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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 advisor.

**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 AND/OR REVISING OF EXISTING  
CONTINUING CONNECTED TRANSACTIONS,  
MAJOR TRANSACTION IN RESPECT OF THE DEPOSIT SERVICES UNDER  
THE MASTER FINANCIAL SERVICES AGREEMENT AND  
ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

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



**REORIENT Financial Markets Limited**

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A letter from the Board is set out on pages 7 to 31 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 32 of this circular. A letter from REORIENT Financial Markets Limited, the independent financial advisor, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 54 of this circular.

A notice convening the EGM of TCL Multimedia Technology Holdings Limited to be held at Plaza Meeting Room, Regus Business Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 30 December 2011, Friday at 4:00 p.m. is set out on pages 67 to 69 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 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 will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 October 2011 relating to the renewal of and/or revising of existing continuing connected transactions and entering into of new continuing connected transactions;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“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”	Cathode ray tube;
“Deposit Services”	deposit of money by the TCL Multimedia Qualified Members with Finance Company pursuant to the Master Financial Services Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held at Plaza Meeting Room, Regus Business Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, on 30 December 2011, Friday at 4:00 p.m. for the purposes of considering and, if thought fit, approving, the Non-exempt Transactions together with the relevant proposed caps and the election of Dr. TSENG Shieng-chang Carter as an independent non-executive Director;
“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 associate of TCL Corporation and 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 (stock code: 02618) and a TCL Associate);

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## DEFINITIONS

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“Financing Services”	the provision of loan and credit facilities (including unsecured loans, guarantees, receivable factoring, bill acceptance, bill discounting and secured loans) by Finance Company to the TCL Multimedia Qualified Members pursuant to the relevant Master Financial Services Agreement;
“Financial Services Framework (Renewal) Agreement”	the Master Financial Services Agreement dated 9 October 2008 entered into among the Company, TCL Corporation and Finance Company in respect of the provision of Deposit Services, Financing Services and Other Financial Services provided by Finance Company;
“Goods”	the Multimedia Products or the Parent Products (as the case may be) and the articles, things, components or raw materials required for the manufacture or production of such products and waste products arising from manufacturing or production of any such products;
“Group”	the Company and its Subsidiaries;
“Guangzhou Technology”	廣州歡網科技有限責任公司(Guangzhou Joy Network & Technology Co., Ltd.), a company established in the PRC which is owned as to 34.55% by TCL Corporation;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huizhou EAS”	惠州TCL電器銷售有限公司(TCL Electrical Appliance Sales Co., Ltd.), a company established in the PRC and a wholly-owned Subsidiary of the Company;
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and the proposed annual caps for the Non-exempt Transactions;
“Independent Shareholders”	Shareholders other than TCL Corporation and TCL Industries;
“Latest Practicable Date”	2 December 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“LCD”	Liquid crystal display;

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## DEFINITIONS

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“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Master Electronic and Electrical Goods Sourcing Agreement”	the master electronic and electrical goods or appliances supply framework agreement entered into between the Company and TCL Corporation on 26 October 2011;
“Master Financial Services Agreement”	the master financial services agreement entered into among the Company, TCL Corporation and Finance Company on 26 October 2011;
“Master Mainland Supply Agreement”	the master mainland supply agreement dated 19 August 2009 entered into between the Company and TCL Corporation;
“Master Overseas Supply Agreement (as extended)”	the master overseas supply agreement dated 29 December 2004 entered into between the Company and TCL Corporation as amended by the first supplemental agreement dated 5 January 2007 and the second supplemental agreement dated 9 October 2008;
“Master Service Agreement”	the master service agreement entered into between the Company and TCL Corporation on 26 October 2011;
“Master Sourcing Agreement”	the master sourcing agreement entered into between the Company and TCL Corporation on 26 October 2011;
“Master Sourcing (Renewal) Agreement”	the master sourcing agreement dated 9 October 2008 entered into between the Company and TCL Corporation in respect of the Overseas Materials Sourcing Service;
“Master Supply Agreement”	the master agreement entered into between the Company and TCL Corporation on 26 October 2011;
“Master Supply (Renewal) Agreement”	the master agreement dated 9 October 2008 entered into between the Company and TCL Corporation in respect of the Sourcing of Goods and the Sale of Goods;
“Master TCL Trademark License Agreement”	the Master TCL trademark license agreement dated 26 October 2011 entered into by TCL Corporation and the Company;
“Multimedia Products”	electronic products including televisions and audio-visual products manufactured, produced or otherwise sold or distributed by the Group;

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## DEFINITIONS

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“Non-exempt Transactions”	the transactions under the (1) Master TCL Trademark License Agreement, (2) Master Electronic and Electrical Goods Sourcing Agreement, (3) Master Sourcing Agreement, (4) Master Supply Agreement, (5) Master Financial Services Agreement and (6) Master Service Agreement;
“Other Financial Services”	all financial services which may be provided by Finance Company for the TCL Multimedia Qualified Members under the Master Financial Services Agreement other than the Deposit Services and the Financing Services;
“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 Materials Sourcing Service”	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;
“Parent Products”	electronic, telecommunications, information technology and electrical products designed, developed, manufactured or otherwise marketed by 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;
“Qualified Members”	all companies for which Finance Company will be allowed to provide services 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;
“Sale of Goods”	the sale of the Goods by the Group to TCL Corporation Group and the TCL Associates pursuant to the Master Supply Agreement;

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## DEFINITIONS

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“Service Agreement”	the existing service agreement dated 10 December 2010 entered into between Huizhou EAS and Guangzhou Technology whereby Guangzhou Technology provides Huizhou EAS with certain services in respect of production and sale of internet televisions;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Sourcing of Goods”	the purchase by the Group from TCL Corporation Group and the TCL Associates of the Goods produced or manufactured in the PRC pursuant to the Master Supply Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly;
“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 of the Company;
“TCL Corporation Group”	TCL Corporation and its Subsidiaries (excluding the members comprising the Group);
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司) a company incorporated under the laws of Hong Kong, a wholly-owned Subsidiary of TCL Corporation and the immediate holding company of the Company;
“TCL Multimedia Qualified Members”	such member(s) of the Group which satisfies the qualification of Qualified Member(s) during the term of the Master Financial Services Agreement;
“TCL Products”	any goods including electronic or electrical goods or appliances (including but not limited to refrigerators, dishwashers, air conditioners, home use telephones, electrical accessories and their components) manufactured, produced or otherwise sold or supplied by any member of TCL Corporation Group under the Master Electronic and Electrical Goods Sourcing Agreement;

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## DEFINITIONS

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“TCL Trademark License Agreement”	the TCL trademark license agreement dated 30 July 2004 entered into between TCL Corporation and TTE;
“TTE”	TTE Corporation, a wholly-owned Subsidiary of the Company;
“TTE Group”	TTE and its Subsidiaries;
“USA”	the United States of America; and
“USD”	the United States dollars, the lawful currency of the USA.



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LETTER FROM THE BOARD

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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)

*Executive Directors:*

LI Dongsheng  
BO Lianming  
ZHAO Zhongyao  
YU Guanghui  
XU Fang

*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Non-executive Directors:*

Albert Thomas DA ROSA, Junior  
HUANG Xubin

*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  
TSENG Shieng-chang Carter

8 December 2011

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF AND/OR REVISING OF EXISTING  
CONTINUING CONNECTED TRANSACTIONS,  
MAJOR TRANSACTION IN RESPECT OF THE DEPOSIT SERVICES UNDER  
THE MASTER FINANCIAL SERVICES AGREEMENT AND  
ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

**INTRODUCTION**

Reference is made to the Announcement. As stated therein, the Group entered into 14 agreements with TCL Corporation Group on 26 October 2011, and the continuing connected transactions contemplated under 5 of which are subject to Independent Shareholders' approval. With the aggregation of the two proposed annual caps under the Master Service Agreement for each of the three years ending

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## LETTER FROM THE BOARD

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2014, some of the applicable ratios thereof exceed 5%. Accordingly, the continuing connected transactions contemplated under the following 6 agreements are Non-exempt Transactions which are subject to the reporting, announcement and Independent Shareholders' approval requirements:

1. Master TCL Trademark License Agreement;
2. Master Electronic and Electrical Goods Sourcing Agreement;
3. Master Sourcing Agreement;
4. Master Supply Agreement;
5. Master Financial Services Agreement; and
6. Master Service Agreement.

All of the abovementioned 6 agreements are in substance renewal of the existing agreements. Whilst the terms in substance of most of the said agreements are substantially the same as the previous agreements, the following major amendments are made:

- (a) in order that more entities within the Group can use the registered trademarks of TCL Corporation, the contractual party on the Group's side to the Master TCL Trademark License Agreement is the Company instead of its wholly-owned subsidiary, TTE, and the products covered thereunder are extended;
- (b) the Master Electronic and Electrical Goods Sourcing Agreement is a consolidation of the Master Mainland Supply Agreement dated 19 August 2009 and the Master Overseas Supply Agreement (as extended) dated 9 October 2008; and
- (c) in order that more members of the Group can use the internet television services and for better management of the Company's continuing connected transactions, the Master Service Agreement was signed to replace the Service Agreement dated 10 December 2010.

As the applicable percentage ratios in relation to the Deposit Services under the Master Financial Services Agreement exceed 25%, in addition to being continuing connected transactions, the Deposit Services under the Master Financial Services Agreement also constitute a major transaction for the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, the Company announced on 30 June 2011 that Dr. TSENG Shieng-chang Carter was appointed as an independent non-executive Director with effect from 1 July 2011 and shall hold office until the general meeting of the Company to be held in 2014, subject to the articles of association of the Company and the Listing Rules.

The purposes of this circular are: (i) to provide the Shareholders with further information regarding the details of the Non-exempt Transactions (including particulars in compliance of requirement for a major transaction) and their relevant proposed caps as mentioned in the Company's Announcement dated 26 October 2011 and the appointment of Dr. TSENG Shieng-chang Carter as an independent non-executive Director as mentioned in the Company's announcement dated 30 June 2011; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the independent financial advisor to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Transactions; and (iii) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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The Independent Board Committee, comprising four independent non-executive Directors namely Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF, Ms. WU Shihong and Dr. TSENG Shieng-chang Carter and each of them does not have any material interest in the Non-exempt Transactions, 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. REORIENT Financial Markets Limited has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **RENEWAL OF AND/OR REVISING 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. Master TCL Trademark License Agreement**

As more members of the Group will use the registered trademarks of TCL Corporation on a wide range of products than originally contemplated in the TCL Trademark License Agreement, TCL Corporation and the Company decided to enter into the Master TCL Trademark License Agreement in replacement of the TCL Trademark License Agreement.

Set out below are the major terms of the Master TCL Trademark License Agreement:

Date:	26 October 2011
Parties:	(i) TCL Corporation – Licensor (for itself and on behalf of its Subsidiaries) (ii) the Company – Licensee (for itself and on behalf of certain of its Subsidiaries)
Duration:	Three years from 1 January 2012 to 31 December 2014
Major terms:	TCL Corporation Group has granted to the Group an exclusive (subject to certain limited exceptions which are related to some existing obligations or business of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks for the manufacture, production, sale and distribution of Multimedia Products in the territories as specified in the Master TCL Trademark License Agreement (“Licensed Trademarks”). Under the Master TCL Trademark License Agreement, the Group is entitled (subject to certain exceptions)

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## LETTER FROM THE BOARD

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to use the trademark "TCL" as part of its business name and in all business applications in which a company's name is commonly used.

TCL Corporation will continue to conduct general brand promotion and marketing in respect of the Licensed Trademarks that the Group uses on products produced by it in its ordinary course of business.

Price determination: The Group shall pay to TCL Corporation royalties which shall be calculated based on the net sales of Multimedia Products bearing any of the Licensed Trademarks under the Master TCL Trademark License Agreement and the applicable royalty rates. Under the Master TCL Trademark License Agreement, the royalty rates range from 0% to 1.5% depending on the trademarks, territories and performance of the Group.

Under the Master TCL Trademark License Agreement, the Group shall reimburse TCL Corporation for the relevant portion of the cost and expenses incurred for the general brand advertising costs by TCL Corporation or any other entities controlled by TCL Corporation or under the common control of TCL Corporation during the term of the Master TCL Trademark License Agreement. Under the Master TCL Trademark License Agreement, the annual amount of the general brand advertising costs payable by the Group to TCL Corporation shall range from 0.25% to 1.5% of the annual net sales of the Group for the relevant fiscal year depending on the types of products, provided that the aforesaid percentage may be varied from time to time with the written mutual consent of the parties.

### **2. Master Electronic and Electrical Goods Sourcing Agreement**

The Company has entered into the Master Mainland Supply Agreement and the Master Overseas Supply Agreement (as extended), which are expiring on 31 December 2011. As it wishes to continue and better manage the continuing connected transactions contemplated under the said two master agreements, the Company entered into the Master Electronic and Electrical Goods Sourcing Agreement for purchase of TCL Products, the terms in substance are substantially the same as the said two master agreements.

Set out below are the major terms of the Master Electronic and Electrical Goods Sourcing Agreement:

Date: 26 October 2011

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## LETTER FROM THE BOARD

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- Parties: (i) TCL Corporation – supplier (for itself and on behalf of its Subsidiaries)  
(ii) the Company – customer (for itself and on behalf of its Subsidiaries)
- Duration: Three years from 1 January 2012 to 31 December 2014
- Major terms: TCL Corporation shall sell and procure members of TCL Corporation Group to sell and the Company shall purchase and procure members of the Group to purchase the TCL Products in accordance with individual sale and purchase contracts to be entered into by the relevant member of TCL Corporation Group and the relevant member of the Group, provided that the terms of such sale and purchase contracts are consistent with the Master Electronic and Electrical Goods Sourcing Agreement.
- Price determination:
1. The terms (including price and payment terms) shall be agreed between the parties based on normal commercial terms after arm's length negotiations and with reference to the fair market price ranges of products comparable to TCL Products offered in the market as at the time when the relevant sale and purchase is performed. If no comparable transactions are available for references, the terms (including price and payment terms) shall be no less favourable than those available to or from the independent third parties for provision of products similar to the TCL Products.
  2. The relevant member of the Group has the absolute discretion to decide whether to accept an offer from the relevant member of TCL Corporation Group.
  3. The relevant member of the Group has the right to sell or resell the TCL Products which it has acquired from the relevant member of TCL Corporation Group at such price as it may in its absolute discretion determine.
  4. The relevant member of the Group may demand the relevant member of TCL Corporation Group to purchase back the TCL Products at the original selling price offered to the Group if they remain unsold to third parties for six months.

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## LETTER FROM THE BOARD

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### 3. Master Sourcing Agreement

The Company has entered into the Master Sourcing (Renewal) Agreement which is expiring on 31 December 2011. As it wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Sourcing Agreement, the terms of which are substantially the same as the said renewal master agreement.

Set out below are the major terms of the Master Sourcing Agreement:

Date: 26 October 2011

Parties: (i) the Company (for itself and on behalf of its Subsidiaries)  
(ii) TCL Corporation (for itself and on behalf of its Subsidiaries)

Duration: Three years from 1 January 2012 to 31 December 2014

Major terms: Relevant member of 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 in the section of "Master Supply Agreement" below.

Price determination:

1. In respect of the purchase of the Overseas Materials by TCL Corporation Group from the Company's Subsidiaries in places other than the PRC, the relevant member of the Group charges TCL Corporation Group the costs of the Overseas Materials.
2. In respect of the sale of the Overseas Materials by TCL Corporation Group to the Company's nominated Subsidiaries in the PRC, 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 TCL Corporation Group as mentioned above) plus all import duties payable by TCL Corporation Group and an administrative charge covering import administrative

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## LETTER FROM THE BOARD

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expenses and insurance fee and all out-of-pocket expenses incurred by TCL Corporation Group relating to the importation and delivery of the relevant Overseas Materials into the PRC.

3. The administrative charges charged by TCL Corporation Group shall be no less favourable than those charged by independent third parties for the purpose of importing Overseas Materials for the Group, which shall be determined based on comparable market rates. 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.

#### 4. Master Supply Agreement

The Company has entered into the Master Supply (Renewal) Agreement which is expiring on 31 December 2011. As it wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Supply Agreement, the terms of which are substantially the same as the said renewal master agreement.

Set out below are the major terms of the Master Supply Agreement:

Date: 26 October 2011

Parties: (i) the Company (for itself and on behalf of its Subsidiaries)  
(ii) TCL Corporation (for itself and on behalf of its Subsidiaries)

Duration: Three years from 1 January 2012 to 31 December 2014

Major terms: **Sourcing of Goods**

The Company shall procure its Subsidiaries to favourably consider purchasing part of the Group's required Goods produced or manufactured in the PRC from 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, which shall be determined based

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## LETTER FROM THE BOARD

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on comparable market rates and practices, and are capable of meeting the timeline, quality and quantity of the relevant order placed.

TCL Corporation shall procure the relevant members of TCL Corporation Group and the TCL Associates to sell to the relevant members of the Group the requested Goods.

### **Sale of Goods**

If the relevant member of TCL Corporation Group and the TCL Associates (as the case may be) requests or makes a written offer to any member of the Group to purchase from the Group any Goods for its business including distribution re-sale or otherwise, the Company shall procure its Subsidiaries to favourably consider offering to supply to or accepting such offer to purchase made by relevant member of 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 TCL Corporation Group and the TCL Associates (as the case may be) are no less favourable than terms available to the Group from independent third parties, which shall be determined based on comparable market rates and practices.

TCL Corporation Group and the TCL Associates are 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.

### **5. Master Financial Services Agreement**

The Company has entered into the Financial Services Framework (Renewal) Agreement which is expiring on 31 December 2011. As it wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Financial Services Agreement, the terms of which are substantially the same as the said renewal framework agreement. Apart from the existing services provided under the Financial Services Framework (Renewal) Agreement, Finance Company intends to further provide secured loans to TCL Multimedia Qualified Members (i.e. loans which are secured by cash or bank instruments of TCL Multimedia Qualified Members with Finance Company).



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## LETTER FROM THE BOARD

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Set out below are the major terms of the Master Financial Services Agreement:

- Date: 26 October 2011
- Parties: (i) the Company (for itself and on behalf of its Subsidiaries)  
(ii) TCL Corporation (for itself and on behalf of its Subsidiaries)  
(iii) Finance Company
- Duration: Three years from 1 January 2012 to 31 December 2014
- Major terms: **Deposit Services**

Any TCL Multimedia Qualified Member may from time to time and in its absolute discretion 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, which are determined based on the standard rates published by the PBOC from time to time, shall not be lower than the interest rates offered by other independent financial institutions from time to time. The deposit rates currently adopted by Finance Company are also the same as the standard rates published by the PBOC from time to time. Other terms and conditions offered by Finance Company as a whole shall also not be less favourable 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 Master Financial Services Agreement, the maximum amount of loans, financing and guarantees available under the facility line provided by Finance Company and/or TCL Corporation to the TCL Multimedia Qualified Members shall not be less than the total amount of deposits (including normal cash deposit and deposit of cash or bank instruments as security) 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:

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## LETTER FROM THE BOARD

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

### **Financing Services**

Any TCL Multimedia Qualified Member may from time to time and in its absolute discretion request any Financing Services from Finance Company.

If Finance Company decides to provide any Financing Services to a TCL Multimedia Qualified Member, the interest rates charged by Finance Company shall not be higher than the interest rates charged by other independent financial institutions from time to time in respect of similar services, and the other terms and conditions offered by Finance Company in respect of the Financing Services as a whole shall not be less favourable than those offered by other independent financial institutions and shall be on normal commercial terms.

Finance Company and the relevant TCL Multimedia Qualified Member may enter into specific agreements in respect of any Financing Services to be provided with a view to setting out the detailed terms of the transactions.

Finance Company may request TCL Multimedia Qualified Member(s) to provide some form of security to Finance Company in respect of the Financing Services provided by Finance Company.

### **Other Financial Services**

Any TCL Multimedia Qualified Member may from time to time and in its absolute discretion request Finance Company to provide Other Financial Services, including financial advisory services, settlement advisory services, insurance agency services, agency lending and borrowings and any other services approved by the China Banking Regulatory Commission.

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## LETTER FROM THE BOARD

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The fees charged by Finance Company in respect of Other Financial Services shall not be higher than the fees determined by PBOC (if applicable) and the fees charged by other independent financial institutions in respect of such services. Other terms and conditions of Other Financial Services offered by Finance Company shall not be less favourable than those offered by other independent financial institutions and shall be on normal commercial terms.

The relevant TCL Multimedia Qualified Member may determine in its absolute discretion to use Other Financing Services provided by Finance Company or any other independent financial institutions.

The relevant TCL Multimedia Qualified Member may enter into separate written agreements with Finance Company in relation to the provision of the specific services under Other Financial Services with a view to setting out the detailed terms of the transactions, as long as such terms comply with the requirements of the Listing Rules.

TCL Corporation's undertakings:

TCL Corporation undertakes to the Company that:

1. it will procure Finance Company to perform its obligations under the Master Financial Services Agreement; and
2. in case Finance Company experiences any financial difficulties, TCL Corporation will, subject to internal approvals and the applicable rules and regulations, inject capital to Finance Company based on the needs of Finance Company.

As the applicable percentage ratios in relation to the Deposit Services exceed 25%, in addition to being continuing connected transactions, the Deposit Services also constitute a major transaction for the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

### **6. Master Service Agreement**

A Subsidiary of the Group has entered into the Service Agreement whereby an associate of TCL Corporation Group has agreed to provide the Subsidiary of the Group with certain services in respect of production and sale of internet televisions. The Service Agreement will expire on 10 December 2013. As in the future, other members of TCL Corporation Group may provide similar services to other members of the Group, for streamlining and better management of the Company's continuing connected transactions, the Company and TCL Corporation had on 26 October 2011 entered into the Master Service Agreement to replace the Service Agreement.

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## LETTER FROM THE BOARD

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Set out below are the major terms of the Master Service Agreement:

- Date: 26 October 2011
- Parties:
- (i) the Company – client (for itself and on behalf of its Subsidiaries)
  - (ii) TCL Corporation – service provider (for itself and on behalf of its Subsidiaries)
- Duration: Three years from 1 January 2012 to 31 December 2014
- Major terms: At the request of the Group, TCL Corporation shall procure members of TCL Corporation Group to provide the Group with:
- (i) certain basic services (“Basic Services”) in respect of the production and sale of the internet televisions, including, among other things, planning, research and development, presale training, market research and promotion, contents update, interface design, technical support, call centre and maintenance of the system of internet television products; and
  - (ii) value added services (“Value Added Services”) to end users including but not limited to provision of electronic magazines, products for educational purposes and games.

For the avoidance of doubt, the Group is entitled to use similar services provided by other independent service providers.

Price determination, payment terms and profit distribution: In respect of the Basic Services provided by TCL Corporation Group, the Group shall pay to TCL Corporation Group a standard software fee for each internet television involved at a rate to be calculated based on actual costs incurred by TCL Corporation Group for related operations. The standard software fee would only be revised with the consent of the parties. The total number of internet televisions involved shall be calculated each month and the standard software fee payable shall be settled within 3 months.

In respect of the Value Added Services provided by TCL Corporation Group, the content income for the value added services obtained by TCL Corporation Group, after deducting the content purchase costs and the distribution payable to other third parties, shall be shared equally between the Group and TCL Corporation Group.

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## LETTER FROM THE BOARD

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### HISTORICAL VALUES AND ANNUAL CAPS

The following table sets out the respective actual amounts of the continuing connected transactions as described above for the two years ended 31 December 2010 and the six months ended 30 June 2011, and the respective annual caps for the three years ending 31 December 2011:

		For the year ended 31 December 2009 (audited) HK\$'000	For the year ended 31 December 2010 (audited) HK\$'000	For the six months ended 30 June 2011 (unaudited) (for actual amount only)/for the year ending 31 December 2011 (for original annual cap only) HK\$'000
<b>Continuing Connected Transactions (Note 1)</b>				
<b>1. Master TCL Trademark License Agreement (Note 2)</b>	Actual			
	- aggregate royalty	nil	nil	nil
	- aggregate branding fee reimbursement	82,057	165,451	57,545
	Original annual cap			
	- aggregate royalty	nil	nil	nil
	- aggregate branding fee reimbursement	229,101	372,472	318,866
<b>2. Master Electronic and Electrical Goods Sourcing Agreement (Note 3)</b>	Actual			
	- mainland supply	14,172	69,059	77,595
	- overseas supply	1,973	7,418	9,490
	Original annual cap			
	- mainland supply	57,248	93,688	95,820
	- overseas supply	81,853	91,097	101,284
<b>3. Master Sourcing Agreement</b>	Actual			
	- purchase of Overseas Materials by TCL Corporation Group from the Group	946,269	650,871	285,606
	- sale of Overseas Materials by TCL Corporation Group to the Group	2,231,503	1,632,332	440,863
	Original annual cap			
	- purchase of Overseas Materials by TCL Corporation Group from the Group	1,053,709	1,363,375	1,813,566
	- sale of Overseas Materials by TCL Corporation Group to the Group	2,773,111	2,737,047	2,757,113

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## LETTER FROM THE BOARD

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		For the year ended 31 December 2009 (audited) <i>HK\$'000</i>	For the year ended 31 December 2010 (audited) <i>HK\$'000</i>	For the six months ended 30 June 2011 (unaudited) (for actual amount only)/for the year ending 31 December 2011 (for original annual cap only) <i>HK\$'000</i>
<b>Continuing Connected Transactions (Note 1)</b>				
<b>4. Master Supply Agreement</b>	Actual			
	- Sourcing of Goods	632,947	529,316	363,140
	- Sale of Goods	51,016	285,858	49,285
	Original annual cap			
	- Sourcing of Goods	6,512,800	10,236,653	15,233,428
	- Sale of Goods	1,498,218	1,976,784	2,591,250
<b>5. Master Financial Services Agreement</b>	Actual			
	- Financial service charges	392	443	76
	- Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	791,820	886,902	1,093,485
	Original annual cap			
	- Financial service charges	6,412	8,416	10,624
	- Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	1,386,963	1,764,627	2,776,560
<b>6. Master Service Agreement</b>	Actual			
	- Service Fee	N/A	4,502	15,517
	- Content Income	N/A	nil	nil
	Original annual cap			
	- Service Fee	N/A	17,466	62,365
	- Content Income	N/A	nil	2,399

*Note 1:* For easy comparison of the historical figures and the proposed annual caps, names of the new master agreements are used herein.

*Note 2:* No royalty was payable by the TTE Group for the two years ended 31 December 2010 and the six months ended 30 June 2011 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.

*Note 3:* Here includes the actual amounts and original annual caps of the Master Overseas Supply Agreement (as extended) and the Master Mainland Supply Agreement.

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## LETTER FROM THE BOARD

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### PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the following agreements:

Continuing Connected Transactions		For the	For the	For the	
		year ending 31 December 2012 <i>HK\$'000</i>	year ending 31 December 2013 <i>HK\$'000</i>	year ending 31 December 2014 <i>HK\$'000</i>	
1.	Master TCL Trademark License Agreement <i>(Note 1)</i>	– aggregate royalty – aggregate branding fee reimbursement	nil 388,807	nil 466,678	nil 560,496
2.	Master Electronic and Electrical Goods Sourcing Agreement		514,979	596,206	687,498
3.	Master Sourcing Agreement	– purchase of Overseas Materials by TCL Corporation Group from the Group – sale of Overseas Materials by TCL Corporation Group to the Group	1,662,181 3,337,989	2,116,577 4,339,823	2,302,137 4,705,676
4.	Master Supply Agreement	– Sourcing of Goods – Sale of Goods	12,234,978 3,178,115	16,790,134 5,772,962	20,612,345 7,668,196
5.	Master Financial Services Agreement	– Financial service charges – Maximum outstanding balances of deposits (including interest receivables in respect of these deposits) (a) normal deposit (b) deposit (cash or bank instruments) as security Sub-total:  – Maximum facility amount (with cash deposit or bank instruments as security) <i>(Note 2)</i>	5,706 3,482,523 3,700,837 7,183,360  3,700,837	7,585 3,775,893 4,324,358 8,100,251  4,324,358	8,741 4,056,154 4,966,297 9,022,451  4,966,297
6.	Master Service Agreement	– service fee – content income Sub-total:	54,758 2,633 57,391	76,554 7,088 83,642	100,770 15,268 116,038

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## LETTER FROM THE BOARD

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*Note 1:* It is expected that no royalty will be payable by the Group under the Master TCL Trademark License Agreement for the three years ending 31 December 2014 as the estimated performance of the Group for the relevant period would not reach the threshold which triggers the royalty payment obligations.

*Note 2:* The facility amount excludes the facility amount without cash or bank instruments as security (“Unsecured Facility Amount”) and other unsecured loans, financing and guarantees available under the facility line (“Other Facility Amount”) provided by Finance Company and/or TCL Corporation to the TCL Multimedia Qualified Members. If the facility amount includes the Unsecured Facility Amount and the Other Facility Amount, the aggregate facility amount will be more than the total amount of deposits (including normal cash deposit and deposit of cash or bank instruments as security) placed by the TCL Multimedia Qualified Members with Finance Company for each of the three years ending 31 December 2014.

### REASONS FOR THE PROPOSED ANNUAL CAPS

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

#### **1. Proposed annual caps for the Master TCL Trademark License Agreement**

Taken into account the sales growth of Multimedia Products in particular in the PRC and the emerging markets, it is still expected that no royalty will be payable by the Group for the three years ending 31 December 2014 as the estimated performance of the Group for the relevant period will not reach the threshold which triggers the royalty payment obligations under the Master TCL Trademark License Agreement. The annual caps in respect of the aggregate branding fee reimbursement for the transaction under the Master TCL Trademark License Agreement are estimated based on (i) the historical sales amount with an expected growth in the next three years with reference to the expected growth in market shares of the Group’s Multimedia 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) the estimated advertising and promotion expenses of the promotion projects intended to be launched during the coming three years, including but not limited to the potential cooperation opportunities in connection with the London Olympics 2012 and the 2014 FIFA World Cup in Brazil and further cooperation with Hollywood movie makers given that the promotional activities of the Hollywood 3D movie “Transformers III” launched earlier this year have received great success.

#### **2. Proposed annual caps for the Master Electronic and Electrical Goods Sourcing Agreement**

The estimated transaction values of the transactions under the Master Electronic and Electrical Goods Sourcing Agreement are determined based on (i) historical amounts of the aggregate of the mainland and overseas supply transactions contemplated under the Master Mainland Supply Agreement and the Master Overseas Supply Agreement (as extended); (ii) the corresponding historical re-sale volume of the TCL Products of the Group; and (iii) the forecast re-sale volume of the TCL Products by the Group in 2012-2014 which has taken into account of the projected increase of approximately 3,800 specialty stores of the Group in 2012.



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## LETTER FROM THE BOARD

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### **3. Proposed annual caps for the Master Sourcing Agreement and the Master Supply Agreement**

The annual caps for the aggregated transactions under the Master Sourcing Agreement and Master Supply 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 TCL Corporation Group); (iii) TCL Corporation Group's projected requirement of raw materials, semi-finished materials and finished goods for its operations, which is expected to increase substantially as its new manufacturing plant for production of LCD panels/modules has started to operate since August 2011. 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 television business.

### **4. Proposed annual caps for the Master Financial Services Agreement**

The proposed annual caps in relation to the Master Financial Services Agreement are determined taking into account the following factors:

- (i) Having been satisfied with the services and the benefits provided by Finance Company such as better interest rates than those available from other financial institutions, it is expected that the balance of deposits with Finance Company will increase;
- (ii) 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;
- (iii) 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;
- (iv) TCL Corporation has been acting as the principal guarantor for the Group in respect of loans and other financing, but with the continuous growth of the Group, it is expected that TCL Corporation may not be able to cater for the demand of the Group, or certain financial institutions also require a guarantor with financial institution license, therefore Finance Company will play an important role for providing guarantee in relation to the Group's borrowings in future; and
- (v) Finance Company intends to provide borrowings secured by cash or bank instruments.

As such, the Company expects to rely more heavily on the services provided by Finance Company.

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## LETTER FROM THE BOARD

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Currently, in addition to utilising the services provided by Finance Company under the Master Financial Services Agreement, the Group also places secured bank borrowings and pledged deposits with independent third-party banks for financing its business operations. Since most of such borrowings are in foreign currencies and the Group needs to maintain such facilities for its daily operation, it may not be realistic for the Group to switch such secured bank borrowings and pledged deposits with independent third-party banks to borrowings and deposits with Finance Company. However, insofar as borrowing in RMB is concerned, provided Finance Company can offer facilities to the Group with not less favourable terms than independent third-party banks, the Group may consider to make better use of the services provided by Finance Company.

### **5. Proposed annual caps for the Master Service Agreement**

The annual caps for the Basic Services of the Master Service Agreement are determined based on its projected production volume and estimated increase in demand of internet televisions in 2012-2014; and the annual caps for the content income are determined based on the estimated demand and income from the Value Added Services in the coming three years starting from 2012.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

### **1. Master TCL Trademark License Agreement**

TCL Corporation Group owns and has registered certain trademarks which are used by the Group for the marketing and distribution of Multimedia Products. Such trademarks are considered to be important for the successful long-term operation of the business of the Group. The Master TCL Trademark License Agreement allows the Group to secure the use of such trademarks over a reasonable period of time at attractive rates.

### **2. Master Electronic and Electrical Goods Sourcing Agreement**

The Master Electronic and Electrical Goods Sourcing Agreement enables the Group to source TCL Products from TCL Corporation Group on normal commercial terms with a view to distributing such TCL Products for profits. It has provided and will continuously provide the Group with an additional source of revenue and margin by capitalising upon its established distribution network of the Group of TCL Products without incurring significant additional overheads; the Group will also benefit from securing a reliable source of high quality TCL Products for re-sale to customers and an additional income will be derived from re-selling the TCL Products to customers by utilising the Group's existing distribution network in the territories concerned.

### **3. Master Sourcing Agreement and Master Supply Agreement**

In respect of the Master Sourcing 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 licenses of certain members of the Group.

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## LETTER FROM THE BOARD

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In respect of the Master Supply 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 Agreement will also 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 will allow the Group to widen its revenue base by supplying Goods to TCL Corporation Group.

#### **4. Master Financial Services Agreement**

The principal purpose of entering into the Master Financial Services Agreement is to provide cost efficient finance and treasury services to all TCL Multimedia Qualified Members. The Company believes that Finance Company, being a financial institution duly established in the PRC and the pricing policies and the operation of which is subject to guidelines issued by the China Banking Regulatory Commission, may also facilitate the TCL Multimedia Qualified Members to obtain cheaper financing from other financial institutions in the PRC by taking advantage of the inter-bank lending rates which Finance Company may enjoy in respect of its own borrowings from other financial institutions. It is expected that the inter-bank interest rates are usually lower than the interest rates of other corporate commercial loans. Finance Company has been providing financial services to the Group 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.

TCL Communication Technology Holdings Limited, a subsidiary of TCL Corporation, has similar deposit service arrangements with Finance Company under a separate master agreement. We understand that there also has not been any repayment problem in respect of the deposits of the qualified members of TCL Communication Technology Holdings Limited and its subsidiaries ("TCL Communication Group") with Finance Company. The Deposit Services and the deposits made by the qualified members of TCL Communication Group with Finance Company are guaranteed by TCL Corporation.

#### **5. Master Service Agreement**

By entering into the Master Service Agreement, the Group is able to utilise the resources of TCL Corporation Group to develop the Group's business in the production and sale of the internet television products. Further, the Group is able to obtain additional income from the Master Service Agreement as it is agreed that the content income of the value added services obtained by TCL Corporation Group, after deducting the content purchase costs and the payment or distribution to other third parties, shall be shared equally between the Group and TCL Corporation Group.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DEPOSIT SERVICES

Generally, the interest rate on the deposit of the Company to be placed in Finance Company will be same as the interest rate to be given by other banks and financial institutions in the PRC. As a result of better business performance of the Group, the Company expects more cash will be available for deposit with Finance Company in 2012-2014. Therefore, it expects that there will be an increase in interest income to be earned from Finance Company in the same period. However, given that the interest income earned from Finance Company in the past years, which are in the sums of approximately HK\$3,459,000 and HK\$3,440,000 for the two years ended 31 December 2010 respectively, only represent a small proportion of its earnings and net assets, the Company anticipates that the interest income to be earned from the deposits will not have any material impact on its corresponding earnings and net assets.

### LISTING RULES REQUIREMENTS

Notwithstanding that Mr. LI Dongsheng has a 5.42% shareholding in TCL Corporation, Mr. LI is not considered as having a material interest in the Non-exempt Transactions as he does not have a controlling interest in TCL Corporation. Accordingly, he was not required to abstain from voting in the Board meeting approving the Non-exempt Transactions. Nevertheless, Mr. LI did not vote in such Board resolutions.

As no Directors have a material interest in the Non-exempt Transactions, none of them were required to nor had abstained from voting at the Board resolutions approving the Non-exempt Transactions.

As some of the applicable percentage ratios with reference to the respective annual caps of the (1) Master TCL Trademark License Agreement, (2) Master Electronic and Electrical Goods Sourcing Agreement, (3) Master Sourcing Agreement, (4) Master Supply Agreement, (5) Master Financial Services Agreement and (6) Master Service Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in relation to the Deposit Services under the Master Financial Services Agreement exceed 25%, in addition to being continuing connected transactions, the Deposit Services under the Master Financial Services Agreement also constitute a major transaction for the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, TCL Corporation, the controlling Shareholder of the Company, currently holds approximately 53.12% of the issued share capital of the Company through TCL Industries. It also owns a 62% direct interest in Finance Company. Accordingly, 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 TCL Industries will abstain from voting for the resolutions in respect of the Non-exempt Transactions and the relevant proposed 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.

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## LETTER FROM THE BOARD

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### 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 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.

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.

The Company shall allow, and shall procure that TCL Corporation shall allow the Company's auditors access to the relevant records for the purpose of the auditors' review of the Non-exempt Transactions.

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## LETTER FROM THE BOARD

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### 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 and Vietnam and distributes its products in all major markets globally. For more information on the Group, please visit its official website at <http://multimedia.tcl.com> (the information that appears in this website does not form part of this 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, telecommunication, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at <http://www.tcl.com> (the information that appears in this website does not form part of this 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.

### ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the Company's announcement dated 30 June 2011 in relation to the appointment of Dr. TSENG Shieng-chang Carter as an independent non-executive Director. In accordance with the Code Provision A.4.2 of Appendix 14 of the Listing Rules and the Corporate Governance Code of the Company, Dr. TSENG will be subject to election by Shareholders at the first general meeting after his appointment, and he will also be subject to retirement by rotation at least once every three years.

If elected, Dr. TSENG will hold office until the conclusion of the annual general meeting of the Company to be held in 2014 in accordance with the articles of association of the Company and the Listing Rules.

Dr. TSENG, aged 62, is currently the Economics Consultant of the Tianjin City Government, the Advanced Consultant of Tianjin Eill and Tianjin TEDA and the Executive Chairman of "Nankai International Business Forum". He also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. He is also a member of the USA-based "Committee of 100".

Dr. TSENG holds a Bachelor of Science in Electrical Engineering from the National Taiwan University in 1970, he then pursued further studies at the University of California in the USA where he received his Master and Doctoral degrees in Computer Science and Electronics Engineering in 1973 and 1976 respectively.

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## LETTER FROM THE BOARD

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Dr. TSENG has over 30 years of experience in the high-tech industry. While in the USA, he worked at PARC (XEROX Research Center) in Silicon Valley and various USA-based companies including Lockheed Aircraft Co. and NRL. He also served as the Founder, General Manager and Vice Chairman of E-Tech in Hsinchu Science & Industrial Park in Taiwan from 1989 to 1997.

Dr. TSENG has also drawn on his rich experience to coaching and mentoring executives and managers in the high-tech arena. In 1998, he set up the “Little Dragon Foundation” with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. He also serves as the overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano-Technology & Engineering.

Dr. TSENG enjoys a good reputation in his professional area. He was awarded the “2004 Distinguished Achievement Award” from CIE (Chinese Institute of Engineers, USA) in recognition of his pioneering work and leadership in high-tech industry and contribution in education on industrial management; he was also invited by “USA Give2Asia Foundation” as an overseas member of the Board of Trustee. In 2008, Dr. TSENG received the national “Friendship Award”, the highest recognition granted to foreign experts in the PRC.

Dr. TSENG served as an independent non-executive director of TCL Corporation, the Company’s ultimate holding company and a company listed on Shenzhen Stock Exchange (Stock Code: 000100) from 20 June 2008 to 20 June 2011. Save as disclosed above, Dr. TSENG at present, and did not in the past three years, hold any directorship in any other listed public companies and does not hold any other position with the Company or any other members of the Group.

There is no service contract for his directorship in the Company. He is appointed for a term commencing from 1 July 2011 to the conclusion of the annual general meeting of the Company to be held in the year of 2014, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Dr. TSENG is entitled to a director’s fee of HK\$300,000 which is determined by the Board based on the recommendation by the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for the positions. However, Dr. TSENG has agreed with the Company that he would waive his director’s fee on the condition that the same amount would be donated to charitable organisations in the name of the Company.

As at the Latest Practicable Date, Dr. TSENG has nil share of the Company and nil option to subscribe shares of the Company.

Save as disclosed above, Dr. TSENG has no interest in the shares of the Company within the meaning of Part XV of the SFO and does not have any relationship with any other directors, senior management or any substantial or controlling shareholders of the Company.

There is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and the Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

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## LETTER FROM THE BOARD

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### EGM

The Company will convene the EGM at Plaza Meeting Room, Regus Business Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 30 December 2011, Friday at 4:00 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 and the election of Dr. TSENG Shieng-chang Carter as an independent non-executive Director. The notice of the EGM is set out on pages 67 to 69 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.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 30 December 2011, 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 29 December 2011.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 32 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 REORIENT Financial Markets Limited, the independent financial advisor, set out on pages 33 to 54 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 REORIENT Financial Markets Limited, the independent financial advisor, 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.



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## LETTER FROM THE BOARD

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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*

The logo consists of the letters "TCL" in a bold, white, sans-serif font, centered within a solid black rounded square.

**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)

8 December 2011

*To: the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF AND/OR REVISING OF EXISTING  
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 8 December 2011 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 REORIENT Financial Markets Limited set out on pages 7 to 31 and pages 33 to 54 of the Circular respectively.

Having taken into account of the advice of REORIENT Financial Markets Limited, the independent financial advisor, 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,  
WU Shihong and TSENG Shieng-chang Carter**  
*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into the circular.*



Suites 1102-03  
Far East Finance Centre  
16 Harcourt Road, Admiralty  
Hong Kong

8 December 2011

*The Independent Board Committee and the Independent Shareholders*  
TCL Multimedia Technology Holdings Limited

Dear Sirs,

### **RENEWAL OF AND/OR REVISING OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Non-exempt Transactions and their respective proposed annual caps for the three years ending 31 December 2014, details of which are set out in the circular of the Company dated 8 December 2011 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

As at the Latest Practicable Date, TCL Corporation owned approximately 53.12% of the issued share capital of the Company and was the controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. The Non-exempt Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Non-exempt Transactions and their respective proposed annual caps are subject to approval by the Independent Shareholders at the EGM by way of poll. TCL Corporation is materially interested in these transactions. TCL Corporation and the TCL Associates shall abstain from voting at the EGM. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF, Ms. WU Shihong and Dr. TSENG Shheng-chang Carter, has been established to give advice and recommendation to the Independent Shareholders in relation to the Non-exempt Transactions and their respective proposed annual caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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REORIENT Financial Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Non-exempt Transactions and their respective proposed annual caps are fair and reasonable and whether the Non-exempt Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 26 October 2011, the Circular and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, TCL Corporation, Finance Company and their respective associates.

### **PRINCIPAL FACTORS CONSIDERED**

In formulating our opinion on the Non-exempt Transactions and their respective proposed annual caps, we have taken into consideration the following principal factors:

#### **Background and reasons for the Non-exempt Transactions**

##### *Financial Information of the Group*

The Group's turnover and results by business segments for the years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2010 and 2011 are summarised below, which are extracted from the respective annual reports and results announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>For the nine months ended 30 September</b>		<b>For the year ended 31 December</b>		
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>					
Television – PRC market	13,019,510	10,751,216	15,790,369	15,864,796	11,619,265
Television – Overseas markets	5,861,135	5,111,092	6,878,761	10,424,690	10,741,764
Audio-visual products	3,194,080	2,637,549	3,573,778	3,819,373	2,843,053
Others	441,824	595,097	705,719	233,691	569,240
	<u>22,516,549</u>	<u>19,094,954</u>	<u>26,948,627</u>	<u>30,342,550</u>	<u>25,773,322</u>
<b>Segment results</b>					
Television – PRC market	436,878	(692,907)	(492,021)	506,224	639,456
Television – Overseas markets	(83,094)	(183,795)	(344,994)	96,032	(217,103)
Audio-visual products	83,411	147,518	203,765	192,207	108,555
Others	12,141	68,844	131,600	1,510	(56,161)
	<u>12,436</u>	<u>(658,330)</u>	<u>(109,650)</u>	<u>795,973</u>	<u>(52,253)</u>

### *Background and reasons for the Non-exempt Transactions*

TCL Corporation Group is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of electronic, telecommunications, information technology and electrical products (such as white goods and air conditioners). The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including colour television sets and home networking products. TCL Corporation Group also engages in the manufacturing of LCD televisions/displays but focusing on the commercial sector whilst the Group focuses on the retail sector. Both the Group and TCL Corporation Group principally operate in the PRC. The Group also has businesses in Europe, North America and other emerging markets. Products of the Group and TCL Corporation Group are primarily sold under the “TCL” brand. TCL Corporation Group is also engaged in the sourcing and production of parts and components which the Group may use for the production of Multimedia Products. Accordingly, there are cross-provisions of goods and support services, and use of trademarks between the Group and TCL Corporation Group (and the TCL Associates).

Among members of TCL Corporation Group, Finance Company, which is owned as to 62% by TCL Corporation, 20% by The Bank of East Asia Limited, 14% by the Group and 4% indirectly by TCL Communication Technology Holdings Limited, is principally engaged in the provision of 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 for the Qualified Members. Finance Company has been providing the Deposit Services, the Financing Services and the Other Financial Services to the TCL Multimedia Qualified Members since the establishment of Finance Company in October 2006.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We understand from the Company that the Group has been carrying out, in the ordinary and usual course of its business, various non-exempt continuing connected transactions with TCL Corporation Group, subject to the annual caps and the terms of the respective agreements. Apart from the TCL Trademark License Agreement and the Service Agreement which will expire on 30 July 2024 and 10 December 2013 respectively, the other master agreements regarding the Non-exempt Transactions will expire on 31 December 2011. In order to better manage its continuing connected transactions, the Company on 26 October 2011 renewed and, where applicable, revised the relevant agreements so that, subject to the Independent Shareholders' approval, all these agreements regarding the Non-exempt Transactions would expire concurrently on 31 December 2014.

### Master TCL Trademark License Agreement

The Group is the arm of TCL Corporation responsible for the Multimedia Product business. A majority of the Group's products are marketed under the "TCL" trademark owned by TCL Corporation. The Company believes that such trademark is important to the success of the business of the Group and has been obtaining the right to use the "TCL" trademark pursuant to the TCL Trademark License Agreement. TCL Corporation, as owner of the "TCL" brand, conducts general brand promotion and marketing campaigns for the "TCL" brand name which benefit members of TCL Corporation Group as well as members of the Group.

The TCL Trademark License Agreement was entered into on 30 July 2004 for a term of twenty years ending on 30 July 2024, unless terminated early. As set out in the letter from the Board in the Circular, the Master TCL Trademark License Agreement replaces the TCL Trademark License Agreement and allows more members of the Group to use the "TCL" trademark for the sale of a wider range of products. The Directors consider that the Master TCL Trademark License Agreement would continue to allow the Group to secure the use of the "TCL" trademark.

### Master Electronic and Electrical Goods Sourcing Agreement

The Group has been sourcing TCL Products from TCL Corporation Group on normal commercial terms with a view to distributing such TCL Products through the Group's distribution network overseas and in the PRC. Such arrangement provides the Group with an additional source of revenue and gross profit by capitalising upon its distribution network and leveraging upon the product range of TCL Corporation Group. We understand from the Company that the Group distributes TCL Products through, among others, its specialty stores in the PRC while TCL Corporation Group mainly distributes TCL Products through distribution networks such as Suning, GOME and department stores in the PRC and its on-line store. As at 30 September 2011, the Group has approximately 1,143 specialty stores in the PRC. The Group has planned to increase its number of specialty stores in the PRC to approximately 1,300 and 5,100 in 2011 and 2012 respectively.

The purchases of TCL Products by the Group are currently governed by the Master Mainland Supply Agreement and the Master Overseas Supply Agreement (as extended). The two agreements will expire on 31 December 2011. The Company has decided to consolidate the two agreements and entered into the Master Electronic and Electrical Goods Sourcing Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Master Sourcing Agreement

A majority of the Group's production activities and sales is in the PRC. As part of its production, the Group has to use certain parts and components sourced overseas. However, the Group does not have the required license to import parts and components from overseas suppliers. Even if the Group has the necessary import license, the business licenses of certain members of the Group require that these members may only sell their products in the PRC if such products are manufactured only using raw materials purchased in the PRC. Directly importing Overseas Materials may risk such members of the Group not being able to sell their products in the PRC. In addition, TCL Corporation Group may be able to obtain a longer credit period for some purchases, such as imported LCD panels which are key components for LCD television production. The Company considers that the Master Sourcing Agreement enables the Group (i) to make use of TCL Corporation's import license to purchase the Overseas Materials; and/or (ii) to indirectly obtain a longer credit period from suppliers. The Directors believe that it would be more cost-effective to purchase the Overseas Materials through/from TCL Corporation Group as the present arrangement helps avoid any fixed cost investments and has been working well.

### Master Supply Agreement

#### *Sourcing of Goods*

The Group sources parts and components such as LCD panels and open cell modules manufactured by TCL Corporation Group from TCL Corporation Group for the production of the Multimedia Products. The Group also from time to time purchases certain goods, such as electric fans and cookers, from TCL Corporation Group or the TCL Associates as gifts to customers for promotion purposes.

We understand the Directors consider that the Sourcing of Goods will continue to facilitate a smooth operation of the Group's business by providing a stable and reliable source of supply of materials, parts and goods necessary for the Group's manufacture of the Multimedia Products and the sales operations.

#### *Sale of Goods*

The Group sells Goods, including Multimedia Products and parts and components, such as custom-made LCD televisions and LCD modules manufactured by the Group to TCL Corporation Group and the TCL Associates.

TCL Corporation Group and the TCL Associates distribute various "TCL" branded products through, among others, the TCL on-line store (<http://shop.tcl.com>). With regard to Multimedia Products sold on the TCL on-line store, TCL Corporation Group and the TCL Associates will purchase such products from the Group. The Group has not established its own on-line store and believes that it will be better if there is only one single on-line store selling various "TCL" branded products. TCL Corporation Group, the controlling shareholder, has already established an on-line store, the Company considers that it would be more efficient to sell its Multimedia Products to TCL Corporation Group and the TCL Associates for sale via the established on-line store.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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TCL Corporation Group or the TCL Associates purchase parts and components from the Group for manufacture of the Goods, including principally commercial LCD televisions/displays, and LCD modules for sale to independent third party television manufacturers.

In respect of the Sale of Goods, it provides the Group with flexibility in managing surplus materials (if any) and an additional income source.

### Master Financial Services Agreement

It is part of the ordinary and usual treasury activities of the Group to deposit money with financial institutions. Finance Company is a PRC financial institution duly established in the PRC approved by the China Banking Regulatory Commission and the pricing policies and the operation of which are subject to guidelines issued by the China Banking Regulatory Commission.

The Group also uses various loans and trade finance facilities provided by different financial institutions to support its operation. The Company believes that Finance Company, being a fellow subsidiary of the Company controlled by TCL Corporation, is 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, Finance Company may be able to service the Group more efficiently.

We understand from the Company that a purpose of entering into the Master Financial Services Agreement is to provide cost efficient finance and treasury services to all TCL Multimedia Qualified Members. Finance Company is a financial institution in the PRC. This status may help lower the financing cost of the whole group of TCL Corporation and its associates, including the TCL Multimedia Qualified Members as Finance Company may be able to enjoy inter-bank borrowings based on inter-bank lending rates. It is expected that the inter-bank interest rates are usually lower than the interest rates of other corporate commercial loans.

### Master Service Agreement

An associate of TCL Corporation Group has been providing a subsidiary of the Company with (i) certain basic services in respect of the production and sale of internet televisions, including but not limited to planning, research and development, market research and development and technical support (the “Basic Services”); and (ii) value added services to users of the internet televisions, including but not limited to provision of electronic magazines, products for educational purposes and games (the “Value Added Services”).

The Group launched internet televisions in the PRC during the fourth quarter of 2009. We understand from the Company that the arrangements under the Master Service Agreement would allow the Group to leverage on TCL Corporation Group’s expertise and experience on information technology. The Group can minimise its initial capital outlays in this business line and focus its resources in production and sale of internet televisions. In addition, the Group can enjoy additional income from sharing the content income in respect of the Value Added Services.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Master Service Agreement replaces the Service Agreement and allows more members of the Group to secure the Basic Services and the Value Added Services from more members of TCL Corporation Group. The Directors consider that the Master Service Agreement would continue to allow the Group to (i) utilise the resources of TCL Corporation Group to develop the Group's business in the production and sale of internet television products; and (ii) obtain additional revenue by sharing income from the provision of Value Added Service with TCL Corporation Group.

Having considered the above, we agree with the Directors' view that the Non-exempt Transactions are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

### Major terms of the Non-exempt Transactions

#### Master 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-sub-licensable and non-transferable license to use its registered trademark "TCL" (the "Licensed Trademark") for the manufacture, production, sale and distribution of the Multimedia Products (as compared with television products under the existing TCL Trademark License Agreement) all over the world. In addition, the existing TCL Trademark License Agreement only allows members of the TTE Group to use the Licensed Trademark whilst all members of the Group will have the right to use the Licensed Trademark under the Master TCL Trademark License Agreement.

The Group shall pay to TCL Corporation royalties which shall be calculated based on the net sales of the Multimedia Products of the Group bearing the Licensed Trademark and the applicable pre-agreed royalty rates ranging from 0% to 1.5% depending on the territories and performance of the Group.

We understand that there are different bases of charging brand royalty. Sales revenue is one of the bases. As a reference, we set out below information regarding certain continuing connected transactions involving granting of trademark license (with royalty fee calculated based on sales revenue) of which we are aware as announced by companies listed on the Main Board of the Stock Exchange in the last year prior to the date of the Master TCL Trademark License Agreement (the "Comparable Transactions").

Announcement date	Stock code	Company	Business	Royalty fee %	Basis of calculation
22-Mar-11	142	First Pacific Company Limited	Telecommunication, consumer food products, infrastructure and natural resources	1%	Based on net sales value
6-Apr-11	81	China Overseas Grand Oceans Group Ltd.	Display solutions provider	1%	Based on audited annual turnover
		<b>The Company</b>		0% – 1.5%	Based on net sales value, no royalty fee is payable if EBIT margin is less than 3%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note from the above table that whilst the maximum royalty rate charged by TCL Corporation is higher than the royalty rates of the Comparable Transactions, the companies under the Comparable Transactions are required to pay a fixed royalty fee at 1% irrespective of their profitability. The applicable pre-agreed royalty rates payable by the Group are on an escalating scale, ranging from 0% to 1.5%.

Under the Master TCL Trademark License Agreement, the Group is not required to pay any royalty if its EBIT margin is less than 3%. The Group did not meet the EBIT margin threshold in the past three years and does not expect to be able to meet such threshold for the three years ending 31 December 2014. No cap is being proposed for any royalty payable under the Master TCL Trademark License Agreement. It is expected that, save for the branding promotional expense reimbursement to TCL Corporation, the Group will continue to have the right to use the Licensed Trademark for free.

TCL Corporation, as owner of the Licensed Trademark, will conduct general brand promotion and marketing in respect of the Licensed Trademark. The Group shall reimburse TCL Corporation a relevant portion of the cost and expenses 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 which in any event shall be 1.5% of the aggregate annual net sales of the related Multimedia Products bearing the Licensed Trademark and 0.25% of the aggregate annual net sales of OEM products for the relevant year. Such percentages may be varied from time to time with the written mutual consent of the Company and TCL Corporation.

The Group is a major revenue contributor of TCL Corporation. Sales of the Group represented approximately 43.7% of the total sales of TCL Corporation for the nine months ended 30 September 2011. Brand awareness and recognition is very important to the continual success of the Group, as well as other members of TCL Corporation Group. In the past two years, TCL Corporation Group only charged the Group the minimum charges of reimbursement under the TCL Trademark License Agreement amounting to HK\$82.1 million for the year ended 31 December 2009 and HK\$165.5 million for the year ended 31 December 2010. We understand from the Company that the branding reimbursement paid to TCL Corporation is much less than the actual amount of branding expenses incurred by TCL Corporation Group. We understand that significant branding marketing campaigns like the London Olympics 2012 and 2014 FIFA World Cup in Brazil are proposed to be carried out during the term of the Master TCL Trademark License Agreement.

The Directors consider that branding promotion is one of the very significant factors affecting the business development of the Group, it is fair and reasonable for the Group to contribute to the branding activities.

### Master Electronic and Electrical Goods Sourcing Agreement

TCL Corporation shall sell and procure members of TCL Corporation Group to sell and the Company shall purchase and procure members of the Group to purchase the TCL Products in accordance with individual sale and purchase contracts to be agreed and entered into by the relevant member of TCL Corporation Group and the relevant member of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The terms (including price and payment terms) of the individual sale and purchase contracts shall be agreed between the parties based on normal commercial terms after arm's length negotiations and with reference to the fair market price ranges of products comparable to the TCL Products offered in the market as at the time when the relevant sale and purchase is performed. If no comparable transactions are available for references, the terms shall be no less favourable than those available to or from independent third parties for provision of products similar to the TCL Products.

The relevant member of the Group can demand the relevant member of TCL Corporation Group to purchase back the TCL Products at the original price the Group purchases the related goods from TCL Corporation Group if such goods remain unsold to third parties for six months. This provision allows the Group control its business risk and thus benefits the Group.

### Master Sourcing Agreement

TCL Corporation Group (i) acts as an intermediary for the Group to purchase and import the required Overseas Materials from the Company's Subsidiaries outside the PRC and/or from independent third parties (as designated by the Group) outside the PRC; and (ii) sells such Overseas Materials to the Company's nominated Subsidiaries in the PRC as a local supplier.

In respect of the purchase of the Overseas Materials by TCL Corporation Group from the Company's Subsidiaries outside the PRC, the Group charges TCL Corporation Group the costs of the Overseas Materials to the Group.

In respect of the sale of the Overseas Materials by TCL Corporation Group to the Company's nominated Subsidiaries in the PRC, TCL Corporation Group charges the Group the cost of the Overseas Materials to TCL Corporation Group (i.e. the cost charged by the Group or independent third parties designated by the Group to TCL Corporation Group as mentioned above) plus all import duties payable by TCL Corporation Group and an administrative charge covering import administrative expenses, insurance fees and all out-of-pocket expenses incurred by TCL Corporation Group relating to the import of the relevant Overseas Materials into the PRC. The administrative charges charged by TCL Corporation Group are determined based on prevailing market rates charged by other similar intermediaries and shall be no less favourable than those charged by independent import agents.

### Master Supply Agreement

#### *Sourcing of Goods*

The Company shall procure its subsidiaries to favourably consider making purchases of (i) parts and components for production of the Multimedia Products; and (ii) other products of 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 TCL Corporation Group and the TCL Associates to sell to the Group the requested Goods.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Sale of Goods*

The Company shall procure that its subsidiaries sell the Group's Multimedia Products and parts and components 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 TCL Corporation Group and the TCL Associates are no less favourable than terms available to the Group from independent third parties. 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.

Subject to the guiding principles as aforesaid, the relevant parties will negotiate on the detailed terms of contract (including payment terms) and enter into individual sale contracts for the sale and purchase of the goods manufactured by TCL Corporation Group, parts and components and/or the Multimedia Products.

### Master Financial Services Agreement

#### *Deposit Services*

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. Other terms and conditions offered by Finance Company as a whole shall not be less favourable 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 Master Financial Services Agreement, the maximum amount of loans, financing and guarantees available under the facility line provided by Finance Company and/or TCL Corporation to the TCL Multimedia Qualified Members shall not be less than the total amount of deposits (including normal cash deposit, pledged deposit of cash and other bank instruments such as letter of credit as security) 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:

- (a) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it and/or any financing provided to it by Finance Company and/or TCL Corporation; and/or
- (b) transfer the right mentioned in (a) above to other TCL Multimedia Qualified Members; and/or
- (c) request TCL Corporation to repay immediately the outstanding deposit amount on behalf of Finance Company in full.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As mentioned in the preceding paragraphs, Finance Company is established in the PRC and approved by the China Banking Regulatory Commission to provide, among others, deposit taking services in the PRC and is subject to the relevant regulations in the PRC. The standing of Finance Company as a financial institution in the PRC is subject to review by the China Banking Regulatory Commission from time to time. The TCL Multimedia Qualified Members have been obtaining the Deposit Services from Finance Company since October 2006 and there has not been any problem with deposits repayment by Finance Company. TCL Communication Technology Holdings Limited has similar deposit service arrangements with Finance Company under a separate master agreement. We understand that there also has not been any repayment problem in respect of the deposits of the qualified members of TCL Communication Technology Holdings Limited and its subsidiaries (“TCL Communication Group”) with Finance Company. The Deposit Services and the deposits made by the qualified members of TCL Communication Group with Finance Company are guaranteed by TCL Corporation. We have reviewed the financial information of TCL Corporation and its subsidiaries (“TCL Group”), the Group and TCL Communication Group as at 30 September 2011. We note that the balances of cash deposits, net current assets and net assets of TCL Group excluding the Group and TCL Communication Group are higher than the aggregate amount of the proposed annual caps for the Deposit Services and the proposed annual caps for deposits by the qualified members of TCL Communication Group with Finance Company.

In view of the above, including, among other things, the respective financial position of Finance Company and TCL Corporation, we consider that Finance Company and TCL Corporation would be able to satisfy the repayment of deposits made by the Group with Finance Company.

### *Financing Services*

The interest rates (or fees) charged by Finance Company shall not be higher than the interest rates (or fees) charged by other independent financial institutions from time to time in respect of similar services, and the other terms and conditions offered by Finance Company in respect of any Financing Services as a whole shall not be less favourable than those offered by other independent financial institutions and shall be on normal commercial terms.

Whilst part of the deposits of the Group with Finance Company will be pledged against loans and utilised trade finance facilities provided by Finance Company to the Group, the Group also has the right to set off any loan obligations owing by the Group to Finance Company if Finance Company fails to repay the Group in respect of any deposit on a dollar-for-dollar basis. As a term of the Master Financial Services Agreement, the aggregate maximum amount of loan and other facilities (secured and unsecured) provided by Finance Company and/or TCL Corporation to the Group shall be greater than the aggregate amount of deposits the Group makes with Finance Company.

### Master Service Agreement

In respect of the Basic Services provided by TCL Corporation Group, the Group shall pay to TCL Corporation Group a standard fee of (i) RMB20 for each normal internet television; and (ii) RMB12 for each basic-type (agricultural-type) internet television. The standard fee is determined based on actual costs incurred by TCL Corporation Group for related operations and was negotiated on an arm’s length basis between the Company and TCL Corporation and would only be revised with the consent of the parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In respect of the Value Added Services provided by TCL Corporation Group, TCL Corporation Group charges users of the internet televisions fees based on the amount and/or nature of items purchased. The content income earned by TCL Corporation Group, after deducting the content purchase costs and the distribution payable to other third parties, shall be shared equally between the Group and TCL Corporation Group.

Based on the information provided by the Company, we note that TCL Corporation and an independent television manufacturer in the PRC entered into an agreement, the terms of which are similar to those of the Master Service Agreement, under which TCL Corporation has been (i) providing the Basic Services and charging such independent third party the same standard fees; and (ii) providing the Value Added Services and sharing with such independent third party the content income equally.

In order to assess the fairness and reasonableness of the terms of the Non-exempt Transactions, we have considered the following major points.

- (i) We have reviewed the relevant agreements regarding the Non-exempt Transactions and note that each of the agreements renewed or revised (as the case may be) has been entered into on substantially the same terms as its corresponding existing agreement(s). All those agreements require terms of the Non-exempt Transactions be carried out on terms which are comparable to terms which may be available to the Group from independent third parties in respect of the sale of similar goods or provisions of similar services. The terms of the Non-exempt Transactions under the existing related agreements were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 25 November 2008 (except for the Master Mainland Supply Agreement and the Service Agreement which were exempted from the independent shareholders' approval requirement).
- (ii) With regard to the purchase of the TCL Products (under the Master Electronic and Electrical Goods Sourcing Agreement) and goods, and parts and components manufactured by TCL Corporation Group and/or the TCL Associates (under the Master Supply Agreement), we have compared, on a random basis, the unit selling prices to the Group to the prices of similar products from independent third parties during the year ended 31 December 2010 and the six months ended 30 June 2011. We note that the unit selling prices offered by TCL Corporation Group and/or the TCL Associates were lower than those offered by the independent third parties based on information provided to us by the Company.
- (iii) With respect to the purchase of the Overseas Materials through TCL Corporation (under the Master Sourcing Agreement), the Company has provided information about the rate of the administration fee charged by an independent third party providing similar import services. We note that the rate of the administration fee quoted by such independent third party is comparable with the rate charged by TCL Corporation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) With regard to the sale of the Multimedia Products, parts and components (under the Master Supply Agreement) to TCL Corporation Group and/or the TCL Associates, we have compared, on a random basis, the unit selling prices to TCL Corporation Group and/or the TCL Associates to those offered to independent third parties during the year ended 31 December 2010 and the six months ended 30 June 2011. We note that the unit selling prices offered to TCL Corporation Group and/or the TCL Associates were comparable to and no less favourable than those offered to such independent third parties based on information provided to us by the Company.
- (v) With regard to the Deposit Services and the Financing Services (under the Master Financial Services Agreement) provided by Finance Company, we have compared, on a random basis, the interest rates offered by Finance Company to those offered by other independent financial institutions during the year ended 31 December 2010 and the six months ended 30 June 2011. We note that the interest rates offered by Finance Company were comparable to and no less favourable than those offered by such independent financial institutions.
- (vi) With regard to the Basic Services under the Master Service Agreement, we have reviewed the calculation of the actual costs incurred by TCL Corporation Group relating to its provision of the related services. We note that the standard fee payable by the Group is determined based on the actual costs incurred by TCL Corporation Group. In respect of the Value Added Services, we have discussed with the management of the Group and understand that the arrangement of sharing of the content income equally is negotiated between the Company and TCL Corporation on the basis that the internet television business is jointly operated by the Group and TCL Corporation Group.

Having considered the above, we consider that the terms of the Non-exempt Transactions are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### The Proposed Annual Caps

Set out below is a summary of the historical transaction amounts for each type of the Non-exempt Transactions for the two years ended 31 December 2010 and the six months ended 30 June 2011 as well as the respective proposed annual caps for the three years ending 31 December 2014:

	Historical figures			Proposed annual caps		
	Year ended 31 December		Six months ended 30 June	Year ending 31 December		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
<b>Master TCL Trademark Licence Agreement</b>						
- aggregate royalty ( <i>Note 1</i> )	nil	nil	nil	nil	nil	nil
- aggregate branding fee reimbursement	82,057	165,451	57,545	388,807	466,678	560,496
<b>Master Electronic and Electrical Goods Sourcing Agreement (<i>Note 2</i>)</b>						
	16,145	76,477	87,085	514,979	596,206	687,498
<b>Master Sourcing Agreement</b>						
- purchase of Overseas Materials by TCL Corporation Group from the Group's overseas members	946,269	650,871	285,606	1,662,181	2,116,577	2,302,137
- sale by TCL Corporation Group to the Group of Overseas Materials (whether the Overseas Materials are purchased from the Group or from independent third parties designated by the Group)	2,231,503	1,632,332	440,863	3,337,989	4,339,823	4,705,676
<b>Master Supply Agreement</b>						
- Sourcing of Goods	632,947	529,316	363,140	12,234,978	16,790,134	20,612,345
- Sale of Goods	51,016	285,858	49,285	3,178,115	5,772,962	7,668,196
<b>Master Financial Services Agreement</b>						
- Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)						
(a) normal deposit	791,820	886,902	1,093,485	3,482,523	3,775,893	4,056,154
(b) deposit (cash or bank instruments) as security ( <i>Note 3</i> )	N/A	N/A	N/A	3,700,837	4,324,358	4,966,297
- Maximum facility amount (with cash deposit or bank instruments as security) ( <i>Note 3</i> )	N/A	N/A	N/A	3,700,837	4,324,358	4,966,297
<b>Master Service Agreement</b>						
- service fee	N/A	4,502	15,517	54,758	76,554	100,770
- content income	N/A	nil	nil	2,633	7,088	15,268



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Notes:*

- (1) There was no royalty fee payable/paid under the TCL Trademark License Agreement (the existing predecessor agreement of the Master TCL Trademark License Agreement) as the actual performance of the TTE Group for the relevant period did not reach the threshold triggering a royalty payment obligation under the TCL Trademark License Agreement. This term remains unchanged in the Master TCL Trademark License Agreement.
- (2) The historical figures of the Master Electronic and Electrical Goods Sourcing Agreement represent the aggregate historical figures of the Master Mainland Supply Agreement and the Master Overseas Supply Agreement (as extended) (the two being the existing predecessor agreements of the Master Electronic and Electrical Goods Sourcing Agreement).
- (3) Under the existing master agreement, loans or trading facilities provided by Finance Company to the Group do not require any security. The above proposed annual caps only relate to secured loans and other facilities which Finance Company may provide to the TCL Multimedia Qualified Members. Under the Master Financial Services Agreement, Finance Company will continue to provide unsecured loans and other finance facilities to the TCL Multimedia Qualified Members.

We note that the proposed annual caps for the Non-exempt Transactions for the three years ending 31 December 2014 were determined primarily based on the business projections of the Group and potential further appreciation of RMB against HK\$ during the relevant periods.

**(i) Business projections**

The respective proposed annual caps for the Master TCL Trademark License Agreement, the Master Electronic and Electrical Goods Sourcing Agreement, the Master Sourcing Agreement, the Master Supply Agreement, the Master Financial Services Agreement and the Master Service Agreement, are estimated with reference to (i) the historical transaction amounts for the two years ended 31 December 2010 and the six months ended 30 June 2011; and (ii) the projected business scale of the Group for the three years ending 31 December 2014. The business projections are prepared by the Company with reference to the anticipated world television consumptions, in particular, the demand for LCD televisions, which are replacing CRT televisions as the more popular television products, and the Group's target to enhance its market share in the global television market, especially the PRC market.

Set out below is a summary of the sales volumes of the Group's televisions for the nine months ended 30 September 2011 and 2010 and the two years ended 31 December 2010:

	<b>For the nine months ended 30 September</b>		<b>For the year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	<i>('000 sets)</i>	<i>('000 sets)</i>	<i>('000 sets)</i>	<i>('000 sets)</i>
<b>LCD televisions*</b>	<b>7,160</b>	<b>5,191</b>	<b>7,464</b>	<b>8,373</b>
Of which: LED backlight				
LCD televisions	2,709	339	843	–
<b>CRT televisions</b>	<b>3,343</b>	<b>4,375</b>	<b>5,548</b>	<b>5,865</b>
<b>Total sales volume of televisions</b>	<b>10,503</b>	<b>9,566</b>	<b>13,012</b>	<b>14,238</b>

\* includes internet televisions

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As set out in the annual report of the Company for the year ended 31 December 2010, the total sales volume of the Group's LCD televisions in 2010 decreased by 10.9% as compared with that of 2009 to 7.5 million sets. The decline was mainly due to (1) the Group missing the opportunity brought by the market transition from CCFL LCD televisions to LED backlight LCD televisions in the first half of the year; (2) the restructuring of the Group's North American markets; and (3) adjustments to the Group's strategic OEM customer base. The Group's sales volume of LCD televisions rebounded in the fourth quarter of 2010, reflecting the success of the implementation of the Group's strategies.

As set out in the Company's results announcement dated 26 October 2011, the Group's monthly sales of LCD television in September 2011 hit a record high of 1.3 million sets, representing an increase of 34.2% year-on-year. The Group adopted a market-oriented marketing strategy with a view to increasing the sales of its LED backlight LCD televisions. The sales volume of the Group's LED backlight LCD televisions rose from 1.4 million sets in the first half to 2.7 million sets for the nine months ended 30 September 2011. The Group's LED backlight LCD television sales increased to 0.6 million sets in September 2011, accounting for 47.2% of its total LCD television sales. The Company told us that the proportion of the Group's LED backlight LCD television sales volume to the Group's LCD television sales volume in the PRC market in September 2011 reached 50.5%. During the nine months ended 30 September 2011, the Group sold 7.2 million sets of LCD televisions, representing a growth of 37.9% as compared with that of the corresponding period last year. The sales of LCD televisions accounted for 68.2% of the Group's television sales in terms of volume, representing an increase of 13.9% as compared with that of the corresponding period last year.

Based on the global television shipments and forecast report issued by DisplaySearch, a leading global market research and consulting firm specializing in the display supply chain, in the second quarter of 2011, total shipments of LCD televisions in the PRC are estimated to be 50.8 million sets, 55.7 million sets and 57.8 million sets for the year ending 31 December 2012, 2013 and 2014, representing an increase of 14.2%, 9.6% and 3.8% year-on-year respectively.

Based on the information provided by the Company, the market share of the Group's LCD television products in the PRC is approximately 14.1% and 15.3% for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively, representing an increase of approximately 8.5%. We note that the Company targets a growth in the Group's market share in LCD televisions in the PRC to approximately 15.2%, 17.4% and 21.2% for the year ending 31 December 2012, 2013 and 2014 respectively which translates into a potential growth of 22.2%, 26.0% and 25.8% in sales volume of the Group's LCD televisions in the PRC to approximately 7.7 million sets, 9.7 million sets and 12.2 million sets in 2012, 2013 and 2014 respectively. The sales volume of the Group's LCD televisions in the PRC amounted to approximately 4.4 million sets for the nine months ended 30 September 2011. The Company would try to achieve the above target market share by (1) an extension of its specialty shop network in the PRC as well as sales overseas; (2) heavier branding and product advertising and promotion campaigns; and (3) enhancements of its product ranges. The growth rates of the Group's market share in LCD televisions in the PRC for the two years ending 31 December 2014 are principally in line with the actual growth rate of the market share of the Group's LCD television in the PRC during the six months ended 30 June 2011 and have taken into account the projected growth in demand of LCD televisions, in particular, LED backlight LCD televisions. As announced by the Company on 9 November 2011, the Group's monthly sales volume of LCD television in October 2011 recorded a total of 958,592 sets which increased by 58.4% year-on-year. The Group's LED backlight LCD television sales volume increased to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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409,424 sets in October, accounting for 42.7% of its total LCD television sales volume which increased by 342.5% year-on-year. 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. The Company also expects the Group's global sales continue to grow in the three years ending 31 December 2014.

On the other hand, according to the report issued by DisplaySearch, it is forecast that total shipments of CRT televisions will be 11.4 million sets, 4.8 million sets and 1.6 million sets for the year ending 31 December 2012, 2013 and 2014, representing a decrease of 51.3%, 57.9% and 66.7% year-on-year respectively. Even though the Directors expect that the Group would be able to maintain its market share of CRT televisions globally, contribution of the sales of CRT televisions to the Group will continue to drop significantly.

The sales of LCD televisions have been increasing and account for a majority of the Group's sales. Whilst the market of LCD televisions is forecast to continue to grow, the market of CRT televisions is expected to shrink. We understand from the Company that most of the materials purchased from TCL Corporation Group and most products sold to TCL Corporation Group relate to LCD televisions. As a result, the volume of the continuing connected transactions is expected to grow in tandem with the substantial targeted growth of the LCD television business during the three years ending 31 December 2014. The continuing connected transactions relating to CRT televisions are expected to decrease.

### *Master TCL Trademark License Agreement*

Though it is forecast to have a significant growth in sales, it is not expected that the television sales will trigger the royalty payment obligations under the Master TCL Trademark License Agreement and the proposed annual caps have not included any amount for royalty payments.

The proposed annual cap in respect of the aggregate branding fee reimbursement is set based on the minimum reimbursement rates under the Master TCL Trademark License Agreement, i.e. 1.5% of the projected sales of TCL branded Multimedia Products using the "Licensed" trademark and 0.25% of the projected sales of the Group's OEM products. The proposed annual cap for the year ending 31 December 2012 of HK\$388.8 million represents approximately a 93.0% increase over the forecast branding fee reimbursement of HK\$201.4 million for the year ending 31 December 2011; the proposed annual cap for the year ending 31 December 2013 of HK\$466.7 million represents approximately a 20.0% increase over the proposed annual cap for the year ending 31 December 2012; and the proposed annual cap for the year ending 31 December 2014 of HK\$560.5 million represents approximately a 20.1% increase over the proposed annual cap for the year ending 31 December 2013. Such growth rates are in line with the projected potential growth in the sales of the Group's LCD televisions in the PRC (being the major driver for the Group's sales) in the next three years. The proposed annual cap for the year ending 31 December 2012 is determined based on the projected sales of the Group for the year. The significant increase over the forecast branding fee reimbursement for the year ending 31 December 2011 is mainly a result of the projected increasing sales which in turn are estimated based on (i) a promising increasing trend of the Group's LCD television sales volume in 2011 as described above; and (ii) an increasing proportion of the Group's sales volume of LCD televisions, which have a higher average selling price than that of CRT televisions. For the nine months ended 30 September 2011, the Group's actual LCD television and CRT television sales volume accounted for approximately 68.2% and 31.8% of the Group's total television

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sales volume respectively. For the year ending 31 December 2012, the Group estimates that its LCD television and CRT television sales volume would account for approximately 82.4% and 17.6% of the Group's total television sales volume respectively.

As mentioned above, apart from the PRC market, the Group will continue its effort on developing overseas markets (in particular those emerging markets) in order to achieve a stronger revenue base and growth. Given the Group's strategy focusing on the manufacture and sale of LCD televisions in the next three years and the market trend, we concur with the Company that it is reasonable to set the annual caps based on the targeting growth of the Group's LCD television business.

We understand that TCL Corporation has various promotion projects intended to be launched during the coming 3 years, including but not limited to the potential cooperation opportunities in connection with the London Olympics 2012, the 2014 FIFA World Cup in Brazil and further cooperation with Hollywood movie makers given the success of the promotional activities of the Hollywood 3D movie "Transformers III" earlier this year. In the past three years, TCL Corporation spent significant amounts in branding promotion. The sales of the Group accounted for about 43.7% of TCL Corporation's sales for the nine months ended 30 September 2011. For the year ended 31 December 2010, the Group's sales accounted for approximately 46.7% of TCL Corporation's sales whilst the reimbursement fee paid to TCL Corporation accounted for approximately 45.6% of the actual amount spent.

### *Master Electronic and Electrical Goods Sourcing Agreement*

The proposed annual caps for the Master Electronic and Electrical Goods Sourcing Agreement are set with reference to (i) the estimated sales of TCL Products, mainly white goods (such as washing machines and refrigerators) and air-conditioners for the three years ending 31 December 2014; and (ii) the growth in number of specialty shops selling "TCL" branded products. It is planned that the number of specialty shops selling "TCL" products will increase to 1,300 and 5,100 in 2011 and 2012 respectively. We have discussed with the management of the Group and understand that the Company targets to continue to grow this revenue line in the next three years. Based on the aggressive distribution expansion plan, the Company proposes higher caps for the three years ending 31 December 2014. The proposed annual caps under the Master Electronic and Electrical Goods Sourcing Agreement increase mainly in line with the target expansion of the distribution network overseas and in the PRC. We consider this basis reasonable in particular after considering the term allowing the Group to sell TCL Products back to TCL Corporation Group at cost if those goods remain unsold for a period of six months after purchase.

### *Master Sourcing Agreement*

The proposed annual caps for the Master Sourcing Agreement are estimated based on the Group's projected sales which are primarily driven by the growth of the Group's LCD television business based on the estimated purchases of diodes and LCD panels, which are major parts and components used in the manufacture of LCD televisions and are imported through TCL Corporation Group on behalf of the Group for the three years ending 31 December 2014. The increase in the proposed annual caps is mainly due to the increase in LCD television production volume during the three years ending 31 December 2014 as a result of the expected growth of the Group's LCD television business.

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The increase in the proposed annual caps for the year ending 31 December 2012 over the estimated sales and purchases of Overseas Materials for the year ending 31 December 2011 is principally due to the increase in the projected production volume of LCD televisions (for both PRC and overseas markets) from approximately 10.0 to 11.0 million sets in 2011 to 16.5 million sets in 2012, representing an increase of approximately 65.0% to 50.0% respectively. The principal reasons for the increase in the forecast sales and production volume of LCD televisions have been discussed in the preceding paragraphs.

### *Master Supply Agreement*

The Company expects that more parts and components will be purchased from TCL Corporation Group and the TCL Associates given the development plan of TCL Corporation Group and that of the Group. The Group has been purchasing different parts and components such as LCD panels and open cell modules from TCL Corporation Group and the TCL Associates for its production needs.

As set out in the circular of the Company dated 18 July 2011, TCL Optoelectronics Technology (Huizhou) Co., Ltd. (“TOT”) is principally engaged in the manufacture and sale of LCD modules for LCD television production. TOT has six LCD modules production lines with a total production capacity of 6 million units a year. In 2010, TOT produced approximately 3.5 million units of LCD modules. TOT has been sourcing LCD panels from an independent supplier. Under the agreement with such independent supplier (expiring in April 2012), all LCD modules produced by TOT are sold to such independent supplier and the Group purchased LCD modules from such independent supplier. We understand from the Company that TOT plans to work with another LCD panel supplier in the PRC, Shenzhen Huaxing Photoelectric Technology Co., Ltd. (“Huaxing Photoelectric”), upon expiry of the existing agreement with such independent supplier. On the other hand, TOT will also become the major LCD module supplier of Huaxing Photoelectric. Huaxing Photoelectric is owned as to 55% by TCL Corporation, 15% by such independent supplier and 30% by Shenzhen municipal government. As set out in the results announcement of the Company for the nine months ended 30 September 2011 dated 26 October 2011, Huaxing Photoelectric commenced production in August 2011. Upon completion of the acquisition of TOT (the “TOT Acquisition”), TOT will become a wholly-owned subsidiary of the Company. Both purchase of LCD panels and open cell modules from Huaxing Photoelectric by TOT and sale of LCD modules to Huaxing Photoelectric by TOT will become part of the Non-exempt Transactions under the Master Supply Agreement.

The Group has been purchasing commercial LCD televisions/displays from TCL Business Systems Technology (Huizhou) Co., Ltd. (“TCL Business Systems”), which is currently 18%-owned by TCL Corporation Group, for re-sale. In addition, the Group has been selling commercial LCD modules to TCL Business Systems for its production of commercial LCD televisions/displays. For the year ended 31 December 2009 and 2010 and for the nine months ended 30 September 2011, sales of commercial LCD modules by the Group to TCL Business Systems amounted to HK\$111.2 million, HK\$341.5 million and HK\$457.5 million respectively. The Company confirms that TCL Business Systems is not a connected person of the Company under the Listing Rules. We understand from the Company that TCL Corporation Group established a new 80%-subsidiary, TCL Business Information Technology (Huizhou) Holdings Limited (“TCL Info Tech”) in October 2011. TCL Corporation Group plans to transfer the existing commercial LCD televisions/displays business of TCL Business Systems to TCL Info Tech by end of 2011. Any purchases and sales of the Group from/to TCL Info Tech thereafter will form part of the Non-exempt Transactions under the Master Supply Agreement. Accordingly, the proposed annual caps have also taken into account the purchases from and sales to TCL Info Tech.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The proposed annual caps under the Master Supply Agreement in respect of the sourcing of goods from TCL Corporation Group are determined mainly based on (i) the estimated purchases of LCD panels from Huaxing Photoelectric by TOT, which will become a member of the Group after completion of the TOT Acquisition; (ii) the estimated purchases of other parts and components for the manufacture of LCD televisions and other products; (iii) purchases of promotional items such as electric fans and cookers from TCL Corporation Group and the TCL Associates; and (iv) the estimated purchases of commercial LCD televisions/displays from TCL Info Tech. We understand that the production needs are estimated based on the projected sales of the Group as explained above in this letter.

In respect of the sales of goods under Master Supply Agreement, the proposed annual caps are primarily determined with reference to (i) the estimated sales of LCD modules to Huaxing Photoelectric by TOT after completion of the TOT Acquisition; (ii) the estimated sales of commercial LCD modules to TCL Info Tech; and (iii) the expected sales of television products for distribution through the on-line store of TCL Corporation during the three years ending 31 December 2014 which is in tandem with the growth in the overall projected sales. The increase in the proposed annual caps for the year ending 31 December 2013 over the proposed annual caps for the year ending 31 December 2012 by approximately 81.6% is mainly because Huaxing Photoelectric has only commenced operation in August 2011. The Group expects that Huaxing Photoelectric's manufacturing operation will increase and reach its full scale in 2013 which in turn will lead to a relatively sharp increase in its demand for LCD modules (in terms of percentage growth) during the said period. The Group also expects that the demand for commercial LCD modules from TCL Info Tech will increase at a faster pace during 2011-2015 in view of the educational reform and development initiatives set out in the 12th Five-Year Plan of the PRC. According to the summary of the 12th Five-Year Plan for National Economic and Social Development, the PRC government plans to accelerate, among others, reform of the educational development, including provision of support to schools located in agricultural/rural areas in the PRC to install/improve information technology facilities. Accordingly, the Group expects that its sales volume of commercial LCD modules for manufacturing of LCD televisions/displays with special features such as touch screen function will increase by approximately 77.8% and 22.0% during the year ending 31 December 2013 and 2014 respectively.

### *Master Financial Services Agreement*

The proposed annual caps for the Master Financial Services Agreement are estimated with reference to the expected growth of the Group's business for the three years ending 31 December 2014, the cash which would be available based on the sales projections and the present level of receivables and payables turnovers and other major planned capital commitment/investments. The Group has been placing pledged RMB deposits and borrowing secured loans with other financial institutions in the PRC in the past years. It is expected that such transactions, in addition to the Deposit Services, may also be undertaken by Finance Company after 1 January 2012 if Finance Company can offer favourable terms and meet the finance needs of the Group. As at each quarter end in 2010 and the first nine months of 2011, the balances of the Group's pledged deposits and secured bank loans were HK\$500.6 million and HK\$956.6 million as at 31 March 2010, HK\$935.0 million and HK\$1,369.7 million as at 30 June 2010, HK\$2,180.7 million and HK\$2,587.9 million as at 30 September 2010, HK\$2,374.3 million and HK\$2,652.3 million as at 31 December 2010, HK\$1,817.7 million and HK\$2,312.1 million as at 31 March 2011, HK\$1,363.2 million and HK\$1,661.0 million as at 30 June 2011, and HK\$511.4 million and HK\$777.0 million as at 30 September 2011, respectively. The secured bank loans were secured by the Group's pledged deposits, bank instruments and fixed assets.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Company's presentation of its third quarterly results for the nine months ended 30 September 2011 on 26 October 2011, the Group recorded a sustained growth in its sales volume of LCD televisions of 61.4% year-on-year during the third quarter to approximately 3.1 million sets and 37.9% year-on-year during the first nine months of 2011 to approximately 7.2 million sets. The target sales volume of LCD televisions for the year ending 31 December 2011 was expected to be approximately 10.2 million sets, representing a 36.7% increase over the actual sales volume of LCD televisions for the year ended 31 December 2010. The target increase in sales would increase the Group's working capital. In addition, new models of televisions, including smart televisions with "cloud concept" and 3D televisions, would be launched in the last quarter of 2011 and thereafter. With the Group's ongoing effort in product-mix optimisation, it is reasonable to set higher proposed annual caps.

### *Master Service Agreement*

The proposed annual caps for (i) the service fee in respect of the Basic Services are determined based on its projected production volume and estimated increase in demand of internet televisions during the three years ending 31 December 2014; and (ii) the content income in respect of the Value Added Services are determined based on the estimated demand and income for such services during the three years ending 31 December 2014.

### **(ii) Appreciation of RMB**

As a majority of sales and costs are denominated in RMB, the proposed annual caps, which are denominated in HK\$, are set after taking into account the possible further appreciation of RMB against HK\$. For the purpose of calculating the respective proposed annual caps, the exchange rates of RMB1.00 to HK\$1.3163, RMB1.00 to HK\$1.4177 and RMB1.00 to HK\$1.5268 are used for the year ending 31 December 2012, 2013 and 2014 respectively. Such forecast exchange rates are estimated with reference to the annual appreciation rate of RMB to HK\$ of approximately 7.7% during the period from September 2009 to August 2011.

In addition to the above, we consider that it is in the interests of the Group to set the proposed annual caps with a reasonable room to accommodate possible fluctuations in the Group's operation, such as an increase in selling prices in the Group's products, an increase in the selling prices of parts and components or a higher general inflation and/or RMB appreciation, provided that the terms of the Non-exempt Transactions are fair and reasonable and the conduct of those transactions complies with the Listing Rules, including annual review by the independent non-executive Directors and the auditors of the Company as required under Chapter 14A of the Listing Rules. Based on the annual reports of the Company for the year ended 31 December 2008, 2009 and 2010, we note that the Company has complied with the relevant requirements under the Listing Rules in respect of its continuing connected transactions.

In assessing the reasonableness of the proposed annual 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. Based on the above analysis, we are of the view that the proposed annual caps for the Non-exempt Transactions have been determined by the Board with reasonable grounds and basis.

Having considered the above, we consider that the proposed annual caps for the Non-exempt Transactions are fairly and reasonably determined.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### CONCLUSION

Having considered the principal reasons and factors discussed above, we are of the view that the terms of the Non-exempt Transactions and their respective proposed annual caps are fair and reasonable and that the Non-exempt Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt Transactions and their respective proposed annual caps.

Yours faithfully,  
For and on behalf of  
**REORIENT Financial Markets Limited**  
**John Maguire**  
*Head of Corporate Finance*



**1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP**

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Company for the years ended 31 December 2010, 2009 and 2008 together with the relevant notes to the financial statements of the Company can be found on pages 68 to 171 of the annual report of the Company for the year ended 31 December 2010, pages 70 to 167 of the annual report of the Company for the year ended 31 December 2009, and pages 68 to 163 of the annual report of the Company for the year ended 31 December 2008. Please also see below the hyperlinks to the said annual reports.

<http://www.hkexnews.hk/listedco/listconews/sehk/20110328/LTN20110328218.pdf>

<http://www.hkexnews.hk/listedco/listconews/sehk/20100401/LTN20100401938.pdf>

<http://www.hkexnews.hk/listedco/listconews/sehk/20090406/LTN20090406515.pdf>

**2. STATEMENT OF INDEBTEDNESS****Borrowings**

As at the close of business of 31 October 2011, the Group had outstanding borrowings of approximately HK\$6,379,926,000, comprising:

- (i) secured bank loans in the amount of approximately HK\$695,277,000;
- (ii) unsecured bank loans in the amount of approximately HK\$2,353,251,000;
- (iii) advances from banks as consideration for discounted bills in the amount of approximately HK\$1,443,330,000;
- (iv) unsecured trust receipt loans in the amount of approximately HK\$265,619,000;
- (v) a loan from an associate in the amount of approximately HK\$163,405,000;
- (vi) a loan from TCL Corporation in the amount of approximately HK\$682,514,000; and
- (vii) a loan from TCL Industries in the amount of approximately HK\$776,530,000.

**Capital commitments and contingent liabilities**

As at 31 October 2011, the Group had capital commitments of approximately HK\$124,985,000 and HK\$568,575,000 which were contracted but not provided for and authorized but not contracted for, respectively.

As at 31 October 2011, guarantees given to banks by the Company in connection with banking facilities granted to its Subsidiaries amounted to HK\$2,771,526,000 and guarantees given to suppliers by the Company in connection with the payment of purchases by its Subsidiaries amounted to HK\$232,959,000.

In addition, the Company provided guarantees to banks in connection with foreign exchange contracts entered into by certain subsidiaries of the Group. As at 31 October 2011, the aggregate notional amount of unsettled foreign exchange contracts and interest rate swaps amounted to approximately HK\$6,600,982,000 and HK\$77,653,000, respectively.

There was also a provision in the amount of HK\$329,189,000 for restructuring and warranties as at 31 October 2011.

#### **Pledge of assets**

As at 31 October 2011, the Group's followings assets were being pledged:

- (i) prepaid land lease payments, buildings and plant and machinery situated in the PRC, which had aggregate carrying amounts of approximately HK\$23,701,000, HK\$250,404,000 and HK\$102,956,000, respectively;
- (ii) time deposits in the amount of approximately HK\$430,142,000; and
- (iii) bills receivable in the amount of approximately HK\$245,610,000.

Save as aforesaid, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 October 2011.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 31 October 2011.

### **3. WORKING CAPITAL**

As at the Latest Practicable Date, after due enquiry and taking into account the internal resources of the Group and the borrowing facilities available to the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular.

#### 4. FINANCIAL AND TRADING PROSPECTS

The global television industry still faces tremendous challenges. Global market demand for televisions slowed down as a result of the PRC's macro-control measures and inflation pressure as well as uncertainties triggered by the sluggish European and American economies. The Group will however proactively take advantages of the increase in per capita income in the PRC's rural markets, the acceleration of urbanization and the demand for the replacement of older television models, demand for mid-to-high end televisions. The Group will endeavour to boost its market share with more highly competitive products and will continue to enhance speed and efficiency in its operations and marketing strategies. While consolidating its leading position in the PRC market, the Group will stay on its path of internationalization, the integration of its global network and resources and the further recognition of synergies generated by vertical integration.

In terms of its television business, the PRC market remains the Group's main growth driver. The Group will optimize its product mix based on market trends in the PRC market and will further expand the sales volume of LED backlight LCD televisions and 3D televisions. The Group will develop smart televisions with "cloud concept" under the Android+ platform as well as high-performance and cost-effective 3D televisions in order to improve its overall competitiveness and profitability. Meanwhile, the Group will continue to strengthen its sales channels in third- to fifth-tier cities and rural markets while developing new businesses so as to expand the Group's overall market share in the PRC market.

While fortifying its business foundation in the PRC market, the Group will also strive to enhance its overseas business by consolidating supply chains as well as reinforcing localized production and procurement in order to optimize the cost structure for the sake of steady and sustainable growth in business development. The Group will continue to increase its sales proportion of LCD televisions and LED backlight LCD televisions, strengthen its channel management and brand promotion, and further develop rapidly-growing emerging markets such as Latin America, the Middle East and Southeast Asia.

In terms of its audio-visual business, the Group will step up research and development in order to explore new product lines such as internet media players, and to vigorously develop TCL-branded products such as satellite boxes. To cope with rising operating costs and the increasingly intense competition, the Group will strive to lower production costs so as to improve the competitiveness of its products.

The acquisition of the entire equity interest in the registered capital of TCL Optoelectronics Technology (Huizhou) Co., Ltd. (completion of which is expected to take place by the end of this year) represents a new phase of the Group's vertical integration at both up- and down-stream of the industry. It will help the Group establish its leading position in the industry chain, deliver strategic support for a stable supply of raw materials and cost control, and improve its overall competitiveness among peers through its cost synergy in the following aspects: (i) lower transportation and packaging expenses; (ii) integration of machinery; (iii) improvement of the electricity efficiency; and (iv) streamline man power requirement.

## 1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## 2. 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 Companies 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	Type of interest	No. of Shares held	Approximate percentage of issued share capital of the Company
LI Dongsheng	Interest of Spouse/ Beneficial owner	30,511,848	2.85%
BO Lianming	Beneficial owner	1,807	0.0002%
ZHAO Zhongyao	Beneficial owner	6,414,000	0.60%
YU Guanghui	Beneficial owner	242,493	0.02%

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

Name of Directors	Type of interest	No. of underlying Shares held	Approximate percentage of issued share capital of the Company
LI Dongsheng	Beneficial owner	7,171,956	0.67%
BO Lianming	Beneficial owner	1,616,057	0.15%
ZHAO Zhongyao	Beneficial owner	8,198,257	0.76%
YU Guanghui	Beneficial owner	697,663	0.07%
XU Fang	Beneficial owner	1,282,110	0.12%
Albert Thomas DA ROSA, Junior	Beneficial owner	330,000	0.03%
HUANG Xubin	Beneficial owner	1,092,529	0.10%
TANG Guliang	Beneficial owner	330,000	0.03%
Robert Maarten WESTERHOF	Beneficial owner	330,000	0.03%
WU Shihong	Beneficial owner	330,000	0.03%

## (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	459,833,600	5.42%
BO Lianming	TCL Corporation	Beneficial owner	802,340	0.01%
ZHAO Zhongyao	TCL Corporation	Beneficial owner	4,743,304	0.06%
XU Fang	TCL Corporation	Interest of Spouse	40,000	0.0005%
LI Dongsheng	TCL Communication Technology Holdings Limited	Interest of Spouse/ Beneficial owner	34,743,756	3.12%
BO Lianming	TCL Communication Technology Holdings Limited	Beneficial owner	65,700	0.01%
YU Guanghui	TCL Communication Technology Holdings Limited	Beneficial owner	740	0.0001%
ZHAO Zhongyao	Huizhou Techne Corporation	Beneficial owner	12,443,000	5.41%
WU Shihong	Huizhou Techne Corporation	Beneficial owner	802,700	0.35%

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

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Type of Interest</b>	<b>No. of underlying Shares held</b>	<b>Approximate percentage of the relevant associated corporation's issued share capital</b>
LI Dongsheng	TCL Communication Technology Holdings Limited	Beneficial owner	9,240,620	0.83%
BO Lianming	TCL Communication Technology Holdings Limited	Beneficial owner	2,388,987	0.21%
XU Fang	TCL Communication Technology Holdings Limited	Beneficial owner	1,511,467	0.14%
HUANG Xubin	TCL Communication Technology Holdings Limited	Beneficial owner	1,870,226	0.17%

Save as disclosed in this paragraph 2, 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.

### 3. 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/Beneficial owner	816,094,475 (Note 1)	76.11% (Note 2)

##### Notes:

1. For the purpose of SFO, (i) TCL Corporation was deemed to be interested in the 569,597,284 Shares through its controlled corporation, TCL Industries (its direct wholly-owned subsidiary) and (ii) TCL Corporation is taken to have interest in 246,497,191 Shares as beneficial owner by virtue of the acquisition agreement dated 27 June 2011 pursuant to which TCL Corporation agreed to subscribe for 246,497,191 Shares, details of which are disclosed in the circular of the Company dated 18 July 2011. As at the Latest Practicable Date, completion of the agreement had not yet taken place.
2. Such percentage was calculated based on the issued share capital of the Company as at the Latest Practicable Date, being 1,072,275,768 Shares in issue.
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. BO Lianming is an executive director and chief operating officer of TCL Corporation;
  - c) Mr. ZHAO Zhongyao is an executive director and senior vice president of TCL Corporation;
  - d) Mr. YU Guanghui is a vice president of TCL Corporation;
  - e) Ms. XU Fang is a vice president and human resources director of TCL Corporation; and
  - f) Mr. HUANG Xubin is the chief financial officer of TCL Corporation.

Save as disclosed in this paragraph 3(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**

	<b>Name of subsidiary of the Company</b>	<b>Name of substantial shareholder</b>	<b>Approximate percentage of shareholding</b>
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.	TCL King Electrical Appliances (Wuxi) Co., Ltd. (TCL王牌電器(無錫)有限公司)	無錫產業發展集團有限公司	30%
3.	Sizzon Pte Ltd.	Junaide Sungkono	20%

Save as disclosed in this paragraph 3(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.

**4. 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 2010 of the Group were made up.

**5. 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).

**6. INTERESTS IN ASSETS AND CONTRACTS**

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.



As at the Latest Practicable Date, none of the Directors nor REORIENT Financial Markets Limited was interested, directly or indirectly, in any assets which had since 31 December 2010 (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.

#### 7. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them and their associates 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. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

#### 9. 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
REORIENT Financial Markets Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO

REORIENT Financial Markets Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 8 December 2011 and references to its name, in the form and context in which it appear.

As at the Latest Practicable Date, REORIENT Financial Markets Limited 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.

#### 10. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Company or any of its Subsidiaries which are or may be material:

- (a) the Master Financial Services Agreement;

- (b) the equity transfer agreement dated 28 June 2011 entered into between TCL Holdings (BVI) Limited (a wholly-owned Subsidiary of the Company) as vendor and Talent Bright International Limited as purchaser, pursuant to which the vendor agreed to dispose of and the purchaser agreed to purchase the entire equity interest in TCL King Electronics (Shenzhen) Company Limited, the assets of which included three pieces of land with buildings erected thereon located in Nanshan District, Shenzhen, the PRC, at a consideration of RMB315.5 million (subject to adjustment);
- (c) the acquisition agreement dated 27 June 2011 entered into between TCL Corporation as vendor and the Company as purchaser pursuant to which the Company agreed to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd., a company principally engaged in the manufacturing and sale of advanced display facilities and components, at a consideration of RMB655,572,098.59;
- (d) the agreement dated 17 June 2011 (the “Agreement”) entered into between TCL King Electrical Appliances (Huizhou) Company Limited (“TCL King (Huizhou)”) (a wholly-owned Subsidiary of the Company) and The People’s Government of Hohhot in relation to an investment project which involved construction of a vertically integrated LCD television production plant for development, manufacturing and sale of LCD modules, LCD and digital television, communication device, set-top box and relevant ancillary components in Hohhot, Inner Mongolia. Pursuant to the Agreement, TCL King (Huizhou) was to buy, through a tender programme conducted by The People’s Government of Hohhot, a piece of land for the construction of the LCD television production plant and related facilities such as dormitory, canteens and warehouses etc. The total amount of investment of the project was expected to be RMB561 million;
- (e) the settlement agreement (the “Settlement”) dated 7 April 2011 (French time) entered into between (i) the official liquidator of TTE Europe SAS and (ii) the Company and four of its wholly-owned Subsidiaries (the “Multimedia Companies”), pursuant to which the Multimedia Companies would pay 11,666,666 euro to the official liquidator of TTE Europe SAS. TTE Europe SAS is a wholly-owned Subsidiary of the Company. The Settlement (subject to certain condition precedents which have all been fulfilled) constituted a full and final settlement of whatever claims, rights, demands or actions that the official liquidator of TTE Europe SAS might have against the Group in relation to the winding down and insolvency of TTE Europe SAS;
- (f) 57 club membership acquisition agreements dated 31 December 2010 entered into between TCL Optoelectronics Tech (Shenzhen) Company Limited (a non-wholly owned Subsidiary of TCL Corporation) as vendor and Shenzhen TCL New Technology Company Limited (a wholly-owned Subsidiary of the Company) as purchaser pursuant to which the purchaser agreed to acquire the membership interests at a total consideration of RMB21,954,134. The acquisition of the club membership interests would enable the Group to provide its staff and their family members with accommodation and ancillary facilities such as leisure, sports, entertainment and restaurants in Xili Nanshan District, Shenzhen, the PRC;

- (g) the share transfer agreement dated 10 December 2010 entered into by TCL International Electronics (BVI) Limited (a wholly-owned Subsidiary of the Company) as vendor and TCL Industries as purchaser, pursuant to which the purchaser agreed to purchase the entire equity interest in TCL Digital Technology (Shenzhen) Company Limited, a company which is principally engaged in the manufacture and sale of audio-visual products and trading of components, at a consideration of RMB41,500,000; and
- (h) the placing and subscription agreement dated 22 March 2010 entered into by TCL Industries as vendor, the Company, Nomura International (Hong Kong) Limited and Standard Chartered Securities (Hong Kong) Limited (“Placing Agents”), pursuant to which the vendor agreed to sell 72,000,000 shares, the Placing Agents agreed to procure purchasers to purchase those shares at HK\$7.43 per share, failing which they would purchase the same, and the vendor conditionally agreed to subscribe for 72,000,000 shares at a price equivalent to the placing price per share.

#### **11. MISCELLANEOUS**

- (a) The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and the principal office in Hong Kong is 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.
- (b) The Company’s Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Pang Siu Yin, a practising solicitor of Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

#### **12. 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) the Master TCL Trademark License Agreement;
- (b) the Master Electronic and Electrical Goods Sourcing Agreement;
- (c) the Master Sourcing Agreement;
- (d) the Master Supply Agreement;
- (e) the Master Financial Services Agreement;
- (f) the Master Service Agreement;

- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from REORIENT Financial Markets Limited, the text of which is set out in this circular;
- (i) the written consent from REORIENT Financial Markets Limited referred to in the section headed “Expert And Consent” in the appendix to this circular;
- (j) the annual reports of the Company for the three years ended 31 December 2008, 2009 and 2010 respectively;
- (k) the material contracts referred to in the section headed “Material Contracts” in the appendix to this circular;
- (l) the circulars dated 28 March 2011 and 17 July 2011 and this circular; and
- (m) the memorandum and articles of association of the Company.

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## NOTICE OF EGM

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The TCL logo consists of the letters "TCL" in a bold, white, sans-serif font, centered within a solid black square.

### 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 Plaza Meeting Room, Regus Business Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, on 30 December 2011, Friday, at 4:00 p.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

#### ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the Master TCL Trademark License Agreement (as defined in the circular of the Company dated 8 December 2011 (the “Circular”)), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “A” and initialled 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 2014 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 authorised 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 TCL Trademark License Agreement and the transactions contemplated thereby.”

2. **“THAT**

- (a) the Master Electronic and Electrical Goods Sourcing 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 “B” and initialled 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 2014 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 authorised 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 Electronic and Electrical Goods Sourcing Agreement and the transactions contemplated thereby.”

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## NOTICE OF EGM

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3. **“THAT**

- (a) the Master Sourcing 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 initialled 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 2014 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 authorised 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 Agreement and the transactions contemplated thereby.”

4. **“THAT**

- (a) the Master 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 “D” and initialled 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 2014 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 authorised 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 Agreement and the transactions contemplated thereby.”

5. **“THAT**

- (a) the Master Financial Services 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 initialled 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 2014 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 authorised 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 Financial Services Agreement and the transactions contemplated thereby.”

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## NOTICE OF EGM

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6. “**THAT**

- (a) the Master Service 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 “F” and initialled 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 2014 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 authorised 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 Service Agreement and the transactions contemplated thereby.”

7. “**TO**

- (a) elect Dr. TSENG Shieng-chang Carter as an independent non-executive director of the Company until the conclusion of the annual general meeting of the Company of 2014 subject to the articles of association of the Company and the Listing Rules be and is hereby approved.”

By order of the Board

**LI Dongsheng**

*Chairman*

Hong Kong, 8 December 2011

*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 notorially 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 30 December 2011, 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 29 December 2011.
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.

*As at the date of this notice, the Board comprises LI Dongsheng, BO Lianming, ZHAO Zhongyao, YU Guanghui and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.*