the circular of the Company dated 29 January 2007

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.171 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

LETTER FROM THE BOARD



TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(TCL多媒體科技控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

Executive Directors:

Li Dongsheng
Leong Yue Wing
Yuan Bing
Shi Wanwen
Wang Kangping
Lu Zhongli

Registered Office:

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands

Non-executive Director:

Albert Thomas da Rosa, Junior

*Principal Place of Business
in Hong Kong:*

13th Floor
TCL Tower
8 Tai Chung Road
Tsuen Wan
New Territories
Hong Kong

Independent Non-executive Directors:

Tang Guliang
Robert Maarten Westerhof
Wu Shihong

30 October 2008

To the Shareholders

Dear Sir or Madam,

RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The purpose of this circular is (i) to provide the Shareholders with further information regarding the details of the renewal of various continuing connected transactions, the new continuing connected transactions and their relevant proposed caps as mentioned in the Company's Announcement dated 9 October 2008; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iii) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee, comprising three independent non-executive Directors namely Mr. Tang Guliang, Mr. Robert Maarten Westerhof and Ms. Wu Shihong, has been established to advise the Independent Shareholders as to whether the terms of the Non-exempt Transactions and the relevant proposed caps are fair and reasonable and whether the Non-exempt Transactions are in the interests of the Company and the Independent Shareholders as a whole and to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions regarding the Non-exempt Transactions. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BACKGROUND

The Group has been conducting certain continuing connected transactions with the TCL Corporation Group in its ordinary and usual course of business which are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the Company's announcements dated 17 January 2006, 4 July 2006 and 2 January 2008, 2006 February Circular, 2006 March Circular and 2007 Circular regarding the entering into of various continuing connected transactions. As set out therein that the Lease Framework Agreement, the Master Sourcing Agreement, Master Supply Agreement, Financial Services Framework Agreement and Master Subcontracting Agreement will expire on 31 December 2008, the Master Overseas Supply Agreement (as extended) will expire on 31 December 2009 whereas the caps for the transactions under the TCL Trademark License Agreement will also expire on 31 December 2009. The Master Logistics Service Supply Agreement and Master Call Centre Services Supply Agreement will however expire on 14 February 2010.

In view of the above and for better management of the Company's continuing connected transactions, the Company has on 9 October 2008 renewed or revised the relevant agreements to have all the aforesaid agreements to expire on the same expiry date of 31 December 2011 and to set new caps for the TCL Trademark License Agreement which will only be expired on 30 July 2024. Each of the agreements as renewed or revised (as the case may be) is substantially on the same terms as its corresponding previous one.

In addition, for better management of its leased properties, the Company has on 9 October 2008 entered into the New Lease Framework (Tenant) Agreement with TCL Corporation to renew and/or replace the Lease and Lease Framework Agreement covering the leases by the Group as tenant of various properties of TCL Corporation Group.

Moreover, the Company and TCL Corporation have also entered into the Loan and Charge Agreement on 9 October 2008 providing assets of the Group to secure funds borrowed by TCL Corporation Group but such fund will be fully utilized by the Group.

LETTER FROM THE BOARD

1. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Based on the annual value to be involved, the following transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

1.1 *TCL Trademark License Agreement*

Date: 30 July 2004

Parties: (i) TCL Corporation – licensor
(ii) TTE – licensee
(a wholly owned subsidiary of the Company)

Major terms: The TCL Trademark License Agreement was approved by the Independent Shareholders on 2 July 2004. The major terms of the TCL Trademark License Agreement have been summarized in the Company's announcement dated 1 June 2004 and the 2004 Circular, and are repeated below.

Pursuant to the TCL Trademark License Agreement, TCL Corporation and its subsidiaries have granted to the TTE Group an exclusive (subject to certain limited exceptions which are related to some existing obligation or business of TCL Corporation), non sublicensable and non-transferable license to use certain of its registered trademarks for the manufacture and sale of television products including: (i) "TCL" in Asia-Pacific; and (ii) "TCL" in rest of the world outside Asia-Pacific. TTE Group shall pay to TCL Corporation royalties which shall be calculated based on the net sales of the television products of the TTE Group bearing any of the licensed trademarks under this agreement and the applicable royalty rates. Under the TCL Trademark License Agreement, the royalty rates range from 0% to 1.5% depending on the trademarks, territories and performance of the TTE Group.

TCL Corporation will continue to conduct general brand promotion and marketing in respect of those licensed trademarks under the TCL Trademark License Agreement in its ordinary course of business.

LETTER FROM THE BOARD

Under the TCL Trademark License Agreement, the TTE Group shall reimburse TCL Corporation such relevant portion of the cost and expenses incurred by TCL Corporation for the general brand advertising costs incurred by TCL Corporation or any other entities controlled by TCL Corporation or under the common control of TCL Corporation during the term of the agreement. The minimum amount of such reimbursement shall be 0.5% of the aggregate annual net sales of the television products of the TTE Group using certain trademarks of TCL Corporation in the relevant territories for the previous fiscal year.

Term: From 30 July 2004 to 30 July 2024 unless earlier terminated in accordance with the terms of the agreement.

The term of the TCL Trademark License Agreement exceeds three years. In accordance with Rule 14A.35 of the Listing Rules, the then independent financial adviser of the Company opined in its letter dated 31 May 2004 (a copy of which was set out in the 2004 Circular) that it was business practice for the Company to enter into the TCL Trademark License Agreement with a term exceeding three years.

1.2 Master Overseas Supply Agreement (as extended)

The original Master Overseas Supply Agreement dated 29 December 2004 was extended to 31 December 2009 by the First Supplemental Agreement dated 5 January 2007. The Master Overseas Supply Agreement was further extended by a second supplemental agreement dated 9 October 2008 to 31 December 2011 (subject to the approval of the Independent Shareholders).

Parties: (i) the Company – purchaser
(ii) TCL Corporation – supplier

Major terms: The Master Overseas Supply Agreement and the First Supplemental Agreement were approved by the Independent Shareholders on 22 February 2005 and 15 February 2007 respectively. The major terms of the Master Overseas Supply Agreement have been summarized in the Company's announcement dated 29 December 2004 and the 2005 Circular, and are repeated below.

LETTER FROM THE BOARD

Pursuant to the Master Overseas Supply Agreement, the Group may purchase any TCL Products from the TCL Corporation Group and sell in any Overseas Territories. The price offered by the Group for purchase shall in any event not be more than the price of such TCL Products offered by TCL Corporation Group to the independent third parties. The TCL Corporation Group shall sell the relevant TCL Products to the Group if the terms (including the prices) of such purchase offered by the Group to the TCL Corporation Group are not less favourable to the Group than those on which the relevant member of the TCL Corporation Group has sold or supplied such TCL Products to any independent customers in any Overseas Territories.

All the transactions made pursuant to the Master Overseas Supply Agreement will be supported by written contracts to be entered into between the Group and the TCL Corporation Group, and the terms of which will have to be determined in accordance with the provisions of the Master Overseas Supply Agreement after arm's length negotiations between the Group and the TCL Corporation Group and on normal commercial terms.

Term: From 22 February 2005 to 31 December 2009 (as extended) by the First Supplemental Agreement and to be further extended to 31 December 2011 by the second supplemental agreement dated 9 October 2008 (subject to the approval of the Independent Shareholders).

1.3 Master Sourcing (Renewal) Agreement

The original Master Sourcing Agreement dated 27 February 2006 has been substituted by the Master Sourcing (Renewal) Agreement on 9 October 2008 to extend the expiry date of the agreement to 31 December 2011 (subject to approval of the Independent Shareholders).

Parties: (i) the Company
(ii) TCL Corporation

Major Terms: The major terms of the Master Sourcing Agreement have been summarized in the Company's announcement dated 17 January 2006 and the 2006 February Circular, and are repeated below.

LETTER FROM THE BOARD

The business licences of certain members of the Group require that only products with raw materials purchased in the PRC can be sold in the PRC. The Group has been applying certain Overseas Materials in the production process of the Multimedia Products. Besides, the TCL Corporation Group can also obtain better payment terms from the purchasers for some raw materials, such as the imported LCD panels which are the key components for LCD television production. In view of the above and the fact that members of the TCL Corporation Group have the required import licences and can obtain better payment terms from the purchasers, the relevant member of the TCL Corporation Group (i) acts as the intermediary for the Group to purchase and import the required Overseas Materials from the Company's subsidiaries in places other than the PRC and/or from the independent third parties (designated by the Group) in places other than the PRC and (ii) sells such Overseas Materials to the Company's nominated subsidiaries in the PRC as a local supplier. It should be noted that the second part of the Overseas Materials Sourcing Service mentioned above is different from and does not form part of the transactions under the Sourcing of Goods described below.

In respect of the purchase of the Overseas Materials by the TCL Corporation Group from the Company's subsidiaries in places other than the PRC, the relevant member of the Group charges the TCL Corporation Group the costs of the Overseas Materials. In respect of the sale of the Overseas Materials by the TCL Corporation Group to the Company's nominated subsidiaries in the PRC, the TCL Corporation Group charges the relevant member of the Group for the acquisition cost of the Overseas Materials (i.e. the cost charged by the Group or independent third parties designated by the Group to the TCL Corporation Group as mentioned above) plus all import duties payable by the TCL Corporation Group and an administrative charge covering import administrative expenses and insurance fee and all out-of-pocket expenses incurred by the TCL Corporation Group relating to the importation and delivery of the relevant Overseas Materials into the PRC. The charges by the TCL Corporation Group are no less favourable than those available to the Group from independent third parties for the purpose of importing overseas materials for the Group. The TCL Corporation Group will pay the cost of the Overseas Materials to the relevant member of the Group in places other than the PRC after the receipt of payment (cost of the Overseas Materials plus import duties and administrative charge) from the relevant member of the Group in the PRC. The payment terms largely correspond to the payment terms allowed by the PRC governmental authorities and independent third parties to which import duties and other expenses are paid.

Term: Three years from 1 January 2009 to 31 December 2011.

LETTER FROM THE BOARD

1.4 *Master Supply (Renewal) Agreement*

The original Master Supply Agreement dated 27 February 2006 was substituted by the Master Supply (Renewal) Agreement on 9 October 2008 to extend the expiry date of the agreement to 31 December 2011 (subject to approval of the Independent Shareholders).

- Parties:
- (i) the Company
 - (ii) TCL Corporation

Major terms: The major terms of the Master Supply Agreement have been summarized in the Company's announcement dated 17 January 2006 and the 2006 February Circular, and are repeated and modified below.

Sourcing of Goods

Given the TCL Preferred Supplier Agreement dated 30 July 2004 which was terminated on 9 October 2008, the sourcing of Goods provided under the Master Supply (Renewal) Agreement will cover all raw materials provided by the TCL Corporation Group to the Group for the production of the Group's television products. In other words, goods previously supplied under the TCL Preferred Supplier Agreement will now also be covered under this agreement.

The Company shall procure that its subsidiaries will favourably consider purchasing part of the Group's requirement of the Goods produced or manufactured in the PRC from the TCL Corporation Group and the TCL Associates provided that they can offer terms (including price and payment terms) no less favourable than terms available from independent third parties and are capable of meeting the timeline, quality and quantity of the relevant order placed. TCL Corporation shall procure the relevant members of the TCL Corporation Group and the TCL Associates to sell to the relevant members of the Group the requested Goods. The TCL Corporation Group normally offers a credit term of 30 to 90 days to the Group.

LETTER FROM THE BOARD

Sale of Goods

If the relevant member of the TCL Corporation Group and the TCL Associates (as the case may be) so requests or makes a written offer to any member of the Group to purchase from the Group any Goods for its business including distribution resale or otherwise, the Company shall procure that its subsidiaries will favourably consider to offer to supply or to accept such offer to supply the Goods to the relevant member of the TCL Corporation Group and the TCL Associates (as the case may be) provided that the terms (including price and payment terms) of the offer by the TCL Corporation Group and the TCL Associates (as the case may be) are not less favourable than terms available to the Group from independent third parties. The Group normally allows a credit term of 30 to 90 days in this regard. Each of the relevant members of the TCL Corporation Group and the TCL Associates is only entitled to sell the Multimedia Products acquired from the Group through its distribution channels or otherwise and at such price as they may determine if it complies with the pricing or distribution policy as determined by the Group from time to time.

Term: Three years from 1 January 2009 to 31 December 2011.

Current And Expected Operations: The TCL Corporation Group currently purchases from the Group the raw materials for manufacture of its products and finished goods for resale through its distribution channels. On the other hand, TCL Corporation will embark on the venture of manufacturing LCD television panels. It is expected that the Group will source LCD television panels from the TCL Corporation Group for its production of LCD products if the terms are acceptable to the Group.

1.5 *Financial Services Framework (Renewal) Agreement*

The original Financial Services Framework Agreement dated 27 October 2006 was substituted by the Financial Services Framework (Renewal) Agreement on 9 October 2008 to extend the expiry date of the agreement to 31 December 2011 (subject to approval of the Independent Shareholders).

Parties:

- (i) the Company
- (ii) TCL Corporation
- (iii) Finance Company
(a subsidiary of TCL Corporation)

LETTER FROM THE BOARD

Pursuant to the Financial Services Framework (Renewal) Agreement, the TCL Multimedia Qualified Members may from time to time utilize the Deposit Services, Finance Services, and Other Financial Services which may be provided by Finance Company. For details of the services provided under the Financial Services Framework (Renewal) Agreement, please refer to the Announcement.

The Finance Services under the Financial Services Framework (Renewal) Agreement will be exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Based on the relevant caps in respect of the Other Financial Services, the Other Financial Services under the Financial Services Framework (Renewal) Agreement are only subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules and the requirements under Rules 14A.37 to 14A.38 of the Listing Rules. The announcement requirement has been complied with by the issue of the Announcement.

Principal terms of the Deposit Services under the Financial Services Framework (Renewal) Agreement

Any TCL Multimedia Qualified Member may from time to time deposit money with Finance Company. If Finance Company decides to accept any amount of cash deposits from a TCL Multimedia Qualified Member (including current deposits, fixed deposits or any other form of deposits), the interest rates offered by Finance Company shall not be lower than the interest rates offered by other independent financial institutions from time to time. Such interests derived from the Deposit Services will be calculated on a daily basis. Other terms and conditions offered by Finance Company as a whole shall also not be less favorable than those offered by other independent financial institutions and shall be on normal commercial terms.

Finance Company and TCL Corporation will jointly and severally undertake to the Company that at any time during the term of the Financial Services Framework (Renewal) Agreement, the total amount of loans lent or other trade financing provided by Finance Company and/or TCL Corporation to the TCL Multimedia Qualified Members shall not be less than the total cash deposits placed by the TCL Multimedia Qualified Members with Finance Company.

If any TCL Multimedia Qualified Member demands repayment of any money deposited by it with Finance Company in accordance with the relevant terms and procedure and Finance Company fails to follow the repayment demand, such TCL Multimedia Qualified Member shall then have the right to:

- (i) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it to and/or any trade financing provided to it by Finance Company and/or TCL Corporation; and/or

LETTER FROM THE BOARD

- (ii) transfer the right mentioned in (i) above to other TCL Multimedia Qualified Members; and/or
- (iii) request TCL Corporation to repay the outstanding deposit amount on behalf of Finance Company in full.

Other undertakings of TCL Corporation under the Financial Services Framework Agreement

TCL Corporation undertakes to the Company that:

- (i) it will procure Finance Company to perform its obligations under the Financial Services Framework (Renewal) Agreement; and
- (ii) in case Finance Company experiences any financial difficulties, TCL Corporation will inject capital to Finance Company based on the needs of Finance Company.

Term of the Financial Services Framework (Renewal) Agreement

The term of the Financial Services Framework (Renewal) Agreement is for three years commencing from 1 January 2009 to 31 December 2011 which may be extended upon written agreement of all parties to the agreement subject to the then requirements of the Listing Rules. The Company will re-comply with the applicable Listing Rules requirements, including the reporting, announcement and/or Independent Shareholders' approval requirements (if necessary) under Chapter 14A of the Listing Rules should the Financial Framework (Renewal) Agreement be extended.

1.6 Master Logistics Service Supply Agreement (as extended)

The original Master Logistics Service Supply Agreement dated 5 January 2007 was extended to 31 December 2011 by a supplemental agreement dated 9 October 2008.

- Parties:
- (i) the Company – client
 - (ii) Speed Distribution – service provider

Major terms: The Master Logistics Service Supply Agreement was approved by the Independent Shareholders on 15 February 2007. The major terms of the Master Logistics Service Supply Agreement have been summarized in the Company's announcement dated 5 January 2007 and the 2007 Circular, and are repeated below.

Pursuant to the Master Logistics Service Supply Agreement, the Group may from time to time request Speed Distribution to provide logistics services in the PRC at terms of no less favourable than (i)

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those offered by Speed Distribution to other independent clients and/or (ii) those offered to the Group by other independent service providers. Speed Distribution shall provide such logistics services to the Group if Speed Distribution has the necessary resources available.

On the other hand, if Speed Distribution can offer logistics services to the Group at terms of no less favourable than (i) those offered by Speed Distribution to other independent clients and/or (ii) those offered to the Group by other independent service providers, the Company shall procure its subsidiaries to actively consider using the services offered by Speed Distribution subject to the relevant requirements under the Listing Rules, including the caps set for the transaction from time to time. For the avoidance of doubt, the Group is under no obligation to use any logistics services offered by Speed Distribution under this agreement.

If there are no comparable terms offered to other independent customers by Speed Distribution and there are no comparable terms offered to the Group by other independent service providers, the terms of the services to be provided by Speed Distribution to the Group shall then be determined after arm's length negotiations between the parties and shall be on normal commercial terms.

Logistics services which may be provided by Speed Distribution in the PRC under the Master Logistics Service Supply Agreement include, among others:

- delivery and transfer of raw materials, components, finished goods, etc. among the Group's suppliers, distributors, customers, warehouses and distribution centres;
- warehouse management; and
- other services as agreed between the parties to the agreement from time to time.

If the logistics services provided by Speed Distribution to the Group under this agreement involve the work of a third party service provider engaged by Speed Distribution, Speed Distribution shall only charge the Group the actual cost incurred by Speed Distribution in this regard. The Company shall also reimburse Speed Distribution for the cost and expenses incurred by Speed Distribution in respect of any service improvement work at the request of or agreed by the Group. Specific agreements shall be entered into between the Group and Speed Distribution pursuant to the terms of this Master Logistics Service Supply Agreement if

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the Group decides to use the logistics services provided by Speed Distribution.

Past Operations: The Group has in the past used the quotation from the independent third parties as the basis for determining whether the price as offered by Speed Distribution was acceptable. The Directors confirm that the Group is confident that it will continue to be able to source quotation from the independent third parties and will continue to use such quotation from the independent third parties as the pricing basis.

Term: The original term from 15 February 2007 to 14 February 2010 as stipulated in the Master Logistics Service Supply Agreement was extended by the supplemental agreement to 31 December 2011.

1.7 Master Subcontracting (Renewal) Agreement

The original Master Subcontracting Agreement dated 27 February 2006 has been substituted by the Master Subcontracting (Renewal) Agreement dated 9 October 2008 to extend the expiry date of the agreement to 31 December 2011.

Parties: (i) the Company – client
(ii) TCL Corporation – subcontractor

Major terms: The Master Subcontracting Agreement was approved by the Independent Shareholders on 27 February 2006. The major terms of the Master Subcontracting Agreement have been summarized in the Company's announcement dated 17 January 2006 and are repeated below.

If any member of the Group so requests, the TCL Corporation Group shall procure the relevant member of the TCL Corporation Group and the TCL Associates to process raw materials (including but not limited to plastic parts) sourced and owned by the Group into certain semi-finished materials which will then be used by the Group for its manufacture of the Multimedia Products, provided that (i) the relevant member of the TCL Corporation Group and the TCL Associates (as the case may be) considers that it has the relevant resources to meet the timeline, quality and quantity of the relevant order placed; (ii) where the relevant member of the Group simultaneously requests an independent third party to provide the same service to it, the overall commercial terms (including charges and payment terms) offered by the relevant member of the TCL Corporation Group and the TCL Associates (as the case may be) shall not be less favourable than those offered by such third party; and (iii) where the relevant member of the TCL Corporation Group

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and the TCL Associates (as the case may be) provides the same service to an independent third party, the overall commercial terms (including charges and payment terms) offered by the relevant member of the TCL Corporation Group and the TCL Associates (as the case may be) to the Group shall not be less favourable than those offered by such relevant member of the TCL Corporation Group and the TCL Associates (as the case may be) to that third party. The TCL Corporation Group normally offers a credit term of 30 to 90 days to the Group.

The services provided by the TCL Corporation Group and the TCL Associates pursuant to the Master Subcontracting Agreement shall be on a non-exclusive basis but orders placed by the Group shall be given priority.

Term: Three years from 1 January 2009 to 31 December 2011.

1.8 Master Call Centre Services Supply Agreement (as extended)

The original Master Call Centre Services Supply Agreement dated 5 January 2007 was extended to 31 December 2011 by a supplemental agreement dated 9 October 2008.

Parties: (i) the Company – client
(ii) TCL Corporation – services provider

Major terms: The Master Call Centre Services Supply Agreement was approved by the Independent Shareholders on 15 February 2007. The major terms of the Master Call Centre Services Supply Agreement have been summarized in the Company's announcement dated 5 January 2007 and the 2007 Circular, and are repeated below.

Pursuant to the Master Call Centre Services Supply Agreement, the TCL Corporation Group has agreed to provide the call centre services in the PRC to the Group. The Company shall pay the TCL Corporation Group fees to be calculated based on the actual cost structure of the TCL Corporation Group in connection with the provision of the call centre services.

Under the Master Call Centre Services Supply Agreement, the TCL Corporation Group shall operate a nationwide customer call centre in the PRC to support the marketing and after-sales service of the various products of the Group and provide the Group with analysed customer information obtained through the operation of the customer call centre.

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Term: The original term from 15 February 2007 to 14 February 2010 as stipulated in the Master Call Centre Services Supply Agreement was extended by the supplemental agreement to 31 December 2011.

All the above transactions have been and/or will continue to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms.

HISTORICAL VALUES AND ANNUAL CAPS

The following table sets out the respective historical amounts of the continuing connected transactions as described above for the two years ended 31 December 2007 and the 6 months ended 30 June 2008, and the respective annual caps for the three years ending 31 December 2008:

Continuing Connected Transactions

			For the year ended 31 December 2006 (audited) <i>HK\$'000</i>	For the year ended 31 December 2007 (audited) <i>HK\$'000</i>	For the 6 months ended 30 June 2008 (unaudited) (for actual amount only)/ For the year ending 31 December 2008 (for original annual cap only) <i>HK\$'000</i>
1.1	TCL Trademark License Agreement	Actual			
		– aggregate royalty	nil	nil	nil
		– aggregate branding fee reimbursement	59,106	67,821	36,521
	Total:		59,106	67,821	36,521
		Original annual cap			
		– aggregate royalty	147,000	193,447	237,947
		– aggregate branding fee reimbursement	138,000	77,737	95,570
	Total:		285,000	271,184	333,517
1.2	Master Overseas Supply Agreement (as extended)	Actual	53,705	11,721	19,352
		Original annual cap	567,000	93,503	120,272

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			For the year ended 31 December 2006 (audited) <i>HK\$'000</i>	For the year ended 31 December 2007 (audited) <i>HK\$'000</i>	For the 6 months ended 30 June 2008 (unaudited) (for actual amount only)/ For the year ending 31 December 2008 (for original annual cap only) <i>HK\$'000</i>
1.3	Master Sourcing (Renewal) Agreement	Actual			
		– purchase of overseas goods by TCL Corporation Group from the Group	607,311	582,859	280,582
		– sale of overseas goods by TCL Corporation Group to the Group	902,937	1,236,735	455,809
		Original annual cap			
		– purchase of overseas goods by TCL Corporation Group from the Group	5,873,279	6,259,609	6,929,924
		– sale of overseas goods by TCL Corporation Group to the Group	6,519,340	6,948,166	7,692,216
1.4	Master Supply (Renewal) Agreement	Actual			
		– Sourcing of Goods	43,997	72,189	50,197
		– Sale of Goods	808	3,653	4,652
		Original annual cap			
		– Sourcing of Goods	59,487	101,877	145,457
		– Sale of Goods	346,010	576,294	921,706

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			For the year ended 31 December 2006 (audited) <i>HK\$'000</i>	For the year ended 31 December 2007 (audited) <i>HK\$'000</i>	For the 6 months ended 30 June 2008 (unaudited) (for actual amount only)/ For the year ending 31 December 2008 (for original annual cap only) <i>HK\$'000</i>
1.5	Deposit Services under the Financial Services Framework (Renewal) Agreement	Actual – Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	62,056	108,347	119,833
		Original annual cap – Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	1,100,000	1,100,000	1,100,000
1.6	Master Logistics Service Supply Agreement (as extended)	Actual Original annual cap	N/A N/A	14,553 402,260	11,803 485,413
1.7	Master Subcontracting (Renewal) Agreement	Actual Original annual cap	12,554 34,000	11,810 36,000	4,875 40,000
1.8	Master Call Centre Services Supply Agreement (as extended)	Actual Original annual cap	N/A N/A	14,511 26,804	7,583 29,551

Note 1: No royalty was payable by the TTE Group for the two years ended 31 December 2007 and the six months ended 30 June 2008 as the actual performance of the TTE Group for the relevant period did not reach the threshold which triggered the royalty payment obligations under the TCL Trademark License Agreement.

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PROPOSED VALUES AND ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the agreements as described above for the three years ending 31 December 2011:

Continuing Connected Transactions

			For the year ending 31 December 2009	For the year ending 31 December 2010	For the year ending 31 December 2011
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1.1	TCL Trademark License Agreement	– aggregate royalty – aggregate branding – fee reimbursement	nil 229,101	nil 372,472	nil 318,866
	Total:		229,101	372,472	318,866
1.2	Master Overseas Supply Agreement (as extended)	Proposed annual cap	81,853	91,097	101,284
1.3	Master Sourcing (Renewal) Agreement	– purchase of overseas goods by TCL Corporation Group from the Group – sale of overseas goods by TCL Corporation Group to the Group	1,053,709 2,773,111	1,363,375 2,737,047	1,813,566 2,757,113
1.4	Master Supply (Renewal) Agreement	– Sourcing of Goods – Sale of Goods	6,512,800 1,498,218	10,236,653 1,976,784	15,233,428 2,591,250
1.5	Deposit Services under the Financial Services Framework (Renewal) Agreement	– Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	1,386,963	1,764,627	2,776,560
1.6	Master Logistics Service Supply Agreement (as extended)	Proposed annual cap	40,674	54,735	73,657

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		For the year ending 31 December 2009 <i>HK\$'000</i>	For the year ending 31 December 2010 <i>HK\$'000</i>	For the year ending 31 December 2011 <i>HK\$'000</i>	
1.7	Master Subcontracting (Renewal) Agreement	Proposed annual cap	35,291	47,662	63,426
1.8	Master Call Centre Services Supply Agreement (as extended)	Proposed annual cap	29,269	44,113	66,487

Note 1: It is expected that no royalty will be payable by the TTE Group under the TCL Trademark License Agreement for the three years ended 31 December 2011 as the estimated performance of the TTE Group for the relevant period would not reach the threshold which triggers the royalty payment obligations.

REASONS FOR THE PROPOSED ANNUAL CAPS

It is noted that for some continuing connected transactions as mentioned above, the transaction volume was not as high as those original annual cap as previously contemplated by the Group due to the decreases of turnover of the Group in the past two years as a result of the significant wind-down of the Group's business and activities in Europe. The Group has now successfully completed the restructuring and launched a new business model for its overseas business, especially in the region of Europe and North America, and has further enhanced its operation efficiency and control. In view of the expected full operation of the Group after the restructuring and the planned future expansion (including expansion in the OEM business), it is estimated that the amounts involved in such continuing connected transactions will be substantially higher than the actual amounts transacted in the past 3 years. The Directors are of the view that the production capacity of the Group would be able to accommodate the increase in volume of sales for the three financial years ending 31 December 2011.

Furthermore, according to third party research materials available to the Group, LCD televisions world consumptions for the 3 years ending 31 December 2011 will be 132 million sets, 154 million sets and 172 million sets respectively with the corresponding annual growth rates 24%, 17% and 12%. In recent years, the Group has in response to the global trend begun to shift its television business from selling CRT television products to LCD television products. As noted in the Company's interim report 2008, substantial growth in the Group's LCD business has been recorded and the total LCD shipment by the Group for the first half of 2008 has increased sharply by 230% when compared with that for the same period of 2007. It is expected that the Group's LCD business will further grow at 110%, 50% and 40% for the 3 years ending 31 December 2011, which will greatly increases the volume of the transactions to be involved. Indeed, the Group's shifting of its television business from selling CRT television products (the components of which are mainly purchased from third parties) to LCD television products (the components of which are more expensive and mainly purchased from the TCL Corporation Group) will significantly increase the Group's purchases amount from the TCL Corporation Group under the relevant agreements.

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The major bases and assumptions for determining the proposed annual caps for the various continuing connected transactions are set out below.

Proposed caps for the TCL Trademark License Agreement

Taken into account the growth of sales of television products in particular in the PRC and the other emerging markets, it is still expected that no royalty will be payable by the TTE Group for the three years ended 31 December 2011 as the estimated performance of the TTE Group for the relevant period will not reach the threshold which triggers the royalty payment obligations under the TCL Trademark License Agreement. The caps in respect of the aggregate branding fee reimbursement for the transaction under the TCL Trademark License Agreement are estimated based on (i) the sales amount in the past years with an expected growth in the next three years with reference to the expected growth in market shares of the Group's television products and certain market estimates of the expected growth in the sales of televisions, especially the substantial growth in LCD televisions market consumption, in the PRC and other regions around the world; and (ii) estimated advertising and promotion expenses of the promotion projects planned to be launched during the coming 3 years, including but not limited to sponsorship for the Asian Games 2010 to be held in Guangzhou.

Proposed caps for the Master Overseas Supply Agreement (as extended)

The caps for the transaction under the Master Overseas Supply Agreement (as extended) were determined based on the internal projection of the Company in respect of the possible distribution sales of TCL Products purchased under the Master Overseas Supply Agreement (as extended), comprising mainly air conditioners and white goods, in the Overseas Territories and thus the potential demand for purchases under the Master Overseas Supply Agreement (as extended). Such internal projection for determining the proposed cap amounts is in turn estimated by the Company based on (i) the purchase amounts of air conditioners and white goods of the Group in the past years in relation to its overseas distribution business with an estimated growth with reference to the estimated growth of the overseas distribution business and the proposed expansion of the Group's overseas distribution network (which will help stimulate further growth in sales and thus the related purchases under this agreement); (ii) increase in demand by the Group due to new orders placed by customers of the Group; (iii) increase in demand by the Group for the reason that the Group may consider no longer to purchase white goods from third parties but instead purchase from the TCL Corporation Group; (iv) expected growth in purchase price due to rise in oil and copper price, RMB and inflation; and (v) the actual transaction value of the preceding years.

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Proposed caps for the Master Sourcing (Renewal) Agreement, Master Supply (Renewal) Agreement and Master Subcontracting (Renewal) Agreement

The caps for the aggregated transactions under the Master Subcontracting (Renewal) Agreement, Master Sourcing (Renewal) Agreement and Master Supply (Renewal) Agreement are determined by reference to, among other things, (i) the historical amounts of the relevant transactions; (ii) the possible requirement of raw materials, semi-finished materials and finished goods with respect to the projected business volumes and the estimated growth rates of the relevant business lines of the Group (which in turn are estimated by reference to, among other things, the relevant industry demand and the target market share of the Group, sales and purchases growth under new sale and purchase projects with the TCL Corporation Group); (iii) the TCL Corporation Group's projected requirement of finished goods for its operations. The estimated industry demand is based on third party research materials available to the Group for the purpose of performing internal analysis; and (iv) the growth in the Group's LCD business as described above and the intended purchases from the TCL Corporation Group of LCD television panels.

In respect of the Master Supply (Renewal) Agreement, the proposed caps for the transactions thereunder are also determined by taking into account, in addition to the factors as stated above, the intended purchases from the TCL Corporation Group of LCD television panels which are estimated to be about 30% to 45% of the Group's total demand for LCD television panels.

Proposed caps for Deposit Services under the Financial Services Framework (Renewal) Agreement

The proposed caps in relation to the Deposit Services are determined taking into account the following factors:

- (i) Finance Company has been authorised to increase its range of financial services by the China Banking Regulatory Commission including loans, investments and trust businesses between members of a corporation, bonds underwriting and securities investments such as share subscriptions, bonds and negotiable instruments issued by public authorities, companies, supranational and financial institutions. Finance Company is eligible for making an application to engage in taking deposits in foreign currencies and has submitted the relevant application to the State Administration of Foreign Exchange of the PRC in June 2008. Taken into account the good reputation of TCL Corporation, it is expected Finance Company will be authorised to accept deposit of foreign currencies in late 2008 or early 2009. Hence, the total amount to be deposited with Finance Company will substantially increase;
- (ii) Having been satisfied with the services and the benefits provided by Finance Company such as better interest rates than available from other financial institutions, it is expected the balance of deposits with Finance Company will increase;

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- (iii) It is expected that the business of the Company will expand rapidly in the following years and as a result, the capital available for deposit with Finance Company will also increase; and
- (iv) Finance Company has been continuously improving its clearing platform, and the Company will benefit from the higher efficiency of fund clearance compared with that of independent third parties.

Proposed caps for the Master Logistics Service Supply Agreement (as extended)

The estimated transaction values of the transaction under the Master Logistics Service Supply Agreement (as extended) are determined based on the historical cost and expenses incurred by the Group in respect of the logistics services provided by Speed Distribution in the PRC in the past years and the projected sales quantity in the next three years determined with reference to, among other factors, future growth rates in sales quantity, the increasing quantity of products sold in the PRC in particular having regard to the growth in the Group's LCD business in the PRC and the lower average transportation cost for smaller size LCD televisions than that for traditional CRT televisions.

Proposed caps for the Master Call Centre Services Supply Agreement (as extended)

The estimated transaction values of the transaction under the Master Call Centre Services Supply Agreement (as extended) are determined based on the agreed hourly rates under the agreement times the estimated hours of calls in respect of the Group's products which may be handled by the TCL Corporation Group for the next three financial years which are in turn determined based on the historical amount of customer calls handled by the TCL Corporation Group in the past years with an estimated growth for the next three years with reference to certain market estimates in respect of the growth in the television shipments in the PRC in particular having regard to the growth in the Group's LCD business in the PRC.

2. NEW CONTINUING CONNECTED TRANSACTIONS

2.1 Loan and Charge Agreement

Date: 9 October 2008

Parties: (i) the Company
(ii) TCL Corporation

Background and major terms: TCL Corporation Group has been taking out loans and/or facilities from the PRC Banks with its assets charged as security for such bank borrowings, TCL Corporation Group in turn provides financial assistance to the Group by lending the funds received from its bank borrowings to the Group at preferential terms. As of the date of entering into the Loan and Charge Agreement, the Group owed

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RMB337 million (equivalent to approximately HK\$395 million) to TCL Corporation Group.

The Group has an increasing demand for funds due to increases in volume of business and shorter payment terms for LCD operations, which comprise a greater portion of the Group's business (6.5% of total sales volume in the first half of 2007 compared to 21.9% of total sales volume in the first half of 2008). To meet the increasing demand of working capital in the most cost effective way, given TCL Corporation can command better terms for borrowing and in order for TCL Corporation Group to be in a position to raise funds for the Group and in compliance with market conditions as laid down by the bankers, the Group needs to use the Group's own assets as security for the loan to be taken out by TCL Corporation Group.

Under the Loan and Charge Agreement, the Company will from time to time request TCL Corporation Group to apply to the PRC Bank(s) for loan(s) or credit facility(ies). Upon receipt of such request, TCL Corporation Group undertakes to use its best endeavors to negotiate with the PRC Bank(s) for entering into Loan Agreement(s) with most favourable terms as soon as practicable, and the terms of which shall not be less favourable than the terms offered by independent third parties to the Group.

TCL Corporation undertakes that the entire amount of loan(s) to be obtained by TCL Corporation Group in accordance with the Loan Agreement shall in turn be made available to the Group or for settlement of the debts of the Group to third parties. TCL Corporation Group shall specify in the Loan Agreement(s) that the loan(s) so obtained will be utilized entirely by the Group. The Company has absolute discretion on the basis of commercial considerations to decide whether to accept the Loan Agreement(s) as negotiated and to be signed by TCL Corporation Group. In the event that the Loan Agreement is acceptable to the Company, the Company undertakes (i) to procure the Group to sign the Charge Agreement(s) with the Lender(s) to secure the repayment obligation of TCL Corporation Group under the Loan Agreement(s) pursuant to the Loan and Charge Agreement and (ii) to repay the principal and the interest incurred under the Loan and Charge Agreement to TCL Corporation within the stipulated time. In the event that TCL Corporation Group enters into any Loan Agreement(s) without the authorization of the Group, the Group shall not be responsible for providing any asset to secure the repayment obligation of TCL Corporation Group nor shall it bear any responsibility for repayment of the loan(s) in respect of the said Loan Agreement(s).

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TCL Corporation Group must procure to make available to the Group the loans and/or advances received from the PRC Bank(s) under the Loan Agreement through (i) lending such funds to the Group within 3 business days from its receipt of such funds or (ii) at the Group's request, pay on the Group's behalf the bills and invoices of the supplier of the Group.

In the event that TCL Corporation Group fails to make available to the Group the loan(s) received by it under the Loan Agreement or make payment(s) to third parties as per request by the Group, the Group is not responsible for repayment of the loan(s) in question and/or the Group is entitled to set off an amount equivalent to the guaranteed amount under the Charge Agreement(s) guaranteeing the loan(s) in question against any debt due to TCL Corporation Group, thus reducing the amount of debt owed by the Group to TCL Corporation Group.

Except as required under the Loan and Charge Agreement, TCL Corporation Group cannot request repayment or interest payment from the Group in respect of the loan(s) under the Loan Agreement(s). TCL Corporation Group further undertakes not to charge any fee or expenses from the Group in respect of the arrangement made under the Loan and Charge Agreement (except any fees charged by the PRC Banks) and it will account to the Group any benefit whatsoever it receives thereunder. The assets, mainly comprising land and buildings (mainly used as offices, factories and warehouses by the Group), to be provided by the Group to secure the repayment obligation of TCL Corporation Group under the Loan Agreements are located in the PRC with a value amounted to RMB301 million (equivalent to approximately HK\$352 million). It is expected that with such value, an amount ranging from RMB120 million (equivalent to approximately HK\$141 million) to RMB211 million (equivalent to approximately HK\$247 million), being 40% to 70% of the value of the asset, may be raised from the PRC Banks through the aforesaid borrowings.

It should be noted that the Deposit Services, Finance Services and other Financial Services under the Financial Services Framework (Renewal) Agreement are different from the transaction under the Loan and Charge Agreement. The services provided by Finance Company under the Financial Services Framework (Renewal) Agreement are similar to those provided by financial institutes such as banks to its customers. Whereas under the Loan and Charge Agreement, TCL Corporation Group is required to borrow money from outside financial institutions such as banks for the benefit of the Group, and such loans are secured by the Group's assets as security and the loans be made available to the TCL Corporation Group thereunder are utilized by the Group or for settlement of the debts of the Group to third parties.

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Condition Precedent: The agreement shall become effective on the date on which the Agreement is approved by the Independent Shareholders in accordance with the relevant requirements of the Listing Rules.

Terms: The agreement shall have a term of three years from its effective date. The parties to the agreement may mutually agree (in writing) to renew the agreement for one or more 3-year period after the above expiry date subject to the Company complying with the relevant requirements of the Listing Rules.

The following table sets out the respective proposed annual caps of the transactions under the Loan and Charge Agreement as described above for the three years ending 31 December 2010:

Loan and Charge Agreement	For the year ending 31 December 2008	For the year ending 31 December 2009	For the year ending 31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Facility amount	246,953	246,715	244,998
Security amount	352,790	352,449	349,996

The annual caps for the security amount are determined based on the value of the assets to be provided by the Group as security for the loans under the Loan Agreements and the annual caps for the facility amount are the estimate amount may be raised by the TCL Corporation Group for the Group pursuant to the Loan and Charge Agreement, being 40% to 70% of the value of the assets to be charged.

2.2 New Lease Framework (Tenant) Agreement

Date: 9 October 2008

Parties: (i) the Company
(ii) TCL Corporation

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Background and major terms:

As noted in the announcement of the Company dated 4 July 2006 and 2 January 2008, the Group has been leasing certain properties from Industrial Institute under the Lease Framework Agreement and from TCL Real Estate under the Lease. As the tenancies thereunder will expire in the period from 31 December 2008 to 31 March 2009, to better manage its leased properties, the Company has entered into the New Lease Framework (Tenant) Agreement to cover all leases of the following properties so that the relevant members of the Group may renew the leases upon expiry up to 31 December 2011:

Properties	Total Rental Area (sq. m)
TCL King Er Ji Di, Zhongkai Development District, Huizhou, Guangdong, PRC	246,224.72
TCL Tower, which is located at West of Keji Nan Shi Road and North of Gaoxin Nan Yi Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	7,059.93

The premises leased under the New Lease Framework (Tenant) Agreement are used as the Group's office, research centre, factory warehouse and hostel. All the rental, repair and maintenance expenses are payable in cash on a monthly basis and were determined after arm's length negotiations between the parties with reference to the market rental at the time when the agreement entered into.

Term:

Three years from 1 January 2009 to 31 December 2011.

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The following table sets out the respective proposed annual caps (i.e. the rental amount) of the transactions under the New Lease Framework (Tenant) Agreement as described above for the three years ending 31 December 2011:

New Lease Framework (Tenant) Agreement	For the year ending 31 December 2009	For the year ending December 2010	For the year ending 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TCL King Er Ji Di, Zhongkai Development District, Huizhou, Guangdong, PRC	35,393	40,007	45,224
TCL Tower, which is located at West of Keji Nan Shi Road and North of Gaoxin Nan Yi Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	5,519	6,238	7,051
Total	40,912	46,245	52,275

The annual caps are determined based on the current market prices as discussed with independent valuers with estimated growth rate with reference to the inflation in the PRC subject to maximum annual increment of 5% and the terms of the Lease and the Lease Framework Agreement. The historical amounts of total rentals in relation to TCL Tower for the 2 years ended 31 December 2007 and 6 months ended 30 June 2008 were approximately HK\$13.1 million, HK\$8.6 million and HK\$3.1 million respectively; and that in relation to TCL King Er Ji Di for the 6 months ended 30 June 2008 was approximately HK\$16.2 million.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

TCL Trademark License Agreement

TCL Corporation Group owns certain trademarks which are used by the TTE Group for the marketing and distribution of its televisions and multimedia (digital) products. Such trademarks are considered to be important to the successful long-term operation of the business of the TTE Group. The TCL Trademark License Agreement allows the TTE Group to secure the use of such trademarks over a reasonable period of time at attractive rates.

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Master Overseas Supply Agreement (as extended)

The Master Overseas Supply Agreement (as extended) enables the Group to source TCL Products from the TCL Corporation Group on normal commercial terms with a view to distributing such TCL Products for profits. The Master Overseas Supply Agreement (as extended) has provided and will continuously provide the Group with an additional source of revenue and margin by capitalizing upon its established distribution network of the Group of its television products in the Overseas Territories without incurring significant additional overheads.

Master Sourcing (Renewal) Agreement, Master Supply (Renewal) Agreement and Master Subcontracting (Renewal) Agreement

In respect of the Master Sourcing (Renewal) Agreement, the arrangement under the Overseas Materials Sourcing Service is the best alternative for the Group to source Overseas Materials for the Group's production in view of the requirements of the business licences of certain members of the Group.

In respect of the Master Supply (Renewal) Agreement, the Directors consider that the transactions under the Sourcing of Goods will continue to facilitate the smooth operation of the Group's business by providing a stable and reliable source of supply of the necessary materials manufactured in the PRC for the Group's manufacture of the Multimedia Products and the necessary finished goods for the Group's operations. The Sale of Goods under the Master Supply (Renewal) Agreement will have the following benefits: (a) insofar as materials are concerned, it will allow the Group to better manage its level of raw materials by providing additional flexibility to the Group for managing its surplus materials (if any); and (b) insofar as finished goods are concerned, it will allow the Group to widen its revenue base by supplying finished goods to the TCL Corporation Group through the latter's distribution network, which mainly focuses on the third and fourth tier markets, that will supplement the Group's network base which focuses on the first and second tier markets.

The Directors consider that the Subcontracting Arrangement under the Master Subcontracting (Renewal) Agreement has facilitated and will continue to facilitate the smooth operation of the Group's semi-finished materials which are then used by the Group for its manufacture of the Multimedia Products.

Deposit Services under the Financial Services Framework (Renewal) Agreement

The principal purpose of entering into the Financial Services Framework (Renewal) Agreement is to provide cost efficient finance and treasury services to all TCL Multimedia Qualified Members. It is part of the ordinary and usual treasury activities of the Group to deposit money with financial institutions. Finance Company is a financial institution duly established in the PRC and the pricing policies and the operation of which is subjected to guidelines issued by the China Banking Regulatory Commission. According to the terms of the

LETTER FROM THE BOARD

Financial Services Framework (Renewal) Agreement, the deposit rates which may be obtained from Finance Company for the Deposit Services will be no less favourable than those which may be obtained from other independent financial institutions from time to time, i.e. the interest rates will be the same as or higher than the interest rates that may be offered by the other independent financial institutions from time to time.

It is also believed that Finance Company, being an affiliated company of the Company controlled by TCL Corporation, will be placed in a better position to serve the financial needs of the Group as TCL Corporation has been the ultimate controlling shareholder of the Company since the inception of the Company and has a thorough understanding of the operations and development needs of the Group. Accordingly, it is expected that Finance Company will be more efficient in terms of processing transactions for the Group than other financial institutions given their close relationships.

Should the Group utilize the Deposit Services, the Group will gain interest income. Save for the interest income, deposits under the Deposit Services are not expected to have any effect on the total assets and total liabilities of the Group.

Master Logistics Service Supply Agreement (as extended) and Master Call Centre Services Supply Agreement (as extended)

In order to streamline the cost structure and operations of the Group, the Company considers it beneficial to the Group for it to continue to subcontract the logistics services and call centre services to specialized service units. Given the close relationship between the Group and TCL Corporation Group, the Group will be placed in a better position to monitor the services to be provided under the Master Logistics Service Supply Agreement (as extended) and the Master Call Centre Services Supply Agreement (as extended) than by other outside service providers.

New Lease Framework (Tenant) Agreement

The Group has been leasing certain premises of the Properties from TCL Corporation Group as its offices, research centre, factory, warehouse and hostel in respect of the Group's various business segments. The Company considers it is the interests of the Company and the Shareholders as a whole to continue the existing Lease as required by the operations of the Group.

Loan and Charge Agreement

As noted above, through the arrangement made under the Loan and Charge agreement, the Group will be able to obtain finance for its needs via TCL Corporation in order to have the required fund to further develop its flourishing LCD business. Given all the funds received by TCL Corporation Group will be utilised by the Group, in essence the Group is using its asset to secure its borrowings.

LETTER FROM THE BOARD

LISTING RULES REQUIREMENTS

TCL Corporation, the controlling Shareholder of the Company, currently holds approximately 54.43% of the issued share capital of the Company. It also owns a 100% interest in Speed Distribution and a 62% direct interest in Finance Company. Accordingly, each of Speed Distribution and Finance Company is an associate of TCL Corporation, thus the aforesaid (including TCL Corporation) are connected persons of the Company under the Listing Rules.

TCL Corporation and its associates will abstain from voting for the resolutions in respect of the Non-exempt Transactions and the relevant caps to be put forward at the EGM. The voting on the ordinary resolutions in respect of the Non-exempt Transactions will be conducted by way of poll in accordance with the requirements of the Listing Rules.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The transactions under the Non-exempt Transactions will be subject to the following annual review requirements:

- (1) the independent non-executive Directors shall review annually the Non-exempt Transactions and confirm in the Company's corresponding annual report that the Non-exempt Transactions have been conducted:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms and on terms no less favourable to the Group than those available from the independent third parties; and
 - (iii) in accordance with the respective agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (2) the auditors of the Company shall review annually the Non-exempt Transactions and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) that such transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
 - (iii) have been entered into in accordance with the respective agreements; and
 - (iv) have not exceeded the caps disclosed; and
- (3) the Directors shall state in the Company's annual report whether its auditors have confirmed the matters set out in Rule 14A.38 of the Listing Rules.

LETTER FROM THE BOARD

The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1) and/or (2) respectively.

GENERAL INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets and home networking products. The Group has factories in the PRC, Poland, Mexico, Thailand and Vietnam and distributes its products in all major markets globally. For more information on the Group, please visit its official website at www.tclhk.com (the information that appears in this website does not form part of this circular).

TCL Corporation and its subsidiaries (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 on TCL Corporation, please visit TCL Corporation's official website at www.tcl.com (the information that appears in this website does not form part of this circular).

Finance Company provides financial services including corporate finance advisory services, credit worthiness verification and related consultancy and agency services, collection and payment services, approved insurance agency services, guarantee services, agency lending and investment services, discounting bills and design of various schemes for settlement and clearing in respect of group fund transfer, and any other services approved by the China Banking Regulatory Commission to the Qualified Members.

Speed Distribution, a company established in the PRC and a wholly owned subsidiary of TCL Corporation, which is principally engaged in the provision of logistics services in the PRC.

EGM

The Company will convene the EGM at Salon I & II, Mezzanine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 25 November 2008, Tuesday at 4:30 p.m., at which resolutions will be proposed for the purposes of considering and if thought fit, approving the Non-exempt Transactions and their respective proposed annual caps. The notice of the EGM is set out on pages 72 and 76 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 25 November 2008, for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 24 November 2008.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 39 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Non-exempt Transactions and their respective proposed annual caps; (ii) the letter from Somerley set out on pages 40 to 60 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Non-exempt Transactions and their respective proposed annual caps; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of Somerley, the independent financial adviser, considers that the Non-exempt Transactions are in the interests of the Company and the Independent Shareholders as a whole and that the terms thereof and their respective proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Non-exempt Transactions and their respective proposed annual caps.

The Board considers that the transactions under the Non-exempt Transactions and the proposed annual caps thereof are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board also considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Independent Shareholders and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

Yours faithfully,
By order of the Board
Li Dongsheng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(TCL多媒體科技控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

30 October 2008

To: the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS
AND NEW CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 30 October 2008 of the Company (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Non-exempt Transactions and their respective proposed annual caps, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from Somerley set out on pages 8 to 38 and pages 40 to 60 of the Circular respectively.

Having taken into account of the advice of Somerley, the independent financial adviser, we consider that the Non-exempt Transactions are in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and their respective proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Non-exempt Transactions and their respective proposed annual caps.

Yours faithfully,
**Tang Guliang, Robert Maarten Westerhof
and Wu Shihong**
Independent Board Committee

LETTER FROM SOMERLEY



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

30 October 2008

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Transactions to be entered into between the Group and the TCL Corporation Group in the Group's ordinary and usual course of business. TCL Corporation currently holds approximately 54.43% interest in the Company and is, accordingly, a connected person of the Company under the Listing Rules. Details of the Non-exempt Transactions are contained in the circular of the Company to the Shareholders dated 30 October 2008 (the "Circular"), of which this letter forms part. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Tang Guliang, Mr. Robert Maarten Westerhof and Ms. Wu Shihong, has been formed to consider the fairness and reasonableness of the terms of the Non-exempt Transactions, and to make recommendations to the Independent Shareholders in respect thereof. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of the Group, the TCL Corporation Group and the TCL Associates which are parties to the Non-exempt Transactions, nor have we

LETTER FROM SOMERLEY

carried out any independent verification of the information supplied. We have assumed that all representations contained or referred to in the Circular are true at the date of the Circular and will continue to be true up to the date of the EGM.

EXECUTIVE SUMMARY

The Group has been carrying out, in the ordinary and usual course of its business, various non-exempt continuing connected transactions with the TCL Corporation Group and TCL Associates, subject to the annual caps and the terms of the respective master contracts. The annual caps for certain Non-exempt Transactions will expire on 31 December 2008. Apart from the TCL Trademark License Agreement which has a long term expiring on 31 July 2024, the other master contracts will expire between the end of 2008 and early 2010. In order to better manage the Company's continuing connected transactions, the Company has on 9 October 2008 renewed or revised the relevant agreements so that, subject to Independent Shareholders' approval (as appropriate), all these agreements would expire concurrently on 31 December 2011. Each of the agreements renewed or revised (as the case may be) has been entered into substantially on the same terms as its corresponding previous one. The Company therefore proposes to obtain approval by the Independent Shareholders at the EGM of the following Non-exempt Transactions and their respective annual caps:

- (1) the Master Sourcing (Renewal) Agreement, the Master Supply (Renewal) Agreement, the Financial Services Framework (Renewal) Agreement and the Master Subcontracting (Renewal) Agreement, which shall be substituted for the original agreements so as to extend their respective terms by a further period of three years ending on 31 December 2011. As mentioned in the "Letter from the Board", the Financial Services Framework (Renewal) Agreement covers deposit and other services. Pursuant to the Listing Rules, only the Deposit Services constitute Non-exempt Transactions and require approval by Independent Shareholders at the EGM;
- (2) the second supplemental agreement to the Master Overseas Supply Agreement, the supplemental agreements to the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement, which extend the respective terms of the original agreements to 31 December 2011;
- (3) the New Lease Framework (Tenant) Agreement. The Group has been leasing certain properties from the TCL Corporation Group under separate leases which will expire in the period from 31 December 2008 to 31 March 2009. To better manage the above leases, the Company has entered into the New Lease Framework (Tenant) Agreement which covers all leases of properties owned by the TCL Corporation Group. The New Lease Framework (Tenant) Agreement shall become effective on 1 January 2009 and will expire on 31 December 2011;
- (4) the Loan and Charge Agreement which is a conditional agreement entered into between the Company and the TCL Corporation on 9 October 2008 and constitutes a new type of Non-exempt Transactions of the Company; and

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- (5) the proposed annual caps of the transactions under the Loan and Charge Agreement for the three financial years ending 31 December 2010 and the proposed annual caps of all other abovementioned Non-exempt Transactions and those of the transactions to be conducted under the TCL Trademark License Agreement for each of the three financial years ending 31 December 2011 (hereinafter referred to as the “New Caps”).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the subject matters, we have taken into consideration the following principal factors and reasons:

1. Nature of the Non-exempt Transactions

The Company is currently a 54.43% owned subsidiary of TCL Corporation. Shares of TCL Corporation are listed on the Shenzhen Stock Exchange. TCL Corporation is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the telecommunications, information technology and home electrical appliances (such as white goods and air conditioners), while the Group is principally engaged in the manufacture and sale of televisions and home networking products and television is the core product of the Group. Both the Group and TCL Corporation principally operate in PRC. The Group also has businesses in Europe, North America and other emerging markets.

The Group and TCL Corporation are both principally engaged in manufacturing and distribution of home appliances primarily under the “TCL” brand in PRC, though they specialise in different products. As such, there is cross-provision of goods and sharing of trademarks and support functions such as logistic services and call centre services between the Group and the TCL Corporation Group which, in our experience, is not unusual.

The Non-exempt Transactions are entered into with the following three connected persons of the Company:

- (i) *TCL Corporation, the Group’s holding company*

The agreements entered into between the Company and TCL Corporation include:

TCL Trademark License Agreement

TCL Corporation owns the “TCL” trademark which is currently used by the Group for the marketing and sale of television and multimedia products principally in PRC and the other emerging markets. Such trademark is important to the business of the Group as the majority of the Group’s products bear the trademark of “TCL”. TCL Corporation conducts general brand promotion and marketing campaign for the brand name “TCL”.

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Pursuant to TCL Trademark License Agreement, TCL Corporation has granted to the Group an exclusive (subject to certain limited exceptions which are related to some existing obligation or business of TCL Corporation), non-sublicensable and non-transferable licence to use its registered trademark for the manufacture and sale of television products including: (i) "TCL" in Asia-Pacific; and (ii) "TCL" in rest of the world outside Asia-Pacific.

Master Overseas Supply Agreement

As mentioned above, the Group has operations outside PRC. Pursuant to the Master Overseas Supply Agreement, the Group may purchase any TCL Products from the TCL Corporation Group for sale through its distribution channels in any Overseas Territories.

Master Sourcing (Renewal) Agreement

The Group's major production and sales are in the PRC. The business licences of certain members of the Group require that only products with raw materials purchased in the PRC can be sold in the PRC. The Group has been using certain materials imported outside PRC, for which it does not have that required import licences, in the production of the Multimedia Products. Besides, the TCL Corporation Group may also obtain better payment terms for some items of purchases, such as the imported LCD panels which are the key component for LCD television production. In light of the above, the Group would import the Overseas Materials through the TCL Corporation Group which has the required import licences or can obtain better payment terms for the purchases. Pursuant to the Master Sourcing (Renewal) Agreement, members of the TCL Corporation Group (i) act as the intermediary for the Group to purchase and import the required Overseas Materials from the Company's subsidiaries and/or independent third parties (designated by the Group) established in places other than the PRC and (ii) sell such Overseas Materials to the Company's subsidiaries in the PRC as a local supplier.

Master Supply (Renewal) Agreement

Sourcing of Goods

The Group has been sourcing raw materials from the TCL Corporation Group and TCL Associates for production of its television products. Besides, the Group also purchased certain finished goods, such as washing machines, from TCL Corporation Group or TCL Associates for use as promotional items.

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The Company shall procure that its subsidiaries will consider making such purchases from the TCL Corporation Group and the TCL Associates provided that they can offer terms (including price and payment terms) no less favourable than terms available to the Group from independent third parties and are capable of meeting the timeline, quality and quantity of the relevant order placed. TCL Corporation shall procure the relevant members of the TCL Corporation Group and the TCL Associates to sell to the relevant members of the Group the requested Goods.

Sale of Goods

This type of continuing connected transaction principally covers purchases of Multimedia Products from the Group by TCL Corporation Group and the TCL Associates, TCL Corporation Group and the TCL Associates purchase those items and distribute the same through their distribution channels in the rural areas of the PRC where the Group's retail network has not been well established. TCL Corporation Group or the TCL Associates shall also make purchases of raw materials from the Group for manufacture of new Multimedia Products. Such purchases, however, are much smaller in value, as compared to purchases of finished goods. The Company shall procure that its subsidiaries would supply to TCL Corporation Group or the TCL Associates (as the case may be) provided that the terms (including price and payment terms) of the offer from the TCL Corporation Group and the TCL Associates (as the case may be) are not less favourable than terms available to the Group from independent third parties. Pursuant to the Master Supply (Renewal) Agreement, the TCL Corporation Group and the TCL Associates have to comply with the pricing or distribution policy as determined by the Group from time to time.

Master Subcontracting (Renewal) Agreement

Pursuant to Master Subcontracting (Renewal) Agreement, TCL Corporation shall, upon requests from members of the Group, procure its subsidiaries and the TCL Associates to process raw materials (including but not limited to plastic parts) sourced and owned by the Group into semi-finished materials which will then be used by the Group for manufacture of the Multimedia Products.

TCL Corporation Group or TCL Associates shall provide the requested sub-contracting services so long as the relevant members of the TCL Corporation Group and the TCL Associates considers that it has the relevant resources to meet the timeline, quality and quantity of the relevant orders placed.

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Master Call Centre Services Supply Agreement

In order to provide the loyal customers of "TCL" with bundled customer services, the TCL Corporation Group operates a nationwide customer call centre in PRC for products manufactured by the Group, the TCL Corporation Group and the TCL Associates. The Group considers this arrangement beneficial as it enables the Group to streamline its cost structure and operations. Given the close relationship between the Group and the TCL Corporation Group, it would also be easier for the Group to monitor the services to be provided by the TCL Corporation Group than those sourced from independent service providers.

Under the Master Call Centre Services Supply Agreement, the services to be provided by the TCL Corporation Group shall include the marketing and after-sales services and provision of analysed customer information obtained through the operation of the customer call centre.

Loan and Charge Agreement

TCL Corporation Group has been utilizing loans borrowed from the PRC Banks with its assets charged as security to provide financial assistance to the Group on preferential terms. As at the date of entering into the Loan and Charge Agreement, the Group owed RMB337 million (equivalent to approximately HK\$395 million) to TCL Corporation Group.

The Group has increasing needs for funds as a result of increases in volume of business, in particular the flourishing LCD business, and shorter payment terms for LCD operations, which comprise an increasing portion of the Group's business (for example, 6.5% of total television sales volume in the first half of 2007, as compared to 21.9% of total television sales volume in the first half of 2008). Since the TCL Corporation Group can command better terms for bank borrowing in the PRC, the Group agrees in the Loan and Charge Agreement to use its own assets as security for the loan to be taken out by the TCL Corporation Group for use by the Group. This will put the TCL Corporation Group in a better position to raise funds for the Group.

Under the Loan and Charge Agreement, TCL Corporation Group undertakes to use its best endeavours to negotiate with the PRC Bank(s) for entering into Loan Agreement(s) with most favourable terms as soon as practicable, and the terms of which shall not be less favourable than the terms offered by independent third parties to the Group.

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TCL Corporation undertakes that the entire amount of loan(s) to be obtained by TCL Corporation Group in accordance with the Loan Agreement shall in turn be made available to the Group or for settlement of the debts of the Group to third parties. TCL Corporation Group shall specify in the Loan Agreement(s) that the loan(s) so obtained will be utilised entirely by the Group. The Company has absolute discretion on the basis of commercial considerations to decide whether to accept the Loan Agreement(s) as negotiated and to be signed by the TCL Corporation Group. In the event that the Loan Agreement is acceptable to the Company, the Company undertakes (i) to procure the Group to sign the Charge Agreement(s) with the Lender(s) to secure the repayment obligation of the TCL Corporation Group under the Loan Agreement(s) pursuant to the Loan and Charge Agreement and (ii) to repay the principal and the interest incurred under the Loan and Charge Agreement to TCL Corporation within the stipulated time. In the event that the TCL Corporation Group enters into any Loan Agreement(s) without the authorisation of the Group, the Group shall not be responsible for providing any asset to secure the repayment obligation of the TCL Corporation Group nor shall it bear any responsibility for repayment of the loan(s) in respect of the said Loan Agreement(s).

In the event that the TCL Corporation Group fails to make available to the Group the loan(s) received by it under the Loan Agreement or make payment(s) to third parties as requested by the Group, the Group is not responsible for repayment of the loan(s) in question and/or the Group is entitled to set off an amount equivalent to the guaranteed amount under the Charge Agreement(s) guaranteeing the loan(s) in question against any debt due to the TCL Corporation Group, thereby reducing the amount of debt owed by the Group to the TCL Corporation Group.

Except as required under the Loan and Charge Agreement, TCL Corporation Group cannot request repayment or interest payment from the Group in respect of the loan(s) under the Loan Agreement(s).

New Lease Framework (Tenant) Agreement

The Group has been leasing certain premises of the Properties from the TCL Corporation Group as its office, research centre, factory, warehouse and hostel. All the rentals are payable in cash on a monthly basis and were determined after arm's length negotiations. Pursuant to the New Lease Framework (Tenant) Agreement, the monthly rental for the year ending 31 December 2009 was fixed at approximately RMB 2,700,471 determined with reference to the current market prices as discussed with independent valuers. The rentals for the years of 2010 and 2011 will be subject to annual adjustment with reference to the then market rentals, but any upward adjustment shall be limited to 5%. Pursuant to the New Lease Framework

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(Tenant) Agreement, the Group will lease the following properties up to 31 December 2011:

Properties	Total Rented Area (sq.m)	Monthly Rentals (RMB)		
		2009 (agreed)	2010 (estimated)	2011 (estimated)
TCL King Er Ji Di Zhongkai Development District, Huizhou Guangdong, PRC	246,224.72	2,339,135	not more than 2,456,092	not more than 2,578,896
TCL Tower West of Keji Nan Shi Road and North of Gaoxin Nan Yi Road Nanshan District, Shenzhen Guangdong, PRC	7,059.93	361,336	not more than 379,403	not more than 398,373

- (ii) *Finance Company, a non-wholly owned subsidiary of TCL Corporation, which will provide services to the Group under the following agreement:*

Financial Services Framework (Renewal) Agreement

Pursuant to the Financial Services Framework (Renewal) Agreement, the Finance Company, which is a PRC financial institution approved by China Banking Regulatory Commission, shall provide deposit and other financial services to the TCL Multimedia Qualified Members.

Finance Company and TCL Corporation will jointly and severally undertake to the Company that at any time during the term of the Financial Services Framework (Renewal) Agreement, the total amount of loans lent or other trade financing provided by Finance Company and/or TCL Corporation to the TCL Multimedia Qualified Members shall not be less than the total cash deposits placed by the TCL Multimedia Qualified Members with Finance Company.

If any TCL Multimedia Qualified Member demands repayment of any money deposited by it with the Finance Company in accordance with the relevant terms and procedure and Finance Company fails to follow the repayment demand, such TCL Multimedia Qualified Member shall then have the right to:

- (a) offset the relevant outstanding deposit amount against and up to the same amount of any outstanding loans owed by it to and/or any trade financing provided to it by Finance Company and/or TCL Corporation; and/or

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- (b) transfer the right mentioned in (a) above to other TCL Multimedia Qualified Members; and/or
- (c) request TCL Corporation to repay the outstanding deposit amount on behalf of Finance Company in full.

TCL Corporation also undertakes to the Company that:

- (a) it will procure the Finance Company to perform its obligations under the Financial Services Framework (Renewal) Agreement; and
- (b) in the case where the Finance Company experiences any financial difficulties, TCL Corporation will inject capital into the Finance Company based on the needs of the Finance Company.

(iii) *Speed Distribution, a wholly-owned subsidiary of TCL Corporation*

Master Logistics Service Supply Agreement

Speed Distribution is principally engaged in providing logistics services in the PRC. In order to streamline the Group's cost structure and operations, the Group subcontracts its logistics services to the TCL Corporation Group. Given the close relationship between the Group and the TCL Corporation Group, it will be easier for the Group to monitor services provided by Speed Distribution than by other outside service providers.

Logistics services to be provided by Speed Distribution under the Master Logistics Service Supply Agreement principally include:

- delivery and transfer of raw materials, components, finished goods, etc. among the Group's suppliers, distributors, customers, warehouses and distribution centres;
- warehouse management; and
- other services as agreed between the parties to the agreement from time to time.

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2. Pricing basis

(a) *Costs based*

Master Sourcing (Renewal) Agreement

Pursuant to the Master Sourcing (Renewal) Agreement, for the purchases of Overseas Materials by the TCL Corporation Group from the Company's subsidiaries, the Group shall charge the TCL Corporation Group the costs of the Overseas Materials.

For the sale of the Overseas Materials by the TCL Corporation Group to the Company's subsidiaries in the PRC, the TCL Corporation Group charges the acquisition costs of the Overseas Materials (i.e. the cost charged by the Group or independent third parties designated by the Group) plus all import duties and an administrative charge covering import administrative expenses and insurance fee and all out-of-pocket expenses incurred by the TCL Corporation Group relating to the import of the Overseas Materials into the PRC. The administrative charges by the TCL Corporation Group are not less favourable to the Group than those charged by independent third parties for the purpose of importing Overseas Materials for the Group.

Master Call Centre Services Supply Agreement

Pursuant to the Master Call Centre Services Supply Agreement, the Company shall pay the TCL Corporation Group fees to be calculated based on the actual cost structure of the TCL Corporation Group in connection with the provision of the call centre services.

Loan and Charge Agreement

Pursuant to the Loan and Charge Agreement, TCL Corporation Group undertakes not to charge any fee or expenses from the Group in respect of the arrangement made under the Loan and Charge Agreement (except any fees charged by the PRC Banks) and it will account to the Group any benefit whatsoever it receives thereunder.

(b) *Based on prices available to the Group from independent third parties and/or prices offered by the TCL Corporation Group and TCL Associates to independent third parties*

This pricing basis is applicable to Master Overseas Supply Agreement, Master Supply (Renewal) Agreement, Master Subcontracting (Renewal) Agreement, Master Logistics Service Supply Agreement and Financial Services Framework (Renewal) Agreement.

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In the case of the Master Logistics Service Supply Agreement, it is also provided in the relevant agreement that in case there are no comparable terms offered to other independent customers by Speed Distribution and there are no comparable terms available to the Group by other independent service providers, the logistics services shall be charged to the Group after arm's length negotiations between the parties and shall be on normal commercial terms. The Directors has informed us that such services are being charged based on independent third parties' pricing. The Directors believe that the Group would continue to be able to find independent service providers and hence these services would in future continue to be charged with reference to independent third parties' pricing.

(c) Based on market value

New Lease Framework (Tenant) Agreement

Pursuant to the New Lease Framework (Tenant) Agreement, the rental for the year ending 31 December 2009 was fixed at approximately RMB 2,700,471 per month which was determined with reference to the current market prices as discussed with independent valuers. As mentioned above, the rentals for the years of 2010 and 2011 will be subject to annual adjustment with reference to the then market rentals, but any upward adjustment shall be limited to 5%.

3. Payment terms

The Directors have confirmed us that the payment terms for transactions with the TCL Corporation Group or the TCL Associates are in general either not less favourable than those available to the Group from independent third parties or offered by TCL Corporation Group or TCL Associates to independent third parties. Those payment terms are summarised as follows:

	Payment terms
Master Overseas Supply Agreement (as extended)	90 days
Master Sourcing (Renewal) Agreement	20-90 days
Master Supply (Renewal) Agreement	30-90 days
Master Logistics Service Supply Agreement (as extended)	30-90 days
Master Subcontracting (Renewal) Agreement	30-90 days
Master Call Centre Services Supply Agreement (as extended)	10 days after receipt of invoice

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4. The New Caps

The following is a summary of the historical transaction amounts for each type of the Non-exempt Transactions for the two financial years ended 31 December 2007 and 6 months ended 30 June 2008 as well as the respective proposed annual caps for each of the three financial years ending 31 December 2011:

	Historical figures (in HK\$'000)			Proposed annual caps (in '000)		
	For the financial year ended 31 December		For the 6 months ended 30 June 2008	For the financial year ending 31 December		
	2006	2007		2009	2010	2011
Agreements						
1 TCL Trademark License Agreement						
Aggregate branding fee reimbursement	59,106	67,821	36,521	HK\$229,101 (RMB181,700)	HK\$372,472 (RMB274,400)	HK\$318,866 (RMB218,200)
2 Master Overseas Supply Agreement (as extended)	53,705	11,721	19,352	HK\$81,853 (US\$10,484)	HK\$91,097 (US\$11,668)	HK\$101,284 (US\$12,972)
3 Master Sourcing (Renewal) Agreement						
(a) Purchase of Overseas Materials by TCL Corporation Group from the Group	607,311	582,859	280,582	HK\$1,053,709 (RMB835,696)	HK\$1,363,375 (RMB1,004,398)	HK\$1,813,566 (RMB1,241,023)
(b) Sale by TCL Corporation Group to the Group, of Overseas Materials, which were purchased from the Group or independent third parties designated by the Group	902,937	1,236,735	455,809	HK\$2,773,111 (RMB2,199,354)	HK\$2,737,047 (RMB2,016,382)	HK\$2,757,113 (RMB1,886,692)
4 Master Supply (Renewal) Agreement						
(a) Sourcing of Goods	43,997	72,189	50,197	HK\$6,512,800 (RMB5,165,302)	HK\$10,236,653 (RMB7,541,342)	HK\$15,233,428 (RMB10,424,235)
(b) Sale of Goods	808	3,653	4,652	HK\$1,498,218 (RMB1,188,236)	HK\$1,976,784 (RMB1,456,296)	HK\$2,591,250 (RMB1,773,192)
5 Financial Services Framework (Renewal) Agreement						
Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	62,056	108,347	119,833	HK\$1,386,963 (RMB1,100,000)	HK\$1,764,627 (RMB1,300,000)	HK\$2,776,560 (RMB1,900,000)

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	Historical figures (in HK\$'000)			Proposed annual caps (in '000)		
	For the financial year ended 31 December		For the 6 months ended 30 June 2008	For the financial year ending 31 December		
	2006	2007		2009	2010	2011
Agreements						
6 Master Logistics Service Supply Agreement (as extended)	N/A (Note 3)	14,553	11,803	HK\$40,674 (RMB32,258)	HK\$54,735 (RMB40,323)	HK\$73,657 (RMB50,403)
7 Master Subcontracting (Renewal) Agreement	12,554	11,810	4,875	HK\$35,291 (RMB27,989)	HK\$47,662 (RMB35,113)	HK\$63,426 (RMB43,402)
8 Master Call Centre Services Supply Agreement (as extended)	N/A (Note 3)	14,511	7,583	HK\$29,269 (RMB23,213)	HK\$44,113 (RMB32,498)	HK\$66,487 (RMB45,497)
9 New Lease Framework (Tenant) Agreement	13,100	8,600	19,300	HK\$40,912 (RMB32,446) (Note 4)	HK\$46,245 (RMB34,068)	HK\$52,275 (RMB35,772)
				Proposed annual caps (in '000) For the financial year ending 31 December		
Agreement				2008	2009	2010
10 Loan and Charge Agreement						
(a) Facility amount				HK\$246,953 (RMB210,848)	HK\$246,715 (RMB195,669)	HK\$244,998 (RMB180,489)
(b) Security amount				HK\$352,790 (RMB301,212)	HK\$352,449 (RMB279,527)	HK\$349,996 (RMB257,842)

Notes:

- (1) The numbers in brackets are in RMB'000/US\$'000 which are the transaction currencies for the relevant agreements and they are presented for illustration purpose only. The New Caps were principally arrived at in the relevant transaction currencies and were then translated into HK\$ at the expected exchange rates.
- (2) For the purpose of calculating the New Caps, the exchange rate of RMB1.00 = HK\$1.2609, RMB1.00 = HK\$1.3574 and RMB1.00 = HK\$1.4613 have been used for the financial year ending 31 December 2009, 2010 and 2011 respectively and the exchange rate of US\$1.00 = HK\$7.8076 has been used for the three financial years ending 31 December 2011.
- (3) The Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement were entered into in 2007.
- (4) The total agreed monthly rental of approximately RMB 2,700,471 and the estimated monthly management fee of approximately RMB 3,360 are taken into account when estimating the New Caps under the New Lease Framework (Tenant) Agreement for the year ending 31 December 2009.

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We understand from the management of the Group that the basis for setting the proposed New Caps can be summarised as follows:

(i) *Based on agreement*

The New Caps for the Lease represent the estimated HK\$ equivalent of the annual RMB denominated rentals as determined in accordance with the agreement. The New Caps for the year ending 31 December 2009 represents the agreed RMB denominated rentals and the estimated management fee, both of which are determined with reference to the current market prices as discussed with independent valuers. The rentals for the years of 2010 and 2011 are determined assuming a 5% year-on-year upward adjustment to the rentals. Again, each of the New Caps for the two years ending 31 December 2011 includes a small amount for the management fees which would be changed from time to time based on market rates.

(ii) *Business projections*

The New Caps for the TCL Trademark License Agreement, Master Overseas Supply Agreement (as extended), Master Sourcing (Renewal) Agreement, Master Supply (Renewal) Agreement, Master Logistics Service Supply Agreement (as extended), Master Subcontracting (Renewal) Agreement and Master Call Centre Services Supply Agreement (as extended) are estimated with reference to the projected business scale of the Group for the years of 2009-2011. The expected scale of operation is in turn determined with reference to the anticipated world televisions consumptions, in particular, the consumption of LCD televisions which is replacing CRT televisions as the more popular television products, and the Group's ability to enhance its market share in the global television market, in particular the PRC market.

In estimating the world TV consumptions, the Group has referred to, and we have reviewed, the third party research materials.

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In respect of the CRT business, according to research materials, it is expected that the market is shrinking globally as a result of the fact that CRT televisions are now being replaced by LCD televisions. Even though the Directors expected that the Group would be able to maintain the market share of CRT business globally, the CRT business are being projected downwards at 22%, 24% and 21% respectively for the three years ending 31 December 2011, in line with the global market downturn. Accordingly, the continuing connected transactions relating to CRT business are also expected to decrease. In respect of the LCD business, based on the research materials, LCD televisions world consumptions for each of the three years ending 31 December 2011 will grow at respective annual rates of 24%, 17% and 12%.

In recent years, the Group has in response to the global trend begun to shift its television business from selling CRT television products to LCD television products. As noted in the Company's interim report 2008, substantial growth in the Group's LCD business has been recorded and the total LCD shipment by the Group for the first half of 2008 has increased sharply by 230% when compared with that for the same period of 2007. The sales volumes of televisions of the Group for the first half of 2007 and 2008 are set out as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007	Change
LCD TV			
– PRC	456,000	307,000	+48.5%
– Overseas	1,062,000	152,000	+598.7%
	<u>1,518,000</u>	<u>459,000</u>	<u>+230.7%</u>
Total	<u>1,518,000</u>	<u>459,000</u>	<u>+230.7%</u>
CRT TV			
– PRC	2,771,000	3,025,000	–8.4%
– Overseas	2,636,000	3,584,000	–26.5%
	<u>5,407,000</u>	<u>6,609,000</u>	<u>–18.2%</u>
Total	<u>5,407,000</u>	<u>6,609,000</u>	<u>–18.2%</u>

Therefore, with reference to the growth rates of LCD business as projected in the research materials and the market share projected by the Directors, it is expected that the Group's LCD business will further grow

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respectively at 110%, 50% and 40% for each of the three years ending 31 December 2011, which will greatly increase the volume of the continuing connected transactions to be involved with LCD business. In preparing the sales volume projection for determining the New Caps, the Directors have built a buffer into the targeted growth rates for its LCD business. We agree with the Directors that in order to allow flexibility in the conduct of business, it would be in the interest of the Company that more accommodating caps are obtained, provided that there is sufficient governance to ensure that the Non-exempt Transactions will be conducted on a fair and reasonable basis. We shall discuss the governance issue later in this section.

Given that the total LCD television sales grew by 230% when compared between the six months ended 30 June 2007 and 2008, we consider that it is reasonable to expect that the Group's LCD business will continue to grow at a fast rate.

With respect to the Group's projected market share in LCD business, the Directors are confident that the Group shall be able to continue to increase its sales in LCD televisions in the coming years and the production capacity of the Group would be able to accommodate such increase in volume of sales for the three financial years ending 31 December 2011. In the past years, the Group's results have been negatively impacted by its disappointing business in Europe and North America and enormous resources had been utilised in subsequent restructuring of its European business. The Group recorded losses in three consecutive financial years ended 31 December 2007 and had to rely on borrowings to finance its operations. The Group has in 2006 and 2007 restructured its European business operations and expanded its LCD production capacity to meet the increasing demand from the market. Due to significantly reduced operating overhead and improved sales, the Group has turned profitable in the three months ended 31 March 2008 and continued to report positive operating profits in the six months period ended 30 June 2008. In August 2008, the Company successfully completed a share subscription raising gross proceeds of approximately HK\$1,206 million, approximately HK\$1,192 million of which was applied to repay the convertible bonds. The share subscription significantly enhanced the Group's net asset value and reduced its gearing level. This put the Group in a much better financial position to compete in the television market. As a result, it is expected that the Group's global sales will grow in the years of 2009-2011 at a faster rate, which will result in a higher branding fee reimbursement to TCL Corporation pursuant to TCL Trademark License Agreement since the reimbursement is calculated with reference to revenue from the Group's sales of televisions bearing the "TCL" brand primarily in PRC and the other emerging markets. The New Caps for the TCL Trademark License Agreement are also attributed to the estimated advertising and promotion expenses and promotion projects planned to be launched by TCL Corporation in the coming three years. TCL Corporation

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would sponsor the Asian Games 2010 to be held in Guangzhou, PRC, hence the New Caps for the year of 2010 for the TCL Trademark License Agreement are notably higher than the New Caps for 2011. However, it is not expected that the television sales in the PRC and the other emerging markets will trigger the royalty payment obligations under the TCL Trademark License Agreement and the New Caps have not included any amount for royalty payments.

The projected growth in the Group's LCD business for 2009 to 2011 also results in increase in cost of production for the Group's operation in PRC or elsewhere in the world. Such increases are reflected in the New Caps for, not only the TCL Trademark License Agreement, but also the Master Sourcing (Renewal) Agreement, Master Supply (Renewal) Agreement, Master Logistics Service Supply Agreement (as extended), Master Subcontracting (Renewal) Agreement and Master Call Centre Services Supply Agreement (as extended).

The New Caps for the Master Logistics Service Supply Agreement (as extended) and Master Call Centre Services Supply Agreement (as extended), which relate to the PRC, are principally estimated with reference to the Group's estimated growth in sales volume in PRC, while the New Caps for TCL Trademark License Agreement, Master Sourcing (Renewal) Agreement, Master Supply (Renewal) Agreement and Master Subcontracting (Renewal) Agreement are estimated with reference to the Group's overall sales volume growth. In the case of the Master Logistics Service Supply Agreement (as extended), the Directors have also taken into account the average transportation cost for the smaller size LCD televisions, which is lower than that for traditional CRT television. The New Caps for the Master Logistics Service Supply Agreement (as extended) were determined with respect to the historical transportation costs for CRT televisions and LCD televisions as adjusted by the estimated growth in sales volume.

The New Caps for the Master Sourcing (Renewal) Agreement are primarily driven by the growth rates of LCD and CRT businesses as estimated with reference to (i) the projected purchases of diode in 2008, which is one of the raw materials used in manufacturing CRT and LCD televisions and is imported by the TCL Corporation Group on behalf of the Group; and (ii) the estimated purchases of LCD panels by the Group from independent third parties suppliers via the TCL Corporation Group. It is estimated that the Group's purchases of LCD panels from independent third parties suppliers via TCL Corporation Group under the Master Sourcing (Renewal) Agreement would decrease because (a) the Group is now able to source LCD panels from independent third parties suppliers with similar payment terms, which in the past are only available to the TCL Corporation Group; and (b) the Group may in future purchase from TCL Corporation's newly set up production base and such purchases would instead be governed by the Master Supply (Renewal) Agreement as discussed below. Consequently, the New Caps for

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the Master Sourcing (Renewal) Agreement exhibit a steady trend for the three years ending 31 December 2011 even though the purchases of diodes are expected to grow significantly.

For the continuing connected transactions contemplated under the Master Supply (Renewal) Agreement, estimation of the New Caps does not rely heavily on historical transaction amounts, as in the above cases.

In respect of sourcing of goods contemplated under Master Supply (Renewal) Agreement from the TCL Corporation Group and the TCL Associates, the New Caps are determined based on (i) estimated purchases of semi-finished goods for the manufacture of new products that would be launched in the coming three years. Such estimation is made with reference to the available market information on those new products and the Group's own market intelligence; (ii) the purchases of local raw materials from the TCL Corporation Group and the TCL Associates, which in turn are estimated with reference to overall sales volume growth of the Group; (iii) purchases of promotional items such as washing machines from the TCL Corporation Group and the TCL Associates; and (iv) purchases of LCD panels directly from TCL Corporation's newly set up production base. Instead of sourcing LCD panels from independent third parties suppliers, the Group may in future source LCD panels directly from the TCL Corporation Group. Therefore, the New Caps for purchases of LCD panels from the TCL Corporation Group increase, while the New Caps under the Master Sourcing (Renewal) Agreement for purchases of LCD panels from independent third parties suppliers via the TCL Corporation Group are adjusted downwards (as discussed in the previous paragraph).

In respect of the sales of goods contemplated under Master Supply (Renewal) Agreement to the TCL Corporation Group and the TCL Associates, the New Caps are primarily determined with reference to the expected sales of television products for distribution through the retail network of the TCL Corporation Group and the TCL Associates in the coming three years. Such expected sales are principally driven by (i) the expected sales revenue of each retail shop in the network and (ii) the growth in number of shops to be opened by the TCL Corporation Group.

The New Caps for the Deposit Services under the Financial Services Framework (Renewal) Agreement is estimated with reference to the historical maximum cash balances and the projected cashflow generated from the

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Group's PRC operations. It is also expected that the Finance Company, which is an approved financial institution under China Banking Regulatory Commission, will be authorised to accept deposit of foreign currencies in late 2008, hence the total amount to be deposited with the Finance Company may increase.

(iii) Book value of assets

The New Caps for the security amounts pursuant to Loan and Charge Agreement are determined based on the net book value of the assets to be provided by the Group as security, after taking into account the annual depreciation. The New Caps for the facility amounts are the estimated amounts that may be raised by the TCL Corporation Group for the Group pursuant to the Loan and Charge Agreement, being 40% to 70% of the value of the assets to be charged.

(iv) Appreciation of RMB relative to Hong Kong dollars

As the Company's majority of sales and costs are generated and incurred in PRC, the New Caps, which are denominated in Hong Kong dollars, are fixed after taking into account the impact of appreciation of RMB relative to Hong Kong dollars.

Generally speaking, in our opinion, it is in the interests of the Group for the New Caps to be as accommodating to the Group as possible (within reason). Provided that the pricing for the Non-exempt Transactions is fair and reasonable and the conduct of those transactions would be subject to annual review by the independent non-executive Directors and auditors of the Company (as discussed below) as required under the Listing Rules, the Group would have flexibility in conducting its businesses if the New Caps are tailored to future business growth. In assessing the reasonableness of the New Caps, we have discussed with the management of the Group their projected volume and the basis of the calculations, both of which we consider reasonable. On the other hand, there is global financial crisis which could have significant impact on the global economy. However, we are not able to assess the likelihood of the impact as well as to quantify the impact (if any) on the global retail business and such factor, as a result, have not been taken into consideration in determining the New Caps. Based on the above analysis, we are of the view that the New Caps for each of the Non-exempt Transactions have been determined by the Board with due care and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the New Caps should not be construed as an assurance or forecast by the Group of its future revenue.

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5. Annual review of the Non-exempt Transactions

The procedures to be put in place for the annual review of the continuing connected transactions as set out in the Listing Rules are as follows:

- (i) the independent non-executive directors will review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - (a) in the ordinary and usual course of business of the group;
 - (b) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the group than terms available to or from (as appropriate) independent third parties; and
 - (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole;
- (ii) the auditors will review the continuing connected transactions and issue a letter to the board confirming that the continuing connected transactions:
 - (a) have received the approval of the board;
 - (b) are conducted in accordance with the pricing policies of the group in respect of transactions involving provision of goods and services by the group;
 - (c) have been entered into in accordance with the relevant agreements governing the transactions; and
 - (d) have not exceeded the relevant annual caps;

the board must state in the annual report whether the auditors have made such confirmation in relation to the continuing connected transactions; and
- (iii) the company will promptly notify the Stock Exchange and publish an announcement if it believes that the independent non-executive directors and/or the auditors will not be able to issue the aforesaid confirmation.

The independent non-executive Directors and the auditors of the Company have reviewed the continuing connected transactions of the Group conducted during the two years ended 31 December 2007 and have provided the above confirmations as required

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under the Listing Rules, details of which are contained in the Company's annual reports for the years of 2006 and 2007. The required confirmations in respect of continuing connected transactions conducted during the financial year of 2008 would be included in the Company's 2008 annual report.

As the value of the Non-exempt Transactions would be restricted by way of the New Caps and the conduct of those transactions would be reviewed by the independent non-executive Directors and auditors of the Company as mentioned above, we are of the view that there exist appropriate measures to govern the future execution of the Non-exempt Transactions and to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Master Sourcing (Renewal) Agreement, the Master Supply (Renewal) Agreement, the Deposit Services under the Financial Services Framework (Renewal) Agreement, the Master Subcontracting (Renewal) Agreement, the second supplemental agreement to the Master Overseas Supply Agreement, the supplemental agreements to the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement, the Loan and Charge Agreement, the New Lease Framework (Tenant) Agreement and the New Caps are fair and reasonable to the Independent Shareholders. The entering into of the Non-exempt Transactions is in the ordinary and usual course of business, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders, and we ourselves advise the Independent Shareholders, to vote in favour of the resolutions in relation to the Non-exempt Transactions and the New Caps to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Sylvia Leung
Director

1. RESPONSIBILITY OF THE DIRECTORS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 80 of the articles of association of the Company, a resolution put to vote of a general meeting of the Shareholders shall be decided on a show of hands unless, before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded by:

- (a) the chairman of the meeting; or
- (b) at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums on the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in shares of the Company

Name of Directors	Capacity	No. of Shares held	Approximate percentage of issued share capital of the Company
Li Dongsheng	Beneficial owner	184,393,851	1.804%
Leong Yue Wing	Beneficial owner	8,272,727	0.081%
Yuan Bing	Beneficial owner	3,636,363	0.036%
Lu Zhongli	Beneficial owner	1,090,909	0.011%
Wang Kangping	Beneficial owner	150,000	0.001%

(b) Long positions in underlying shares of the Company – share options

Name of Directors	Type of Interest	No. of Shares held	Approximate Percentage of issued share capital of the Company
Li Dongsheng	Beneficial owner	37,947,571	0.371%
Yuan Bing	Beneficial owner	6,714,083	0.066%
Shi Wanwen	Beneficial owner	19,302,656	0.189%
Leong Yue Wing	Beneficial owner	18,675,714	0.183%
Wang Kangping	Beneficial owner	2,516,200	0.025%
Lu Zhongli	Beneficial owner	5,852,433	0.057%
Albert Thomas da Rosa, Junior	Beneficial owner	660,000	0.006%
Tang Guliang	Beneficial owner	660,000	0.006%
Wu Shihong	Beneficial owner	300,000	0.003%
Robert Maarten Westerhof	Beneficial owner	300,000	0.003%

(c) Interests in shares of associated corporations of the Company

Name of Directors	Name of associated corporation	Type of Interest	No. of shares held	Approximate percentage of the relevant associated corporation's issued share capital
Li Dongsheng	TCL Corporation	Beneficial owner	97,562,400	3.772%
Li Dongsheng	TCL Communication Technology Holdings Limited	Beneficial owner	110,000,800	1.538%
Yuan Bing	TCL Communication Technology Holdings Limited	Beneficial owner	2,116,000	0.029%
Shi Wanwen	TCL Corporation	Beneficial owner	1,712,599	0.066%
Wang Kangping	TCL Corporation	Beneficial owner	80,000	0.001%

(d) Long positions in underlying shares of associated corporations of the Company
– share options

Name of Directors	Name of associated corporation	Type of Interest	No. of shares held	Approximate percentage of the relevant associated corporation's issued share capital
Li Dongsheng	TCL Communication Technology Holdings Limited	Beneficial owner	26,512,049	0.371%
Lu Zhongli	TCL Communication Technology Holdings Limited	Beneficial owner	7,748,225	0.108%
Yuan Bing	TCL Communication Technology Holdings Limited	Beneficial owner	4,525,664	0.063%
Wang Kangping	TCL Communication Technology Holdings Limited	Beneficial Owner	3,027,274	0.042%
Shi Wanwen	TCL Communication Technology Holdings Limited	Beneficial Owner	654,546	0.009%

Save as disclosed in this paragraph 3, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests in the Company

(i) Long positions in shares of the Company

Name of Shareholders	Nature of Interest	No. of shares held	Approximate Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	5,563,992,842 (Note 1)	54.433%

(ii) Long positions in shares and/or underlying shares of the Company

Name of Shareholders	Nature of Interest	No. of shares held	Approximate Percentage of issued share capital of the Company
Deutsche Bank Aktiengesellschaft	Beneficial owner/ Person having a security interest in shares (Note 2)	476,189,921	4.659%

(iii) Short positions in shares of the Company

Name of Shareholders	Nature of Interest	No. of shares held	Approximate Percentage of issued share capital of the Company
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares (Note 2)	6,988,000	0.068%

Notes:

1. TCL Corporation was deemed to be interested in the 5,563,992,842 Shares held by T.C.L. Industries Holdings (H.K.) Limited, its direct wholly owned subsidiary, for the purpose of SFO.
2. According to the corporate substantial shareholder notice (Form 2) filed by Deutsche Bank Aktiengesellschaft ("DB") with the Hong Kong Stock Exchange on 24 June 2008, the long position and the short position in 476,189,921 Shares and 6,988,000 Shares respectively, comprises of (i) 469,200,000 Shares being derivative interests; (ii) 469,201,921 Shares being beneficially owned by DB; and (iii) 6,988,000 Shares being security interest held by DB.
3. The following Directors are directors/employees of TCL Corporation which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
 - a) Mr. Li Dongsheng is the chairman and chief executive officer of TCL Corporation;
 - b) Mr. Leong Yue Wing is the vice president of TCL Corporation;
 - c) Mr. Yuan Bing is a vice president and the chief financial officer of TCL Corporation;
 - d) Mr. Shi Wanwen is a vice president of TCL Corporation;
 - e) Mr. Wang Kangping is the vice president of TCL Corporation.

Save as disclosed in this paragraph 4(a), there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Interests in subsidiaries of the Company

Name of subsidiary of the Company	Name of substantial shareholder	Approximate Percentage of shareholding
1. Guangzhou Digital Rowa Technology Co., Ltd. (廣州數碼樂華科技有限公司)	Science City Development Public Co., Ltd. (南方科學城發展股份有限公司)	30%
2. Henan TCL-Melody Electronics Co., Ltd. (河南TCL-美樂電子有限公司)	Henan Ancai Melody Electronic Co., Ltd. (河南安彩集團美樂電子有限責任公司)	47.86%
3. P.T. TCL Indonesia	Junaide Sungkono	20%
4. TCL Electronics (Singapore) Pte Ltd.	Dragoncom Shenzhen Investment Ltd. (深圳市浩龍投資有限公司)	15%
5. TCL King Electrical Appliances (Wuxi) Co., Ltd. (TCL 王牌電器(無錫)有限公司)	無錫市電儀資產經營有限公司	30%
6. TCL Digital Science and Technology (Wuxi) Company Limited (TCL數碼科技(無錫)有限公司)	無錫市電儀資產經營有限公司	30%
7. Sizzon Pte Ltd.	Junaide Sungkono	20%

Save as disclosed in this paragraph 4(b), there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company.

5. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2007 of the Group were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

8. EXPERT AND CONSENT

The following is the qualifications of the expert who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualifications
Somerley Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 30 October 2008 and references to its name, in the form and context in which it appear.

As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MISCELLANEOUS

- (a) Save as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors nor Somerley was interested, directly or indirectly, in any assets which had since 31 December 2007 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong for a period of 14 days from the date of this circular:

- (a) TCL Trademark License Agreement;
- (b) Master Overseas Supply Agreement and First Supplemental Agreement and Second Supplement Agreement thereto;
- (c) Master Sourcing (Renewal) Agreement;
- (d) Master Supply (Renewal) Agreement;
- (e) Financial Services Framework (Renewal) Agreement;
- (f) Master Logistics Service Supply Agreement and the Supplemental agreement thereto;
- (g) Master Subcontracting (Renewal) Agreement;
- (h) Master Call Centre Services Supply Agreement and the Supplemental agreement thereto;
- (i) Loan and Charge Agreement;
- (j) New Lease Framework (Tenant) Agreement;

- (k) Termination Agreement for the TCL Preferred Supplier Agreement;
- (l) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (m) the letter from Somerley, the text of which is set out in this circular;
- (n) the written consent from Somerley referred to in the paragraph headed “Expert And Consent” in the appendix to this circular; and
- (o) the Memorandum and Articles of Association of the Company.

NOTICE OF EGM



TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(TCL多媒體科技控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of TCL Multimedia Technology Holdings Limited (the “Company”) will be held at Salon I & II, Mezzanine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 25 November 2008, Tuesday, at 4:30 p.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “**THAT** the proposed annual caps for the three financial years ending 31 December 2011 in respect of the transactions under the TCL Trademark License Agreement (as defined in the circular of the Company dated 30 October 2008 (the “Circular”)) be and are hereby approved.”

2. “**THAT**
 - (a) the second supplemental agreement dated 9 October 2008 to the Master Overseas Supply Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the second supplemental agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for the purpose of identification) together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular (a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved, confirmed and ratified; and

 - (b) any director of the Company be and is hereby authorised to take such action, do such things and execute such further documents or deed, as such director may, in his opinion, deem necessary or desirable for the purpose of implementing or giving effect to the said second supplemental agreement or the transactions contemplated thereby.”

NOTICE OF EGM

3. **“THAT**

- (a) the Master Sourcing (Renewal) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “C” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Sourcing (Renewal) Agreement or the transactions contemplated thereby.”

4. **“THAT**

- (a) the Master Supply (Renewal) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “D” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Supply (Renewal) Agreement or the transactions contemplated thereby.”

5. **“THAT**

- (a) the Deposit Services under the Financial Services Framework (Renewal) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “E” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Financial Services Framework (Renewal) Agreement or the transactions contemplated thereby.”

NOTICE OF EGM

6. **“THAT**

- (a) the supplemental agreement dated 9 October 2008 to the Master Logistics Service Supply Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the supplemental agreement has been produced to the meeting and marked “F” and initialed by the chairman of the meeting for the purpose of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the supplemental agreement to the Master Logistics Service Supply Agreement or the transactions contemplated thereby.”

7. **“THAT**

- (a) the Master Subcontracting (Renewal) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “G” and initialed by the chairman of the meeting for the purpose of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Subcontracting (Renewal) Agreement or the transactions contemplated thereby.”

8. **“THAT**

- (a) the supplemental agreement dated 9 October 2008 to the Master Call Centre Services Supply Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “H” and initialed by the chairman of the meeting for the purpose of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the supplemental agreement to the Master Call Centre Services Supply Agreement or the transactions contemplated thereby.”

NOTICE OF EGM

9. **“THAT**

- (a) the Loan and Charge Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “I” and initialed by the chairman of the meeting for the purpose of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2010 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Loan and Charge Agreement or the transactions contemplated thereby.”

10. **“THAT**

- (a) the New Lease Framework (Tenant) Agreement (as defined in the Circular), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “J” and initialed by the chairman of the meeting for the purpose of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2011 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the New Lease Framework (Tenant) Agreement or the transactions contemplated thereby.”

By order of the Board
Li Dongsheng
Chairman

Hong Kong, 30 October 2008

NOTICE OF EGM

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the meeting, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed to the notice of the EGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. The register of members of the Company will be closed on 25 November 2008, for the purposes of determining the entitlements of the members of the Company to attend and vote at the meeting. No transfer of the shares of the Company may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 24 November 2008.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above resolutions will be voted by way of poll; TCL Corporation and its associates (as defined in the Listing Rules) are required to abstain from voting in respect of all ordinary resolutions above.