

---

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

---

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

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

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

---

**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)***CONNECTED TRANSACTION  
NON-COMPETITION ARRANGEMENT  
CONTINUING CONNECTED TRANSACTION  
MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT****Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

---

A letter from the Board is set out on pages 7 to 30 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 31 of this circular. A letter from RHB OSK Capital Hong Kong Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 43 of this circular.

A notice convening the EGM of TCL Multimedia Technology Holdings Limited to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 16 June 2014 at 4:00 p.m. is set out on pages 52 to 53 of this circular.

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 16 June 2014 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 16 June 2014 that either of the above mentioned warnings is to be issued within the next two hours, the EGM shall automatically be postponed to the next Business Day on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted between the hours from 7:30 a.m. to 9:30 a.m. and in such case the EGM shall be held at 4:00 p.m. on that Business Day at 13/F TCL Tower, 8 Tai Chung Road, Tsuen Wan, Hong Kong.

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 Level 22, Hopewell Centre, 183 Queen's Road East, 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.

---

## CONTENTS

---

	<i>Page</i>
<b>CONTENTS</b> .....	i
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	7
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	31
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	32
<b>APPENDIX I – GENERAL INFORMATION</b> .....	44
<b>NOTICE OF EGM</b> .....	52

---

## DEFINITIONS

---

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

“Announcements”	the announcements of the Company dated 24 April 2014 and 19 May 2014 relating to the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement, respectively
“AV”	audio-visual
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“business day”	a day on which banks in the PRC and Hong Kong are open for normal banking business (excluding Saturdays, Sundays and public holidays)
“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
“Deed of Non-Competition (1999)”	the deed executed by TCL Corporation, TCL Electronics Corporation (deregistered on 29 January 2002) and TCL Industries on 15 November 1999 in favour of the Company whereby each of TCL Corporation, TCL Electronics Corporation and TCL Industries has undertaken not to directly or indirectly, carry on or be engaged or interested in the Restricted Activity, which was disclosed in the Company’s prospectus dated 17 November 1999
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong, on Monday, 16 June 2014 at 4:00 p.m. for the purposes of considering and, if thought fit, approving the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder
“First Variation Deed (2002)”	the variation deed entered into among TCL Corporation, TCL Industries and the Company on 10 June 2002

---

## DEFINITIONS

---

“Foshan TCL”	Foshan TCL Household Appliances (Nanhai) Co. Ltd. (佛山市南海TCL家用電器有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 100% interest in its registered capital is indirectly held by TCL Corporation
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Light”	Huizhou TCL Light Electrical Appliances Co., Ltd. (惠州TCL照明電器有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 80% of its equity interest is held by TCL Corporation
“Huizhou TCL Mobile”	Huizhou TCL Mobile Communication Co., Ltd. (惠州TCL移動通信有限公司), a limited liability company incorporated in the PRC and an associate of TCL Corporation under the Listing Rules, where 100% interest in its registered capital is indirectly owned by TCL Communication
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Non-Competition Arrangement (including the terms of the Third Variation Deed (2014)) and the Master After Sale Service (TV Products) Agreement and advising the Independent Shareholders in respect of the transactions contemplated thereunder
“Independent Shareholders”	Shareholders of the Company (other than TCL Corporation, TCL Industries and their respective associates, and any Shareholders who are involved in, or interested in the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement)
“Independent Shareholders’ Approval”	the Independent Shareholders’ approval given at the EGM for the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement
“Independent Third Party(ies)”	third party(ies) not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the Listing Rules
“Keyin”	KOYOO ONLINE CO., LTD. (惠州客音商務服務有限公司), a limited company incorporated in the PRC and is 100% owned by TCL Corporation

---

## DEFINITIONS

---

“Kuyu”	Huizhou Kuyu Network Technology Co. Ltd. (惠州酷友網絡科技有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 80% interest in its registered capital is held by TCL Corporation
“Kuyu Capital Increase”	the increase of the registered capital in Kuyu as contemplated by Kuyu Capital Increase Agreement
“Kuyu Capital Increase Agreement”	the agreement entered into among TCL King, TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu on 24 April 2014, pursuant to which the parties thereto agreed to make capital contribution to Kuyu in return for the corresponding portion of interest in the registered capital of Kuyu
“Kuyu Capital Injection”	the capital injection of RMB80 million by TCL King into Kuyu as per Kuyu Capital Increase Agreement
“Latest Practicable Date”	22 May 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master After Sale Service (TV Products) Agreement”	the Master After Sale Service (TV Products) Agreement entered into between the Company and TCL Corporation on 19 May 2014
“Non-Competition Arrangement”	the proposed arrangement as contemplated by the Third Variation Deed (2014)
“O2O”	online to offline
“Original Non-Competition Deeds”	Deed of Non-Competition (1999), First Variation Deed (2002) and Second Variation Deed (2013)
“Parties”	the parties to the Kuyu Capital Increase Agreement and “Party” means any one of them
“Pengpeng Keji”	Huizhou Pengpeng Keji Investment Partnership (Limited Partnership)(惠州碰碰科技投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC and 46.2% of its interest is owned by Mr. Shi Wanwen and is therefore an associate of Mr. Shi Wanwen under the Listing Rules

---

## DEFINITIONS

---

“PRC”/“China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RHB OSK Capital”	RHB OSK Capital Hong Kong Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder
“RMB”	Renminbi, the lawful currency of the PRC
“Second Variation Deed (2013)”	the variation deed dated 15 July 2013 entered into among TCL Corporation, TCL Industries and the Company
“Services”	after sale services in respect of the TV Products provided by Relevant Member(s) of the Service Provider to Relevant Member(s) of the User in the PRC, including the maintenance and repair services of the products before sale, in sale and after sale and the sold products that was returned to the distributors after negotiation due to kinds of reasons and the assistance in handling products with malfunction in large quantities; the offering of the after sales services to the users like repair claiming, the installation and commissioning, the maintenance, assessment and repair and replacement; the supply of the front end servicing of the sold products that was returned to the distributors after negotiation due to kinds of reasons and the verification of the returned products, and the assistance in handling thereof under the requirements of the Relevant Member(s) of the User; the participation and coordination in sales activities; the service brand building; the emergency dealing; the feedback of products quality information; the assistance in the sampling of products by government departments; the preparation and implementation of spare parts plan and call centre services; The above-mentioned after sale services shall comply with the standards of “Three Guarantees” (for repair, replacement or return of products) imposed in the PRC
“Service Contract(s)”	the service contract(s) to be entered into between Relevant Member(s) of the User and Relevant Member(s) of the Service Provider for the services as contemplated under the Master After Sale Service (TV Products) Agreement
“Service Fees”	service fees that the Relevant Member(s) of the User shall pay to the Relevant Member(s) of the Service Provider in respect of the provision of Services

---

## DEFINITIONS

---

“Service Provider”	provider of the Services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shareholders”	holders of Share(s)
“Shares”	Shares of HK\$1.00 each in the capital of the Company
“Speed Distribution”	Shenzhen Speed Distribution Platform Co., Ltd. (深圳速必達商務服務有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 75% and 25% of the interest in its registered capital is held by TCL Corporation and TCL Industries, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL Air-conditioner”	TCL Air-conditioner (Zhongshan) Co., Ltd. (TCL空調器(中山)有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 80% interest in its registered capital is indirectly held by TCL Corporation
“TCL Associates”	Huizhou TCL Mobile, TCL Air-conditioner, TCL Hefei, Foshan TCL and Huizhou Light, each of them is an associate of TCL Corporation under the Listing Rules
“TCL Communication”	TCL Communication Technology Holdings Limited, an exempted 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), being an associate of TCL Corporation (a connected person of the Company)
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), 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 Hefei”	TCL Home Appliance (Hefei) Co., Ltd. (TCL家用電器(合肥)有限公司), a limited company incorporated in the PRC and an associate of TCL Corporation (a connected person of the Company), where 100% interest in its registered capital is held by TCL Corporation

---

## DEFINITIONS

---

“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, the immediate holding company of the Company, and a wholly owned subsidiary of TCL Corporation
“TCL King”	TCL King Electrical Appliances (Huizhou) Company Limited (TCL王牌電器(惠州)有限公司), a limited liability company incorporated in the PRC and 100% interest in its registered capital is indirectly held by the Company
“Third Variation Deed (2014)”	the variation deed dated 24 April 2014 entered into among TCL Corporation, TCL Industries and the Company for the purpose of modifying the scope of Restricted Activity
“Tonly Holdings”	Tonly Electronics 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: 01249), being an associate of TCL Corporation (a connected person of the Company)
“TV Products”	television sets products and their accessories and ancillary products manufactured by the Group
“User”	user of the Services
“Wuheshen Keji”	Huizhou Wuheshen Keji Investment Partnership (Limited Partnership) (惠州五合神科技投資合伙企業(有限合伙)), a limited partnership established under the laws of the PRC and 60%, 20% and 20% of its interest is owned by Mr. Yang Bin, Mr. Liu Wenwu and Mr. Wen Aijin (being the senior management of Kuyu), respectively
“%”	per cent.



---

## LETTER FROM THE BOARD

---



### TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

### TCL 多媒體科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

*Executive Directors:*

Li Dongsheng  
Hao Yi  
Yan Xiaolin

*Non-Executive Directors:*

Albert Thomas da Rosa, Junior  
Bo Lianming  
Huang Xubin  
Shi Wanwen

*Independent Non-executive Directors:*

Tang Guliang  
Robert Maarten Westerhof  
Wu Shihong  
Tseng Shieng-chang Carter

*Registered Office:*

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

*Principal Place of Business in Hong Kong:*

13<sup>th</sup> Floor, TCL Tower  
8 Tai Chung Road  
Tsuen Wan  
New Territories  
Hong Kong

28 May 2014

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
NON-COMPETITION ARRANGEMENT  
CONTINUING CONNECTED TRANSACTION  
MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT**

#### **I. INTRODUCTION**

Reference is made to the Announcements.

For the purpose of implementing the Kuyu Capital Increase, the Company entered into the Third Variation Deed (2014) with TCL Corporation and TCL Industries on 24 April 2014. Given the fact that TCL Corporation and TCL Industries are the controlling shareholders of the Company, the Non-Competition Arrangement under the Third Variation Deed (2014) constitutes a connected transaction of the Company under the Listing Rules. The Non-Competition Arrangement under the Third Variation Deed (2014) is not in the ordinary and usual course of business of the Company and is therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules. TCL Corporation, TCL Industries and their respective associates shall abstain from voting under Rule 14A.54 of the Listing Rules.

---

## LETTER FROM THE BOARD

---

Further, on 19 May 2014, the Company entered into the Master After Sale Service (TV Products) Agreement with TCL Corporation, pursuant to which the Company appointed TCL Corporation as its Service Provider in relation to the Services. As one or more of the applicable percentage ratios with reference to the respective proposed annual caps of the Master After Sale Service (TV Products) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. TCL Corporation and its respective associates shall abstain from voting at the EGM in respect of the ordinary resolution to approve the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder.

The purposes of this circular are:

- (i) to provide you with further information in relation to the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement;
- (ii) to set out the letter of advice from RHB OSK Capital to the Independent Board Committee and the Independent Shareholders in relation to the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement and the recommendation of the Independent Board Committee as advised by RHB OSK Capital; and
- (iii) to seek your approval of the ordinary resolutions in relation to the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement, which are set out in the notice of the EGM.

## II. NON-COMPETITION ARRANGEMENT

### A. INFORMATION ABOUT THE GROUP, TCL CORPORATION AND TCL INDUSTRIES

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

TCL Corporation Group (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at <http://www.tcl.com> (the information that appears in this website does not form part of this circular).

TCL Industries is a wholly owned subsidiary of TCL Corporation. It is an investment holding vehicle of TCL Corporation.

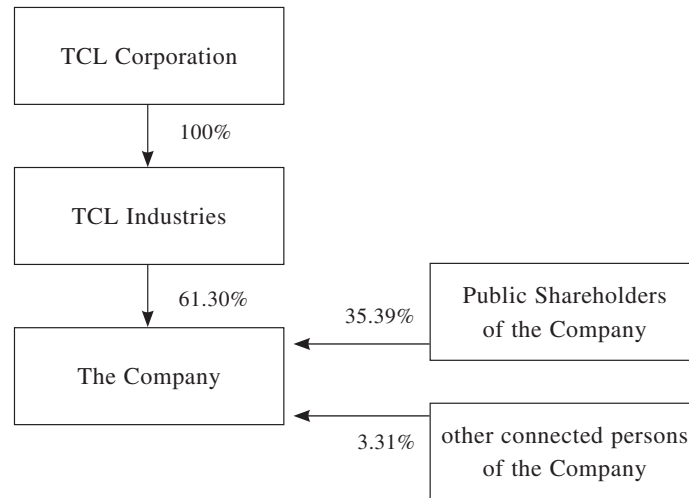
As at the Latest Practicable Date, TCL Corporation indirectly (through TCL Industries) held 817,504,475 Shares, representing approximately 61.30% of the entire issued share capital of the Company.

---

## LETTER FROM THE BOARD

---

Set out below is the corporate structure relating to TCL Corporation, TCL Industries and the Company as at the Latest Practicable Date:



Under the Listing Rules, the Non-Competition Arrangement is subject to the Independent Shareholders' approval under the Listing Rules. TCL Corporation, TCL Industries and their respective associates and any Shareholders who are involved in, or interested in the Non-Competition Arrangement shall abstain from voting at the EGM in respect of the ordinary resolution to approve the Non-Competition Arrangement.

The Non-Competition Arrangement has been approved by the Board on 24 April 2014. As none of the Directors had a material interest in the proposed entering into of the Non-Competition Arrangement, none of them were required to nor had abstained from voting at the Board resolution approving the entering into of the Non-Competition Arrangement.

### **B. HISTORICAL BACKGROUND OF THE NON-COMPETITION ARRANGEMENT AMONG TCL CORPORATION, TCL INDUSTRIES AND THE COMPANY**

Reference is made to the circulars of the Company dated 24 May 2002 and 17 July 2013 respectively.

Pursuant to the Deed of Non-Competition (1999), TCL Corporation and TCL Industries have undertaken not to directly or indirectly, carry on or be engaged or interested in the manufacture, assembly, distribution and maintenance of audio-visual products, white goods and products relating to internet related information technology from time to time ("Restricted Activity"). Pursuant to the First Variation Deed (2002), the manufacture, assembly, distribution and maintenance of white goods have been excluded from the scope of the Restricted Activity.

---

## LETTER FROM THE BOARD

---

To implement the spin-off plan of Tonly Holdings, the Company further sought for (and has obtained) its shareholders' approval for further amendment to the Deed of Non-Competition (1999) by way of the entering of the Second Variation Deed (2013) with TCL Corporation and TCL Industries. Pursuant to the Second Variation Deed (2013), the Company agreed to exclude the research and development, manufacturing and sales relating to audio-visual products (excluding TV sets) from the scope of Restricted Activity.

### C. PROPOSED CHANGES TO THE ORIGINAL NON-COMPETITION DEEDS

#### Third Variation Deed (2014)

To implement the Kuyu Capital Increase, it is imperative that amendments shall be made to the Original Non-Competition Deeds so as to avoid the possible technical breach since the investment in Kuyu by the Parties (except TCL King) to the Kuyu Capital Increase Agreement will be regarded as their participation in the Restricted Activity.

It is proposed that amendments shall be made to the Original Non-Competition Deeds such that the scope of Restricted Activity shall only cover the manufacture and assembly of TV sets.

The following table further illustrates the changes of the scope of Restricted Activity under the Original Non-Competition Deeds and Third Variation Deed (2014)

	Audio-visual products				White goods				Products relating to internet-related information technology from time to time			
	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance
Deed of Non-Competition (1999)	√	√	√	√	√	√	√	√	√	√	√	√
First Variation Deed (2002)	√	√	√	√	X	X	X	X	√	√	√	√
Second Variation Deed (2013)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X	X	X	X	√	√	√	√
Third Variation Deed (2014)	X (except TV sets)	X (except TV sets)	X	X	X	X	X	X	X	X	X	X

The Third Variation Deed (2014) and the rights and obligations thereunder are subject to and conditional upon:

- the approval by the Independent Shareholders in respect of Third Variation Deed (2014) having been duly obtained at the EGM; and
- the completion of the Kuyu Capital Increase;

After the conditions precedent set out above have been satisfied, the Third Variation Deed (2014) shall terminate immediately and permanently when the Company and its subsidiaries cease to own an aggregate of 15% or more beneficial interest in the registered capital of Kuyu.

---

## LETTER FROM THE BOARD

---

### Measures to be taken

For good corporate governance practices, in relation to compliance with the terms of the Third Variation Deed (2014), TCL Corporation, TCL Industries and the Company will adopt the following measures:

- (i) Each of TCL Corporation and TCL Industries shall make a semi-annual confirmation to the Company regarding their respective compliance with the Third Variation Deed (2014) and disclosure in this regard will be made in the interim or annual reports of the Company. Disclosure on how the Third Variation Deed (2014) is complied with and enforced is consistent with the principles of making voluntary disclosures in the corporate governance report of the Company.
- (ii) The independent non-executive Directors of the Company shall review the information provided by TCL Corporation and TCL Industries in respect of the compliance and enforcement of the Third Variation Deed (2014).
- (iii) Each of TCL Corporation and TCL Industries shall undertake to provide all information necessary for the review by the independent non-executive Directors of the Company and the enforcement of the Third Variation Deed (2014).
- (iv) The Company shall disclose decisions on matters reviewed by its independent non-executive Directors in relation to the compliance and enforcement of the Third Variation Deed (2014) either through the interim or annual report, or by way of announcements to the public.

### D. REASONS AND BENEFITS FOR THE NON-COMPETITION ARRANGEMENT

On 24 April 2014, TCL King, an indirect wholly-owned subsidiary of the Company, entered into the Kuyu Capital Increase Agreement with TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu, pursuant to which TCL King agreed to inject RMB80 million in cash to Kuyu as its registered capital. According to the Kuyu Capital Increase Agreement, the completion of Kuyu Capital Increase is conditional upon, inter alia, the approval of Independent Shareholders of the Company in respect of the Third Variation Deed (2014) has been duly obtained at the EGM.

Leveraging on Kuyu's strength in e-commerce through investing in Kuyu, along with the Parties, is one of the Company's most important strategic solutions purporting to make a quick and proactive response to the challenges brought about by, as well as to capture the business opportunities arising from, the new model of consumption behaviour of the rising e-commerce generation.

---

## LETTER FROM THE BOARD

---

### **Investing in e-commerce industry**

#### *New behavioural model in consumption*

In recent years, e-commerce industry is developing rapidly in the PRC. The application of e-commerce has been continually expanding in different areas nowadays, including the sectors of manufacturing, agriculture, business and trade, transportation, finance, tourism and urban and rural consumption. The extent of application has been deepening as well. The rapid growth of e-commerce has brought substantial changes to the economic and social life and become a new driver for economic development in China.

According to relevant data obtained from iResearch and China Internet Network Information Centre, as of June 2013, the total number of internet users in China reached 564 million, of which 271 million people were online shoppers while the numbers are still increasing. The total retail sales of consumer goods in China amounted to RMB23,438 billion in 2013, representing an increase of 13.1% over the previous year, of which online shopping transaction amount was approximately RMB1,850 billion, representing an increase of 42% over the previous year and accounting for 7.8% of total retail sales of consumer goods in China in 2013, being 1.6% higher than that for the previous year.

Online shopping market in China, as a whole, will maintain a relatively high growth rate and the O2O business model will develop rapidly and become the mainstream of e-commerce market. It is expected that the annual transaction amount through online shopping will reach approximately RMB4,000 billion in the PRC market by 2016-2017 and will account for a larger proportion of the total retail sales of consumer goods as a whole.

#### *Cost advantage of retail sales through e-commerce platform*

As compared with traditional mode of retail sales featuring extensive retail network of physical stores as well as significant expenses in various areas of operation like human resources, one of the key advantages of the online retail platform is the significant reduction in the operation costs with respect to the rental expenses and other related areas like human resources.

As the competition in the consumer electronics industry in the PRC has become extremely fierce, the profit margin is becoming increasingly thinner. Therefore, sale volume becomes the key factor to push up the profits of the Company. Given the advantage of lower operation cost, companies with an advanced and quality e-commerce platform, as compared with those operating through traditional sales channels, are better positioned in achieving a higher level of profits by pricing its consumer goods more competitively and in turn to greatly promote the sales volume. In addition, the galloping development of internet infrastructure and thus the instant accessibility of online shopping platform will also help achieve a higher sales volume, while the companies with physical retail network cover only a limited number of geographical areas.

---

## LETTER FROM THE BOARD

---

### **Investing in e-commerce industry by way of participation in Kuyu Capital Increase**

The Original Non-Competition Deeds did not impose any restriction on the Group's business activities. No matter whether amending the Original Non-Competition Deeds or not, the Company is free to tap the e-commerce industry by building its own e-commerce platform or by investing into Kuyu by itself. However, sole investment, as compared with participation in Kuyu Capital Increase, will not serve the best interest of the Company and the Shareholders as a whole for the reasons set out below:

#### *Costliness of building its own e-commerce platform*

Firstly, since the existing structure of the sales channels and retailing model of the Company was designed to operate its sales function in a traditional manner, i.e. through its physical retail outlets, the Company currently does not have its own e-commerce platform. The construction from scratch of such a platform requires significant investments in time and cost, with the most challenging part being the very limited supply of competent e-commerce experts.

Secondly, the O2O business model entails not only the online platform where retail transactions can be conducted by the consumers, but also the ability to provide after-sales services in various areas, which will also require significant financial and time investments. After the completion of Kuyu Capital Increase, Kuyu will acquire the entire interest in the registered capital of Speed Distribution and Keyin, whereby it will immediately be equipped with capability of delivering some core services like logistics service and call centre service, both of which are integral to the O2O business model. For more details in this regard, please refer to the paragraph headed "Future Plan of Kuyu" in this circular.

Thirdly, due to the benefits of having an advanced e-commerce platform, many of the Company's industry peers and competitors have already started to transform their retailing mode by taking a series of measures to establish their e-commerce platforms. Against this background, the Company will risk losing market shares to its competitors if it responds slowly to this trend.

In light of the above, the rapid development of internet technology and the users' ever-changing consumption habits do not allow sufficient room for the Company to develop the O2O business on its own and to build its own e-commerce capabilities in a gradual manner. The Company needs to jump-start the development of its O2O business by taking advantage of the established e-commerce platform of Kuyu.

#### *Synergy of a TCL brand "online department store"*

The Group will be benefited from the existing e-commerce platform of Kuyu either by investing in Kuyu by itself (without amending the Original Non-Competition Deeds) or by participating in the Kuyu Capital Increase along with the Parties. Having conducted a comparison between these two options, the Company is of the view that the latter option will be more cost effective and efficient and thus optimizing the best interest of the Company and its shareholders as a whole. In addition to the lower investment cost, joint investment in Kuyu will provide a synergy to the Company.

The synergy to be provided by the contracting parties to the Kuyu Capital Increase Agreement is a unique advantage to the Company that would not be available if the Company invests in Kuyu by itself. The mentality of consumers in the age of internet is well reflected in their natural preference for visiting and shopping in the online stores where a variety of goods are available for sale and where richer and more attractive content can be found. Therefore, by investing in Kuyu and taking advantage of Kuyu's

---

## LETTER FROM THE BOARD

---

established e-commerce platform along with other TCL brand products (e.g. mobile phone, white goods), the Company's TV set products will be able to obtain more extensive exposure to the consumers of other TCL products in addition to its existing consumers, and thus significantly enlarging its potential consumer base and greatly benefiting from the synergy of a TCL brand "online department store" as a result of the Kuyu Capital Increase.

Moreover, the Company is currently seeking a transformation from a "product-oriented platform" to a "consumer-oriented platform". While revenue from a product-oriented platform is typically of a one-off nature, a consumer-oriented platform promotes products and services to target consumers in a continuing manner, therefore it generates sustainable flows of revenue. After investing in Kuyu as part of Kuyu Capital Increase, the Company will be able to access and make use of the big data base of the entire Kuyu's O2O platform, where consumption data of consumers of other TCL brand products will be available to the Company.

*The Group's share in the financial gains of the TCL brand "online department store"*

In addition to the upside on the increase in the sales volume on the Group's TV sets products through Kuyu's e-commerce platform after the completion of Kuyu Capital Increase, the participation in Kuyu Capital Increase will also entitle the Company, as a shareholder of Kuyu (through TCL King), to the profit distribution to be made by Kuyu.

Although the Company (through TCL King) will not become the controlling shareholder of Kuyu upon the completion of Kuyu Capital Increase, there will be an economy of scale resulted from the sheer size of business of Kuyu after the completion of Kuyu Capital Increase. In addition, Kuyu's future business growth will be under the concept of "TCL online department store". Both of Kuyu's business size and future growth are expected to develop much more rapidly than that in the scenario where the Group invests in Kuyu alone (i.e. without the participation of the members of TCL Corporation Group). The Company will be entitled to a share of the profits of Kuyu which are generated from business other than trading of TV sets products.

### **Implementing the Kuyu Capital Increase**

The Directors are of the view that it is more commercially desirable for the Company to pursue the business opportunities in the O2O and e-commerce area by way of participation in the Kuyu Capital Increase together with the other Parties to the Kuyu Capital Increase Agreement, as compared with investing in Kuyu by itself (i.e. without the participation of the other Parties to the Kuyu Capital Increase Agreement). As such, the Directors have considered the implication of the Original Non-competition Deeds.

After the completion of Kuyu Capital Increase, the Parties will be regarded as participating in and being interested in the Restricted Activity through their investment in Kuyu. Given the existing restrictions imposed under the Original Non-Competition Deeds, it is necessary and imperative that the Non-Competition Arrangement be considered and approved by the Independent Shareholders at the EGM in order to implement the Kuyu Capital Increase.



---

## LETTER FROM THE BOARD

---

### *Exclusion of Distribution and Maintenance of TV Sets*

The future operation of Kuyu as an integrated O2O and e-commerce platform for TCL brand products will necessitate the ability to be engaged in distribution and sales of a wide range of consumer electronic appliances, including TV sets.

An indispensable component of O2O business model will be the after sale maintenance for the consumer goods sold through the online e-commerce platform, which is a natural extension of the online retail transactions. Given that the after sale maintenance of electronic appliances, including TV sets, is regarded by Kuyu as one of its core services in the future, it is necessary to exclude it from the scope of Restricted Activity to avoid the technical breach of the Original Non-Competition Deeds.

### *Exclusion of Manufacture, Assembly, Distribution and Maintenance of Products Relating to Internet related Information Technology from time to time*

The rationale of and the need for this exclusion could be illustrated from the historical perspective and commercial angle as follows:

- Deviation from original intention of parties to Non-Competition Deed (1999)

In retrospect, the original intention of TCL Corporation, TCL Industries and the Company to include “products relating to internet-related information technology from time to time” in the Restricted Activity was to cover TV set related products and the evolution thereof. However, as a result of the galloping development of the internet technology during the past 15 years since the entering in of the Non-Competition Deed (1999), the definitions and implications of “products relating to internet-related information technology from time to time” have evolved to such an extensive extent that it covers almost all types of consumer products (let alone electrical appliances). Therefore, as time went by, the current literal meaning of this term has resulted in a deviation from the original intent of all parties (including the Company) to the Non-Competition Deed (1999). The primary purpose of the proposed exclusion of “manufacture, assembly, distribution and maintenance of products relating to internet related Information technology from time to time” from the scope of Restricted Activity is to avoid, to the extent possible, the confusion in and misinterpretation of the term “products relating to internet related Information technology from time to time”.

- Implementation of Kuyu Capital Increase

Exclusion of “products relating to internet-related information technology from time to time” from the scope of Restricted Activity will provide necessary room to Kuyu’s operation of its O2O business in respect of various electrical products including products relating to internet-related information technology from time to time.

---

## LETTER FROM THE BOARD

---

- Flexibility in cooperation with TCL Corporation Group in developing internet-related products

The proposed exclusion of “manufacture, assembly, distribution and maintenance of products relating to internet related information technology from time to time” from the Restricted Activity will help clarify the scope of the Restricted Activity and set a clear boundary for the non-competition areas. It is the understanding of the Company that TCL Corporation Group has better business resources in the area of internet-based products. As a result, TCL Corporation Group will be more incentivised and willing to deploy its resources in exploring the business opportunities in relation to the internet based products. The Company, as a subsidiary of TCL Corporation, will then have the opportunity (and with flexibility) to cooperate with TCL Corporation Group to invest in such area. Such flexibility will offer additional business opportunities to the Company and promote the diversification of the Company’s business into the area of internet-based products.

Given the reasons and benefits set forth above, the Board is of the view that the proposed scope of the Non-Competition Arrangement (particularly in relation to the exclusion of distribution and maintenance of TV sets and manufacture and assembly of products relating to internet-related information technology from time to time from the scope of Restricted Activity) is appropriate, reasonable and in the interest of the Company and its shareholders as a whole.

### E. INVESTMENT IN KUYU

According to the Kuyu Capital Increase Agreement, details of Kuyu Capital Increase are set out below:

Shareholder	% of holding in Kuyu before the Kuyu Capital Increase	Corresponding amount of registered capital held before the Kuyu Capital Increase (RMB)	Amount of capital to be contributed according to the Kuyu Capital Increase Agreement (RMB)	Method(s) of which the capital contribution is/are made	Corresponding amount of registered capital held upon completion of the Kuyu Capital Increase (RMB)	% of holding in Kuyu upon completion of the Kuyu Capital Increase
TCL Corporation	80%	40,000,000	135,000,000	cash	175,000,000	35%
Pengpeng Keji	20%	10,000,000	25,500,000	cash	35,500,000	7.1%
Wuheshen Keji	0%	-	64,500,000	cash	64,500,000	12.9%
TCL King	0%	-	80,000,000	cash	80,000,000	16%
Huizhou TCL Mobile	0%	-	50,000,000	cash	50,000,000	10%
TCL Air-conditioner	0%	-	50,000,000	cash	50,000,000	10%
TCL Hefei	0%	-	30,000,000	cash	30,000,000	6%
Foshan TCL	0%	-	7,500,000	cash	7,500,000	1.5%
Huizhou Light	0%	-	7,500,000	cash	7,500,000	1.5%
<b>TOTAL</b>	<b>100%</b>	<b>50,000,000</b>	<b>450,000,000</b>		<b>500,000,000</b>	<b>100%</b>

Pursuant to the Kuyu Capital Increase Agreement, the registered capital of Kuyu, upon the completion of Kuyu Capital Increase, will increase from RMB50,000,000 to RMB500,000,000.

---

## LETTER FROM THE BOARD

---

Upon the completion of the Kuyu Capital Increase, Kuyu will not become a subsidiary of the Company given the fact that the Company (through its subsidiary TCL King) will hold only 16% interest in the registered capital of Kuyu, and therefore its accounts will not be consolidated into the financial statements of the Group.

The Kuyu Capital Injection does not have any material effect on the assets and liabilities of the Group.

### **Information Regarding Kuyu**

Kuyu was established in the PRC as a limited liability company on 6 July 2012 and was owned as to 50%, 30% and 20% in interest in its registered capital by TCL Corporation, Keyin and Pengpeng Keji, respectively. On 17 April 2014, TCL Corporation acquired 30% interest in the registered capital of Kuyu from its wholly-owned subsidiary, Keyin, at a consideration of RMB15 million. By then, TCL Corporation held an aggregate of 80% interest in the registered capital of Kuyu. As of the Latest Practicable Date, each of TCL Corporation and Pengpeng Keji maintained 80% and 20% interest in the registered capital of Kuyu, respectively.

Kuyu is an e-commerce company with a team of professional and top-ranking e-commerce experts in the industry. It has a processing capacity of 100,000 retail orders per day and is qualified to issue invoices for retail transactions under its own name.

Having made an enquiry with TCL Corporation, the Company is given to understand that:

- Kuyu, as a subsidiary of TCL Corporation, has since 2012 been engaged in the sales and distribution of TV sets products through its online e-commerce platform;
- approximately 97.76% of the TV sets products sold and distributed by Kuyu through its online e-commerce platform since its incorporation in 2012 are TCL brand TV sets (which include but not limited to the brand of “TCL” and “Rowa”) which were sourced and purchased by Kuyu from the Group on normal commercial terms and priced at a no less favourable rate than that available to the Group from independent third parties; and
- for the period from Kuyu’s incorporation in 2012 to 31 December 2013, its total sales income in relation to TV sets and in relation to TCL brand TV sets amounted to approximately RMB1.27 billion and RMB1.23 billion which account for only approximately 3.3% and 3.25% of the Group’s total sales income for TV sets during the same period, respectively.

As such, the Board is of the view that the sales and distribution of TV sets products by Kuyu, as the subsidiary of TCL Corporation, falls within the scope of Restricted Activity and therefore deviated from the existing non-competition arrangements under the Original Non-Competition Deeds (the “Non-Compliance Matter”).

The Board has further reviewed the facts and circumstances in relation to the Non-Compliance Matter, taking into account the background thereof, and is also of the following views:

- the sales and distribution of TV sets by Kuyu have served to diversify and expand the sales channels for the products of the Group and thus having created a new revenue stream for the Group, rather than to compete with the Group for market share. With the advent of the age

---

## LETTER FROM THE BOARD

---

of internet featuring the soaring online shopping volume, it is in the business interest of the Group to closely follow the industry development by tapping online sales channels which is capable of promoting the retail sale volume more effectively, as specified in details in the preceding section headed “Reasons and Benefits for the Non-Competition Arrangement” of this circular;

- the Group has not suffered any economic loss as a result of Kuyu’s sales and distribution of TV sets products purchased and sourced from the Group;
- Kuyu’s purchase and sourcing of TV sets products from the Group constituted the continuing connected transactions of the Group under the Listing Rules. Such transactions were and will be conducted under the governance of the master supply agreement dated 26 October 2011 between the Company and TCL Corporation, which has already been considered and approved by the then independent shareholders of the Company at its extraordinary general meeting on 30 December 2011. The Directors believes that such proposal was considered and examined by the independent shareholders of the Company at that time with the following perceptions:
  - (i) the purpose of such sale of TV sets is not for the internal consumption of the members of TCL Corporation Group, instead, it is for the business purpose (including distribution and resale) of TCL Corporation Group (as specified in the circular of the Company dated 8 December 2011); and
  - (ii) such sales of TV sets to TCL Corporation Group will expand the sales channel of the Group’s products and create a new revenue stream for the Group, where the Company could be benefited directly therefrom;
- in terms of sales income, the TV sets products sold and distributed by Kuyu only accounted for a very small percentage of the total sales income of TV sets products of the Group.

The following table sets out certain financial information of Kuyu prepared in accordance with the PRC accounting standards:

	<b>For the year ended 31 December 2013 (RMB ten thousands) (audited)</b>	<b>For the year ended 31 December 2012 (RMB ten thousands) (audited)</b>
Operating revenue	<b>153,858</b>	24,516
Operating profit/(loss)	<b>(300)</b>	(340)
Profit/(loss) before tax	<b>(249)</b>	(342)
Net profit/(loss)	<b>(249)</b>	(342)

---

## LETTER FROM THE BOARD

---

	As at 31 December	
	2013	2012
	(RMB ten thousands)	(RMB ten thousands)
	(audited)	(audited)
Total assets	29,670	16,352
Total liabilities	25,261	11,694
Net assets	4,409	4,658

### **Future Plan of Kuyu**

Upon the completion of the Kuyu Capital Increase, the registered capital of Kuyu will increase by RMB450,000,000. It is planned that such proceeds will be used in the following manner:

1. to acquire the entire interest in the registered capital of Speed Distribution and Keyin and to increase the registered capital of these two companies so as to enhance the capability of provision of logistics and other relevant services;
2. to establish a big data centre, upgrade the business system for direct retail sales, new media and user operations centre, and set up operation teams of Kuyu; and
3. to set up experience stores to promote user stickiness through improvement of user experience and provision of value-added services.

### ***Speed Distribution***

After the completion of the Kuyu Capital Increase, Kuyu will apply approximately RMB15,000,000 to acquire from TCL Corporation and TCL Industries the entire interest in the registered capital of Speed Distribution.

Speed Distribution was established in the PRC as a limited liability company on 14 July 2004 by TCL Corporation and TCL Industries. Speed Distribution is principally engaged in the provision of logistics services. As of the Latest Practicable Date, TCL Corporation and TCL Industries held 75% and 25% interest in registered capital of Speed Distribution, respectively.

The competitive edges of Speed Distribution are set out below:

- (1) it is a long established platform which provides logistics service to TCL Corporation Group (including the Group);
- (2) its operation costs for logistics business are transparent. It works with all business units in TCL Corporation Group (including the Group) in the course of inviting and discussing procurement bids;

---

## LETTER FROM THE BOARD

---

- (3) it has an advanced logistics information technology system to meet with the requirements of orders from different industries for transportation of relevant products;
- (4) it has 39 regional distribution centres in the PRC;
- (5) it is capable of providing specialized logistics solutions to improve transportation efficiency; and
- (6) consolidation of business resources through economies of scale effectively reduces its operation costs for logistics services.

The following table sets out certain financial information of Speed Distribution prepared in accordance with the PRC accounting standards:

	<b>For the year ended 31 December 2013 <i>(RMB ten thousands)</i> (audited)</b>	<b>For the year ended 31 December 2012 <i>(RMB ten thousands)</i> (audited)</b>
Operating revenue	<b>48,163</b>	32,336
Operating profit/(loss)	<b>153</b>	53
Profit/(loss) before tax	<b>295</b>	149
Net profit/(loss)	<b>215</b>	104
	<b>As at 31 December</b>	
	<b>2013 <i>(RMB ten thousands)</i> (audited)</b>	<b>2012 <i>(RMB ten thousands)</i> (audited)</b>
Total assets	<b>18,878</b>	13,669
Total liabilities	<b>16,623</b>	11,628
Net assets	<b>2,256</b>	2,041

Acquisition of 100% interest in the registered capital of Speed Distribution will bring various benefits to Kuyu, including:

- (1) Speed Distribution has already set up branches with operational capacities in 27 provinces, which can be fully utilized by Kuyu after the acquisition; and

---

## LETTER FROM THE BOARD

---

- (2) Speed Distribution has implemented the integration of delivery and installation as part of its after-sales service. After the acquisition, Kuyu will have the benefit of having its own delivery-installation integration capability, which will bring about better customer experience.

### *Keyin*

Apart from Speed Distribution, Kuyu will apply approximately RMB45,000,000 to acquire from TCL Corporation the entire interest in the registered capital of Keyin.

Keyin was established in the PRC as a limited liability company on 18 December 2006. Keyin is a leading call center solution provider in China. It provides operating services through a single TCL service hotline for the TCL Corporation Group, and serves a large number of enterprises with outsourcing and related online services.

As of the Latest Practicable Date, TCL Corporation held 100% interest in the registered capital of Keyin.

The competitive edges of Keyin include the following:

- (1) its operation cost is low;
- (2) it is a call center system platform which has been upgraded to Hawkeye system platform for the utilization of geographical data to support on-line and off-line O2O orders and logistics orders, and for the support of an integrated service for transportation, delivery and installation; and
- (3) it utilizes new multimedia interface platform and Interactive Voice Response (IVR) system to provide a multi-level services, and it has a diverse service interface management to satisfy users' diverse service needs.

The following table sets out certain financial information of Keyin prepared in accordance with PRC accounting standards:

	<b>For the year ended 31 December 2013 (RMB ten thousands) (audited)</b>	<b>For the year ended 31 December 2012 (RMB ten thousands) (audited)</b>
Operating revenue	<b>3,724</b>	51,258
Operating profit/(loss)	<b>(92)</b>	303
Profit/(loss) before tax	<b>(32)</b>	355
Net profit/(loss)	<b>(33)</b>	355

---

## LETTER FROM THE BOARD

---

	As at 31 December	
	2013	2012
	(RMB ten thousands)	(RMB ten thousands)
	(audited)	(audited)
Total assets	5,094	5,361
Total liabilities	1,084	1,319
Net assets	4,010	4,042

Acquisition of 100% interests in Keyin will bring various benefits to Kuyu:

- (1) Keyin currently has an advanced call center platform which is able to utilize the customers' geographical data to achieve the servicing capability by engineer within the perimeter of 100 meters. After the acquisition, Kuyu will have an equivalent capability of supporting the integrated service of delivery-installation-adjustment for better customer experience; and
- (2) One of the core aspects of O2O is provision of service. To Kuyu, the implication of acquisition of Keyin is to build its own service platform.

### **Future Business Relationship Between the Group and Kuyu**

The business relationship between the Group and Kuyu will be changed under the Non- Competition Arrangement (if it is approved at the EGM and so implemented). The existing business relationship between the Group and Kuyu under the Original Non-Competition Deeds is product-oriented, where the Group has transacted with Kuyu only in relation to the sale, purchase and resale of TV sets products. The Company has to separately source from other companies within TCL Corporation Group for other business services such as logistics and call centre services. Upon the completion of Kuyu Capital Increase and Kuyu's acquisition of the Speed Distribution and Keyin, Kuyu will become an O2O platform which has the capability to provide various O2O services (including logistics, call centre services and maintenance services) where the Company can source such services therefrom. Kuyu will then become an one-stop O2O platform for the Group's sales and distribution of TV sets products. Kuyu will also provide the Company with the access to the "Big Data" gathered from the Parties where the Company can use such information for the development of its business.

#### *Distributorship model*

After the completion of Kuyu Capital Increase, Kuyu will continue to act as the distributor for the products of the Group and the business transactions between them will continue to be conducted on a market-oriented basis. Specifically, as the supplier of TV sets products, members of the Group will sell their products to Kuyu, who will then resell or distribute such products to end customers through its own online retail platform or other online retail platforms to meet the purchase orders placed by the end customers through these online platforms. This model is consistent with the model of e-commerce operation adopted by our industry competitors.



---

## LETTER FROM THE BOARD

---

This model will bring about a clearly defined business relationship between the Group and Kuyu, where the members of the Group are responsible for providing quality TV sets products while Kuyu is responsible for online and experience store sales and focuses on the maximization of sales income and profits.

### *Profit sharing*

The sharing of profits between the Group and Kuyu is determined on a market-oriented basis. Under the distributorship model, the price at which Kuyu purchases TV sets products from the Group is determined through mutual negotiation. Therefore, the determination of the purchase price has accomplished the allocation of profits between the Group and Kuyu.

### *No distribution charge*

As a distributor for the products of the Group, Kuyu realizes its profits by reselling and distributing relevant products to end customers and will not charge the Group for any fee for such distribution.

### *Provision of after sale maintenance services*

For the Group's TV sets products currently distributed via Kuyu's e-commerce platform, the relevant after sale services are provided directly to the customers by the Group itself. It is currently proposed that, if the Non-Competition Arrangement is approved by the Independent Shareholders, the after-sales maintenance services of TV Products will be provided by member(s) of the TCL Corporation Group. On 19 May 2014, the Company entered into the Master After Sale Service (TV Products) Agreement with TCL Corporation, pursuant to which the Company appoints TCL Corporation as its service provider of the Services in the PRC. For further details in this regard, please refer to the section headed "Master After Sale Service (TV Products) Agreement" in this circular.

## **III. MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT**

### **A. BACKGROUND**

On 19 May 2014, the Company entered into the Master After Sale Service (TV Products) Agreement with TCL Corporation, pursuant to which the Company appoints TCL Corporation as its service provider of the Services in the PRC. The Master After Sale Service (TV Products) Agreement is a master agreement setting out the principal provisions for subsequent transactions, and the conditions of which will be governed by further Service Contract(s) in greater detail.

### **B. KEY TERMS OF MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT**

Date: 19 May 2014

Parties: (i) TCL Corporation as the Service Provider (for itself and on behalf of its Subsidiaries) (known as the "Relevant Member(s) of the Service Provider"); and

---

## LETTER FROM THE BOARD

---

- (ii) the Company as the User (for itself and on behalf of its Subsidiaries) (known as the “Relevant Member(s) of the User”)

**Duration:** Unless being terminated according to the termination clause of the Master After Sale Service (TV Products) Agreement, the Master After Sale Service (TV Products) Agreement shall be effective from 19 May 2014 to 31 December 2016. The transactions contemplated thereunder shall commence from the date on which all conditions precedent as set out hereinbelow are fulfilled.

**Conditions Precedent:** The commencement of the transactions contemplated under the Master After Sale Service (TV Products) Agreement is conditional upon:

1. the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder have been considered and approved by Independent Shareholders;
2. the Non-Competition Arrangement has been considered and approved by Independent Shareholders; and
3. the Kuyu Capital Increase has been completed

**Provision of Services:** Subject to the compliance by the Company with any applicable Listing Rules (including the obligation and/or liability of the Company as a result of the caps for the transaction amount as determined from time to time pursuant to the Listing Rules), the User and Service Provider agree to enter into further Service Contract(s) between Relevant Member(s) of the User and Relevant Member(s) of the Service Provider according to the Master After Sale Service (TV Products) Agreement under which Relevant Member(s) of the User will engage the Relevant Member(s) of the Service Provider to provide Relevant Member(s) of the User with the Services in the PRC.

**Terms of transactions contemplated under Master After Sale Service (TV Products) Agreement:** The terms upon which Relevant Member(s) of the Service Provider provide(s) the Services in the PRC to Relevant Member(s) of the User (including but not limited to Service Fees and payment terms) shall be on normal commercial terms, in the respective interests of both parties and determined with reference to the then prevailing arm’s length price range of relevant services in the PRC market. In case of absence of comparable transactions, relevant transaction terms (including Service Fees and payment terms) shall be no less favourable to Relevant Member(s) of the User than the terms of services of the same nature which Relevant Member(s) of the User demand from and/or Relevant Member(s) of the Service Provider propose to any independent third party.

---

## LETTER FROM THE BOARD

---

During the effective period of the Master After Sale Service (TV Products) Agreement, Relevant Member(s) of the Service Provider and Relevant Member(s) of the User may, from time to time and in compliance with the principles under the Master After Sale Service (TV Products) Agreement, negotiate and enter into Service Contract(s) setting forth all specific terms relating to the provision of the Services for the scope of the Services, service response time, service process, the supply and purchase of spare parts and other relevant requirements.

Service Fees:

Without prejudice to the principles mentioned in the “Terms of transactions contemplated under Master After Sale Service (TV Products) Agreement” above, Service Fees will be determined in the following way:

Relevant Member(s) of the User shall pay Relevant Member(s) of the Service Provider the Service Fees in respect of the Services it provides. The Service Fees shall be calculated and charged based on no more than 2% of the sales revenue of the TV Products. The exact fee rate shall be negotiated and determined by both parties after taking into account various factors such as costs and inflation rate. The Service Provider and the User shall conduct an annual review of the provision of Services and the Service Fees to decide whether any revision shall be made.

Payment terms:

Relevant Member(s) of the User shall meet regularly with Relevant Member(s) of the Service Provider to cross-check the settlement amounts in respect of the Service Fees. Relevant Member(s) of the Service Provider is required to issue an invoice to Relevant Member(s) of the User on or before a specified date, and the Relevant Member(s) of the User shall transfer the relevant Service Fees to the bank account designated by Relevant Member(s) of the Service Provider within 30-60 days (the exact number of days will be agreed in Service Contract(s)) after the Relevant Member(s) of the User has been invoiced.

Termination:

In case that the level of the Services provided by the Relevant Member(s) of the Service Provider is apparently lower, or the Service Fees were apparently less favourable to the Relevant Member(s) of the User, than the average level in the industry or the existing level of the Relevant Member(s) of the User, the User is entitled to terminate the Master After Sale Service (TV Products) Agreement by giving three months’ written notice to the Service Provider.

---

## LETTER FROM THE BOARD

---

Other major term: Service Provider undertakes, and undertakes to procure, that when any Relevant Member(s) of the User demand the Services from the Service Provider, the Service Provider shall procure the Relevant Member(s) of the Service Provider to provide the Services.

### C. PROPOSED ANNUAL CAPS OF MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT

Under the Master After Sale Service (TV Products) Agreement, the upper limit for the Service Fees is fixed at 2% of the sales revenue of TV Products. Such upper limit for the Service Fees was determined through mutual negotiations between the Company and TCL Corporation by reference to the internal cost incurred by the Group in respect of the provision of after sale services for TV Products to its customers directly. In 2013, such cost amounted to approximately 2.25% of the sales income of the TV Products of the year. According to the Master After Sale Service (TV Products) Agreement, the exact rates for the Service Fees, which will be no more than 2% in all transactions contemplated under the Master After Sale Service (TV Products) Agreement, shall be agreed in the Service Contract(s) on normal commercial terms, with reference to the then prevailing arm's length price range of relevant services in the PRC market and/or be no less favourable to members of the Group than the terms of services of the same nature which members of the Group demand from any independent third party.

It is expected that, in accordance with pricing policy as set out in the Master After Sale Service (TV Products) Agreement, the annual caps for the Services as contemplated under the Master After Sale Service (TV Products) Agreement for the three years ending 31 December 2016 are:

<b>Master After Sale Service (TV Products) Agreement</b>	<b>For the year ending 31 December 2014 HK\$'000</b>	<b>For the year ending 31 December 2015 HK\$'000</b>	<b>For the year ending 31 December 2016 HK\$'000</b>
<b>Service Fees</b>	337,820	649,546	795,491

The proposed annual caps for the Service Fees have been determined after taking into account the following factors:

- cost for the after sale service in relation to TV Products incurred by the Group in the past;
- the upper limit for the Service Fees under the Master After Sale Service (TV Products) Agreement (i.e. 2% of the sales revenue of TV Products);
- call centre services provided by the TCL Corporation Group to the Group. Pursuant to the Master Call Centre Services Supply Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, TCL Corporation has agreed to provide call centre services to the Group. The Group paid approximately HK\$18,584,000, HK\$20,197,000 and HK\$27,200,000 to TCL Corporation Group for all the cost and expenses incurred by TCL Corporation Group for provision of the call centre services for the three years ended 31 December 2013, respectively;

---

## LETTER FROM THE BOARD

---

- according to iResearch, it is expected that the annual transaction amount through online shopping will reach approximately RMB4,000 billion in the PRC market by 2016-2017. As one of the leading brands of TV sets in the PRC which intends to utilize the O2O e-commerce platform for promotion of its sales, the Group also expects to see a substantial increase in its sales volume during the same period;
- as a response to the ever-changing customer needs as well as the fast developing technology, the Company will need to frequently launch new generations of TV Products. TV Products with new and advanced technical features will normally incur a relatively high rate of demanding for after sale services by customers;
- the Group intends to further extend the scope of after sale services in relation to TV Products in the future in order to promote the sales of TV Products. The widening scope of after sale services will result in an increase in the amount of expense in relation to provision of after sale services; and
- the likely appreciation of Renminbi and inflation in the PRC in the coming years.

The Directors of the Company will monitor closely and review regularly the conduct of transactions under the Master After Sale Service (TV Products) Agreement. The Group will adopt a series of risk management and internal control arrangements, and endeavour to maintain, in relation to the transactions under the Master After Sale Service (TV Products) Agreement, the independence of the Group, the fairness of the terms (including but not limited to pricing term) of such transactions and the right of the Group to conduct such transactions with independent third parties other than TCL Corporation and its subsidiaries and associates. Specifically, the relevant arrangements include:

- (i) the transactions contemplated under the Master After Sale Service (TV Products) Agreement are conducted on a non-exclusive basis; and
- (ii) the Group will conduct such transactions according to the Group's procurement policy, which mainly stipulates that the relevant member(s) of the Group will, from time to time, obtain quotations and/or invite tenders from multiple suppliers and/or in certain circumstances obtain the quotations through enquiries from among established suppliers of scale (including TCL Corporation and its subsidiaries and associates).

According to the Group's procurement policy, in addition to the offer of same or more favourable terms by the counterparty in a transaction, the Group will also consider other factors, including the corporate background of the counterparty, its reputation and reliability, its ability to conduct the transaction in accordance with the terms of the contract, and its understanding of the Group's needs, in order to maximise the Group's interest in the transaction, and at the same time reduce the Group's time and costs of transaction.

---

## LETTER FROM THE BOARD

---

### **D. REASONS AND BENEFITS OF ENTERING INTO OF MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT**

The Directors (excluding the independent non-executive Directors) consider that the terms of the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder are fair and reasonable, and that it is in the interest of the Company and the Shareholders as a whole to enter into the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder for the following reasons:

- (i) as the evolution of the sales channels for, and upgrading of, television sets products has become increasingly fast nowadays, the demand for provision to customers of specialized after sales service is acute. Certain members within the TCL Corporation Group have vast experience with the provision of after sales service for electronic appliances and are well equipped with experienced personnel and advanced IT systems for providing after sale service, the Directors believe that TCL Corporation Group will be able to fully utilise its existing resources to provide the after sale services for TV Products;
- (ii) provision by TCL Corporation Group of specialized and high quality services will help put the Group in a better position to attract and retain more customers, which will in turn increase the sales volume and sales revenue of the Group; and
- (iii) by outsourcing the Services to TCL Corporation Group, the Group will be able to better focus, and concentrate its resources, on its core business of the manufacture, assembly and distribution of TV Products, whereby the core competitiveness of the Group can be maintained and further promoted.

### **IV. BOARD APPROVAL**

The Non-Competition Arrangement and the entering into of the Master After Sales Service (TV Products) Agreement and transactions contemplated thereunder have been approved by the Board on 24 April 2014 and 19 May 2014, respectively. Mr. Li Dongsheng, Mr. Hao Yi, Mr. Yan Xiaolin, Mr. Bo Lianming, Mr. Huang Xubin and Mr. Shi Wanwen, all being Directors, have interests in TCL Corporation. Of such interest in TCL Corporation, as at the Latest Practicable Date, Mr. Li Dongsheng was interested in 638,273,688 shares, Mr. Hao Yi was interested in 201,600 shares (held by his spouse), Mr. Yan Xiaolin was interested in 793,000 shares and options to subscribe for 1,522,400 shares, Mr. Bo Lianming was interested in 2,663,175 shares and options to subscribe for 2,061,420 shares, Mr. Huang Xubin was interested in 1,933,360 shares and options to subscribe for 1,450,020 shares, and Mr. Shi Wanwen was interested in 5,799,518 shares and options to subscribe for 1,780,740 shares. The share interest held by Mr. Li Dongsheng, Mr. Hao Yi, Mr. Yan Xiaolin, Mr. Bo Lianming, Mr. Huang Xubin and Mr. Shi Wanwen represented approximately 6.75%, 0.002%, 0.008%, 0.03%, 0.02% and 0.06% of its registered share capital of TCL Corporation respectively. Notwithstanding their respective interest in TCL Corporation, none of them is considered as having a material interest in the Non-Competition Arrangement and the transactions contemplated under the Master After Sale Service (TV Products) Agreement, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

---

## LETTER FROM THE BOARD

---

### V. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TCL Corporation through its wholly owned subsidiary, TCL Industries, held 817,504,475 Shares, representing approximately 61.30% of the total issued share capital of the Company. Accordingly, TCL Corporation and TCL industries are connected persons of the Company under the Listing Rules. The entering into of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder constitutes connected transactions of the Company which are subject to Independent Shareholders' approval as required under Rule 14A of the Listing Rules. TCL Corporation, TCL Industries and their respective associates and any Shareholders who are involved in, or interested in the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement shall abstain from voting at the EGM in respect of the ordinary resolutions to approve the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement.

### VI. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

According to the requirement of the Listing Rules, the Independent Board Committee should advise the Independent Shareholders in connection with the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement. Pursuant to Rule 14A.22 of the Listing Rules, RHB OSK Capital has been appointed by the Company as the independent financial adviser to make recommendations to the Independent Board Committee and Independent Shareholders as to whether the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are on normal commercial terms, and the terms of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

### VII. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 31 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement; and (ii) the letter from RHB OSK Capital set out on pages 32 to 43 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-Competition Arrangement and the Master After Sale Service (TV Products) Agreement .

The Board considers that the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and therefore recommends you to vote in favour of the resolution to approve the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement.

The Independent Board Committee, having taken into account the advice of RHB OSK Capital, the independent financial adviser, considers that the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are on normal commercial terms, in the interests of the Company and the Independent Shareholders as a whole and that the terms thereof 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-Competition Arrangement and the Master After Sale Service (TV Products) Agreement.

---

## LETTER FROM THE BOARD

---

### VIII. EGM

The Company will convene the EGM at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 16 June 2014, at 4:00 p.m, at which ordinary resolutions will be proposed for the purposes of considering and if thought fit, approving the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement. The voting at such meeting will be taken on a poll and the Company will make an announcement of the poll results. TCL Corporation, TCL Industries and their respective associates and any Shareholders who are involved in, or interested in the transactions contemplated thereunder will abstain from voting at the EGM in respect of the ordinary resolution to approve the transactions contemplated in Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement. The notice of the EGM is set out on pages 52 and 53 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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.

### IX. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 13 June 2014 and Monday, 16 June 2014 (both dates inclusive), 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 during the said period. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Thursday, 12 June 2014.

### X. OTHER INFORMATION

Your attention is drawn to the general information set out in the Appendix I to this circular.

Yours faithfully,  
By order of the Board  
**Li Dongsheng**  
*Chairman*





**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)

28 May 2014

*To: the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
NON-COMPETITION ARRANGEMENT  
CONTINUING CONNECTED TRANSACTION  
MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT**

We refer to the circular of the Company dated 28 May 2014 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-Competition Arrangement (including the Third Variation Deed (2014)) and the Master After Sale Service (TV Products) Agreement, 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 RHB OSK Capital set out on pages 7 to 30 and pages 32 to 43 of the Circular respectively.

Having taken into account of the advice of RHB OSK Capital, the independent financial adviser, we consider that the Non-Competition Arrangement and the Master After Sale Service (TV products) Agreement are on normal commercial term, in the interests of the Company and the Independent Shareholders as a whole and the terms thereof 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 resolution to be proposed at the EGM in respect of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement.

Yours faithfully,

**Tang Guliang, Robert Maarten Westerhof, Wu Shihong  
and**

**Tseng Shieng-chang Carter**  
*Independent Board Committee*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders for the purpose of inclusion in this circular.*



12/F., World-Wide House  
19 Des Voeux Road Central  
Hong Kong

28 May 2014

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

Dear Sirs or Madam,

**(1) CONNECTED TRANSACTION –  
NON-COMPETITION ARRANGEMENT; AND  
(2) CONTINUING CONNECTED TRANSACTION –  
THE MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the proposed Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement, details of which are set out in the circular of TCL Multimedia Technology Holdings Limited (the “**Company**”) dated 28 May 2014 (the “**Circular**”) to the Shareholders, 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.

On 24 April 2014 and 19 May 2014, respectively, the Company announced respectively that, among other things:

- (1) TCL King, an indirect wholly-owned subsidiary of the Company, entered into the Kuyu Capital Increase Agreement with TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu, pursuant to which the Company agreed to inject RMB80 million in cash to Kuyu as its registered capital. The subscription money was determined on arm’s length terms among the parties and will be funded by the internal resources of TCL King; and
- (2) the Company entered into the Master After Sale Service (TV Products) Agreement with TCL Corporation, pursuant to which the Company appoints TCL Corporation as its service provider of the after-sale service in the PRC in respect of TV Products. The Master After Sale Service (TV Products) Agreement is a master agreement setting out the principal provisions for subsequent transactions, and the conditions of which will be governed by further Service Contract(s) in greater detail.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As referred to in the letter from the Board (the “**Letter from the Board**”) of the Circular, Kuyu is a subsidiary of TCL Corporation, where 80% of its equity interest is directly held by TCL Corporation. TCL King, an indirect wholly-owned subsidiary of the Company, entered into the Kuyu Capital Increase Agreement with TCL Corporation, TCL Associates, Pengpeng Keji, Wuheshen Keji and Kuyu, pursuant to which TCL King agreed to make a capital injection of RMB80 million in cash to Kuyu.

As referred to in the Letter from the Board, TCL Corporation through its wholly owned subsidiary, TCL Industries, held 817,504,475 Shares, representing approximately 61.30% of the total issued share capital of the Company as at Latest Practicable Date. Accordingly, each of TCL Corporation and TCL Industries is a controlling shareholder of the Company under the Listing Rules. Therefore, the Non-Competition Arrangement under the Third Variation Deed (2014) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Non-Competition Arrangement under the Third Variation Deed (2014) is not in the ordinary and usual course of business of the Company and is therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders’ approval requirement under Rule 14A.48 of the Listing Rules. The Company proposes to seek the approval from the Independent Shareholders for the Non-Competition Arrangement to facilitate the Kuyu Capital Injection. The Non-Competition Arrangement is subject to, *inter alia*, approval by the Independent Shareholders at the EGM. TCL Corporation, TCL Industries and their respective associates shall abstain from voting at the EGM on the resolution approving the Non-Competition Arrangement.

Furthermore, as TCL Corporation is a connected person of the Company under the Listing Rules, the transactions contemplated under the Master After Sale Service (TV Products) Agreement constitute continuing connected transactions of the Company under the Listing Rules. As one or more applicable percentage ratios with reference to the respective Annual Caps of the Master After Sale Service (TV Products) Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. TCL Corporation and its respective associates shall abstain from voting at the EGM in respect of the ordinary resolution to approve the Master After Sale Service (TV Products) Agreement and the transactions contemplated thereunder.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with an independent opinion and recommendation as to whether the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are on normal commercial terms, and the terms of the Non-Competition Arrangement, the Master After Sale Service (TV Products) Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. The Independent Board Committee comprising all the independent non-executive Directors, namely Tang Guliang, Robert Maarten Westerhof, Wu Shihong and Tseng Shieng-chang Carter, has been established to advise the Independent Shareholders in respect of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have relied on the accuracy of the information and facts supplied, and the opinions expressed by the Group, the Directors and the Group’s management to us. We have assumed that all statements of belief and intention made by the Directors in the Circular

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

were made after due enquiry. We have also assumed that all information, representations and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and will continue to be true at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the Group's management, and has been advised by the Directors that no material facts have been omitted from the information provided by or referred to in the Circular.

In rendering our opinion, apart from discussions with the Directors and Group's management, we have researched, analyzed and relied on information in relation to the Company, TCL Corporation and TCL Industries as set out below:

- (i) the Third Variation Deed (2014);
- (ii) the Second Variation Deed (2013);
- (iii) the First Variation Deed (2002);
- (iv) the Deed of Non-Competition (1999);
- (v) the Master After Sale Service (TV Products) Agreement;
- (vi) the annual report of the Company for the year ended 31 December 2012 (the "**Annual Report 2012**");
- (vii) the annual report of the Company for the year ended 31 December 2013 (the "**Annual Report 2013**"); and
- (viii) the Circular.

We have assumed such information to be accurate and reliable and have not carried out any independent verification on the accuracy of such information, which provides us with a basis on which we have been able to formulate our independent opinion. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any form of in-depth investigations into the business affairs, financial position and future prospects of the Group and the parties to the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Group, the Directors and the Group's management.

### PRINCIPAL REASONS AND FACTORS CONSIDERED

In formulating our opinion in respect of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement, we have taken into consideration, among other things, the following principal reasons and factors:

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### I. INFORMATION OF THE COMPANY, TCL CORPORATION AND KUYU

The Company has been listed on the Stock Exchange since November 1999. Currently, Kuyu is a subsidiary of TCL Corporation. TCL King, an indirect wholly-owned subsidiary of the Company, entered into the Kuyu Capital Increase Agreement in which TCL King agreed to make a capital injection of RMB80 million in cash into Kuyu. Upon completion of the Kuyu Capital Increase, the Company will indirectly hold 16% interest in the registered capital of Kuyu.

TCL Corporation, the ultimate shareholder of the Company, is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of electronic, telecommunications, information technology and electrical products.

Kuyu is an e-commerce company with a team of professional and top-ranking e-commerce experts in the industry. It has a processing capacity of 100,000 retail orders per day and is qualified to issue invoices for retail transactions under its own name.

### II. BACKGROUND OF THE NON-COMPETITION ARRANGEMENT

Pursuant to the Deed of Non-Competition (1999), TCL Corporation and TCL Industries have undertaken not to directly or indirectly, carry on or be engaged or interested in the manufacture, assembly, distribution and maintenance of audio-visual products, white goods and products relating to internet related information technology from time to time (“**Restricted Activity**”). Pursuant to the First Variation Deed (2002), the manufacture, assembly, distribution and maintenance of white goods have been excluded from the scope of the Restricted Activity.

To implement the spin-off of Tonly Electronics Holdings Limited, the Company further sought for (and has obtained) its shareholders’ approval for further amendment to the Deed of Non-Competition (1999) by way of the entering of the Second Variation Deed (2013) with TCL Corporation and TCL Industries. Pursuant to the Second Variation Deed (2013), the Company agreed to exclude the research and development, manufacturing and sales relating to audio-visual products (excluding TV sets) from the scope of the Restricted Activity.

To implement the Kuyu Capital Increase, the Parties to the Kuyu Capital Increase Agreement shall make investment in Kuyu. The aforementioned investment in Kuyu by the Parties (except TCL King) will be regarded as their participation in the Restricted Activity and lead to the possible technical breach of the Original Non-Competition Deeds.

To avoid the consequence of breaching the Original Non-Competition Deeds following the completion of the Kuyu Capital Increase, it is proposed that the Original Non-Completion Deeds be amended so as to ensure the completion of the Kuyu Capital Increase will not result in such breach.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### III. THE NON-COMPETITION ARRANGEMENT

Taking into account the Original Non-Competition Deeds and to ensure the implementation of the Kuyu Capital Increase and the Group's investment in Kuyu, relevant arrangement set out below, if passed at the EGM, will be entered into:

Pursuant to the Third Variation Deed (2014) entered into among TCL Corporation, TCL Industries and the Company, products relating to distribution and maintenance of TV sets, and manufacture, assembly, distribution and maintenance of products relating to internet-related information technology from time to time shall cease to be included in the scope of the Restricted Activity so as to permit the Parties to participate in those businesses through Kuyu upon completion of the Kuyu Capital Increase.

As the Original Non-Competition Deeds need to be modified to remove restrictions related to the businesses mentioned above, we concur with the Directors' view that the entering into of the Non-Competition Arrangement to exclude distribution and maintenance of TV sets, and manufacture, assembly, distribution and maintenance of products relating to internet-related information technology from time to time from the scope of the Restricted Activity to be fair and reasonable.

The following table further illustrates the changes of the scope of Restricted Activity under the Original Non-Competition Deeds and the Third Variation Deed (2014):

	Audio-visual products				White goods				Products relating to internet-related information technology from time to time			
	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance
Deed of Non-Competition (1999)	√	√	√	√	√	√	√	√	√	√	√	√
First Variation Deed (2002)	√	√	√	√	X	X	X	X	√	√	√	√
Second Variation Deed (2013)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X	X	X	X	√	√	√	√
Third Variation Deed (2014)	X (except TV sets)	X (except TV sets)	X	X	X	X	X	X	X	X	X	X

### IV. FURTHER ANALYSIS OF THE NON-COMPETITION ARRANGEMENT

The Non-Competition Arrangement is to facilitate and implement the Kuyu Capital Increase and the Group's investment in Kuyu. The relevant agreement is designed to deal with the technical issues arising from the Original Non-Competition Deeds and to meet the needs for maintaining a proper operation of Kuyu. The following factors have been considered in relation to the scope of Restricted Activity.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The competition is keen in China retailing nowadays, and there is no exception in the e-commerce market. In order to develop an integrated O2O and e-commerce platform, the ability to be engaged in distribution and sales of a wide range of consumer electronic appliances, including TV sets, and providing the after-sales maintenance of them, is a necessity. Therefore, exclusion of “distribution and maintenance of TV sets” from the scope of the Restricted Activity would help Kuyu to improve its service portfolio and enhance its competitiveness after the completion of the Kuyu Capital Increase, which in turn would generate a greater value for the Group and the Shareholders as a whole.

Furthermore, “products related to internet-related information technology from time to time” nearly covered most of the electrical appliances nowadays. Exclusion of “manufacture, assembly, distribution and maintenance of products relating to internet-related information technology from time to time” would provide sufficient room to Kuyu’s operation of its O2O business in respect of various electrical products including products relating to internet-related information technology. In addition, exclusion of “manufacture, assembly, distribution and maintenance of products relating to internet-related information technology from time to time” would bring flexibilities to the Group in choosing the approach in developing internet-related products, such as investing in the members of TCL Corporation Group without any potential concerns.

Based on the research performed by iResearch, the compound growth rate of O2O for the next five years represented by service industry will fluctuate between 20% and 50%, while the compound growth rate of reverse O2O which is represented by traditional industries will exceed 600%. As the market is in a fast-pace developing trend as suggested by iResearch, it is an advantage to the Group that it can have more flexibilities and can invest in the members of TCL Corporation Group. In addition, the exclusion of “manufacture, assembly, distribution and maintenance of products relating to internet related information technology from time to time” from the Restricted Activity would provide more incentives for TCL Corporation to utilise its resources in internet-related products, which in turn would provide the Group with more opportunities (and with flexibility) to cooperate with TCL Corporation.

Subject to the approval of the Non-Competition Arrangement by the Independent Shareholders at the EGM, we note that the Kuyu Capital Increase is expected to bring the following benefits to the Group or the Shareholders.

As advised by the Group’s management, China e-commerce is believed to be developing very fast since the last decade and has become one of the largest e-commerce markets. In 2013, the number of the internet users in China was quickly approaching 600 million people, and e-commerce revenue growth was topping 70% compounded annually. China e-commerce is in the pace to become the market leader. In China’s e-commerce 12th Five-Year Plan (2012 – 2015), the Ministry of Industry and Information Technology of the People’s Republic of China unveiled policies to make China a global e-commerce leader. In addition, China’s large and growing middle market is apparently one of the strong driven forces of the growth in e-commerce purchase because consumption habit of customers in middle market has changed and they are more willing to purchase online.

Compared with the business-to-business and consumer-to-consumers e-commerce arenas, O2O is less popular in China, therefore, there is room for development of O2O in China. As a result of the rapid growth of smart phones, tablets and other mobile terminals, O2O is entering into the mainstream of the e-commerce market. The Kuyu Capital Increase would provide good opportunity for the Group to enter into the e-commerce industry, to develop its O2O business, and to benefit from the growth of e-commerce in China.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Original Non-Competition Deeds did not impose any restriction on the Group's business activities. No matter whether amending the Original Non-Competition Deeds or not, the Company is free to build up its own e-commerce platform or invest in Kuyu by itself. However, investing in Kuyu by the Company may not serve the best interest of the Group and the Shareholders as a whole. As referred to in the Annual Report 2013, the demand for LCD TVs in the PRC market dropped as a result of the withdrawal of the energy-saving home appliances subsidy policy by the PRC government in June 2013, which is a new challenge facing by the Group. Participation in the Kuyu Capital Increase enables the Group to make use of the resources from the other group companies and reduce the investment cost of the Group, so that the Group can allocate the resources to other aspects such as research and development and focus on its core business to sharpen its competitive edge. In addition, Kuyu can be sourced by various members of TCL Corporation, the return to the Group is believed to be higher due to the economics of scale.

In view of the pace of growth of China e-commerce, developing the Group's own e-commerce platform may seem to be neither cost-effective nor strategically optimal. The long timing for developing the Group's own e-commerce platform may risk the Group missing lots of business opportunities. The Kuyu Capital Increase will provide an effective way for the Group to transform its retailing mode and develop its O2O business by taking advantage of Kuyu's established e-commerce platform.

As advised by the Group's management, traditional retailers in China are trying to retain their market share in the midst of heavy competition from online stores. The Kuyu Capital Increase would enable the Group to increase its market share as the physical retail network boundary is lifted with instant accessibility of the online retail platform. The online retail platform is also expected to reduce the Group's operating costs. With lower operation costs, the Group would be able to price its consumer goods more competitively and in turn to promote the sales volume.

The Group's TV set products will be able to obtain more extensive exposure to the fans and potential consumers of other TCL products in addition to its existing consumers, and thus greatly benefit from the synergy of a TCL brand online "department store" through Kuyu's e-commerce platform.

In previous years, Kuyu only acted as the distributor of the Group which provided the online platform for the customers to conduct retail transactions. After completion of Kuyu Capital Increase, the core business of Kuyu will be further developed to O2O business that will not only include the online platform on which the retail transactions can be conducted by the customers, but also after-sale services and distribution of the electronic appliances, including TV products. The Parties will be regarded as participating in and being interested in the Restricted Activities after the completion of the Kuyu Capital Increase. The Third Variation Deed (2014) is necessary to release the undertaking given by TCL Corporation and TCL Industries, so that Kuyu can improve its service portfolio, which in turn would generate a greater value to the Group and the Shareholders as a whole.

Apart from the benefits to be brought by the Kuyu Capital Increase as mentioned above, we note that the Non-Competition Arrangement will enable both the Group and the TCL associates to invest in "products relating to internet-related information technology". As advised by the Group's management, the other companies within the TCL Corporation Group may have better resources than the Group in relation to internet-related information technology products. Through cooperation with or direct investment in other companies within the TCL Corporation Group, the Group can get access to better resources in areas such as capital resources, human resources, and logistics infrastructure in the process



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

of developing its O2O business. As mentioned above, the engagement of other companies within the TCL Corporation Group in products relating to internet-related information technology helps to create synergy under the TCL brand name and increase the consumer recognition of the Group's products. We consider such arrangement is in the interests of the Group and the Shareholders as a whole.

We would like to draw the attention of the Independent Shareholders that the Non-Competition Arrangement is intended to facilitate and implement the Kuyu Capital Increase and the Group's investment in Kuyu. Based on the abovementioned reasons, we are of the view that the Kuyu Capital Injection and the Non-Competition Arrangement will be beneficial to the Group as well as the Shareholders as a whole. In addition, the Non-Competition Arrangement would enable the Group to invest in Kuyu and make use of the e-commerce platform operated by Kuyu, which would allow the Group to develop its O2O business and its Shareholders to benefit from the anticipated business expansion and synergy. In the event the Non-Competition Arrangement is not approved by the Independent Shareholders, the Kuyu Capital Increase will not proceed and the Shareholders will not be able to enjoy the benefits of the Kuyu Capital Increase. Taking into account (i) the Kuyu Capital Increase is conditional upon, among other things, the Non-Competition Arrangement; and (ii) the expected benefits of the Kuyu Capital Increase and the Non-Competition Arrangement as mentioned above, we consider that the Non-Competition Arrangement is fair and reasonable.

### V. THE MASTER AFTER SALE SERVICE (TV PRODUCTS) AGREEMENT

#### 1. Financial information of the Group

The Group, which is one of the largest global TV manufacturers and distributors, is principally engaged in manufacturing and selling colour television sets and its products are sold all over the world. As referred to in the Annual Report 2013, the Group proactively responds to changes in the market and implements persistent industry integration and upgrades. It has stepped on the road of industry transformation.

The Group's total revenues for each of the three years ended 31 December 2013 is set out below:

	Year ended 31 December		
	2011	2012	2013
	(HK'000)	(HK'000)	(HK'000)
	(Audited)	(Audited)	(Audited)
The Group's segment revenues			
Television-PRC Market	19,615,224	23,146,374	25,665,747
Television-Overseas Markets	8,743,034	11,939,494	11,884,234
Other	4,574,105	4,598,987	4,201,389
<b>Total</b>	<b>32,932,363</b>	<b>39,684,855</b>	<b>41,751,370</b>

Source: the Annual Report 2012 and the Annual Report 2013

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As set out in the Annual Report 2013, for the year ended 31 December 2013, the Group's audited revenue increased by approximately HK\$2,067 million to approximately HK\$41,751 million, representing an increase of approximately 5.2%. As set out in the Annual Report 2012, for the year ended 31 December 2012, the Group's audited revenue increased by approximately HK\$6,752 million from approximately HK\$32,932 million in 2011 to approximately HK\$39,685 million in 2012, representing an increase of approximately 20.5%. The declining growth rate was mainly attributable to the uncertainties surrounding the United States fiscal cliff and the moderate pace of economic growth in the PRC, demand in the global TV market continued to slow down, which posed challenges to the operating environment.

### **2. Background and reasons for entering into the Maser After Sale Service (TV Products) Agreement**

The Company entered into the Master After Sale Service (TV Products) Agreement with TCL Corporation on 19 May 2014, pursuant to which the Company appoints TCL Corporation as its service provider of the Services in the PRC in respect of TV Products. The Master After Sale Service (TV Products) Agreement is a master agreement setting out the principal provision for subsequent transactions, and the conditions of which will be governed by further Service Contracts in great details.

As advised by the Group's management, as certain members within the TCL Corporation Group have vast experience with the provision of after-sale service for electronic appliances and are well equipped with experienced personnel and advanced IT system, entering into the Master After Sale Service (TV Products) Agreement enables the Group's customers to get access to specialized and high quality services, which helps to attract and retain more customers and improve sales performance. In addition, by outsourcing the Services to TCL Corporation Group, the Group is able to concentrate its resources on its core business, i.e. the manufacturing, assembly and distribution of TV Products.

Based on the aforesaid, we are of the view that the Master After Sale Service (TV Products) Agreement is in the interests of the Group and the Shareholders as a whole.

### **3. Principal terms of the Master After Sale Service (TV Products) Agreement**

Set out below are the major terms of the Master After Sale Service (TV Products) Agreement:

Date:	19 May 2014
Parties:	(i) TCL Corporation as the Service Provider (for itself and on behalf of its Subsidiaries) and  (ii) the Company as the User (for itself and on behalf of its Subsidiaries)
Duration:	Unless being terminated according to the termination clause of the Master After Sale Service (TV Products) Agreement, the Master After Sale Service (TV Products) Agreement shall be effective from 19 May 2014 to 31 December 2016.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Provision of Services:	Subject to the compliance by the Company with any applicable Listing Rules (including the obligation and/or liability of the Company as a result of the caps for the transaction amount as determined from time to time pursuant to the Listing Rules), the Company and TCL Corporation agree to enter into further Service Contract(s) between Relevant Member(s) of the Company and Relevant Member(s) of TCL Corporation according to the Master After Sale Service (TV Products) Agreement under which Relevant Member(s) of the Company will engage the Relevant Member(s) of TCL Corporation to provide any Relevant Member(s) of the Company with the Services in the PRC.
Price determination:	Relevant Member(s) of the Company shall pay Relevant Member(s) of TCL Corporation the Service Fees in respect of the Services it provides. The Service Fees shall be calculated and charged based on no more than 2% of the sales revenue of the TV Products. The exact percentage rate shall be negotiated and determined by both parties after taking into account various factors such as costs and inflation rate. TCL Corporation and the Company shall conduct an annual review of the provision of Services and the Service Fees to decide whether any revision shall be made.

As advised by the Group's management, the after-sale services were provided internally previously, and no independent third party was engaged. As set out in the Master After Sale Service (TV Products) Agreement, the Service Fees will be on normal commercial terms, in the respective interest of both parties and determined with reference to the then prevailing arm's length price range of relevant services in the PRC market. It is also set out in the Master After Sale Service (TV Products) Agreement that the Service Fee shall not exceed 2% of the sales revenue of the TV Products.

Based on the aforesaid, we consider that the terms of the Master After Sale Service (TV Products) Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Group and the Shareholders as a whole.

#### 4. Annual Caps

As set out in the Letter from the Board, the below table sets forth the proposed annual caps (the "Annual Caps") for the continuing connected transactions contemplated under the Master After Sale Service (TV Products) Agreement for each of the three years ending 31 December 2016:

	<b>For the year ending 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(HK'000)</i>	<i>(HK'000)</i>	<i>(HK'000)</i>
Service Fees	<u>337,820</u>	<u>649,546</u>	<u>795,491</u>

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

According to the Letter from the Board, the Annual Caps have been determined based on (i) the cost for the after-sale services incurred by the Group in the past; (ii) certain call centre services provided by the TCL Corporation Group to the Group (the service fees for which amounted to approximately HK\$18.58 million, HK\$20.20 million and HK\$27.20 million for three years ended 31 December 2013, respectively); (iii) the estimated increase in the sales volume of the TV Products; (iv) the estimated increase in amount of after-sale service expenses as a result of a further extension of the scope of the Services; and (v) the likely appreciation of Renminbi and inflation in the PRC in the coming years.

We note that the Annual Caps are significantly higher than the historical call centre service fees charged by TCL Corporation Group, which is mainly due to the larger scope of service to be outsourced as stipulated under the Master After Sale Service (TV Products) Agreement.

The below table sets forth the sales volumes of the Group's televisions for each of the three years ended 31 December 2013:

	For the year ended 31 December		
	2011	2012	2013
	('000 sets)	('000 sets)	('000 sets)
LCD televisions	10,860	15,527	17,184
CRT televisions	4,185	2,030	1,055
Total sales volume of televisions	<u>15,045</u>	<u>17,557</u>	<u>18,239</u>

Source: the Annual Report 2012 and the Annual Report 2013

As set out in the Annual Report 2013, for the year ended 31 December 2013, the total number of LCD televisions sold by the Groups increased by approximately 1.66 million sets to approximately 17.18 million sets, representing an increase of approximately 10.7%. The sales volume of CRT televisions decreased by approximately 48.0% from approximately 2.03 million sets in 2012 to approximately 1.06 million sets in 2013. The growth in the Group's total sales volume of televisions was mainly attribute to: (i) proactive exploration and introduction of new products; (ii) enhancement of brand influence through international entertainment marketing efforts; and (iii) diversification of products through cross-industries strategic alliance. The Group ranked third in the global LCD TV market in 2013 with a market share of approximately 6.5%. Meanwhile, the Group maintained its first position in the PRC LCD TV market with a market share of approximately 18.1%.

As advised by the Group's management, it is expected that the overall sales volume of the Group's TV Products will continue to grow, as a result of the business expansion of the Group and the synergy brought by the Kuyu Capital Increase. According to iResearch, it is expected that the annual transaction amount through online shopping will reach approximately RMB4,000 billion in the PRC market by 2016 to 2017. As one of the leading brands of TV sets in the PRC intends to utilize the O2O e-commerce platform for promotion of its sales, the Group also expects to see a substantial increase in its sales volume during the same period. It is expected that the amount of after-sale service expenses will increase accordingly. We have reviewed the calculation of the estimated sales volume and sales revenue of TV Products of the Group for the three years ending 31 December 2016 and discussed with the Group's management for its assumptions and bases for such estimates.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Furthermore, the Group provided the after-sale services internally in previous years. Based on the breakdown of the historical after-sale service expenses provided by the Group's management, the costs were approximately 2.25% of sales revenue of the TV Products of the year ended 31 December 2013. As referred to in the Letter from the Board, the Service Fees shall be calculated and charged based on the no more than 2% of the sales revenue of the TV Products, which is lower than the historical rate charged for after-sale service internally. Thus it is expected that the Group can save cost on after-sale services.

Based on the aforesaid, we consider that the Annual Caps of the Master After Sale Service (TV Products) Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Group and the Shareholders as a whole.

### OPINION AND RECOMMENDATION

Having regard to the principal factors and reasons discussed above, we consider that the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are on normal commercial terms, and the terms of the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement are in the interests of the Company and the Shareholders as a whole. Thus, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM of the Company to approve the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement. We also advise the Independent Shareholders to vote in favour of the resolutions to approve the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement at the EGM.

Yours faithfully,  
For and on behalf of  
**RHB OSK Capital Hong Kong Limited**

**Conrad Cheng**  
*Director*  
*Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

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 Group. 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 contained in this circular or this circular 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 Transaction by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Interests in shares of the Company

Name of Directors	Type of interest	No. of Shares held	Approximate percentage of issued share capital of the Company
Li Dongsheng	Beneficial owner/ interest of spouse	42,517,513	3.19%
Hao Yi	Beneficial owner	479,366	0.04%
Yan Xiaolin	Beneficial owner	34,600	0.003%
Albert T. da. Rosa, Jr.	Beneficial owner	63,333	0.005%
Bo Lianming	Beneficial owner	218,727	0.02%
Huang Xubin	Beneficial owner	60,560	0.005%
Shi Wanwen	Beneficial owner	566,692	0.04%
Tang Guliang	Beneficial owner	63,333	0.005%
Robert Maarten Westerhof	Beneficial owner	30,000	0.002%
Wu Shihong	Beneficial owner	63,333	0.005%

**(b) Other interests of the Company**

<b>Name of Directors</b>	<b>Type of interest</b>	<b>Other interests (Note)</b>	<b>Approximate percentage of issued share capital of the Company</b>
Li Dongsheng	Beneficial owner	963,218	0.07%
Hao Yi	Beneficial owner	144,573	0.01%

*Note:* These interests are restricted shares granted to the relevant directors under a restricted share award scheme of the Company and were not vested as at the Latest Practicable Date.

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

<b>Name of Directors</b>	<b>Type of interest</b>	<b>No. of underlying shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
Li Dongsheng	Beneficial owner	3,535,289	0.27%
Hao Yi	Beneficial owner	1,649,778	0.12%
Yan Xiaolin	Beneficial owner	283,467	0.02%
Albert T. da. Rosa, Jr.	Beneficial owner	266,667	0.02%
Bo Lianming	Beneficial owner	1,155,700	0.09%
Huang Xubin	Beneficial owner	708,711	0.05%
Shi Wanwen	Beneficial owner	141,778	0.01%
Tang Guliang	Beneficial owner	266,667	0.02%
Robert Maarten Westerhof	Beneficial owner	300,000	0.02%
Wu Shihong	Beneficial owner	266,667	0.02%

**(d) Interests in shares of associated corporations of the Company**

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Type of interest</b>	<b>No. of shares held</b>	<b>Approximate percentage of the relevant associated corporation's issued share capital</b>
Li Dongsheng	TCL Corporation	Beneficial owner	638,273,688	6.75%
Hao Yi	TCL Corporation	Interest of spouse	201,600	0.002%
Yan Xiaolin	TCL Corporation	Beneficial owner	793,000	0.008%
Bo Lianming	TCL Corporation	Beneficial owner	2,663,175	0.03%
Huang Xubin	TCL Corporation	Beneficial owner	1,933,360	0.02%
Shi Wanwen	TCL Corporation	Beneficial owner	5,799,518	0.06%
Li Dongsheng	TCL Communication	Beneficial owner	38,356,756	3.20%
Hao Yi	TCL Communication	Beneficial owner	133	0.00001%
Yan Xiaolin	TCL Communication	Beneficial owner	22,000	0.002%
Bo Lianming	TCL Communication	Beneficial owner	65,700	0.01%
Shi Wanwen	TCL Communication	Beneficial owner	83,715	0.01%
Wu Shihong	Huizhou Techne Corporation	Beneficial owner	802,700	0.35%
Li Dongsheng	Tonly Holdings	Beneficial owner/ Interest of spouse	3,791,779	2.28%
Hao Yi	Tonly Holdings	Beneficial owner	116	0.0001%
Albert T. Da Rosa, Jr.	Tonly Holdings	Beneficial owner	5,476	0.003%
Bo Lianming	Tonly Holdings	Beneficial owner	19,103	0.01%
Huang Xubin	Tonly Holdings	Beneficial owner	4,325	0.003%
Shi Wanwen	Tonly Holdings	Beneficial owner	54,937	0.03%
Tang Guliang	Tonly Holdings	Beneficial owner	5,476	0.003%
Robert Maarten Westerhof	Tonly Holdings	Beneficial owner	2,142	0.001%
Wu Shihong	Tonly Holdings	Beneficial owner	5,476	0.003%

**(e) Interest in shares of Shenzhen China Star Optoelectronics Technology Co., Ltd. ("China Star"), an associated corporation of the Company**

<b>Directors</b>	<b>Injection Capital (Note)</b>	<b>Percentage of injection capital of China Star</b>
Bo Lianming	RMB15,160,000	0.15%

*Note:* Mr. Bo Lianming was deemed to be interested in China Star since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple") as to approximately 64.68% and Star Ripple in turn held 0.15% of the injection capital of China Star.



**(f) Interest in shares of Kuyu, an associated corporation of the Company**

Directors	Injection Capital (Note)	Percentage of injection capital of Kuyu
Shi Wanwen	RMB35,500,000	71%

*Note:* Mr. Shi Wanwen was deemed to be interested in Kuyu since he was indirectly interested in Kuyu through his controlled corporation, Pengpeng Keji, as to approximately 46.2% and Pengpeng Keji in turn held 71% of the injection capital of Kuyu.

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

Name of Directors	Name of associated corporation	Type of interest	No. of underlying shares held	Approximate percentage of the relevant associated corporation's issued share capital
Yan Xiaolin	TCL Corporation	Beneficial owner	1,522,400	0.02%
Bo Lianming	TCL Corporation	Beneficial owner	2,061,420	0.02%
Huang Xubin	TCL Corporation	Beneficial owner	1,450,020	0.02%
Shi Wanwen	TCL Corporation	Beneficial owner	1,780,740	0.02%
Li Dongsheng	TCL Communication	Beneficial owner	13,256,165	1.11%
Yan Xiaolin	TCL Communication	Beneficial owner	392,200	0.03%
Bo Lianming	TCL Communication	Beneficial owner	2,879,000	0.24%
Huang Xubin	TCL Communication	Beneficial owner	1,016,035	0.08%
Shi Wanwen	TCL Communication	Beneficial owner	293,600	0.02%

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 Transaction by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

#### (a) Interests in the Company

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:

##### (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	817,504,475 (note 1)	61.30% (note 2)

##### Notes:

- TCL Corporation was deemed to be interested in 817,504,475 shares held by TCL Industries, its direct wholly owned subsidiary, for the purpose of the SFO.
- Such percentage was calculated based on the issued share capital of the Company as at the Latest Practicable Date, being 1,333,598,514 shares in issue.
- The following Directors are directors/employees of TCL Corporation who 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:
  - Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;
  - Mr. HAO Yi is a vice president of TCL Corporation;
  - Mr. YAN Xiaolin is the chief technology officer of TCL Corporation and the president of TCL Corporate Research of TCL Corporation;
  - Mr. BO Lianming is an executive director, president and chief operating officer of TCL Corporation; and
  - Mr. HUANG Xubin is the chief financial officer of TCL Corporation.

**(b) Interests in subsidiaries of the Company**

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) 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:

Name of subsidiary of the Company	Name of substantial shareholders	Approximate Percentage of shareholding
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%
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%
Henan Melody-Huana Electronics Co., Ltd. (河南美樂華納電子有限公司)	惠州市仁仁巨實業有限公司	60%

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 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 2013 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. COMPETING INTERESTS**

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

**7. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualifications</b>
RHB OSK Capital	A licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

RHB OSK Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 28 May 2014 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, RHB OSK Capital 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.

**8. MISCELLANEOUS**

- (a) Save as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors, nor RHB OSK Capital was interested, directly or indirectly, in any assets which had since 31 December 2013 (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 were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**9. 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 13<sup>th</sup> 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) Third Variation Deed (2014);
- (b) Master After Sale Service (TV Products) Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 31 of this circular;
- (d) the letter from RHB OSK Capital, the text of which is set out on pages 32 to 43 of this circular; and
- (e) the written consent from RHB OSK Capital referred to in the paragraph headed “Expert and Consent” in Appendix I to this circular.

---

## NOTICE OF EGM

---



### TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

### TCL 多媒體科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of TCL Multimedia Technology Holdings Limited (the “Company”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 16 June 2014, 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 Non-Competition Arrangement (including the Third Variation Deed (2014) as defined in the circular of the Company dated 28 May 2014 (the “Circular”)) be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to sign or execute such other documents or supplemental agreements or deeds or take such action, do such things, as such director may in his opinion consider necessary or desirable for the purpose of implementing or giving effect to the Third Variation Deed (2014) and completing the transactions contemplated by the Third Variation Deed (2014) with such changes as such director may consider necessary, desirable or expedient.”<sup>(1)</sup>

2. **“THAT**

- (a) the Master After Sale Service (TV Products) Agreement (as defined in the Circular), the terms and the transactions thereunder together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2016 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 After Sale Service (TV Products) Agreement and the transactions contemplated thereby.”<sup>(1)</sup>

By Order of the Board  
**Li Dongsheng**  
Chairman

Hong Kong, 28 May 2014

---

## NOTICE OF EGM

---

*Notes:*

1. Unless stated otherwise, terms used in the resolution shall have the same meanings as those used in the announcements of the Company, dated 24 April 2014 and titled “Connected Transactions – Capital Injection into Kuyu/Non-Competition Arrangement” and dated 19 May 2014 and titled “Continuing Connected Transaction – The Master After Sales Service (TV Products) Agreement”.
2. Please refer to the circular of the Company (to be issued on 28 May 2014) for details and background of the proposed resolution set out herein.
3. 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.
4. A form of proxy for the EGM is enclosed to the notice of the EGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
5. The register of members of the Company will be closed on Friday, 13 June 2014 and Monday, 16 June 2014 (both dates inclusive) 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 during the said period. 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on Thursday, 12 June 2014.
6. 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, TCL Industries and their associates (as defined in the Listing Rules) are required to abstain from voting in respect of the ordinary resolution in relation to the Non-Competition Arrangement and the Master After Sale Service (TV Products) Agreement.
7. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 16 June 2014 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 16 June 2014 that either of the above mentioned warnings is to be issued within the next two hours, the EGM shall automatically be postponed to the next Business Day on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted between the hours from 7:30 a.m. to 9:30 a.m. and in such case the EGM shall be held at 4:00 p.m. on that Business Day at 13/F TCL Tower, 8 Tai Chung Road, Tsuen Wan, Hong Kong. “Business Day”, in this context, shall mean a day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for general banking business.

*As at the date of this notice, the Board comprises LI Dongsheng, HAO Yi and YAN Xiaolin as executive directors, Albert Thomas DA ROSA, Junior, BO Lianming, HUANG Xubin and SHI Wanwen as non-executive directors, TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.*