
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in **TCL COMMUNICATION 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 COMMUNICATION TECHNOLOGY HOLDINGS LIMITED
TCL 通訊科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02618)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
MASTER SUPPLY (RENEWAL 2012) AGREEMENT

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



REORIENT Financial Markets Limited

A letter from the Board is set out on pages 4 to 12 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from REORIENT Financial Markets Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening the EGM of TCL Communication Technology Holdings Limited to be held at Rooms 1910-12A, 19/F, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong on 25 January 2013, Friday, at 3:00 p.m. is set out on pages 31 to 32 of this circular.

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

10 January 2013

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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 17 December 2012 relating to Master Supply (Renewal 2012) Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 02618);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof;
“Goods”	means articles, things, components or raw materials required for the manufacture or production of mobile communication products including but not limited to mobile handsets, which shall include Overseas Goods and PRC Goods;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and the proposed annual caps for the Master Supply (Renewal 2012) Agreement;
“Independent Shareholders”	Shareholders other than TCL Corporation and TCL Industries;
“Independent Shareholders’ Approval Date”	the date on which the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof are approved by the Independent Shareholder at the EGM in accordance with the requirements of the Listing Rules;

DEFINITIONS

“Independent Third Party(ies)”	third party(ies) that is not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the Listing Rules;
“Latest Practicable Date”	7 January 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Supply (Renewal) Agreement”	the master supply agreement dated 25 November 2009 entered into between TCL Corporation and the Company;
“Master Supply (Renewal 2012) Agreement”	the master supply agreement dated 17 December 2012 entered into between TCL Corporation and the Company in order to extend the Master Supply (Renewal) Agreement on substantially the same terms;
“Overseas Goods”	Goods manufactured or produced in any geographical areas or places other than PRC;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“PRC Goods”	Goods manufactured or produced in PRC;
“REORIENT Financial Markets Limited”	REORIENT Financial Markets Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Supply (Renewal 2012) Agreement and the proposed annual caps for the three years ending 31 December 2015;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company;

DEFINITIONS

“Shareholder(s)”	holders of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be constructed accordingly;
“TCL Corporation”	TCL集團股份有限公司(TCL Corporation), a joint stock company incorporated under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000100) and the ultimate controlling Shareholder;
“TCL Corporation Group”	TCL Corporation and its subsidiaries (excluding members comprising the Group of the purpose of this circular);
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司), a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of TCL Corporation;
“TCL Multimedia”	TCL Multimedia Technology Holdings Limited (TCL多媒體科技控股有限公司), 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);
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.23 has been used, where applicable for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

LETTER FROM THE BOARD



TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

TCL 通訊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02618)

Executive Directors:

LI Dongsheng
GUO Aiping
WANG Jiyang

Non-executive Directors:

BO Lianming
HUANG Xubin
XU Fang

Independent Non-executive Directors:

LAU Siu Ki
LOOK Andrew
KWOK Hoi Sing

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Rooms 1910-12A, 19/F, Tower 3
China Hong Kong City
33 Canton Road
Tsimshatsui, Kowloon
Hong Kong

10 January 2013

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS MASTER SUPPLY (RENEWAL 2012) AGREEMENT

INTRODUCTION

Reference is made to the Announcement regarding the entering into of the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof.

The Group has been conducting transactions under the Master Supply (Renewal) Agreement which had been expired on 31 December 2012. The Group had on 17 December 2012 entered into Master Supply (Renewal 2012) Agreement with TCL Corporation in order to renew the previous agreement with substantially the same terms.

TCL Corporation, the ultimate controlling shareholder of the Company, currently indirectly holds approximately 50.78% of the issued share capital of the Company and is therefore a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

As all of the applicable percentage ratios with reference to the proposed annual caps of the Master Supply (Renewal 2012) Agreement exceed 5%, the proposed annual caps are subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In order not to disrupt the normal operation of the Group, the Group continued the transactions pursuant to Master Supply (Renewal 2012) Agreement prior to the Independent Shareholders' Approval Date. It is expected that the aggregate amount to be involved in such transactions for the period from 1 January 2013 (the date after expiry of the Master Supply (Renewal) Agreement) to the Independent Shareholders' Approval Date will exceed the 0.1% threshold in Rule 14A.33 but will not exceed HK\$141,713,000, or the 5% threshold in Rule 14A.34 of the Listing Rules requiring Independent Shareholders' approval.

The purpose of this circular is (i) to provide the Shareholders with further information regarding the details of the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iii) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors namely Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing and each of them does not have any material interest in the Master Supply (Renewal 2012) Agreement, has been established to advise the Independent Shareholders as to whether the terms of the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof are fair and reasonable and whether the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof are in the interests of the Company and the Independent Shareholders as a whole and to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution in relation to the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof. REORIENT Financial Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

MASTER SUPPLY (RENEWAL 2012) AGREEMENT

Background

The Master Supply (Renewal) Agreement had expired on 31 December 2012. The Company on 17 December 2012 entered into the Master Supply (Renewal 2012) Agreement which has become effective and superseded the Master Supply (Renewal) Agreement on 1 January 2013. In order not to disrupt the normal operation of the Group, it is intended that the Group will continue the transactions pursuant to Master Supply (Renewal 2012) Agreement prior to the Independent Shareholders' Approval Date and it is expected that the aggregate amount to be involved in such transactions for the period from 1 January 2013 (the date after expiry of the Master Supply (Renewal) Agreement) to the Independent Shareholders' Approval Date will exceed the 0.1% threshold in Rule 14A.33 but will not exceed HK\$141,713,000, or the 5% threshold in Rule 14A.34 of the Listing Rules requiring Independent Shareholders' approval.

LETTER FROM THE BOARD

The Master Supply (Renewal 2012) Agreement

The terms of the Master Supply (Renewal 2012) Agreement are substantially the same as those of its predecessor and the major terms of which are set out below.

Date: 17 December 2012

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

Term: Three years from 1 January 2013 to 31 December 2015. Subject to compliance with the applicable requirements of the Listing Rules regarding continuing connected transactions, after the expiration of the initial term, both parties may extend the agreement for one or more successive periods of three years by giving one month's prior written notice to the other party.

Major terms: **Purchase of Overseas Goods through TCL Corporation**

If requested by any of the Company's PRC subsidiaries, TCL Corporation shall purchase Overseas Goods either from the overseas subsidiaries of the Company or an overseas independent third party and re-sell the same to the relevant PRC subsidiary at the same price, except that TCL Corporation shall charge the PRC subsidiary (1) an administration fee calculated at 0.4% of the invoice price for the goods and (2) out-of-pocket expenses incurred for the importation and delivery of such goods to the relevant PRC subsidiary. The relevant parties will negotiate on the terms of contract (including payment terms) other than those provided for in the Master Supply (Renewal 2012) Agreement and enter into an individual sale contract for the sale and purchase of Overseas Goods. The Directors believe that the aforesaid administration fee was determined based on prevailing market rates charged by other similar intermediaries.

The prices of the Overseas Goods are based on the purchase prices at which TCL Corporation Group acquires the relevant Goods from independent overseas suppliers, and such prices have the benefit of obtaining some bulk purchase discount when combining the required quantity of both TCL Corporation Group and the Group. Therefore, the Directors consider that such pricing basis is fair and reasonable.

LETTER FROM THE BOARD

Purchase of PRC Goods from TCL Corporation Group

The Company shall procure its PRC subsidiaries to consider purchasing PRC Goods from members of the TCL Corporation Group provided they can offer terms no less favourable than the terms available from Independent Third Parties and can meet the orders placed. TCL Corporation is required to procure its subsidiaries (other than members of the Group) to sell such goods to the relevant PRC subsidiaries of the Company. Subject to the guiding principles as aforesaid, the relevant parties will negotiate on the terms of contract (including payment terms) and enter into an individual sale contract for the sale and purchase of the PRC Goods.

Regarding the prices of the PRC Goods purchased from TCL Corporation, the Company ensures that the relevant pricing terms of the PRC Goods are no less favorable than the terms available from Independent Third Parties by comparing the unit selling prices of similar types of goods offered to the Company by TCL Corporation Group against those offered by Independent Third Parties during the eleven months ended 30 November 2012. The Company is satisfied that the prices offered by TCL Corporation Group are no less favorable than those charged by such Independent Third Parties.

Reasons for the Master Supply (Renewal 2012) Agreement

The Directors consider that it would be beneficial and most cost-effective for the Group to source overseas and PRC Goods from TCL Corporation under the Master Supply (Renewal 2012) Agreement where TCL Corporation purchases overseas and PRC Goods for the Group and other members of TCL Corporation Group in bulk to enjoy the volume discounts.

After having considered the above factors, the Directors believe that the Master Supply (Renewal 2012) Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors also believe that the Master Supply (Renewal 2012) Agreement is entered into in the ordinary and usual course of businesses of the Group.

LETTER FROM THE BOARD

Historical Figures and Annual caps

The following table sets out the respective historical amounts of the continuing connected transactions contemplated under the Master Supply (Renewal) Agreement for the two years ended 31 December 2011 and the nine months ended 30 September 2012:

<i>Master Supply (Renewal) Agreement</i>	for the year ended 31 December 2010 (audited) RMB'000 (HK\$'000)	for the year ended 31 December 2011 (audited) RMB'000 (HK\$'000)	for the 9 months ended 30 September 2012 (unaudited) RMB'000 (HK\$'000)
<i>Purchase of Overseas Goods through TCL Corporation:</i>	506,190 (581,612)	518,163 (626,201)	577,421 (709,501)
<i>(i) purchase amount of raw materials</i>	504,174 (579,295)	516,256 (623,896)	574,979 (706,500)
<i>(ii) administration fee</i>	2,016 (2,317)	1,907 (2,305)	2,300 (3,001)
<i>Purchase of PRC Goods from TCL Corporation Group</i>	314,517 (361,380)	365,574 (441,796)	342,329 (420,139)

LETTER FROM THE BOARD

Proposed Annual Caps

The following table sets out the respective proposed annual caps of the continuing connected transactions under the Master Supply (Renewal 2012) Agreement as described above for the three years ending 31 December 2015:

<i>Master Supply (Renewal 2012) Agreement</i>	for the year ending 31 December 2013 RMB'000 (HK\$'000)	for the year ending 31 December 2014 RMB'000 (HK\$'000)	for the year ending 31 December 2015 RMB'000 (HK\$'000)
<i>Purchase of Overseas Goods through TCL Corporation</i>	1,100,000 (1,353,000)	1,500,000 (1,845,000)	2,000,000 (2,460,000)
<i>(i) purchase amount of raw materials</i>	1,095,618 (1,347,610)	1,494,024 (1,837,650)	1,992,032 (2,450,199)
<i>(ii) administration fee</i>	4,382 (5,390)	5,976 (7,350)	7,968 (9,801)
<i>Purchase of PRC Goods from TCL Corporation Group</i>	800,000 (984,000)	1,100,000 (1,353,000)	1,400,000 (1,722,000)

The proposed annual caps for the transactions under the Master Supply (Renewal 2012) Agreement are determined after taking into account the following factors:

- (a) the historical amounts and expected production needs of the Group are based on the existing production capacity of the Group. Since the sales volume of smartphones has not yet reached economies of scale at present, it is expected that with the implementation of research and development strengthening plan, there will be continued growth in the Group's production volume;
- (b) the Group has increased its purchases from the TCL Corporation Group in 2012 when compared to those in 2011 due to favorable prices and generally higher quality of the Goods offered by TCL Corporation Group, and the close relationship with TCL Corporation also allows the Group to better monitor the quality of the material supplies and to obtain a secured source of suppliers, which enables the Group to have a greater flexibility in the choice of Goods, and therefore it is in the interests of the Company to increase purchases from TCL Corporation;
- (c) it is expected that the Group's sales volume, especially the smartphone sales volume, will also be further increased at a growth rate of approximately 30% to 35% from 2013 to 2015 with the Group's intensified effort in brand building and promotional activities, which will in turn increase the Group's demand of Goods from the TCL Corporation Group;

LETTER FROM THE BOARD

- (d) furthermore, it is expected that the demand in the overall smartphone market is also on the increasing trend, therefore the Group's business is expected to experience considerable growth with the development of smartphones being one of the strategic move of the Group in line with the global industry trend; and
- (e) a number of factors, including the expected increase in the price of the goods due to rise of goods price, possible inflation and the possible appreciation of RMB in the relevant period necessitate the need for a buffer of 15% in each of the year 2013, 2014 and 2015, which in turn increases the respective annual caps.

LISTING RULES REQUIREMENT

Mr. LI Dongsheng, Mr. WANG Jiyang, Mr. BO Lianming, Ms. XU Fang and Mr. HUANG Xubin, Directors of the Company, have interests in TCL Corporation. Of which, Mr. LI Dongsheng is interested in 494,838,400 shares, Mr. WANG Jiyang is interested in 1,190,400 options to subscribe for shares, Mr. BO Lianming is interested in 802,340 shares and 6,871,400 options to subscribe for shares, Ms. XU Fang is interested in 40,000 shares (of which all shares are held by her spouse) and 3,383,400 options to subscribe for shares and Mr. HUANG Xubin is interested in 4,833,400 options to subscribe for shares in TCL Corporation, and the shares of TCL Corporation held by Mr. LI Dongsheng, Mr. BO Lianming and Ms. XU Fang represent approximately 5.84%, 0.01% and 0.0005% of the issued share capital of TCL Corporation respectively. Notwithstanding their respective interests in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under Master Supply (Renewal 2012) Agreement; and hence all Directors are entitled to vote pursuant to the Company's articles of association.

As at the Latest Practicable Date, TCL Corporation, the ultimate controlling shareholder of the Company, indirectly holds approximately 50.78% of the issued share capital of the Company. Accordingly, TCL Corporation is a connected person of the Company under the Listing Rules.

As all of the applicable percentage ratios with reference to the proposed annual caps of the Master Supply (Renewal 2012) Agreement exceed 5%, the proposed annual caps are subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP

The Group designs, manufactures and markets an expanding portfolio of mobile and internet products worldwide under two key brands –“TCL” and “ALCATEL ONE TOUCH”. The Group's portfolio of products is currently sold in the PRC and over 120 countries throughout the Americas, Europe, the Middle East, Africa and Asia Pacific. The Group operates its highly efficient manufacturing plants and research and development centres in various provinces of the PRC with its headquarters in Shenzhen, the PRC. For more information, please visit the Group's official website at <http://tclcom.tcl.com> (the information that appears in this website does not form part of this circular).

LETTER FROM THE BOARD

INFORMATION ON TCL CORPORATION

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

EGM

A notice convening the EGM to be held at Rooms 1910-12A, 19/F, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong on 25 January 2013, Friday at 3:00 p.m. is set out on pages 31 to 32 in this circular.

As at the Latest Practicable Date, TCL Corporation, the ultimate controlling Shareholder, holds approximately 50.78% of the issued share capital of the Company through TCL Industries and is a connected person of the Company under the Listing Rules.

TCL Corporation and TCL Industries will abstain from voting for the resolution in relation to the Master Supply (Renewal 2012) Agreement.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instruction printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 25 January 2013, Friday, for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 24 January 2013, Thursday.

VOTING ARRANGEMENTS

Under the Listing Rules, the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof is subject to the approval of the Independent Shareholders. Any connected person with a material interest in the transaction, and any Shareholder with a material interest in the transaction and its associates (as defined in the Listing Rules), shall abstain from voting on the resolution with respect of the Master Supply (Renewal 2012) Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholders, except TCL Corporation and TCL Industries as disclosed above, will be required to abstain from voting for at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 13 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution related to the Master Supply (Renewal 2012) Agreement and the relevant proposed caps for the three years ending 31 December 2015; (ii) the letter from REORIENT Financial Markets Limited set out on pages 14 to 24 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Master Supply (Renewal 2012) Agreement and the relevant proposed caps; and (iii) the notice of the EGM set out on pages 31 to 32 of this circular. The Board confirms that the information as set out in the letter from REORIENT Financial Markets Limited is accurate.

The Independent Board Committee, having taken into account the advice of REORIENT Financial Markets Limited, the independent financial adviser, considers that the entering into of the Master Supply (Renewal 2012) Agreement is in the interests of the Company and the Shareholders as a whole and that the terms thereof and the relevant 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 resolution to be proposed at the EGM in respect of the Master Supply (Renewal 2012) Agreement and the relevant proposed caps.

The Board considers that the Master Supply (Renewal 2012) Agreement and the transactions contemplated thereunder are (i) in the ordinary and usual course of business of the Group; and (ii) fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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

Yours faithfully,
By order of the Board
LI Dongsheng
Chairman



TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

TCL 通訊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02618)

10 January 2013

To: the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
MASTER SUPPLY (RENEWAL 2012) AGREEMENT**

We refer to the circular of the Company dated 10 January 2013 (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 under the Master Supply (Renewal 2012) Agreement and the relevant proposed annual caps for the three years ending 31 December 2015, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from REORIENT Financial Markets Limited set out on pages 4 to 12 and pages 14 to 24 of the Circular respectively.

Having taken into account the advice of REORIENT Financial Markets Limited, the independent financial adviser, we consider that the transactions contemplated under the Master Supply (Renewal 2012) Agreement are in the interests of the Company and the Independent Shareholders as a whole and the terms thereof and the proposed annual caps under the Master Supply (Renewal 2012) Agreement for the three years ending 31 December 2015 are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Master Supply (Renewal 2012) Agreement and the relevant proposed caps in respect thereof.

Yours faithfully,

LAU Siu Ki, LOOK Andrew and KWOK Hoi Sing

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

10 January 2013

The Independent Board Committee and the Independent Shareholders
TCL Communication Technology Holdings Limited

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS MASTER SUPPLY (RENEWAL 2012) AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Master Supply (Renewal 2012) Agreement and the proposed annual caps for the three years ending 31 December 2015, details of which are set out in the circular of the Company dated 10 January 2013 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

As at the Latest Practicable Date, TCL Corporation owns approximately 50.78% of the issued share capital of the Company and was the controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Supply (Renewal 2012) Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof are subject to approval by the Independent Shareholders at the EGM by way of poll. TCL Corporation is materially interested in the Master Supply (Renewal 2012) Agreement. TCL Corporation and its associates shall abstain from voting at the EGM. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, has been established to give advice and recommendation to the Independent Shareholders in relation to the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

REORIENT Financial Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof are fair and reasonable and whether the Master Supply (Renewal 2012) Agreement is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 17 December 2012, the Circular and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

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

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Master Supply (Renewal 2012) Agreement and the proposed annual caps thereof, we have taken into consideration the following principal factors:

Background and reasons for the Master Supply (Renewal 2012) Agreement

Information on the Group

The Group is principally engaged in the design, manufacturing and marketing of an expanding portfolio of mobile and internet products worldwide under two key brands – “TCL” and “ALCATEL ONE TOUCH”. The Group’s portfolio of products is currently sold in the PRC and over 120 countries throughout the Americas, Europe, the Middle East, Africa and Asia Pacific. The Group operates its manufacturing plants and research and development centres in various provinces of the PRC with its headquarters in Shenzhen, the PRC.

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The Group's revenue and results for the years ended 31 December 2011, 2010 and 2009 and for the nine months ended 30 September 2012 and 2011 are summarised below, which are extracted from the respective annual reports and results announcements of the Company.

	For the nine months ended		For the year ended 31 December		
	30 September				
	2012	2011	2011	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8,146,260	7,461,976	10,653,020	8,700,694	4,360,886
Cost of sales	(6,653,852)	(5,850,901)	(8,324,789)	(6,752,342)	(3,412,196)
Gross profit	1,492,408	1,611,075	2,328,231	1,948,352	948,690
Profit attributable to owners of the parent	17,871	606,225	799,934	701,884	23,005
	<u>18%</u>	<u>22%</u>	<u>22%</u>	<u>22%</u>	<u>22%</u>
Gross profit margin					
Year-on-year growth					
Revenue	9%	33%	22%	100%	-4%
Cost of sales	14%	34%	23%	98%	-8%

The Group's revenue increased by approximately 22% year-on-year to approximately HK\$10.7 billion for the year ended 31 December 2011. As set out in the Company's annual report for the year ended 31 December 2011, the increase in revenue is mainly attributable to the Group's geographical expansion into new markets, the "Step-up" product strategy and continued brand building efforts and channel penetration in open market. For the nine months ended 30 September 2012, the Group's revenue growth slowed down significantly to approximately 9% year-on-year to approximately HK\$8.1 billion. As set out in the Company's results announcement for the three months and nine months ended 30 September 2012 (the "2012 Q3 Results Announcement"), the growth in revenue is mainly attributed to the continued change in product mix (increase in proportion of smartphones sales volume over total handset sales volume) and the increase in the overall average selling price of handset to US\$35.8 for the nine months ended 30 September 2012 from US\$31.4 for the same period last year.

The Group's gross profit margins were maintained at approximately 22% for the years ended 31 December 2011, 2010 and 2009. The Group's gross profit margin was decreased to approximately 18% for the nine months ended 30 September 2012. As set out in the 2012 Q3 Results Announcement, such decrease was mainly due to the decreased prices and gross margins of the Group's feature phones. In the third quarter of 2012, revenue from smartphones and other smart devices surpassed that of feature phones and other products for the first time. With the burgeoning smartphone market and affordable smartphones launched, the feature phone segment is facing pressure on selling prices and gross margins and thus affected the growth of the revenue. In addition, whilst the revenue of the Group's smartphone and the overall smartphone market continued to grow, the Group's smartphone sales volume has not yet reached economies of scale, which resulted in pressure on profit margins for smartphones.

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The Group's profit attributable to its owners increased by approximately 14% year-on-year to approximately HK\$799.9 million for the year ended 31 December 2011. As set out in the 2012 Q3 Results Announcement, the Group continued to focus on enhancing its research and development capabilities. Research and development expenses increased by approximately 53% year-on-year to HK\$429 million for the nine months ended 30 September 2012. In addition, due to an increase in brand building and promotional activities and channel building in both PRC and overseas, sales and distribution expenses increased by approximately 38% year-on-year to approximately HK\$791 million for the nine months ended 30 September 2012. As a result, with the slow-down in revenue growth and eroding margins, the Group's profit attributable to its owners decreased by approximately 97% year-on-year to approximately HK\$17.9 million for the nine months ended 30 September 2012.

Set out below is a summary of the sales volumes of the Group's handsets and other products by geographical segment for the years ended 31 December 2011, 2010 and 2009 and for the eleven months ended 30 November 2012 and 2011 as extracted from the respective press releases of the Company:

	For the eleven months ended 30 November		For the year ended 31 December		
	2012	2011	2011	2010	2009
	<i>('000 units)</i>	<i>('000 units)</i>	<i>('000 units)</i>	<i>('000 units)</i>	<i>('000 units)</i>
Overseas	33,256	35,186	38,501	34,083	13,351
PRC	5,225	3,963	5,116	2,140	2,772
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	38,481	39,149	43,617	36,223	16,123
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
including smartphones and other smart devices	5,881	1,100	1,374	60	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The sales volumes of the Group's handsets and other products increased by approximately 20% year-on-year for the year ended 31 December 2011 and decreased by approximately 2% year-on-year for the eleven months ended 30 November 2012. The decrease in the sales volume in the first 11 months of 2012 was a result of a decrease in sales in the overseas market mainly due to unfavorable economic environment, weakened consumer demand and pressure from keen competition. We understand from the Company that the political instability and the euro zone debt crisis affected the sales from Europe, the Middle East and Africa. The weaker performance of the sales volume in America was mainly due to delays in homologation inspections, fierce competition and the gloomy economy.

The sales volume of the Group's smartphones and other smart devices increased by approximately 21.9 times and 4.3 times year-on-year for the year ended 31 December 2011 and the eleven months ended 30 November 2012 respectively. As set out in the Group's press releases, the increase in the Group's smartphones sales volume was mainly attributable to the Group's continued effort on its product "Step-up" strategy and the launch of a number of new smartphone models.

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Background and reasons for the Master Supply (Renewal 2012) Agreement

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

We understand from the Company that TCL Corporation has been supplying and selling Goods to the Group. As part of the listing exercise of the Company, a master supply agreement was entered into on 13 September 2004 in respect of purchase of raw materials and supply of mobile communication products for a term of three years (the “Original Master Supply Agreement”). The Original Master Supply Agreement was renewed on 29 December 2006 for further three years to 31 December 2009. On 25 November 2009, the Master Supply (Renewal) Agreement was entered into to extend the Original Master Supply Agreement for another term of three years to 31 December 2012. The Group had on 17 December 2012 entered into the Master Supply (Renewal 2012) Agreement to renew the Master Supply (Renewal) Agreement for a further term of three years to 31 December 2015.

We understand from the Company that the Goods purchased by the Group through/from TCL Corporation Group include, among other things, LCD modules, chips sets and USB cables which are materials and components for the manufacturing of mobile phones. Some of the Goods are manufactured by the TCL Corporation Group while some are sourced via the TCL Corporation Group overseas (as further explained below). The Company considers that the close relationship between TCL Corporation Group and the Group facilitates the Group better monitor the quality of the material supplies. Purchases of the Goods from TCL Corporation Group, which principally purchases such goods from independent suppliers in larger quantities (when combining the requirements of the TCL Corporation Group and the Group), may enable the Group to enjoy some bulk purchase discounts. Accordingly, the Directors believe that it would be cost-effective to purchase the Goods through/from TCL Corporation Group.

Having considered the above, we agree with the Directors’ view that the Master Supply (Renewal 2012) Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Major terms of the Master Supply (Renewal 2012) Agreement

Purchase of Overseas Goods through TCL Corporation

If requested by any of the Company’s PRC subsidiaries, TCL Corporation shall purchase Overseas Goods either from the overseas subsidiaries of the Company or an overseas independent third party for manufacturing mobile communication products (including mobile handsets) and re-sell the same to the relevant PRC subsidiary at the same price, except that TCL Corporation shall charge the PRC subsidiary (i) an administration fee calculated at 0.4% of the invoice price for the goods and (ii) out-of-pocket expenses incurred for the imports and delivery of such goods to the relevant PRC subsidiary, such as those expenses relating to import approval, import clearance declaration, custom clearance, transportation costs within the PRC, port fees, the amount of which shall be included in the price of the goods payable by the relevant PRC Subsidiaries. The relevant parties will negotiate on the terms of contract (including payment terms) other than those provided for in the Master Supply (Renewal 2012) Agreement and enter

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into an individual sale contract for the sale and purchase of Overseas Goods. The administration fee charged by TCL Corporation was determined based on prevailing market rates charged by other similar intermediaries.

Purchase of PRC Goods from TCL Corporation Group

The Company shall procure its PRC subsidiaries to consider purchasing PRC Goods from members of TCL Corporation Group provided they can offer terms of no less favourable than the terms available from Independent Third Parties and can meet the orders placed. TCL Corporation is required to procure its subsidiaries (other than members of the Group) to sell such goods to the relevant PRC subsidiaries of the Company. Subject to the guiding principles as aforesaid, the relevant parties will negotiate on the terms of contract (including payment terms) and enter into an individual sale contract for the sale and purchase of the PRC Goods.

The major terms of the Master Supply (Renewal 2012) Agreement as stated above are materially the same as those of the Master Supply (Renewal) Agreement (details of which are set out in the circular of the Company dated 11 December 2009). The Master Supply (Renewal 2012) Agreement has a term of three years from 1 January 2013 to 31 December 2015 (subject to the approval of the Independent Shareholders). Subject to compliance with applicable requirements of the Listing Rules regarding continuing connected transactions, after the expiration of the term, both parties may extend the agreement for one or more successive periods of three years by giving one month's prior written notice to the other party.

In order to assess the fairness and reasonableness of the terms of the Master Supply (Renewal 2012) Agreement, we have considered the following:

- (i) regarding the purchase of Overseas Goods through TCL Corporation, the Company has obtained four quotations in December 2012 and January 2013 for providing similar services from Independent Third Parties. We have reviewed such quotations and noted that the rates of the administration fee quoted by such Independent Third Parties are higher than the rate charged by TCL Corporation. We consider the independent third party quotation information on the rates of the administration fee sufficient as such rates are within a close range; and
- (ii) regarding the purchase of the Goods (i.e. the Overseas Goods and the PRC Goods) from TCL Corporation Group, we have compared, on a random basis for 20 transactions, the unit selling prices of similar types of Goods offered to the Company by TCL Corporation Group against those offered by Independent Third Parties during the eleven months ended 30 November 2012. We note that the unit selling prices offered by TCL Corporation Group to the Group (a) were comparable to those charged by such Independent Third Parties in respect of the PRC Goods and (b) were charged based on the prices sold by the independent suppliers to TCL Corporation Group in respect of the Overseas Goods.

Having considered the above, we consider that the terms of the Master Supply (Renewal 2012) Agreement are fair and reasonable.

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Historical Figures

The following table sets out the respective historical amounts of the continuing connected transactions contemplated under the Master Supply (Renewal) Agreement for the two years ended 31 December 2011 and the nine months ended 30 September 2012:

Master Supply (Renewal) Agreement	For the year ended 31 December 2010 (audited) RMB'000 (HK\$'000)	For the year ended 31 December 2011 (audited) RMB'000 (HK\$'000)	For the 9 months ended 30 September 2012 (unaudited) RMB'000 (HK\$'000)
Purchase of Overseas Goods through TCL Corporation:	506,190 (581,612)	518,163 (626,201)	577,421 (709,501)
(i) <i>purchase amount of raw materials</i>	504,174 (579,295)	516,256 (623,896)	574,979 (706,500)
(ii) <i>administration fee</i>	2,016 (2,317)	1,907 (2,305)	2,300 (3,001)
Purchase of PRC Goods from TCL Corporation Group	314,517 (361,380)	365,574 (441,796)	342,329 (420,139)

Proposed annual caps

The proposed annual caps for the three years ending 31 December 2015 are summarised below:

	For the year ending 31 December		
	2013 RMB'000 (HK\$'000)	2014 RMB'000 (HK\$'000)	2015 RMB'000 (HK\$'000)
Purchase of Overseas Goods through TCL Corporation	1,100,000 (1,353,000)	1,500,000 (1,845,000)	2,000,000 (2,460,000)
(i) <i>purchase amount of raw materials</i>	1,095,618 (1,347,610)	1,494,024 (1,837,650)	1,992,032 (2,450,199)
(ii) <i>administration fee</i>	4,382 (5,390)	5,976 (7,350)	7,968 (9,801)
Purchase of PRC Goods from TCL Corporation Group	800,000 (984,000)	1,100,000 (1,353,000)	1,400,000 (1,722,000)

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In determining the proposed annual caps, we understand that the Company has taken into account the following factors:

- (a) the historical amounts and expected production needs of the Group based on the existing production capacity of the Group;
- (b) the Group increased its purchases from the TCL Corporation Group in 2012 when compared to those in 2011 and the Company is of the view that the Goods supplied by the TCL Corporation Group are of favorable prices and generally higher quality as compared with the products in similar price range, and the close relationship with TCL Corporation also provides the Company with a relatively more secured source of suppliers and an additional stable supplier for the Goods;
- (c) the growing trend of the Group's sales volume (including the smartphone sales volume) and thus the Company estimates that the purchase of the Goods from the TCL Corporation Group will increase for the three years ending 31 December 2015; and
- (d) the expected increase in the price of the Goods due to rise of the good prices, possible inflation and the possible appreciation of RMB.

We note that the proposed annual caps of RMB1,100 million, RMB1,500 million and RMB2,000 million, in respect of the purchase of Overseas Goods for the year 2013, 2014 and 2015, represent an approximately 52%, 36% and 33% increase over the estimated transaction amount/annual cap for each of the related preceding years respectively. Out of the proposed annual caps on the purchase of the Overseas Goods for each of the three years ending 31 December 2015, the projected annual caps in relation to administration fee to be charged by TCL Corporation for sourcing the Overseas Goods only represents a minimal portion (approximately 0.4%) of the annual caps.

The proposed annual caps of RMB800 million, RMB1,100 million and RMB1,400 million, in respect of the purchase of PRC Goods for the year 2013, 2014 and 2015, represent an approximately 61%, 38% and 27% increase over the estimated transaction amount/annual cap for the each of the related preceding years respectively.

Based on the information provided by the Company, we note that the proposed annual caps for the three years ending 31 December 2015 were determined by the Company after taking into consideration of (i) a potential growth of approximately 30% to 35% in the Group's revenue and cost of sales from 2013 to 2015; and (ii) a buffer of 15% in each of the year 2013, 2014 and 2015 on the annual cap amounts which are based on the projection made by the Company on the proposed annual caps for the three years ending 31 December 2015.

We have discussed with the management of the Company and reviewed the basis of computation of the proposed annual caps. We have also reviewed the information provided by the Company in respect of the historical transaction value of the continuing connected transactions.

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In order to assess the fairness and reasonableness of the proposed annual caps, we have taken into consideration the following aspects:

- (i) For the nine months ended 30 September 2012, the Group's revenue growth slowed down significantly to 9% year-on-year. According to the 2012 Q3 Results Announcement, the Group targets to achieve a 15% year-on-year increase in revenue for the full year 2012. Sales volume of handsets and other products decreased by approximately 2% for the eleven months ended 30 November 2012 while sales volume of smartphones and other smart devices increased by approximately 435% for the eleven months ended 30 November 2012.

We understand from the Company that with the burgeoning smartphone market and affordable smartphones launched, the feature phone segment is facing pressure on the demand, selling prices and gross margins. Whilst the revenue of the Group's smartphone and the overall smartphone market continued to grow, the Group's smartphone sales volume has not yet reached economies of scale, which resulted in pressure on profit margins for smartphones.

The estimated transaction amount for the year ended 31 December 2012 in respect of the purchase of Overseas Goods amounts to approximately RMB723.7 million (approximately HK\$890.2 million, being the sum of the actual transaction amount for the eleven months ended 30 November 2012 and the estimated transaction amount for December 2012) representing an increase of approximately 40% year-on-year. The forecast transaction amount for the year ended 31 December 2012 in respect of the purchase of PRC Goods were approximately RMB498 million (approximately HK\$612.5 million) respectively, being the sum of the actual transaction amount for the eleven months ended 30 November 2012 and the estimated transaction amount for December 2012), representing an increase of approximately 36% year-on-year.

The Company confirms that, in addition to the continued business growth in 2012 and the market condition, the Group increased its purchases of the Goods from the TCL Corporation Group in 2012 when compared to those in 2011 due to favourable prices and/or generally higher quality of the Goods offered by the TCL Corporation Group as compared with the products in similar price range. For the year ended 31 December 2011, the percentage of purchase of the Overseas Goods and PRC Goods from TCL Corporation Group to the Group's total purchase amounted to 8% and 6% respectively. For the eleven months ended 30 November 2012, such percentage increased to 10% and 7% respectively. We understand from the Company that the Group may purchase an even higher proportion of Goods from TCL Corporation Group in future provided that TCL Corporation Group could meet the Group's demand of reasonable prices and quality. We refer to the increase in the Group's revenue in 2012 and the growing trend of purchasing Goods from TCL Corporation Group, we concur with the Company's view that it will be in the interests of the Company to have a greater flexibility in choosing to purchase the Goods from TCL Corporation Group by having a bigger caps in future.

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- (ii) As set out above, for the year ended 31 December 2011, the percentage of purchase of both Overseas Goods and PRC Goods from TCL Corporation Group to the Group's total purchase amounted to a total of 14%. For the eleven months ended 30 November 2012, such percentage increased to a total of 17%. In addition, the percentage of purchase of LCD display (one of the major raw materials) from TCL Corporation Group is approximately 67% of the Group's total LCD display purchases during the nine months ended 30 September 2012. Such percentage is expected to increase to approximately 69% in 2013. We believe that it will not be an over reliance on TCL Corporation Group as a supplier as we understand that there are other independent suppliers in the market from which the Group is also currently purchasing the Goods.
- (iii) The development of smartphones is one major strategic move of the Group in line with the global industry trend (as detailed in item (iv) below). As set out in the press release of the Company in respect of the Group's shipment of handsets and other products for November 2012, 38.5 million units of handsets and other products were sold during the eleven months ended 30 November 2012, representing a decrease of approximately 2% year-on-year, while 5.9 million units of smartphones and other smart devices were sold during the eleven months ended 30 November 2012, representing an increase of approximately 435% year-on-year. In 2011, the Group's smartphone shipment only accounts for approximately 3% of the Group's handsets shipment. For the month of November 2012, the proportion of the Group's smartphone shipment over the Group's handsets shipment increases to approximately 19%.

As set out above, we understand from the Group that (a) it shall continue to develop the smartphone market and has continued to focus on enhancing its research and development capabilities to cope with the rapidly changing smartphone technologies; (b) the Group has increased its brand building and promotional activities as well as channel building in PRC and overseas. The Company considers that these measures will help further increase the Group's smartphones sales volume and improve the Group's financial performance when the Group's smartphones sales volume reaches economies of scale. We consider that the increase in the Group's smartphones sales volume would increase the Group's demand of Goods from the TCL Corporation Group.

- (iv) Based on a press release dated 4 December 2012 issued by International Data Corporation ("IDC")^{Note 1}, a global provider of market intelligence for information technology and telecommunications markets, handset vendors will ship a total of 1.7 billion mobile phones worldwide in 2012. In 2016, IDC forecasts 2.2 billion mobile phones will be shipped, representing a compound annual growth rate of approximately 7%. In 2012, global smartphone shipments are forecast to grow by approximately 45.1% year-on-year to 717.5 million units. We consider that the Group could benefit from the anticipated growth in the smartphone market by releasing more new smartphone models in the coming years.

Note 1: For the details on the press release dated 4 December 2012 issued by IDC, please refer to the hyperlink: <http://www.idc.com/getdoc.jsp?containerId=prUS23818212#.UOZPgcVieZQ>.

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We understand from the Company that a majority of the Group's current products are entry-level. The unit prices of the raw materials/components for mid-end handset models are relatively higher than those for entry-level handsets. As set out above, the Group has adopted the product "Step-up" strategy and expects to gradually increase its smartphones sales volume. As a result, given the slow-down in the growth in revenue for the nine months ended 30 September 2012, with the Group's plan to continue to develop the smartphone market, the Group expects that a higher proportion (and thus a higher purchase value) of Goods for mid-end handset models may be required in the coming years.

- (v) We further understand from the Company that, in determining the annual caps for the three years ending 31 December 2013, 2014 and 2015, a buffer of 15% has been built in to cater for any unexpected fluctuations in demand for the Group's products, possible increase in the prices of the Goods, inflation and possible appreciation of RMB during the relevant period. We concur with the Company's rationale in respect of building in the buffer in determining the annual cap amounts.

Given our understanding from the Company that the transactions contemplated under the Master Supply (Renewal 2012) Agreement is revenue in nature, and will be conducted in the ordinary and usual course of business of the Group and shall be on arm's length basis and normal commercial terms, we agree with the Company that (i) it will be in the Company's interests to propose higher annual caps and growth rates in the next three financial years; and (ii) the projections of the proposed annual caps based on the principal factors and bases as summarised above are fair and reasonable.

Having considered the above, we consider that the proposed annual caps are fairly and reasonably determined.

In formulating our opinion, we have reviewed the information provided by the Company, the relevant press releases and results announcements of the Company. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have not, however, conducted any independent verification of such information.

Conclusion

Having considered the principal reasons and factors discussed above, we are of the view that the terms of the Master Supply (Renewal 2012) Agreement and the proposed annual caps are fair and reasonable and that the Master Supply (Renewal 2012) Agreement is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Supply (Renewal 2012) Agreement and the proposed annual caps.

Yours faithfully,
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director

1. RESPONSIBILITY OF THE DIRECTORS

This document, 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 Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO) or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules:

(a) Long positions in the Shares of the Company

Name of Directors	Type of Interest	No. of Shares held (Note 1)	Approximate percentage of issued share capital of the Company
LI Dongsheng	Beneficial owner/ Interest of spouse	36,022,756	3.19%
GUO Aiping	Beneficial owner	3,713,293	0.33%
WANG Jiyang	Beneficial owner/Other	3,386,944	0.30%
BO Lianming	Beneficial owner	65,700	0.01%
LAU Siu Ki	Beneficial owner	144,177	0.01%

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

Name of Directors	Type of Interest	No. of share options	Approximate percentage of issued share capital of the Company
LI Dongsheng	Beneficial owner	12,416,165	1.10%
GUO Aiping	Beneficial owner	15,218,086	1.35%
WANG Jiyang	Beneficial owner	8,576,498	0.76%
BO Lianming	Beneficial owner	3,388,987	0.30%
HUANG Xubin	Beneficial owner	2,767,906	0.25%
XU Fang	Beneficial owner	2,511,467	0.22%
LAU Siu Ki	Beneficial owner	500,000	0.04%
LOOK Andrew	Beneficial owner	600,000	0.05%
KWOK Hoi Sing	Beneficial owner	500,000	0.04%

(c) Long positions in shares of associated corporations of the Company

Name of Directors	Name of associated corporation	Type of Interest	No. of shares held (Note 1)	Approximate percentage of the relevant associated corporation's issued share capital
LI Dongsheng	TCL Corporation	Beneficial owner	494,838,400	5.84%
LI Dongsheng	TCL Multimedia	Beneficial owner/ Interest of Spouse	33,347,848	2.52%
BO Lianming	TCL Corporation	Beneficial owner	802,340	0.01%
BO Lianming	TCL Multimedia	Beneficial owner	98,727	0.01%
HUANG Xubin	TCL Multimedia	Beneficial owner	60,560	0.005%
XU Fang	TCL Corporation	Interest of spouse	40,000	0.0005%
XU Fang	TCL Multimedia	Beneficial owner	108,760	0.01%

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

Name of Directors	Name of associated corporation	Type of Interest	No. of share options	Approximate percentage of the relevant associated corporation's issued share capital
LI Dongsheng	TCL Multimedia	Beneficial owner	5,372,954	0.41%
WANG Jiyang	TCL Corporation	Beneficial owner	1,190,400	0.01%
BO Lianming	TCL Corporation	Beneficial owner	6,871,400	0.08%
BO Lianming	TCL Multimedia	Beneficial owner	1,434,054	0.11%
HUANG Xubin	TCL Corporation	Beneficial Owner	4,833,400	0.06%
HUANG Xubin	TCL Multimedia	Beneficial Owner	1,020,280	0.08%
XU Fang	TCL Corporation	Beneficial Owner	3,383,400	0.04%
XU Fang	TCL Multimedia	Beneficial Owner	1,258,510	0.10%

Note:

1. The "No. of Shares held" herein also includes awarded shares granted by the Company or TCL Multimedia to the Directors as at the Latest Practicable Date.

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

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company:

Long Positions in shares of the Company

Name of Shareholders	Type of Interest	No. of shares held	Approximate percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	572,933,000 (Note 1)	50.78%

Notes:

1. TCL Corporation is deemed to be interested in 572,933,000 Shares held by TCL Industries, its direct wholly owned subsidiary, for the purpose of SFO.
2. The following Directors are directors/employees of the corporation which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
 - (a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;
 - (b) Mr. GUO Aiping is the Senior Vice President of TCL Corporation;
 - (c) Mr. BO Lianming is an executive director, president and chief operating officer of TCL Corporation;
 - (d) Mr. HUANG Xubin is chief financial officer of TCL Corporation; and
 - (e) Ms. XU Fang is vice president and human resources director of TCL Corporation.

Save as disclosed above, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

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

6. INTERESTS IN ASSETS AND CONTRACTS

Save as disclosed herein, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors nor REORIENT Financial Markets Limited was interested, directly or indirectly, in any assets which had since 31 December 2011 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. COMPETING INTERESTS

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

8. EXPERT AND CONSENT

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

Name	Qualification
REORIENT Financial Markets Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

REORIENT Financial Markets Limited has given and has not withdrawn its written consent to issue of this circular with the inclusion of its letter dated 10 January 2013 and references to its name in the form and context in which it appears. As at the Latest Practicable Date, REORIENT Financial Markets Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MISCELLANEOUS

- (a) None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors nor REORIENT Financial Markets Limited was interested, directly or indirectly, in any assets which had since 31 December 2011 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Rooms 1910-12A, 19/F, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Master Supply (Renewal) Agreement and the Master Supply (Renewal 2012) Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from REORIENT Financial Markets Limited, the text of which is set out in this circular; and
- (d) the written consent from REORIENT Financial Markets Limited referred to in the paragraph headed “Expert and consent” in this section.

NOTICE OF EGM

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

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

TCL 通訊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02618)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company (the “EGM”) will be held at Rooms 1910-12A, 19/F, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong on 25 January 2013, Friday, at 3:00 p.m., to consider and, if thought fit, pass the following ordinary resolution(s) (with or without modifications):

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the Master Supply (Renewal 2012) Agreement (as defined in the circular of the Company dated 10 January 2013 (the “Circular”), the terms and the transactions thereunder (a copy of the said agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification), together with the relevant proposed annual caps in relation to such transactions for the three years ending 31 December 2015 as set out in the Circular (a copy of the Circular has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorized to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Supply (Renewal 2012) Agreement and the transactions contemplated thereby.”

By order of the Board

LI Dongsheng

Chairman

Hong Kong, 10 January 2013

NOTICE OF EGM

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the EGM is entitled to appoint more than one proxy or a duly authorized corporate representative to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM and any adjournment thereof should you so wish. In such event, his form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed with the Company's circular dated 10 January 2013, Thursday. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road Central, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. The Hong Kong branch register of members of the Company will be closed on 25 January 2013, Friday, for the purposes of determining the entitlements of the members of the Company to attend and vote at the EGM. No transfers of Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 24 January 2013, Thursday.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, TCL Corporation and its associates are required to abstain from voting in respect of the aforesaid ordinary resolution no. 1.

As at the date of this circular, the Board comprises Mr. LI Dongsheng, Mr. GUO Aiping and Mr. WANG Jiyang, being the executive Directors; Mr. BO Lianming, Mr. HUANG Xubin and Ms. XU Fang, being the non-executive Directors; Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, being the independent non-executive Directors.