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TCL 多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1070)

CONTINUING CONNECTED TRANSACTIONS

The Group has been conducting certain transactions with the TCL Corporation Group in its ordinary and usual course of business. Certain waivers obtained under the old Listing Rules expired on 31 December 2005.

The Company proposes to enter into the following master agreements with TCL Corporation for a term of three years from 1 January 2006 to 31 December 2008: (i) the Master Sourcing Agreement in respect of the Overseas Materials Sourcing Service; (ii) the Master Supply Agreement in respect of the Sourcing of Goods and the Sale of Goods; and (iii) the Master Subcontracting Agreement in respect of the Subcontracting Arrangement.

The Company is an approximately 38.74% owned subsidiary of TCL Corporation. TCL Corporation is the controlling Shareholder and therefore a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions under the above master agreements will constitute continuing connected transactions for the Company pursuant to the Listing Rules.

All of the above master agreements will have to comply with the requirements set out in Rule 14A.35(1) of the Listing Rules and annual caps will have to be set out for the transactions under the respective master agreements pursuant to Rule 14A.35(2) of the Listing Rules. The transactions under the Master Sourcing Agreement and the Master Supply Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions under the Master Subcontracting Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee will be established to advise the Independent Shareholders on the terms of the Master Sourcing Agreement and the Master Supply Agreement and the respective estimated annual caps of the Overseas Materials Sourcing Service and the Sourcing of Goods and the Sale of Goods. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will despatch to the Shareholders a circular containing further details of the Master Sourcing Agreement and the Master Supply Agreement, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM as soon as practicable.

INTRODUCTION

The Group has been conducting certain transactions with the TCL Corporation Group in its ordinary and usual course of business. Certain waivers obtained under the old Listing Rules, as set out in the Company's announcements dated 11 December 2002 and 23 September 2003, expired on 31 December 2005.

The Company proposes to enter into the Master Sourcing Agreement, the Master Supply Agreement and the Master Subcontracting Agreement with TCL Corporation shortly after obtaining Independent Shareholders' approval in respect of the Master Sourcing Agreement and the Master Supply Agreement at the EGM, the date of which will be fixed at the time of despatch of the circular containing further details of these two agreements. Pursuant to the above master agreements, upon expiry of the initial term, both parties may extend the agreement for one or more successive periods of three years by giving the other not less than one month's prior written notice. The Company will comply with the then applicable Listing Rules before entering into any written agreement to extend any of the master agreements.

MASTER SOURCING AGREEMENT

The Company proposes to enter into the Master Sourcing Agreement with TCL Corporation in respect of the Overseas Materials Sourcing Service for a term of three years from 1 January 2006 to 31 December 2008.

Overseas Materials Sourcing Service

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

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

MASTER SUPPLY AGREEMENT

The Company proposes to enter into the Master Supply Agreement with TCL Corporation in respect of the Sourcing of Goods and the Sale of Goods for a term of three years from 1 January 2006 to 31 December 2008.

Sourcing of Goods

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

The Sourcing of Goods excludes the transactions stipulated in the TCL Preferred Supplier Agreement which covers raw materials provided by the TCL Corporation Group to the TTE Group for the production of the Group's television products. The TCL Preferred Supplier Agreement was entered into in July 2004 when the Company set up the TTE Group as the manufacturer of television products within the Group. The transactions under the TCL Preferred Supplier Agreement and the annual caps for such transactions for the three years ending 31 December 2006 have been approved by the Shareholders on 2 July 2004. Details of the TCL Preferred Supplier Agreement and related annual caps are disclosed in the Company's announcement and circular dated 31 May 2004.

Sale of Goods

If the relevant member of the TCL Corporation Group and the Associates (as the case may be) so requests or makes a written offer to any member of the Group to purchase from the Group any Goods for its business including distribution resale or otherwise, the Company shall procure that its subsidiaries will favourably consider to offer to supply or to accept such offer to supply the Goods to the relevant member of the TCL Corporation Group and the Associates (as the case may be) provided that the terms (including price and payment terms) of the offer by the TCL Corporation Group and the Associates (as the case may be) are not less favourable than terms available to the Group from independent third parties. The Group normally allows a credit term of 30 to 90 days in this regard.

Each of the relevant member of the TCL Corporation Group and the Associates is only entitled to sell the Multimedia Products acquired from the Group through its distribution channels or otherwise and at such price as they may determine if it complies with the pricing or distribution policy as determined by the Group from time to time.

MASTER SUBCONTRACTING AGREEMENT

The Company proposes to enter into the Master Subcontracting Agreement with TCL Corporation in respect of the Subcontracting Arrangement for a term of three years from 1 January 2006 to 31 December 2008.

Subcontracting Arrangement

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

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

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

HISTORICAL VALUES AND ANNUAL CAPS

The following table sets out the respective historical amounts of the continuing connected transactions as described above for the two years ended 31 December 2004 and the 11 months ended 30 November 2005 together with the respective annual caps for the three years ended 31 December 2005:

Type of continuing connected transactions		For the	For the	For the
		year ended 31 December 2003	year ended 31 December 2004	11 months ended 30 November 2005
		HK\$'000	HK\$'000	HK\$'000
Overseas Materials Sourcing Service (purchases of Overseas Materials by TCL Corporation from the Group)	Actual	979,440	1,104,869	1,255,400
	Annual cap	3,656,265 (Note 2)	4,544,596 (Note 2)	7,679,952 (Note 2)
Overseas Materials Sourcing Service (sale of Overseas Materials by TCL Corporation to the Group)	Actual	1,060,910	1,146,323	1,306,443
	Annual cap	4,875,020 (Note 2)	6,059,461 (Note 2)	10,239,936 (Note 2)
Sourcing of PRC materials (including the materials sourcing service provided by the TCL Corporation Group to TTE Group for production of the Group's television products) (Note 4)	Actual	179,763	514,659	554,238
	Annual cap	670,315 (Note 2)	833,176 (Note 2)	1,407,991 (Note 2)
Sourcing of PRC materials (excluding the materials sourcing service provided by the TCL Corporation Group to TTE Group for production of the Group's television products) (Note 5)	Actual	4,129	15,617	35,221
	Annual cap	N/A	N/A	N/A
Sale of raw materials (Note 6)	Actual	6,315	11,792	4,997
	Annual cap	243,751 (Note 2)	302,973 (Note 2)	511,997 (Note 2)
Subcontracting Arrangement	Actual	4,301	16,926	11,036
	Annual cap	(Note 3)	(Note 3)	(Note 3)

The following table sets out the respective annual caps of the continuing connected transactions under the proposed master agreements as described above for the three financial years ending 31 December 2008:

Type of continuing connected transactions	For the year ending 31 December 2006	For the year ending 31 December 2007	For the year ending 31 December 2008
	HK\$'000	HK\$'000	HK\$'000
Overseas Materials Sourcing Service (purchases of overseas raw materials by the TCL Corporation Group from the Group)	5,873,279 (Note 7)	6,259,609	6,929,924
Overseas Materials Sourcing Service (sale of overseas raw materials by the TCL Corporation Group to the Group) (Note 8)	6,519,340	6,948,166	7,692,216
Sourcing of Goods (excluding the materials sourcing service provided by the TCL Corporation Group to TTE Group for production of the Group's TV products) (Note 4)	59,487	101,877	145,457
Sale of Goods (Note 6)	346,010	576,294	921,706
Subcontracting Arrangement (Note 9)	34,000	36,000	40,000

Notes:

1. The actual amounts for the 11 months ended 30 November 2005 were extracted from the Group's unaudited management accounts made up to 30 November 2005.
2. The previous annual caps in respect of the transactions for the years ended 31 December 2003, 2004 and 2005 as set out in the Company's announcements dated 11 December 2002 and 23 September 2003 were as follows:

Transactions	Previous caps (as percentage to the audited consolidated turnover of the Group for each relevant preceding year)
Overseas Materials Sourcing Service (purchases of Overseas Materials by TCL Corporation from the Group)	30%
Overseas Materials Sourcing Service (sale of Overseas Materials by TCL Corporation to the Group)	40%
Sourcing of PRC materials (including the materials sourcing service provided by the TCL Corporation Group to TTE Group for production of the Group's television products)	5.5%
Sale of raw materials	2.0%

The values of the annual caps of such transactions for the three years ended 31 December 2005 are calculated as a percentage of the Group's turnover for the relevant preceding year. The caps would change correspondingly with any difference between the actual published turnover of the Group for the relevant preceding year and the turnover estimated by the Company when setting the percentages of the previous caps. In particular, the audited turnover of the Group for the year ended 31 December 2004 (approximately HK\$26 billion) almost doubled the estimated turnover figures used in December 2002 and September 2003 when the Company set the previous caps. Such increase was mainly a result of the expansion of customer base and revenue base of the Group in light of the establishment of TTE in 2004.

Furthermore, the actual values of the Overseas Materials Sourcing Service and the sale of raw materials for the two years ended 31 December 2004 and the 11 months ended 30 November 2005 dropped as compared to the respective forecast figures used when setting the caps, primarily as a result of (i) the increase in the use of third party import service in light of the previous strain on the Group's

sourcing capacity in Hong Kong (thus reducing the back-to-back import transactions with the TCL Corporation Group); (ii) the decrease in import duties of certain overseas materials (thus resulting in the corresponding decrease in the import duties reimbursed by the Group to the TCL Corporation Group); and (iii) the significant decrease in the demand of raw materials by the TCL Corporation Group because of the change in certain of its production plans. The actual amounts of the sourcing of PRC materials for the year ended 31 December 2004 and the 11 months ended 30 November 2005 did not deviate substantially from the forecast figures used when the Company revised the relevant caps in September 2003.

3. The annual cap obtained under the old Listing Rules in respect of the Subcontracting Arrangement as set out in the Company's announcement dated 23 September 2003 was the higher of HK\$10 million or 3% of the Group's latest published audited net tangible assets (the "Threshold"). The actual historical amounts of the transactions under the Subcontracting Arrangement for the three years ended 31 December 2005 did not exceed the Threshold or the thresholds applicable to continuing connected transactions that are exempt from the independent shareholders' approval requirement pursuant to the existing Listing Rules (i.e. the applicable percentage ratios under the Listing Rules being less than 2.5%), as the case may be.
4. The Group used to purchase raw materials only from the TCL Corporation Group and therefore the historical amounts (as well as the historical caps) shown in the first table only covered the sourcing of raw materials manufactured in the PRC. Apart from the purchase of raw materials, it is expected that the Group will commence purchasing finished goods (i.e. the Parent Products) from the TCL Corporation Group in 2006 for resale or as free gifts to the Group's customers for promotional purpose. As such, the scope of such sourcing transactions has been expanded and the relevant annual caps for the three years ending 31 December 2008 have been estimated with reference to such expanded scope. It is expected that the level of raw materials to be purchased will exhibit a steady growth rate. The significant increases in the annual caps for the years ending 31 December 2007 and 2008 are mainly due to the expected increases in the abovementioned purchases of the Parent Products, which increases are in turn mainly due to the introduction of new customers of the Group and thus the expected increases in the sales volume of certain of the Group's products.
5. As set out in the section headed "Master Supply Agreement" above, the Company obtained separate annual caps in July 2004 in respect of the purchase of materials from the TCL Corporation Group for the production of the Group's television products for the three years ending 31 December 2006. For information purpose, the above table also sets out the actual historical amounts of the purchases of materials manufactured in the PRC from the TCL Corporation Group excluding those relating to production of the Group's television products which have been covered by the TCL Preferred Supplier Agreement.
6. The Group used to sell raw materials only to the TCL Corporation Group and therefore the historical amounts (as well as the historical caps) shown in the first table only covered the sale of raw materials. It is expected that the Group will commence selling raw materials as well as finished goods (i.e. the Multimedia Products) to the TCL Corporation Group in 2006. As such, the scope of such sale transactions has been expanded and the relevant annual caps for the three years ending 31 December 2008 have been estimated with reference to such expanded scope. The Company understands that the TCL Corporation Group will distribute the Multimedia Products through its retail channels and will start bulk purchasing such products from the Group in 2006. The caps for the three years ending 31 December 2008 are estimated largely on the basis of the TCL Corporation Group's projected requirement of the Multimedia Products for its retail operations which, as the Company understands, are estimated by the TCL Corporation Group with reference to (among other things) the target number of retail locations and the target average sales of the Multimedia Products per retail location. This largely explains the substantial increase in the annual cap in respect of the Sale of Goods for 2006 as compared to the actual historical amounts of the sale of materials by the Group to the TCL Corporation Group in the past.
7. The significant increase in the cap for the year ending 31 December 2006 as compared to the unaudited actual amount of the purchases of Overseas Materials by the TCL Corporation Group from the Group under the Overseas Materials Sourcing Service for the 11 months ended 30 November 2005 is mainly due to (i) the expected substantial increase in material costs as a result of the shift of the Group's emphasis from the production of low-end products (namely cathode ray tube televisions, with much lower material costs) to the production of high-end products (namely liquid crystal display televisions and plasma televisions) to stay in line with market trend; and (ii) the expected corresponding increase in the utilization of the Overseas Materials Sourcing Service as a result of the expected improvement in the efficiency in the Group's sourcing capacity in Hong Kong.
8. The proposed caps for the three years ending 31 December 2008 in respect of the sale of Overseas Materials by the TCL Corporation Group to the Group under the Overseas Materials Sourcing Service are calculated with reference to the corresponding purchases of Overseas Materials by the TCL Corporation Group from the Group plus the estimated average import duties and administrative charge payable to the TCL Corporation Group. Such average import duties and administrative charge payable to the TCL Corporation Group are estimated by the Company on the basis of past transactions of the Group.
9. The Group has in the past been using the subcontracting service provided by member of the TCL Corporation Group which processes plastic parts into certain semi-finished materials. Starting from the fourth quarter of 2005, the Group commenced using the subcontracting service of an Associate which provides processing services in respect of certain other materials. This is the main reason for the expected increase in the cap for the year ending 31 December 2006 as compared to the unaudited actual amount for the 11 months ended 30 November 2005.

The proposed annual caps for the three years ending 31 December 2008 in respect of the continuing connected transactions described above are determined by reference to, among other things, (a) the historical amounts of the continuing connected transactions between the Group and the TCL Corporation Group, (b) the possible requirement of raw materials, semi-finished materials and finished goods with

respect to the projected business volumes and the estimated growth rates of the relevant business lines of the Group (which in turn are estimated by reference to, among other things, the relevant industry demand and the target market share of the Group) and (c) the TCL Corporation Group's projected requirement of finished goods for its operations. The estimated industry demand was based on third party research materials available to the Group for the purpose of performing internal analysis. Further information in relation to the basis of the annual caps for the three years ending 31 December 2008 in respect of the Master Sourcing Agreement and the Master Supply Agreement will be included in the circular to be issued to the Shareholders.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company is an investment holding company. The Company, through its subsidiaries, associated companies and jointly controlled entities, is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets, audio-visual products and personal computers. The TCL Corporation Group is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. For further information on the TCL Corporation Group, please visit www.tcl.com.

The Directors consider that the arrangement under the Overseas Materials Sourcing Service is the best alternative for the Group to source Overseas Materials for the Group's production in view of the requirements of the business licences of certain members of the Group. Furthermore, the Directors are of the view that it is in the interests of the Company and the Shareholders to carry out the transactions under the Sourcing of Goods which will facilitate the smooth operation of the Group's business by providing a stable and reliable source of supply of the necessary materials manufactured in the PRC for the Group's manufacture of the Multimedia Products (except those relating to television products which are covered under the TTE Preferred Supplier Agreement) and the necessary finished goods for the Group's operations. The Directors are also of the view that the transactions under the Sale of Goods will allow the Group to better manage its level of raw materials by providing additional flexibility to the Group for managing its surplus materials (if any) and will allow the Group to widen its revenue base by supplying finished goods to the TCL Corporation Group. The Directors consider that the Subcontracting Arrangement has facilitated and will continue to facilitate the smooth operation of the Group's semi-finished materials which are then used by the Group for its manufacture of the Multimedia Products.

The Directors consider that the transactions under the Master Subcontracting Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors who will express their opinion after receiving advice from the independent financial adviser) consider that the transactions under the Master Sourcing Agreement and the Master Supply Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company is an approximately 38.74% owned subsidiary of TCL Corporation. TCL Corporation is the controlling Shareholder and therefore a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions under the Master Sourcing Agreement, the Master Supply Agreement and the Master Subcontracting Agreement will constitute continuing connected transactions for the Company pursuant to the Listing Rules.

All of the above master agreements will have to comply with the requirements set out in Rule 14A.35(1) of the Listing Rules and annual caps will have to be set for the transactions under the respective master agreements pursuant to Rule 14A.35(2) of the Listing Rules. In respect of the annual amounts of the transactions under the Overseas Materials Sourcing Service and the Sourcing of Goods and the Sale of

Goods, the respective applicable percentage ratios under the Listing Rules will not be less than 2.5%. As such, the transactions under the Master Sourcing Agreement and the Master Supply Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In respect of the annual amounts of the transactions under the Subcontracting Arrangement, the applicable percentage ratios under the Listing Rules will be less than 2.5%. As such, the transactions under the Master Subcontracting Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

In view of the interests of TCL Corporation in and the size of the continuing connected transactions described above, the continuing connected transactions under the Overseas Materials Sourcing Service and the Sourcing of Goods and the Sale of Goods are subject to the approval of the Independent Shareholders. TCL Corporation and its associates, which together are interested in approximately 38.74% of the issued share capital of the Company, will abstain from voting in respect of the relevant resolution to be put forward at the EGM in this regard. The Independent Board Committee will be established to advise the Independent Shareholders on the terms of the Master Sourcing Agreement and the Master Supply Agreement and the respective estimated annual caps of the Overseas Materials Sourcing Service and the Sourcing of Goods and the Sale of Goods. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will despatch to the Shareholders a circular containing further details of the Master Sourcing Agreement and the Master Supply Agreement, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM as soon as practicable.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Associates”	the associates of TCL Corporation
“Board”	the board of Directors
“Company”	TCL Multimedia Technology Holdings Limited (previously known as TCL International 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
“connected person(s)”	has the meanings 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 to consider the Master Sourcing Agreement and the Master Supply Agreement and the transactions contemplated thereunder
“Goods”	the Multimedia Products or the Parent Products (as the case may be) and the raw materials required for manufacture or production of such products
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the continuing connected transactions which will be voted upon at the EGM

“Independent Shareholders”	Shareholders other than TCL Corporation and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sourcing Agreement”	the agreement to be entered into between the Company and TCL Corporation in respect of the Overseas Materials Sourcing Service
“Master Subcontracting Agreement”	the master agreement will be entered into between the Company and TCL Corporation in respect of the Subcontracting Arrangement
“Master Supply Agreement”	the agreement to be entered into between the Company and TCL Corporation in respect of the Sourcing of Goods and the Sale of Goods
“Multimedia Products”	electronic products including televisions, personal computers and audio-visual products manufactured, produced or otherwise sold or distributed by the Group
“Overseas Materials”	those articles, things, components or raw materials manufactured or produced in areas other than the PRC which are required for the manufacture or production of the Multimedia Products
“Overseas Materials Sourcing Service”	the sale and purchase by the Group to and from TCL Corporation of the Overseas Materials for the manufacture of the Multimedia Products pursuant to the Master Sourcing Agreement
“Parent Products”	electronic, telecommunications, information technology and electrical products designed, developed, manufactured or otherwise marketed by the TCL Corporation Group
“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 announcement
“Sale of Goods”	the sale of the Goods by the Group to the TCL Corporation Group and the Associates pursuant to the Master Supply Agreement
“Shareholders”	the shareholders of the Company
“Sourcing of Goods”	the purchase by the Group from the TCL Corporation Group and the Associates of the Goods produced or manufactured in the PRC (excluding those required for the manufacture or production of televisions as provided in the TCL Preferred Supplier Agreement) pursuant to the Master Supply Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontracting Arrangement”	the subcontracting arrangement under which the TCL Corporation Group and the Associates processes raw materials sourced and owned by the Group into certain semi-finished materials which will then be used by the Group for its manufacture of electronic products including television, personal computers and audio-visual products pursuant to the Master Subcontracting Agreement

“TCL Corporation”	TCL Corporation (TCL 集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling shareholder of the Company
“TCL Corporation Group”	TCL Corporation and its subsidiaries (excluding members comprising the Group)
“TCL Preferred Supplier Agreement”	TCL Preferred Supplier Agreement dated 30 July 2004 entered into between the TCL Corporation and TTE
“TTE”	TTE Corporation, a wholly owned subsidiary of the Company
“TTE Group”	TTE and its subsidiaries

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 17 January 2006

As at the date of this announcement, the Board comprises Li Dong Sheng, Lu Zhong Li, Hu Qiu Sheng, Zhao Zhong Yao, Yan Yong, Alastair Kenneth Ruskin Campbell and Didier Trutt as executive directors, Albert Thomas da Rosa, Junior as non-executive director and Tang Guliang, Wang Bing and Hon Fong Ming as independent non-executive directors.

*Please also refer to the published version of this announcement in **South China Morning Post**.*