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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

**(1) CONTINUING CONNECTED TRANSACTIONS
(A) SOURCING FRAMEWORK AGREEMENT (2016)
AND
(B) KEY COMPONENT SOURCING CONTRACT (2016)
AND
(2) ELECTION OF DIRECTORS**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Beijing Securities

Beijing Securities Limited

北京證券有限公司

A letter from the Board is set out on pages 6 to 22 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 23 of this circular. A letter from Beijing Securities Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 41 of this circular.

A notice convening the EGM of the Company to be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 19 July 2016, Tuesday at 4:00 p.m. is set out on pages 49 to 50 of this circular.

If there is a black rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 19 July 2016 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 19 July 2016 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 signal or tropical cyclone warning signal number 8 or above is issued 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, New Territories, Hong Kong.

Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be) in person, 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.

21 June 2016

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 20 May 2016, with the title “CONTINUING CONNECTED TRANSACTIONS (1) SOURCING FRAMEWORK AGREEMENT (2016) AND (2) KEY COMPONENT SOURCING CONTRACT (2016)”;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which banks in Hong Kong are open to conduct business generally throughout their normal business hours and the Stock Exchange is open for trading, excluding a Saturday, Sunday, public holidays and days on which a tropical cyclone warning number 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00 on weekdays;
“Caps”	the respective caps for the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) for the period from the Shareholders’ Approval Date to 31 December 2016 and the years ending 31 December 2017 and 2018;
“Company”	TCL Multimedia Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 01070);
“Component Purchase Order”	the component purchase order made by member(s) of the Group to member(s) of the Leshi Zhixin Group for sourcing of the Key Materials from member(s) of the Leshi Zhixin Group;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“CSOT”	Shenzhen China Star Optoelectronics Technology Co., Ltd., a Subsidiary of TCL Corporation;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, on 19 July 2016, Tuesday at 4:00 p.m. for the purposes of considering and, if thought fit, (1) approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps; and (2) the election of Mr. Cheng and Mr. Abulimiti as non-executive Directors;
“Finance Unit”	the finance unit of the business department of the Group;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor SO Wai Man Raymond and Professor WANG Yijiang;
“Independent Financial Adviser”	Beijing Securities Limited, a licensed corporation under the SFO authorised to carry out regulated activities of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps;
“Independent Shareholders”	Shareholders other than Leshi Zhixin and its associates and those who are required to abstain from voting on the ordinary resolutions at the EGM approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps;
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries and their respective associates;
“Industry Margin”	the net profit margin for the Products manufactured on OEM basis in the industry;

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“Key Component Sourcing Contract”	the key component sourcing contract entered into between Leshi Zhixin and TCL Overseas on 18 May 2015, as supplemented and confirmed by any subsequent supplemental agreement(s) or confirmation(s) thereto before the completion of the Subscription Agreement, subject to the terms and conditions of the Sourcing Framework Agreement;
“Key Component Sourcing Contract (2016)”	the key component sourcing contract (2016) entered into between Leshi Zhixin and the Company on 20 May 2016;
“Key Materials”	the key materials required by member(s) of the Group to produce the Products, which comprise displays (screens, Open Cell), chips (core controlling chips including main board chips, FRC chips, network chips, audio, sound, etc.), storage components (DDR, Flash, hard disks), structural components (artistic components including front frames, back cases, bases), accessories (functional components including ultra remote controls) and other components;
“Latest Practicable Date”	14 June 2016, being the latest practicable date prior to the bulk printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Leshi Zhixin”	Leshi Zhixin Electronic Technology (Tianjin) Co., Ltd. (樂視致新電子科技(天津)有限公司), a limited liability company established in the PRC;
“Leshi Zhixin Group”	Leshi Zhixin and its Subsidiaries;
“Letv (HK)”	Letv ZhiXin Investment (HK) Limited, a wholly-owned Subsidiary of Leshi Zhixin, designated by Leshi Zhixin as the subscriber according to the Subscription Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers;
“Mr. Cheng”	Mr. Winston Shao-min CHENG, a non-executive Director;
“Mr. Abulimiti”	Mr. Abulikemu ABULIMITI, a non-executive Director;

DEFINITIONS

“OEM”	original equipment manufacturing whereby products are manufactured in whole or in part in accordance with the customer’s specifications and are marketed under the customer’s own brand names;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Products”	electronic products listed in the Purchase Order, and include renewal/improvement of the products, updating of the versions or functional replacements;
“Purchase Order(s)”	the purchase order(s) issued by member(s) of the Leshi Zhixin Group to member(s) of the Group which specify the model numbers of the Products, the amounts, prices, payment terms, etc.;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Shareholders’ Approval Date”	the date on which Independent Shareholders’ approval at the EGM for approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps, as required under the Listing Rules, is obtained;
“Sourcing Framework Agreement”	the sourcing framework agreement entered into between Leshi Zhixin and TCL Overseas on 18 May 2015, as supplemented and confirmed by any subsequent supplemental agreement(s) or confirmation(s) thereto before the completion of the Subscription Agreement;
“Sourcing Framework Agreement (2016)”	the sourcing framework agreement (2016) entered into between Leshi Zhixin and the Company on 20 May 2016;

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the subscription agreement dated 11 December 2015 entered into between the Company and Leshi Zhixin;
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly;
“TCL Communication”	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 02618);
“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, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100);
“TCL Overseas”	TCL Overseas Electronics (Huizhou) Limited, a wholly-owned Subsidiary of the Company;
“Tonly Electronics 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); and
“Valid Purchase Order(s)”	the Purchase Order(s) issued by member(s) of the Leshi Zhixin Group and accepted by member(s) of the Group in accordance with the Sourcing Framework Agreement (2016).

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
BO Lianming
YAN Xiaolin
XU Fang

Registered Office:

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Cayman Islands

Non-executive Directors:

Albert Thomas DA ROSA, Junior
HUANG Xubin
Winston Shao-min CHENG
Abulikemu ABULIMITI

Principal Place of Business in Hong Kong:

13th Floor
TCL Tower
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New Territories
Hong Kong

Independent Non-executive Directors:

Robert Maarten WESTERHOF
TSENG Shieng-chang Carter
SO Wai Man Raymond
WANG Yijiang

21 June 2016

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
(A) SOURCING FRAMEWORK AGREEMENT (2016)
AND
(B) KEY COMPONENT SOURCING CONTRACT (2016)
AND
(2) ELECTION OF DIRECTORS**

INTRODUCTION

Reference is made to (i) the Announcement and (ii) the announcement of the Company in respect of the appointment of non-executive Directors dated 10 May 2016. As stated in the Announcement, on 20 May 2016, the Company entered into (i) the Sourcing Framework Agreement (2016) with Leshi Zhixin, pursuant to which the Group agreed to supply the Products to the Leshi Zhixin Group, and (ii) the Key

LETTER FROM THE BOARD

Component Sourcing Contract (2016) with Leshi Zhixin, pursuant to which the Leshi Zhixin Group agreed to supply the Key Materials to the Group for the production of the Products. As stated in the announcement dated 10 May 2016, the Board appointed Mr. Cheng and Mr. Abulimiti as non-executive Directors whose appointments are subject to the approval of the Shareholders at the next general meeting of the Company.

The purposes of this circular are:

- (i) to provide the Shareholders with further details of (a) the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), and the transactions contemplated thereunder and their relevant proposed Caps as mentioned in the Announcement and (b) the election of Mr. Cheng and Mr. Abulimiti as non-executive Directors;
- (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016); and
- (iii) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

(1) SOURCING FRAMEWORK AGREEMENT (2016)

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

Date:	20 May 2016
Parties:	<ul style="list-style-type: none">(i) Leshi Zhixin (for itself and on behalf of all members of the Leshi Zhixin Group) as customer(ii) The Company (for itself and on behalf of all members of the Group) as supplier
Duration:	From Shareholders' Approval Date to 31 December 2018 (both dates inclusive), subject to early termination pursuant to the terms of the Sourcing Framework Agreement (2016)
Major terms:	<p>Sale of the Products</p> <p>Members of the Group shall supply the Products to members of the Leshi Zhixin Group listed in the Valid Purchase Order(s).</p>

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Members of the Group are not obliged to supply the Products to members of the Leshi Zhixin Group unless the Purchase Order(s) issued by the relevant member of the Leshi Zhixin Group is accepted or deemed accepted by the relevant member of the Group in accordance with the Sourcing Framework Agreement (2016) (in which case the Purchase Order(s) will become Valid Purchase Order(s)).

There is no provision in the Sourcing Framework Agreement (2016) which prohibits members of the Leshi Zhixin Group from producing or sourcing from third parties products similar or identical to the Products.

Prices of the Products

The prices of the Products shall be set out in the Valid Purchase Order(s).

If the member of the Group supplying the Product(s) to member of the Leshi Zhixin Group has supplied the same Product(s) to any third party at lower price(s) within the same period or under the same conditions, the relevant member of the Group shall immediately inform the relevant member of the Leshi Zhixin Group. Further quotes given by the relevant member of the Group in respect of such Product(s) shall be the abovementioned price(s) agreed with the third party.

In case there are substantial changes to the quantity of the Products to be supplied or other factors which may affect the prices of the Products, both parties shall have the right to request for a re-negotiation of the prices.

Payment Terms

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

LETTER FROM THE BOARD

Staff Training, Technical Support and After-sale Services

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

Termination of the Sourcing Framework Agreement

The Sourcing Framework Agreement shall be terminated upon the Sourcing Framework Agreement (2016) becoming effective on the Shareholders' Approval Date.

Note: As a reference, the settlement periods offered by the Group to its customers who are Independent Third Parties range from 45 days to 90 days after the date of invoice.

(2) KEY COMPONENT SOURCING CONTRACT (2016)

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

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

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

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Prices of the Key Materials

The prices at which members of the Leshi Zhixin Group sell the Key Materials to members of the Group shall not be higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials to any third party. The prices of the Key Materials shall include the component price, tariff, value-added tax, transportation fee and other expenses and costs, etc. borne by the relevant members of the Leshi Zhixin Group in the fulfilment of the Component Purchase Order pursuant to the Key Component Sourcing Contract (2016). Payment shall be made in RMB. Members of the Leshi Zhixin Group shall not impose extra fee, tax and compensation on members of the Group without mutual consent.

In general, the prices of the Key Materials shall be determined and updated once a year. However, in case of substantial price fluctuations for goods similar to the Key Materials in the market, the parties may negotiate and adjust the prices.

Payment Terms

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

Termination of the Key Component Sourcing Contract

The Key Component Sourcing Contract shall be terminated upon the Key Component Sourcing Contract (2016) becoming effective on the Shareholders' Approval Date.

LETTER FROM THE BOARD

HISTORICAL FIGURES

The following table sets out the respective actual amounts of the transactions under the Sourcing Framework Agreement and the Key Component Sourcing Contract:

	For the period from 18 May 2015 to 31 December 2015 (unaudited) <i>HK\$'000</i>	For the period from 1 January 2016 to 31 March 2016 (unaudited) <i>HK\$'000</i>
Sale of the Products by TCL Overseas to Leshi Zhixin under the Sourcing Framework Agreement	355,406	277,294
Sourcing of the Key Materials from Leshi Zhixin by TCL Overseas under the Key Component Sourcing Contract	125,786	131,322

PROPOSED CAPS OF THE SOURCING FRAMEWORK AGREEMENT (2016) AND THE KEY COMPONENT SOURCING CONTRACT (2016)

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

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

LETTER FROM THE BOARD

REASONS FOR THE PROPOSED CAPS

The proposed Caps for the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) are determined by reference to, among other things:

Sourcing Framework Agreement (2016)

- (i) the expected increase in exchange rate between RMB and HK\$ during the terms of the Sourcing Framework Agreement (2016) at the rate of approximately 1% per annum; and
- (ii) the historical transaction amounts under the Sourcing Framework Agreement and the negotiation with Leshi Zhixin pursuant to which the Company and Leshi Zhixin have arrived at a non-binding understanding on the approximate amounts of the Products to be sold to the Leshi Zhixin Group for the period from the Shareholders' Approval Date to 31 December 2016 and the respective financial years ending 31 December 2017 and 2018. TCL Overseas commenced business with Leshi Zhixin in the second half of 2015, which was before Letv (HK) became a shareholder of the Company holding approximately 20.09% of the number of issued Shares. At that time, there was only one model of the Products and the quantity of the Products sold to Leshi Zhixin under the Sourcing Framework Agreement in 2015 was 51,000 units. After Letv (HK) became a shareholder of the Company and the commencement of the strategic cooperation between the Group and the Leshi Zhixin Group as disclosed in the voluntary announcement of the Company dated 13 January 2016, it is expected that the quantity of the Products sold would be significantly increased to approximately 1,200,000 units (covering 6 different models of the Products) for the year ending 31 December 2016, while the unit prices for the Products range from RMB2,500 to RMB7,000 depending on the models involved. Regarding the Caps for the two years ending 31 December 2017 and 2018, they were determined with reference to the estimated sales volume of the Leshi Zhixin Group which is expected to have an approximately 100% year-on-year increase. As a reference, the sales volume of the Leshi Zhixin Group increased by approximately 4 times and one time respectively for 2014 and 2015 as compared to the respective previous years. It is expected that the quantity of the Products to be sold to the Leshi Zhixin Group for each of the two years ending 31 December 2018 would be 1,800,000 units (covering 6 different models of the Products) and 2,400,000 units (covering 8 different models of the Products). In addition to the increase in quantity to be sold to the Leshi Zhixin Group, it is expected that the weighted average unit prices for the Products would also go up in view of the combination of models and technology involved. Having considered the Group's current production capacity and the ability to increase its production capacity as and when needed, the Group would have sufficient production capacity to meet the expected increase in the sales volume of the Products for the period from the Shareholders' Approval Date to 31 December 2018.

LETTER FROM THE BOARD

Key Component Sourcing Contract (2016)

- (i) the expected increase in exchange rate between RMB and HK\$ during the terms of the Key Component Sourcing Contract (2016) at the rate of approximately 1% per annum; and
- (ii) the Products are manufactured on OEM basis which require the sourcing of certain Key Materials, and the quantity and unit price of which depend on the models and specifications of the Products to be manufactured as designated by the customers (i.e. the Leshi Zhixin Group). Comparing the amount of transactions conducted under the Key Component Sourcing Contract and the Sourcing Framework Agreement for the period from 18 May 2015 to 31 March 2016, it is noted that the transaction amount for sourcing of the Key Materials represented approximately one third of the transaction amount for sale of the Products to Leshi Zhixin. Therefore, the Caps for sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract (2016) for the period from the Shareholders' Approval Date to 31 December 2016 and for each of the two years ending 31 December 2017 and 31 December 2018 respectively was set at approximately one third of the respective Caps for the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016).

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Sourcing Framework Agreement (2016)

The Sourcing Framework Agreement (2016) enables the Group to sell its products to the Leshi Zhixin Group manufactured on OEM basis on normal commercial terms which would contribute to the volume of products sold and the amount of revenue of the Group. Sale of the Group's products to the Leshi Zhixin Group would in turn increase the utilisation rate of the production capacity of the Group so that overhead expenses could be more widely distributed.

The Group's revenue for the year ended 31 December 2015 was approximately HK\$34.02 billion in which approximately HK\$0.36 billion was contributed by the sale of the Products to Leshi Zhixin. Assuming that the revenue of the Group would be increased only by the increase in the Caps for the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (for the year ending 31 December 2016) and the Sourcing Framework Agreement (2016) (for each of the three years ending 31 December 2018), the Group's revenue for the year ending 31 December 2016, 2017 and 2018 would be approximately HK\$38.80 billion^(Note), HK\$42.72 billion and HK\$45.87 billion, respectively. The sale of the Products to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) for each of the three years ending 31 December 2018, would account for 13.25%^(Note), 21.21% and 26.62% of the hypothetically calculated revenue for the respective years, respectively. Such percentages would be lower if the Group's overall revenue other than sales to the Leshi Zhixin Group increases. The Directors therefore consider that there is no issue of reliance on the Leshi Zhixin Group.

Note: Taking into account the HK\$0.28 billion sales of the Products to Leshi Zhixin for the three months ended 31 March 2016 and assuming that the sales of the Products to Leshi Zhixin for the approximate three months' period from 1 April 2016 to the Shareholders' Approval Date is also approximately HK\$0.28 billion.

LETTER FROM THE BOARD

Key Component Sourcing Contract (2016)

By entering into the Key Component Sourcing Contract (2016), the Group would be able to source the Key Materials which are required for the production of the Products in order to meet the orders of the Leshi Zhixin Group on the Valid Purchase Orders pursuant to the Sourcing Framework Agreement (2016).

PRICING POLICY

Sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016)

The price of each model of the Products is determined on a cost-plus basis comprising the costs of the Products (including costs of the materials (and hence the Key Materials), production costs and overhead costs) plus applicable net profit margin. The Industry Margin is no more than 3%. Following the industry practice, the Products manufactured on OEM basis are generally sold to the Group's customers (whether Independent Third Parties or members of the Leshi Zhixin Group) at the Industry Margin. When determining the exact net profit margin to be applied to the Products, the Group will take into account all the relevant circumstances including the following:

- (1) market prices for similar or comparable products and the market positioning of the Group's products; and
- (2) the target gross profit margins of the Group in respect of the various types of products (and in this connection, different gross profit margins will be applied to different products based on the level of standardisation of such products and the core technologies used).

This mechanism is followed regardless of whether the purchasers of the products of the Group manufactured on OEM basis are Independent Third Parties or connected persons of the Company. The Group also sells products manufactured on OEM basis to customers who are Independent Third Parties and the above pricing policy (i.e. the determination of the exact net profit margin to be applied to the products to be sold) is applicable indiscriminatorily to both Independent Third Parties and the Leshi Zhixin Group. Therefore, the prices for the Products to be supplied to the relevant member(s) of the Leshi Zhixin Group are determined in accordance with the same mechanism and procedures applied to sales of such products to Independent Third Parties.

The pricing policy could enable the Group to ensure that the transactions to be conducted under the Sourcing Framework Agreement (2016) are on normal commercial terms and on terms no less favourable than those offered by the Independent Third Parties. The Directors therefore consider that the pricing policy is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract (2016)

The Key Materials to be sourced from the Leshi Zhixin Group would only be used for manufacturing the Products upon the Leshi Zhixin Group's request. In order to meet the specifications designated by the Leshi Zhixin Group on the Products which the Group agrees to supply under Valid Purchase Orders, the Group may be obliged to purchase the Key Materials with designated specifications from the Leshi Zhixin Group for manufacturing the Products. In such case, the Group would not be able to source comparable materials from other suppliers, and the Group would not obtain a quotation from Independent Third Parties for the comparable materials before requesting the Leshi Zhixin Group to provide the Key Materials. The Group would rather make sure that the costs of the Key Materials have been reflected in the price of the Products, which is determined on a cost-plus basis as disclosed above, so that the Group can fully recover the costs of the Key Materials to be sourced from the Leshi Zhixin Group in the price of the Products and the Group's profit for sale of the Products would not be affected by the price of the Key Materials charged by the Leshi Zhixin Group.

Notwithstanding the above, the Group would from time to time collect market information on the price of the materials similar to or comparable with the Key Materials so as to make sure that the price at which the Group purchases the Key Materials from the Leshi Zhixin Group would not grossly deviate from the market price which may have an impact on the overall revenue and costs of the Group in its financial statements.

INTERNAL CONTROL PROCEDURES

In respect of the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the Group has adopted the following internal control procedures:

- (1) For sale of the Products, to ensure that the transactions with the Leshi Zhixin Group are on normal commercial terms and on terms no less favourable from the perspective of the Group than those available to Independent Third Parties, every time when the Group receives any Purchase Order from the Leshi Zhixin Group and before the Group accept such Purchase Order, the sales unit of the business department of the Group would first review the terms of the Purchase Order and after it has confirmed that the Group is capable to meet such Purchase Order, it will submit it to the Finance Unit for review.

The Finance Unit would review the terms of the Purchase Order to make sure that the terms are in compliance with the pricing policy of the Group and the overall terms (including payment terms, product warranty, etc.) are no more favourable to the Leshi Zhixin Group (and hence no less favourable from the perspective of the Group) than those which have been offered or to be offered by the Group to Independent Third Parties. The Group would only accept the Purchase Order from the Leshi Zhixin Group for sale of the Products after receiving the approval by the Finance Unit which confirms that the overall terms (including payment terms, product warranty, etc.) are no more favourable to the Leshi Zhixin Group (and hence no less favourable from the perspective of the Group) than those which have been offered or to be offered by the Group to Independent Third Parties.

LETTER FROM THE BOARD

- (2) As disclosed in the section headed “PRICING POLICY” above, the Group would not obtain a quotation from Independent Third Parties for the comparable materials before requesting the Leshi Zhixin Group to provide the Key Materials but would make sure that the costs of the Key Materials have been reflected in the price of the Products, which is determined on a cost-plus basis as disclosed above, so that the Group can fully recover the costs of the Key Materials to be sourced from the Leshi Zhixin Group in the price of the Products and the Group’s profit for sale of the Products would not be affected by the price of the Key Materials charged by the Leshi Zhixin Group. The data on the unit cost of the Key Materials and the unit price of the Products to be sold to the Leshi Zhixin Group would be inputted into the internal computer system of the Group to make sure that the unit price of the Products would fully reflect the unit cost of the Key Materials. The Group may only purchase the Key Materials from the Leshi Zhixin Group with the approval of the merchandising head who would review market data collected by the business department and approve the purchase only if the prices of the Key Materials do not grossly deviate from the market prices.
- (3) The finance department of the Group would conduct a monthly review on whether the Group still has sufficient unused Caps for carrying out continuing connected transactions during the year. If it is anticipated that the Caps may be exceeded if the Group is to continue to carry out the continuing connected transactions throughout the year, the Group would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant Caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions.

Before conducting any transactions with connected persons, the business departments of the Group shall ensure that the Group still has sufficient unused Caps for carrying out the relevant continuing connected transactions. The internal control department would on an annual basis review the continuing connected transactions to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreements and the Group’s pricing policy; (ii) whether the transactions have been conducted on normal commercial terms and on terms no less favourable than those on which the Group conducted with Independent Third Parties; and (iii) the aggregate amounts of transactions conducted during the relevant financial year and whether the relevant Caps have been exceeded.

Since the internal control procedures above are clear and easy to follow while providing sufficient checks and balances, the Directors consider that such internal control procedures are adequate and efficient.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Leshi Zhixin, being the holding company of Letv (HK) which holds approximately 20.09% of the number of issued shares of the Company as at the Latest Practicable Date, is a connected person of the Company under the Listing Rules. The transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) therefore constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) exceed 5%, the continuing connected transactions contemplated thereunder are therefore subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. An EGM will be convened to seek Independent Shareholders' approval for the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps.

The Independent Board Committee, comprising Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor SO Wai Man Raymond and Professor WANG Yijiang, has been established to advise the Independent Shareholders on the terms and the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016).

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Leshi Zhixin and its associates are required to abstain from voting on the ordinary resolutions in respect of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) to be put forward at the EGM.

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

Before the appointment of Mr. Cheng and Mr. Abulimiti, the non-executive Directors nominated by Letv (HK) under the Subscription Agreement, the Board approved the establishment of a special committee comprising Mr. BO Lianming, an executive Director and the chief executive officer of the Company, and Mr. WANG Yi, the chief financial officer of the Company, which was authorised to approve, and later approved, the entering into the Sourcing Framework Agreement (2016) and the Key Component Sourcing (2016), the transactions contemplated thereunder and the proposed Caps therefor.

None of the Directors present at the said Board meeting and members of the said special committee is considered as having a material interest in the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016). Therefore, all Directors and members of the said special committee are entitled to vote pursuant to the Company's articles of association at the said Board meeting and the said special committee meeting, respectively, on the resolutions approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps therefor.

LETTER FROM THE BOARD

GENERAL INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets. 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 is the ultimate beneficial shareholder of the Group.

To the best knowledge and belief of the Company after making all reasonable enquiries, the principal activities of the Leshi Zhixin Group include the information technology service, the advertising business, the manufacturing and sale of hard disk players, the development and sale of electronic products and mechanical equipments and the import and export business of goods and technologies.

(3) ELECTION OF DIRECTORS

Reference is made to the announcement of the Company dated 10 May 2016 (which was after the despatch of the notice for the annual general meeting of the Company held on 18 May 2016) in relation to the appointment of Mr. Cheng and Mr. Abulimiti as non-executive Directors. Pursuant to code provision A.4.2 of Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Accordingly, Mr. Cheng and Mr. Abulimiti are subject to election by Shareholders at the EGM.

Election of Mr. Cheng

Set out below are details of Mr. Cheng who is proposed to be elected at the EGM.

Mr. Cheng, aged 43, is currently the Senior Vice President, Vice Chairman of the Investment Committee and Global Head of Group Corporate Finance and Development of LeEco Holding Ltd.. Mr. Cheng is responsible for the financing, investments and mergers and acquisitions activities of LeEco Holding Ltd. and its subsidiaries and affiliates (collectively “Leshi”) globally.

Before joining Leshi in August 2015, Mr. Cheng was the Head of Asia Technology, Media and Telecom at Bank of America Merrill Lynch. Prior to that, Mr. Cheng was Managing Director and Head of Asia Ex-Japan IBD Technology Group and was also Head of Asia Ex-Japan Consumer Retail Group at Goldman Sachs. Mr. Cheng joined Goldman Sachs in 2007 and before that, Mr. Cheng worked at Citi, where he was a director in the Technology, Media and Telecommunications Group.

Mr. Cheng began his investment banking career with Salomon Brothers in 1996. Mr. Cheng has worked in Palo Alto, New York and Hong Kong during his 20 years in investment banking.

Mr. Cheng graduated from the University of California, Berkeley in 1995 with a Bachelor of Arts degree in Economics and Chinese Language from the University of California.

LETTER FROM THE BOARD

Save as otherwise disclosed hereinabove, Mr. Cheng did not as at the Latest Practicable Date, and did not in the past three years, hold any directorship in any other listed public companies or any other position with the Company or any other members of the Group.

A letter of appointment has been entered into between Mr. Cheng and the Company. Mr. Cheng is entitled to an annual director's fee of HK\$225,000 (which is payable on a pro rata basis by reference to the length of his service as a director of the Company for any non-full year service) plus discretionary bonuses, which was determined by the Board based on the recommendation by the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for the position.

Mr. Cheng's appointment is for a fixed term of three years commencing from 11 May 2016 and shall be subject to the approval by the shareholders of the Company at the EGM and retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company and the Listing Rules.

As at the Latest Practicable Date, Mr. Cheng held options to subscribe for 122,630 Shares.

As at the Latest Practicable Date, save as otherwise disclosed hereinabove, Mr. Cheng did not hold any interest in the shares of the Company and its associated corporations within the meaning of Part XV of the SFO and did not have any relationship with any other Directors, senior management or any substantial or controlling Shareholders of the Company.

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

Election of Mr. Abulimiti

Set out below are details of Mr. Abulimiti who is proposed to be elected at the EGM.

Mr. Abulimiti, aged 35, is currently the Vice President of Strategic Management of LeEco Holding Ltd.. He joined Leshi in 2014 and reports directly to Leshi's chief executive officer, Mr. JIA Yueting. Mr. Abulimiti takes the overall responsibility of Leshi's global strategic planning and strategic operation and management to promote ecological business development and investment planning and management. He is also jointly responsible for Leshi's organizational structure and organizational performance management. In addition, he is in charge of synergizing Leshi's ecosystem segments and cross-sector coordination, internal governance and management, and information systems planning and development.

Mr. Abulimiti graduated from the Department of Biology at Tsinghua University with a Bachelor degree in 2004, and from Tsinghua University School of Economics and Management with a Master degree in 2006. Before joining Leshi, he served as the executive director of Roland Berger Strategy Management Consultants (Shanghai) Ltd., responsible for business development and project management in the fields of Internet, consumer goods and aviation.

LETTER FROM THE BOARD

Save as otherwise disclosed hereinabove, Mr. Abulimiti did not as at the Latest Practicable Date, and did not in the past three years, hold any directorship in any other listed public companies or any other position with the Company or any other members of the Group.

A letter of appointment has been entered into between Mr. Abulimiti and the Company. Mr. Abulimiti is entitled to an annual director's fee of HK\$225,000 (which is payable on a pro rata basis by reference to the length of his service as a director of the Company for any non-full year service) plus discretionary bonuses, which was determined by the Board based on the recommendation by the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for the position.

Mr. Abulimiti's appointment is for a fixed term of three years commencing from 11 May 2016 and shall be subject to the approval by the shareholders of the Company at the EGM and retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company and the Listing Rules.

As at the Latest Practicable Date, Mr. Abulimiti held options to subscribe for 122,630 Shares.

As at the Latest Practicable Date, save as otherwise disclosed hereinabove, Mr. Abulimiti did not hold any interest in the shares of the Company and its associated corporations within the meaning of Part XV of the SFO and did not have any relationship with any other Directors, senior management or any substantial or controlling Shareholders of the Company.

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

EGM

The Company will convene the EGM at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 19 July 2016, Tuesday at 4:00 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, (1) approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps; and (2) the election of Mr. Cheng and Mr. Abulimiti as non-executive Directors. The notice of the EGM is set out on pages 49 to 50 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be) 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.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 July 2016, Monday to 19 July 2016, Tuesday (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 will 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 15 July 2016, Friday.

RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 23 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps; (b) the letter from Beijing Securities Limited, the Independent Financial Adviser, set out on pages 24 to 41 of this circular which contains its advice (together with the principal factors and reasons considered in arriving at such advice) to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps; and (c) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice (together with the principal factors and reasons considered in arriving at such advice) of Beijing Securities Limited, the Independent Financial Adviser, considers that the terms of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and the proposed Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps.

For reasons stated herein, the Board considers that the terms of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) (including the respective payment terms) and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and the proposed Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE BOARD

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

Yours faithfully,
On behalf 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)

21 June 2016

To: the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
(1) SOURCING FRAMEWORK AGREEMENT (2016)
AND
(2) KEY COMPONENT SOURCING CONTRACT (2016)**

We refer to the circular of the Company dated 21 June 2016 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 Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the transactions contemplated thereunder and the proposed Caps, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice (together with the principal factors and reasons considered in arriving at such advice) from Beijing Securities Limited set out on pages 6 to 22 and pages 24 to 41 of the Circular respectively.

Having taken into account of the advice of Beijing Securities Limited (together with the principal factors and reasons considered in arriving at such advice), the Independent Financial Adviser, we consider that the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and the proposed Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) and the transactions contemplated thereunder and the proposed Caps.

Yours faithfully,
Robert Maarten WESTERHOF,
TSENG Shieng-chang Carter,
SO Wai Man Raymond
and WANG Yijiang
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Beijing Securities Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purposes of inclusion in this circular.

Beijing Securities
Beijing Securities Limited
北京證券有限公司

BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

21 June 2016

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS –
(A) SOURCING FRAMEWORK AGREEMENT (2016)
AND
(B) KEY COMPONENT SOURCING CONTRACT (2016)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 21 June 2016 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The Board currently comprises four executive Directors, four non-executive Directors, and four independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor SO Wai Man Raymond and Professor WANG Yijiang, has been established to advise the Independent Shareholders regarding the terms and the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016). We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or the Leshi Zhixin Group or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or the Leshi Zhixin Group or the directors, chief executive or substantial shareholders of the Company or the Leshi Zhixin Group or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) were entered into in the ordinary and usual course of business and on normal commercial terms, and the terms thereunder together with the proposed Caps in respect thereof are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the terms and the proposed Caps of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), we have considered the following principal factors and reasons:

1. Background of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016)

We referred to the announcement of the Company dated 16 May 2016, in which it was announced that on 18 May 2015, TCL Overseas entered into (i) the Sourcing Framework Agreement with Leshi Zhixin, pursuant to which TCL Overseas agreed to supply the Products to Leshi Zhixin; and (ii) the Key Component Sourcing Contract, pursuant to which Leshi Zhixin agreed to supply the Key Materials to TCL Overseas for the production of the Products.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

2. Background information of the Group

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.

Set out below is a summary financial information of the Group for the two years ended 31 December 2015 as extracted from the Company's annual report for the year ended 31 December 2015 (the "2015 Annual Report"):

	For the year ended 31 December	
	2015	2014
	(audited)	(audited)
	HK\$'000	HK\$'000
Turnover	34,016,833	33,526,265
Gross profit	5,753,022	5,503,038
Profit for the year	<u>10,140</u>	<u>246,333</u>

According to the 2015 Annual Report, the Group was ranked third in the global LCD TV market with a market share of 5.56% in 2015 according to the latest IHS Technology figures and the Company's data, and ranked third in the PRC LCD TV market with a market share of 14.04% according to China Market Monitor Co., Ltd.'s report.

The Group's turnover was approximately HK\$34.02 billion for the year ended 31 December 2015, representing an increase of approximately 1.5% from HK\$33.53 billion for the year ended 31 December 2014. The Group's gross profit was approximately HK\$5.75 billion for the year ended 31 December 2015, representing an increase of approximately 4.5% from HK\$5.50 billion for the year ended 31 December 2014. The increase in the Group's turnover and gross profit in 2015 were due to, among others, increase in the turnover of the Group's LCD TV in the PRC market and the overseas markets. However, for the year ended 31 December 2015, profit for the year was approximately HK\$10.1 million as compared with approximately HK\$246.3 million for the year ended 31 December 2014. The decrease in profit after tax in 2015 were due to, among others, increase in administrative expenses, research and development costs and other operating expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the 2015 Annual Report, the year 2016 will be a year marked by both challenges and opportunities. The slowdown in global economic growth will continue and the PRC's economy still faces downward pressures. However, the PRC government's "One Belt and One Road" initiative is conducive for the Group in its implementation of its internationalisation strategy. Furthermore, the Group will continue to position itself as a "global smart products and internet application services enterprise". In addition, as set out in the Company's announcement dated 11 May 2016, the Leshi Zhixin Group, as a strategic investor of the Company, has completed the subscription of approximately 20.10% shares in the Company on 11 May 2016 and subsequently became the second largest shareholder of the Company. The subscription by the Leshi Zhixin Group in the Company will enable both the Group and the Leshi Zhixin Group to tap into the market of large screen internet users in the living room, jointly develop innovative products and high quality content, and vertically integrate their services in order to leverage their combined user base and establish mechanism for monetisation of their user base in the future. In addition, they will jointly explore in-depth cooperation with respect to supply chain, channel synergy, and after-sales services to promote industry upgrade, accelerate internationalisation, and create new business opportunities.

3. Background information of the Leshi Zhixin Group

The principal activities of the Leshi Zhixin Group include the information technology service, the advertising business, the manufacturing and sale of hard disk players, the development and sale of electronic products and mechanical equipment and the import and export business of goods and technologies. As set out in the section above, the Leshi Zhixin Group is the second largest shareholder of the Company after the subscription of approximately 20.10% shares in the Company on 11 May 2016.

4. Principal terms of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016)

Both the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) were entered on 20 May 2016 between the Company (for itself and on behalf of all members of the Group) and Leshi Zhixin (for itself and on behalf of all members of the Leshi Zhixin Group) and will become effective from the Shareholders' Approval Date to 31 December 2018 (both dates inclusive), subject to their early termination. Set out below are the major terms of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016).

(a) Major terms of the Sourcing Framework Agreement (2016)

Parties

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sale of the Products

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

Members of the Group are not obliged to supply the Products to members of the Leshi Zhixin Group unless the Purchase Order(s) issued by the relevant member of the Leshi Zhixin Group is accepted or deemed accepted by the relevant member of the Group in accordance with the Sourcing Framework Agreement (2016) (in which case the Purchase Order(s) will become Valid Purchase Order(s)). There is no provision in the Sourcing Framework Agreement (2016) which prohibits members of the Leshi Zhixin Group from producing or sourcing from third parties products similar or identical to the Products.

Prices of the Products

The prices of the Products shall be set out in the Valid Purchase Order(s).

If the member of the Group supplying the Product(s) to member of the Leshi Zhixin Group has supplied the same Product(s) to any third party at lower prices within the same period or under the same conditions, the relevant member of the Group shall immediately inform the relevant member of the Leshi Zhixin Group. Further quotes given by the relevant member of the Group in respect of such Product(s) shall be the abovementioned price(s) agreed with the third party.

In case there are substantial changes to the quantity of Products to be supplied or other factors which may affect the prices of the Products, both parties shall have the right to request for a re-negotiation of the prices.

Payment Terms

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

Staff Training, Technical Support and After-sale Services

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

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Termination of the Sourcing Framework Agreement

The Sourcing Framework Agreement shall be terminated upon the Sourcing Framework Agreement (2016) becoming effective on the Shareholders' Approval Date.

We have reviewed the Sourcing Framework Agreement (2016) in light of the above and have discussed with the management of the Company the major terms therein. In our discussions with the management of the Company and our review of the major terms of the Sourcing Framework Agreement (2016), we noted that the Group is not obliged to supply the Products to members of the Leshi Zhixin Group. Further, we understand that for sale of the Products, the Group will ensure that the transactions with the Leshi Zhixin Group will be conducted on normal commercial terms and on terms (including prices) no less favourable from the perspective of the Group than those available to Independent Third Parties. In addition, the payment terms provided to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016), being 60 days after receipt of the invoice, is in line with the Group's credit periods of trade receivables to the Group's strategic customers of no more than 180 days as disclosed in the 2015 Annual Report. Further, the settlement periods offered by the Group to its customers who are Independent Third Parties range from 45 days to 90 days after the date of invoice. In this regard, we have reviewed purchase orders/contracts of independent customers of the Group and noted that the settlement periods offered by the Group is within such range. As such, we are of the view that the 60-day settlement period the Group offered to the Leshi Zhixin Group is in line with the Group's settlement periods offered to its Independent Third Party.

In the light of the above, we are of the view that the terms of the Sourcing Framework Agreement (2016) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(b) *Major terms of the Key Component Sourcing Contract (2016)*

Parties

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

Sourcing of the Key Materials

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

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Prices of the Key Materials

The prices at which members of the Leshi Zhixin Group sell the Key Materials to members of the Group shall not be higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials to any third party. The prices of the Key Materials shall include the component price, tariff, value-added tax, transportation fee and other expenses and costs, etc. borne by the relevant members of the Leshi Zhixin Group in the fulfilment of the Component Purchase Order pursuant to the Key Component Sourcing Contract (2016). Payment shall be made in RMB. Members of the Leshi Zhixin Group shall not impose extra fee, tax and compensation on members of the Group without mutual consent.

In general, the prices of the Key Materials shall be determined and updated once a year. However, in case of substantial price fluctuations for goods similar to the Key Materials in the market, the parties may negotiate and adjust the prices.

Payment Terms

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

Termination of the Key Component Sourcing Contract

The Key Component Sourcing Contract shall be terminated upon the Sourcing Framework Agreement (2016) becoming effective on the Shareholders' Approval Date.

We have reviewed the Key Component Sourcing Contract (2016) in light of the above and have discussed with the management of the Company the major terms therein. In our discussions with the management of the Company and our review of the major terms of the reviewed the Key Component Sourcing Contract (2016), we noted that the Group is not restricted from the purchase of the Key Materials from members of the Leshi Zhixin Group for the production of the Products. Further, the prices at which members of the Leshi Zhixin Group sell the Key Materials to members of the Group shall not be higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials to any third party. Further, the payment terms provided to the Group, being within one month after receipt of the invoice issued by the relevant member of the Leshi Zhixin Group to the Group, is in line with the Group's credit periods of trade payables of 30 to 120 days as disclosed in the 2015 Annual Report.

In the light of the above, we are of the view that the terms of the Key Component Sourcing Contract (2016) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Pricing Policy

(a) *Sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016)*

The price of each model of the Products is determined on a cost-plus basis comprising the costs of the Products (including costs of the materials (and hence the Key Materials), production costs and overhead costs) plus applicable net profit margin. The Industry Margin is no more than 3%. Following the industry practice, the Products manufactured on OEM basis are generally sold to the Group's customers (whether Independent Third Parties or members of the Leshi Zhixin Group) at the Industry Margin. When determining the net profit margin for each model of the Products, the Group will take into account all the relevant circumstances including the following:

- (1) market prices for similar or comparable products and the market positioning of the Group's products ("**Factor 1**"); and
- (2) the target gross profit margins of the Group in respect of the types of products (and in this connection different gross profit margins will be applied to different products based on the level of standardisation of such products and the core technologies used ("**Factor 2**").

This mechanism is followed regardless of whether the purchasers of the products of the Group manufactured on OEM basis are Independent Third Parties or connected persons of the Company. Therefore, the prices for the Products to be supplied to the relevant member(s) of the Leshi Zhixin Group are determined in accordance with the same mechanism and procedures applied to sales of such products to Independent Third Parties.

In our discussion with the management of the Company, we understand that the net profit margin for television related products manufactured on OEM basis in the PRC is generally no more than 3%. Further, we have reviewed the financial information of FIH Mobile Limited (stock code: 02038), one of the largest OEM manufacturers for electronic products, and noted that its gross profit margin in the last five years range from approximately 0% to 6% (the "**GP Range**"), and therefore the Industry Margin of 3%, being in the mid of the GP Range, is reasonable. In addition, we understand from the Group that Factor 1 and Factor 2 are there to ensure that when determining the net profit margin for each model of the Products, they would take into account of the configuration and technology of the Products to be manufactured as well as the market prices of similar or comparable products.

In light of the above, we are of the view that the pricing policy could enable the Group to ensure that the transactions to be conducted under the Sourcing Framework Agreement (2016) are on normal commercial terms and on terms no less favourable than those offered by the Independent Third Parties and that the pricing policy is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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(b) Sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract (2016)

The Key Materials to be sourced from the Leshi Zhixin Group would only be used for manufacturing of the Products upon the Leshi Zhixin Group's request. In order to meet the specifications designated by the Leshi Zhixin Group on the Products which the Group agrees to supply under Valid Purchase Orders, the Group may be obliged to purchase the Key Materials with designated specifications from the Leshi Zhixin Group for manufacturing of the Products. In such case, the Group would not be able to source comparable materials from other suppliers, and the Group would not obtain a quotation from Independent Third Parties for the comparable materials before requesting the Leshi Zhixin Group to provide the Key Materials. The Group would rather make sure that the costs of the Key Materials have been reflected in the price of the Products, which is determined on a cost-plus basis as disclosed above, so that the Group can fully recover the costs of the Key Materials to be sourced from the Leshi Zhixin Group in the price of the Products and the Group's profit on sale of the Products would not be affected as the price of the Key Materials charged by the Leshi Zhixin Group would be neutralized.

Notwithstanding the above, the Group would from time to time collect market information on the price of the materials similar to or comparable with the Key Materials so as to make sure that the price at which the Group purchases the Key Materials from the Leshi Zhixin Group would not grossly deviate from the market price which may have an impact on the overall revenue and costs of the Group in its financial statements.

As the costs of the Key Materials to be sourced from the Leshi Zhixin Group will be reflected in the price of the Products to be sold to the Leshi Zhixin Group, the Key Materials to be sourced from the Leshi Zhixin Group will effectively be reimbursed and borne by the Leshi Zhixin Group and also that the Group would collect market information on the price of the materials similar to or comparable with the Key Materials to ensure such price would not be out of line with the market price.

In addition, we have reviewed other OEM manufacturers of electronic products such as FIH Mobile Limited (stock code: 02038) and noted that it also has adopted the cost-plus basis as described above when it is contracted to produce electronic products for its customers. As such, we are of the view that the cost-plus basis and therefore the pricing policy adopted by the Group is an industry-norm practice.

Further, as discussed with the Company, OEM business is an important business of the Group and has accounted for approximately 29% of the sales of the Group (in term of units) in 2015. The Group's OEM products supplied to their other customers are also priced on a cost-plus basis. As such, the arrangement with the Leshi Zhixin Group is in the normal business of the Group and on normal commercial terms.

Further, we have enquired with the Company and are satisfied that for the OEM products it manufactures for its customers (regardless of whether such customers are independent third parties or connected persons), in order to meet the specifications required by the customers, it is the normal commercial practice of the Group that it would purchase such components as specified by

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the customers (whether from the customers directly or from the suppliers designated by them). Such practice is followed in the transactions with the Leshi Zhixin Group contemplated under that Key Component Sourcing Contract (2016) and the Sourcing Framework Agreement (2016).

Given the above, we are of the view that the transactions to be conducted under the Key Component Sourcing Contract (2016) are on normal commercial terms and that the pricing policy is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. Internal Control Procedures

In respect of the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016), the Group has adopted the following internal control procedures:

- (1) For sale of the Products, to ensure that the transactions with the Leshi Zhixin Group are on normal commercial terms and on terms no less favourable from the perspective of the Group than those available to Independent Third Parties, every time when the Group receives a Purchase Order from the Leshi Zhixin Group and before the Group accept such Purchase Order, the sales unit of the business department of the Group would first review the terms of the Purchase Order and after it has confirmed that the Group is capable to meet such Purchase Order, it will submit it to the Finance Unit for review.

The Finance Unit would review the terms of the Purchase Order to ensure that the terms are in compliance with the pricing policy of the Group and the overall terms (including payment terms, product warranty, etc.) are no more favourable to the Leshi Zhixin Group (and hence no less favourable from the perspective of the Group) than those which have been offered or to be offered by the Group to Independent Third Parties. The Group would only accept the Purchase Order from the Leshi Zhixin Group for sale of the Products after receiving the approval by the Finance Unit which confirms that the overall terms (including payment terms, product warranty, etc.) are no more favourable to the Leshi Zhixin Group (and hence no less favourable from the perspective of the Group) than those which have been offered or to be offered by the Group to Independent Third Parties.

- (2) As disclosed in the section headed "Pricing Policy" of this letter above, the Group would not obtain a quotation from Independent Third Parties for the comparable materials before requesting the Leshi Zhixin Group to provide the Key Materials but would make sure that the costs of the Key Materials have been reflected in the price of the Products, which is determined on a cost-plus basis as disclosed above, so that the Group can fully recover the costs of the Key Materials to be sourced from the Leshi Zhixin Group in the price of the Products and the Group's profit for sale of the Products would not be affected by the price of the Key Materials charged by Leshi Zhixin Group. The data on the unit cost of the Key Materials and the unit price of the Products to be sold to the Leshi Zhixin Group would be inputted into the internal computer system of the Group to make sure that the unit price of the Products would fully reflect the unit cost of the Key Materials. The Group may only purchase the Key Materials from the Leshi Zhixin Group with the approval of the

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merchandising head who would review market data collected by the business department and approve the purchase only if the prices of the Key Materials do not grossly deviate from the market price.

- (3) The finance department of the Group would conduct a monthly review on whether the Group still has sufficient unused Caps for carrying out continuing connected transactions during the year. If it is anticipated that the Caps may be exceeded if the Group is to continue to carry out the continuing connected transactions throughout the year, the Group would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant Caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions.

Before conducting any transactions with connected persons, the business departments of the Group shall ensure that the Group still has sufficient unused Caps for carrying out the relevant continuing connected transactions. The internal control department would on an annual basis review the continuing connected transactions to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreements and the Group's pricing policy; (ii) whether the transactions have been conducted on normal commercial terms and on terms no less favourable than those on which the Group conducted with Independent Third Parties; and (iii) the aggregate amounts of transactions conducted during the relevant financial year and whether the relevant Caps have been exceeded.

Having discussed with the management of the Company and reviewed of the internal control procedures as set out above and given that the internal control procedures as set out above include: (i) a clearly setout procedure for the Group to follow in relation to the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016); (ii) assessment of the terms of the Purchase Order to ensure that the terms are in compliance with the pricing policy of the Group and the overall terms are no more favourable to the Leshi Zhixin Group (and hence no less favourable from the perspective of the Group) than those which have been offered or to be offered by the Group to Independent Third Parties; and (iii) different teams which would monitor the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) to ensure the compliance, we are of the view that the internal control procedures adopted by the Company are adequate and effective to ensure that the transactions contemplated under the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) will be conducted on normal commercial terms.

7. Reasons for and benefits of entering into the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016)

The Group has been supplying the Products to the Leshi Zhixin Group and sourcing Key Materials provided by Leshi Zhixin Group for the production of the Products prior to the Leshi Zhixin Group becoming a connected person to the Company under the Sourcing Framework Agreement and the Key Component Sourcing Contract respectively. As further discussed with the management of the Company, the entering into of the Sourcing Framework Agreement (2016) and the Key Component Sourcing

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Contract (2016) would allow the Group to better govern the relationship between it and Leshi Zhixin Group in respect of the transactions for supply of the Products by the Group to Leshi Zhixin Group and the supply of the Key Materials by Leshi Zhixin Group to the Group.

In addition, the Sourcing Framework Agreement (2016) would enable the Group to sell its products to the Leshi Zhixin Group on normal commercial terms which would contribute to the volume of products sold and the amount of revenue of the Group. Whilst by entering into the Key Component Sourcing Contract (2016), the Group would be able to source the Key Materials required for production of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) as long as the Key Materials sold to members of the Group by the Leshi Zhixin Group shall not be higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials to any third party.

Having considered that (i) before the Leshi Zhixin Group is a connected person to the Group, the Group has been supplying the Products to the Leshi Zhixin Group and sourcing the Key Materials provided by Leshi Zhixin Group for the production of the Products; (ii) the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) would allow the Group to better govern the relationship between the Group and the Leshi Zhixin Group; (iii) the Sourcing Framework Agreement (2016) would enable the Group to sell its products to the Leshi Zhixin Group on normal commercial terms which would enhance the Group's business operation; and (iv) the Key Component Sourcing Contract (2016) would enable the Group to source the Key Materials required for production of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) where the Key Materials sold to members of the Group by the Leshi Zhixin Group shall not be at a price higher than the prices at which the relevant members of the Leshi Zhixin Group sell the same Key Materials to any third party, we are of the view that the entering into of the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) are in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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8. Historical figures and the proposed Caps

Set out below are the respective actual amounts of the transactions under the Sourcing Framework Agreement and the Key Component Sourcing Contract:

	For the period from 18 May 2015 to 31 December 2015 (unaudited) <i>HK\$'000</i>	For the period from 1 January 2016 to 31 March 2016 (unaudited) <i>HK\$'000</i>
Sale of the Products by TCL Overseas to Leshi Zhixin under the Sourcing Framework Agreement	355,406	277,294
Sourcing of the Key Materials from Leshi Zhixin by TCL Overseas under the Key Component Sourcing Contract	125,786	131,322

Set out below are the proposed Caps of the continuing connected transactions contemplated under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016):

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

The proposed caps under the Sourcing Framework Agreement (2016) are determined based on the number of units and the respective unit price of the Products to be sold to the Leshi Zhixin Group for the period from the Shareholders' Approval Date to 31 December 2016 and the respective financial years ending 31 December 2017 and 2018. For the proposed caps under the Key Component Sourcing Contract (2016), they are determined based on a percentage of the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) for the period from the Shareholders'

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Approval Date to 31 December 2016 and the respective financial years ending 31 December 2017 and 2018. The Products are manufactured on OEM basis which require the sourcing of certain Key Materials from the Leshi Zhixin Group for the manufacturing of the Products. Since the unit price of the Products to be sold is determined on a cost-plus basis, the amounts for the Key Materials will be included as part of the amounts of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016). As (i) the proposed Caps under the Sourcing Framework Agreement (2016) take into account of the number of units and the respective unit price of the Products to be sold which can formulate the total amount of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016); and (ii) the assignment of a percentage of the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) for the determination of the proposed Caps under the Key Component Sourcing Contract (2016) is to reflect that the amount for the sourcing of the Key Materials will form part of the cost component under the cost-plus basis, we are of the view that the bases for determining the proposed Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness of the proposed Caps, we have discussed with the management of the Company the bases of determination of the proposed Caps. We have also obtained and reviewed the financial information and other relevant financial records of the Group such as order forms between the Group and the Leshi Zhixin Group, the historical transaction amounts under the Sourcing Framework Agreement and the Key Component Sourcing Contract, the forecast of the requirement of the need for the Products under the Sourcing Framework Agreement (2016) (and accordingly the need for the Key Materials under the Key Component Sourcing Contract (2016)), press releases issued by the Company and the financial information of Leshi Internet Information & Technology Corporation (樂視網資訊技術(北京)股份有限公司) (“**Leshi Corp**”), a company listed on the Shenzhen Stock Exchange with stock code: 300104 and also the controlling/parent company of Leshi Zhixin as disclosed in Leshi Corp’s 2015 annual report.

Proposed Caps under the Sourcing Framework Agreement (2016)

In our discussion with the management of the Company as well as our review of the relevant documents and information listed above, we noted that the 2016 proposed cap under the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) of approximately HK\$4.58 billion was made with reference to approximately 1.2 million units of television related products anticipated to be supplied to the Leshi Zhixin Group in 2016 (the “**2016 Volume**”). We noted such amount represented a significant increase from the amount supplied by the Group to the Leshi Zhixin Group in 2015. We understand that TCL Overseas commenced business with Leshi Zhixin in the second half of 2015, which was before Letv (HK) became a shareholder of the Company holding approximately 20.09% of the number of issued Shares of the Company. At that time, there was only one model of the Products and the number of units of Products sold to Leshi Zhixin under the Sourcing Framework Agreement in 2015 was 51,000 units. After Letv (HK) became a shareholder of the Company and the commencement of the strategic cooperation between the Group and Leshi Zhixin Group as disclosed in the voluntary announcement of the Company dated 13 January 2016, it is not unreasonable to expect an increase in supply of television related products. Further, it is expected that approximately three-quarter of the 2016 Volume is anticipated to be supplied after the Shareholders’ Approval Date and the unit price of the television related products is expected to be in the range of RMB2,500 to RMB7,000

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(“**Unit Price Range**”) depending on the type and specification of the product to be sold to the Leshi Zhixin Group (as the Group plans to supply 6 different television models (e.g., from 43 inches to 65 inches televisions) to the Leshi Zhixin Group, the Unit Price Range corresponds to the various television models to be supplied by the Group). Further, we have also, on a random basis, reviewed three past order forms containing nine different television models which are similar television related products (in terms of size) to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016). As the samples contained a wide range of television models, we are of the view that the samples are sufficient and representative to determine the reasonableness of the Unit Price Range. In our review of the samples, we noted that the unit prices of the various television related products under the 2016 proposed cap are similar to the unit sale price for similar product sold in the past and therefore we are of the view that the Unit Price Range is fair and reasonable. We have also reviewed Leshi Corp’s 2015 annual report and we noted that its sales target for super televisions in 2016 is 6 million units. Furthermore, as disclosed in a press release issued and released by the Company on 30 March 2016 (the press release can be found in the sub-section “Press Release” under the section “Investor Relations” of the Company’s website at <http://multimedia.tcl.com>), the Group has received order to provide the Leshi Zhixin Group 1.2 million units of super televisions in 2016. As such, we are of the view that the 2016 Volume, which is within Leshi Corp sales target of 6 million units of super televisions, is fair and reasonable.

For the 2017 and 2018 proposed Caps under the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) of approximately HK\$9.1 billion and HK\$12.2 billion respectively, we noted that the 2017 proposed cap was determined based on an 50% increase to the 2016 Volume (the “**2017 Volume**”) and the 2018 proposed Cap was determined based on an approximately 30% increase to the 2017 Volume with the same range of unit prices as described in the preceding paragraph above. We have reviewed Leshi Corp’s annual reports from 2013 to 2015 and noted that the Leshi Zhixin Group has generated turnover of approximately RMB0.72 billion, RMB4.11 billion and RMB8.69 billion for the three years ended 31 December 2015 respectively (representing a year-on-year increase of approximately 470.8% in 2014 and 111.4% in 2015). Given the annual growth in the turnover of the Leshi Zhixin Group was in excess of 100% in the past years, we are of the view that it is fair and reasonable that the purchase volume from the Leshi Zhixin Group for television related products to increase by 50% and approximately 30% in 2017 and 2018 respectively.

We have also discussed with Group regarding the sales of the Products for the period from the Shareholders’ Approval Date to 31 December 2018. We understand from the Company that after taking into account of the Group’s current production capacity and also its ability to increase its production capacity as and when needed, the Group would have sufficient production capacity to meet the expected increase in the sales volume of the Products for the period from the Shareholders’ Approval Date to 31 December 2018.

The Group’s revenue for the year ended 31 December 2015 was approximately HK\$34 billion in which approximately HK\$0.36 billion was contributed by the sale of Products to Leshi Zhixin. Assuming that the revenue of the Group would be increased only by the increase in the Caps for the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016), the Group’s revenue for the year ending 31 December 2016, 2017 and 2018 would be approximately HK\$38.8 billion, HK\$42.7 billion and HK\$45.9 billion, respectively. The respective Cap for the sale of the Products to Leshi Zhixin Group under Sourcing Framework Agreement (2016) for each of the three years ending 31 December 2018 would account for approximately 13.2%, 21.2% and 26.6% of the

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hypothetically calculated revenue for the respective years. Such percentage would be lower if the Group's overall revenue other than sales to the Leshi Zhixin Group increase. As such, we are of the view that there will not be significant reliance on the Leshi Zhixin Group and therefore the proposed Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Proposed Caps under the Key Component Sourcing Contract (2016)

For the 2016 to 2018 proposed Caps under the sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract (2016) of approximately HK\$1.60 billion, HK\$3.02 billion and HK\$4.27 billion respectively, we noted that each respective cap was determined based on approximately one-third of the proposed Cap for the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) in that year. The Products are manufactured on OEM basis which require the sourcing of certain Key Materials from the Leshi Zhixin Group for the manufacturing of the Products. Further, since the unit price of the Products to be sold is determined on a cost-plus basis, the amounts for the Key Materials will be included as part of the amounts of the Products to be sold to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) and therefore it is fair and reasonable to base the proposed caps for the sourcing of the Key Materials under the Key Component Sourcing Contract (2016) as a percentage of the proposed caps for the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016). In this regard, we have reviewed that the amount of sourcing of the Key Materials under the Key Component Sourcing Contract and the amount of sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement for the period from 18 May 2015 to 31 December 2015. As the amount of sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract was also equivalent to approximately one-third of the amount of sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement for the period from 18 May 2015 to 31 December 2015, we are of the view that it is fair and reasonable to set each of the proposed caps for the sourcing of the Key Materials from the Leshi Zhixin Group by the Group under the Key Component Sourcing Contract (2016) for the period from the Shareholders' Approval Date to 31 December 2016 and the respective financial years ending 31 December 2017 and 2018 to be approximately one-third of the proposed cap for the sale of the Products by the Group to the Leshi Zhixin Group under the Sourcing Framework Agreement (2016) under the same corresponding period.

Taken into account of the factors as set out and discussed above, we are of the view that the assumptions adopted in determining the proposed Caps are relevant and are fair and reasonable and also that they are reasonably estimated. In light of the work above, we are of the view that the proposed Caps under the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) were entered into in the ordinary and usual course of business and on normal commercial terms, and the terms thereunder together with the proposed Caps in respect thereof are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) and the proposed Caps at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the Sourcing Framework Agreement (2016) and the Key Component Sourcing Contract (2016) and the proposed Caps at the EGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li*
Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities for Beijing Securities Limited and has been registered as a responsible person to carry on regulated activities for over 10 years.*

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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 herein 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); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interest in shares of the Company

Name of Directors	Type of Interest	Number of Shares held	Approximate percentage of issued share capital of the Company (Note 1)
Li Dongsheng	Beneficial owner/ interest of spouse	41,522,430	2.39%
Bo Lianming	Beneficial owner	772,310	0.04%
Yan Xiaolin	Beneficial owner	720	0.00004%
Xu Fang	Beneficial owner	259,621	0.01%
Albert T. da Rosa, Jr.	Beneficial owner	63,333	0.004%
Huang Xubin	Beneficial owner	1,083,555	0.06%
Robert Maarten Westerhof	Beneficial owner	30,000	0.002%

(b) Other interest in the Company

Name of Directors	Type of Interest	Other interests (Note 2)	Approximate percentage of issued share capital of the Company (Note 1)
Li Dongsheng	Beneficial owner/ interest of spouse	223,040	0.01%
Bo Lianming	Beneficial owner	1,534,414	0.09%
Yan Xiaolin	Beneficial owner	115,829	0.007%
Xu Fang	Beneficial owner	1,024,805	0.06%
Huang Xubin	Beneficial owner	121,134	0.007%

Notes:

- (1) The percentages are calculated based on the issued share capital of the Company as at the Latest Practicable Date, i.e. 1,736,297,937 Shares.
- (2) These interests are restricted shares granted to the relevant Directors and/or their spouses 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

Name of Directors	Type of Interest	Number of share options	Approximate percentage of issued share capital of the Company (Note 1)
Li Dongsheng	Beneficial owner/ interest of spouse	5,023,646	0.29%
Bo Lianming	Beneficial owner	6,448,245	0.37%
Yan Xiaolin	Beneficial owner	1,282,453	0.07%
Xu Fang	Beneficial owner	3,714,715	0.21%
Albert T. da Rosa, Jr.	Beneficial owner	294,410	0.02%
Huang Xubin	Beneficial owner	855,732	0.05%
Winston Shao-min Cheng	Beneficial owner	122,630	0.007%
Abulikemu Abulimiti	Beneficial owner	122,630	0.007%
Robert Maarten Westerhof	Beneficial owner	327,743	0.02%
So Wai Man Raymond	Beneficial owner	242,702	0.01%
Wang Yijiang	Beneficial owner	122,630	0.007%

(d) Interest in shares of associated corporations of the Company

Name of Directors	Name of associated corporations	Type of Interest	Number of shares held	Approximate percentage of the relevant associated corporations' issued share capital (Note 3)
Li Dongsheng	TCL Corporation	Beneficial owner/ interest of controlled corporation	1,047,173,209	8.57%
Bo Lianming	TCL Corporation	Beneficial owner	4,058,801	0.03%
Yan Xiaolin	TCL Corporation	Beneficial owner	599,500	0.005%
Huang Xubin	TCL Corporation	Beneficial owner	3,383,380	0.03%
Li Dongsheng	TCL Communication	Beneficial owner/ interest of spouse	50,932,050	4.00%
Bo Lianming	TCL Communication	Beneficial owner	65,700	0.005%
Yan Xiaolin	TCL Communication	Beneficial owner	536	0.00004%
Xu Fang	TCL Communication	Beneficial owner	13,655	0.001%
Huang Xubin	TCL Communication	Beneficial owner	21,474	0.002%
Li Dongsheng	Tonly Electronics Holdings	Beneficial owner/ interest of spouse	5,687,668	2.28%
Bo Lianming	Tonly Electronics Holdings	Beneficial owner	28,653	0.01%
Xu Fang	Tonly Electronics Holdings	Beneficial owner	7,768	0.003%
Albert T. da Rosa, Jr.	Tonly Electronics Holdings	Beneficial owner	5,476	0.002%
Huang Xubin	Tonly Electronics Holdings	Beneficial owner	4,325	0.002%
Robert Maarten Westerhof	Tonly Electronics Holdings	Beneficial owner	2,142	0.0009%
Bo Lianming	CSOT	Interest of controlled corporation	0 (Note 4)	0% (Note 4)

Notes:

(3) The percentages are calculated based on the issued share capital of the relevant associated corporations as at the Latest Practicable Date provided by the relevant associated corporations.

(4) CSOT is a PRC entity without share capital. Mr. BO Lianming was deemed to be interested in CSOT since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) as to approximately 59.04%, which in turn was interested in CSOT.

(e) Other interest in associated corporation of the Company

Name of Directors	Name of associated corporation	Type of Interest	Other interests (Note 5)	Approximate percentage of the relevant associated corporations' issued share capital (Note 3)
Li Dongsheng	TCL Communication	Beneficial owner/ interest of spouse	212,995	0.02%
Yan Xiaolin	TCL Communication	Beneficial owner	41,071	0.003%
Xu Fang	TCL Communication	Beneficial owner	27,310	0.002%
Huang Xubin	TCL Communication	Beneficial owner	42,948	0.003%

Notes:

(5) These interests are restricted shares granted to the relevant Directors and/or their spouses under a restricted share award scheme of TCL Communication and were not vested as at the Latest Practicable Date.

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

Name of Directors	Name of associated corporation	Type of Interest	Number of share options	Approximate percentage of the relevant associated corporations' issued share capital (Note 3)
Li Dongsheng	TCL Communication	Beneficial owner/ interest of spouse	3,131,500	0.25%
Bo Lianming	TCL Communication	Beneficial owner	70,000	0.005%
Yan Xiaolin	TCL Communication	Beneficial owner	143,690	0.01%
Xu Fang	TCL Communication	Beneficial owner	1,305,411	0.10%
Huang Xubin	TCL Communication	Beneficial owner	1,166,081	0.09%

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); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. 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 2015 of the Group were made up.

4. 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).

5. DIRECTORS' INTEREST IN THE GROUP'S ASSETS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors had any material interest in any contract or arrangement which was subsisting and significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competed 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. LITIGATION

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

8. 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:

Name	Qualification
Beijing Securities Limited	A licensed corporation under the SFO authorised to carry out regulated activities of Type 1 (dealing in securities) and Type 6 (advising on corporate finance)

Beijing Securities Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 21 June 2016 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Beijing Securities Limited did not have (i) 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 and (ii) any direct or indirect interest in any assets which had, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

9. MISCELLANEOUS

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company;
- (b) this circular;
- (c) the Sourcing Framework Agreement (2016);
- (d) the Key Component Sourcing Contract (2016);
- (e) the Sourcing Framework Agreement;
- (f) the Key Component Sourcing Contract;
- (g) the Subscription Agreement;
- (h) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (i) the letter from Beijing Securities Limited, the Independent Financial Adviser, the text of which is set out in this circular; and
- (j) the written consent from Beijing Securities Limited referred to in the section headed “EXPERT AND CONSENT” in this appendix.

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 Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, on 19 July 2016, Tuesday, 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 Sourcing Framework Agreement (2016) (as defined in the circular of the Company dated 21 June 2016 (the “Circular”)), a copy of which is marked “A” and initialled by the Chairman of the meeting for the purpose of identification, the terms and the transactions thereunder together with the relevant proposed caps in relation to such transactions for the period from the Shareholders’ Approval Date (as defined in the Circular) to 31 December 2016 and the two financial years ending 31 December 2018 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Sourcing Framework Agreement (2016) or the transactions contemplated thereby.”

2. **“THAT**

- (a) the Key Component Sourcing Contract (2016) (as defined in the Circular), a copy of which is marked “B” and initialled by the Chairman of the meeting for the purpose of identification, the terms and the transactions thereunder together with the relevant proposed caps in relation to such transactions for the period from the Shareholders’ Approval Date (as defined in the Circular) to 31 December 2016 and the two financial years ending 31 December 2018 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Key Component Sourcing Contract (2016) or the transactions contemplated thereby.”

NOTICE OF EGM

3. “**THAT** Mr. Winston Shao-min CHENG be and is elected as a non-executive director of the Company until the conclusion of the annual general meeting of the Company of 2019 subject to the articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”
4. “**THAT** Mr. Abulikemu ABULIMITI be and is elected as a non-executive director of the Company until the conclusion of the annual general meeting of the Company of 2019 subject to the articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 21 June 2016

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the meeting, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed to the notice of the EGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 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.
3. The register of members of the Company will be closed from 18 July 2016, Monday to 19 July 2016, Tuesday (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 will 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 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 15 July 2016, Friday.
4. If there is a black rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force at or after 7:30 a.m. on 19 July 2016 and/or the Hong Kong Observatory has announced at or before 7:30 a.m. on 19 July 2016 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 signal 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, New Territories, Hong Kong. “Business Day”, in this context, shall mean a day (not being 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, BO Lianming, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, Winston Shao-min CHENG and Abulikemu ABULIMITI as non-executive directors, and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.