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(Stock code: 1070)



(Stock code: 2618)

## **FORMATION OF THE FINANCE COMPANY A CONNECTED TRANSACTION AND DISCLOSEABLE AND/OR CONTINUING CONNECTED TRANSACTIONS**

The respective boards of directors of TCL Multimedia and TCL Communication would like to announce that on 9 March 2006, TCL Corp. entered into the Investment Agreements separately with each of TCL King Electrical Appliances (an indirect wholly-owned subsidiary of TCL Multimedia) and TCL Mobile Communication (an indirect wholly-owned subsidiary of TCL Communication) in relation to the setting up of the Finance Company. The setting up of the Finance Company constitutes a connected transaction for each of TCL Multimedia and TCL Communication and is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

Each of TCL Multimedia and TCL Communication proposes to separately enter into a Financial Services Framework Agreement with TCL Corp. and the Finance Company after the establishment of the Finance Company. Pursuant to the Financial Services Framework Agreements, the TCL Multimedia Qualified Members and the TCL Communication Qualified Members may from time to time utilize the financial services which may be provided by the Finance Company including the Deposit Services, the Finance Services and the Other Financial Services.

For TCL Multimedia and TCL Communication, it is expected that: (i) the Finance Services will be exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules and (ii) the Other Financial Services will be exempted from the independent shareholders' approval requirements pursuant to Rule 14A.33(3) (in the case of TCL Multimedia) or Rule 14A.34 (in the case of TCL Communication) of the Listing Rules.

The Deposit Services which may be provided by the Finance Company to the TCL Multimedia Qualified Members will constitute a discloseable transaction and non-exempt continuing connected transactions for TCL Multimedia under the Listing Rules. Accordingly, TCL Multimedia has to seek approval from its independent shareholders for the Deposit Services and the relevant proposed caps.

The Deposit Services which may be provided by the Finance Company to the TCL Communication Qualified Members will constitute a discloseable transaction and non-exempt continuing connected transactions for TCL Communication under the Listing Rules. Accordingly, TCL Communication has to seek approval from its independent shareholders for the Deposit Services and the relevant proposed caps.

Each of TCL Multimedia and TCL Communication will issue a circular to their respective shareholders as soon as practicable setting out, among other things, details of the relevant Financial Services Framework Agreements in respect of the Deposit Services and the relevant proposed caps, a letter from the independent board committee of each of TCL Multimedia and TCL Communication, a letter from the independent financial adviser to the independent board committee and the independent shareholders of each of TCL Multimedia and TCL Communication and a notice to convene an extraordinary general meeting.

# INVESTMENT AGREEMENTS

## Date and parties

On 9 March 2006, TCL Corp. entered into the Investment Agreements separately with each of TCL King Electrical Appliances (an indirect wholly-owned subsidiary of TCL Multimedia) and TCL Mobile Communication (an indirect wholly-owned subsidiary of TCL Communication) in relation to the setting up of the Finance Company.

## The Finance Company

Pursuant to the Investment Agreements, the Finance Company will be established by (i) TCL Corp., (ii) TCL King Electrical Appliances, (iii) TCL Mobile Communication and (iv) BEA pursuant to the Administrative Measures on Group Finance Companies (企業集團財務公司管理辦法) promulgated by the China Banking Regulatory Commission (中國銀行業監督管理委員會) and other applicable laws of the PRC. The Administrative Measures on Group Finance Companies are formulated in accordance with the laws of the PRC, which set out the laws and administrative regulations in relation to the activities of non-banking finance companies established to provide services to their group companies. The Administrative Measures on Group Finance Companies include regulations in respect of, among other things, the establishment, the allowed business scopes, risk management and internal control, consolidation, takeover and termination of finance companies.

The said initial investors are referred to as promoters under the relevant PRC regulations and may be required to sign such documents as necessary for the setting up of the Finance Company.

The registered capital of the Finance Company will be RMB500 million (equivalent to approximately HK\$481 million), which will be contributed by the relevant parties as follows:

	Percentage	Amount (RMB million)
TCL Corp.	62%	310
TCL King Electrical Appliances	14%	70
TCL Mobile Communication	4%	20
BEA	20%	100
	<u>100%</u>	<u>500</u>

The amount of registered capital of the Finance Company represents the minimum capital required under the Administrative Measures on Group Finance Company based on the activities planned to be carried out by the Finance Company. The percentage interest of each investor in the Finance Company is determined by the amount of capital contribution to be made by each of them.

The respective interests of TCL Multimedia and TCL Communication in the Finance Company will be accounted for as investments in their respective consolidated financial statements.

TCL Corp., TCL King Electrical Appliances and TCL Mobile Communication are required to make their respective capital contributions by cash in full within 7 business days from the date of the Investment Agreements. Any profit of the Finance Company will be shared by the investors in proportion to their respective equity interests in the Finance Company.

The Finance Company is proposed to provide financial services including corporate finance advisory services, credit worthiness verification and related consultancy and agency services, collection and payment services, approved insurance agency services, guarantee services, agency lending and investment services, discounting bills and design of various schemes for settlement and clearing in respect of group

fund transfer, and any other services approved by the China Banking Regulatory Commission to the Qualified Members. TCL Multimedia and TCL Communication understand that it will be the plan of the Finance Company, after having been established, to attract deposits from the Qualified Members and leverage its status as a financial institution in the PRC in providing financing and other financial services to the Qualified Members on normal commercial terms.

The board of directors of the Finance Company will be nominated by the shareholders of the Finance Company and BEA will be eligible to nominate one-fifth of the total number of directors comprising the board. The qualifications of each director of the Finance Company will have to be reviewed and approved by the China Banking Regulatory Commission. It is proposed that the board of directors of the Finance Company will comprise five members. Each of TCL King Electrical Appliances, TCL Mobile Communication and BEA will nominate one representative to the board of directors of the Finance Company with the remaining two directors to be nominated by TCL Corp.

The establishment of the Finance Company is subject to the obtaining of the relevant approvals from the appropriate PRC authorities, including but not limited to the China Banking Regulatory Commission. The Investment Agreements are not subject to any conditions precedent. According to the Investment Agreements, if all the necessary approvals for the establishment of the Finance Company are not obtained within 12 months from the date of the Investment Agreements or if the establishment of the Finance Company is prevented by any event of force majeure that happens and continues for more than 12 months from the date of the Investment Agreements, the Investment Agreements will be terminated. The Finance Company is expected to be established in mid 2006.

The terms of the Investment Agreements were determined after arm's length negotiations between the parties. Save for the investment amounts, the principal terms of the two Investment Agreements are the same.

### **Information on the investors**

TCL Multimedia is a leading multimedia consumer electronics manufacturer with a global sales network. Television is the core product of the TCL Multimedia Group. This business is operated by a wholly-owned subsidiary of TCL Multimedia, namely TTE Corporation. The TCL Multimedia Group's televisions sold in Asia, Europe and North America are marketed under three key brands — "TCL", "THOMSON" and "RCA". Currently, the TCL Multimedia Group is one of the largest worldwide television players. Headquartered in the PRC, TCL Multimedia operates efficient manufacturing and research and development facilities in all major continents. In addition to televisions, the TCL Multimedia Group also manufactures personal computers and other audio visual products. TCL King Electrical Appliances is a wholly-owned subsidiary of TCL Multimedia. For more information on the TCL Multimedia Group, please visit the official website: [www.tclhk.com](http://www.tclhk.com).

TCL Communication is engaged in the design, manufacture and marketing of a wide range of mobile handsets for the global market. The TCL Communication Group's handsets sold in the PRC, Europe and Latin America are mainly marketed under two key brands — "TCL" and "Alcatel". TCL Communication operates its efficient manufacturing and research and development facilities in various provinces of the PRC and France with headquarters in Shenzhen, the PRC. TCL Mobile Communication is a wholly-owned subsidiary of TCL Communication. For more information on the TCL Communication Group, please visit the official website: [www.tclcom.com](http://www.tclcom.com).

The TCL Corp. Group is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. As the date of this announcement, TCL Corp. owns approximately 39% and 55% of the issued share capital of TCL Multimedia and TCL Communication respectively. TCL Corp. is the controlling shareholder of TCL Multimedia and TCL Communication. For more information on TCL Corp., please visit the official website of TCL Corp.: [www.tcl.com](http://www.tcl.com).

BEA is a licensed bank incorporated in Hong Kong providing a comprehensive range of retail and commercial banking services to an array of customers.

To the best of the knowledge, information and belief of TCL Multimedia having made all reasonable enquiries, BEA is independent of and not connected with any of the directors, chief executive and substantial shareholders of TCL Multimedia and any of their respective associates.

To the best of the knowledge, information and belief of TCL Communication having made all reasonable enquiries, BEA is independent of and not connected with any of the directors, chief executive and substantial shareholders of TCL Communication and any of their respective associates.

### **Listing Rules requirements**

Under the Listing Rules, TCL Corp. and TCL Communication are connected persons of TCL Multimedia and TCL Corp. and TCL Multimedia are connected persons of TCL Communication.

The proposed formation of the Finance Company constitutes a connected transaction for each of TCL Multimedia and TCL Communication. As the results of the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of TCL Multimedia's and TCL Communication's proposed investment in the Finance Company are less than 2.5%, the transaction is subject to the reporting and announcement requirements but is not subject to the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

## **THE CONTINUING CONNECTED TRANSACTIONS**

A major reason for the establishment of the Finance Company is to provide a range of financial services to all Qualified Members including the TCL Multimedia Qualified Members and the TCL Communication Qualified Members. Such financial services include the Deposit Services, the Finance Services and the Other Financial Services. All the above possible transactions between the Finance Company with each of TCL Multimedia Group and TCL Communication Group will constitute continuing connected transactions for TCL Multimedia and TCL Communication respectively.

With a view to setting out the principal terms of the transactions, each of TCL Multimedia and TCL Communication proposes to separately enter into a Financial Services Framework Agreement with the Finance Company and TCL Corp. after, among other things, the establishment of the Finance Company. A further announcement will be made by TCL Multimedia and TCL Communication after the Financial Services Framework Agreements have been entered into.

### **Principal terms of the Financial Services Framework Agreements**

The principal terms of the two Financial Services Framework Agreements are the same. Under the Investment Agreements, TCL Corp. has undertaken that it will use its reasonable endeavours to procure the Finance Company to enter into the Financial Services Framework Agreements after the establishment of the Finance Company in the form which has been agreed by each of TCL Multimedia and TCL Communication. The principal terms of the Financial Services Framework Agreements are summarized as follows:

#### ***The Deposit Services***

Any TCL Multimedia Qualified Member or TCL Communication Qualified Member may from time to time deposit money with the Finance Company. If the Finance Company decides to accept any amount of cash deposits from a TCL Multimedia Qualified Member or a TCL Communication Qualified Member (including current deposits, fixed deposits or any other form of deposits), the interest rates offered by the Finance Company shall not be lower than the interest rates offered by other independent financial institutions from time to time. Such interests derived from the Deposit Services will be calculated on a

daily basis. Other terms and conditions offered by the Finance Company as a whole shall also not be less favourable than those offered by other independent financial institutions and shall be on normal commercial terms.

The Finance Company and TCL Corp. will jointly and severally undertake to each of TCL Multimedia and TCL Communication that at any time during the term of the Financial Services Framework Agreements, the total amount of loans lent or other trade financing provided by the Finance Company and/or TCL Corp. to each group of the TCL Multimedia Qualified Members and the TCL Communication Qualified Members shall not be less than the total cash deposits placed by the TCL Multimedia Qualified Members and the TCL Communication Qualified Members with the Finance Company respectively.

If any TCL Multimedia Qualified Member or TCL Communication Qualified Member demands repayment of any money deposited by it with the Finance Company in accordance with the relevant terms and procedure and the Finance Company fails to follow the repayment demand, such TCL Multimedia Qualified Member or TCL Communication Qualified Member shall then has the right to:

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

### ***The Finance Services***

Any TCL Multimedia Qualified Member or TCL Communication Qualified Member may from time to time request any Finance Services (including loans, guarantees, receivable factoring, bill acceptance and bill discounting) from the Finance Company. If the Finance Company decides to provide any Finance Services to a TCL Multimedia Qualified Member or a TCL Communication Qualified Member, the interest rates charged by the Finance Company shall not be higher than the interest rates charged by other independent financial institutions from time to time in respect of similar services, and the other terms and conditions offered by the Finance Company in respect of the Finance Services as a whole shall not be less favorable than those offered by other independent financial institutions and shall be on normal commercial terms.

The Finance Company and the relevant TCL Multimedia Qualified Member or TCL Communication Qualified Member may enter into specific agreements in respect of any Finance Services to be provided with a view to setting out the detailed terms of the transactions. If the Finance Company requests the relevant TCL Multimedia Qualified Member or TCL Communication Qualified Member to provide any form of security in respect of the Finance Services, TCL Multimedia (in the case of a TCL Multimedia Qualified Member) or TCL Communication (in case of a TCL Communication Qualified Member) will then have to comply with the relevant requirements under the Listing Rules (including but not limited to the independent shareholders' approval requirement).

### ***Other Financial Services***

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

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

The relevant TCL Multimedia Qualified Members or TCL Communication Qualified Members may enter into separate written agreements with the Finance Company in relation to the provision of the specific services under the Other Financial Services with a view to setting out the detailed terms of the transactions. The relevant TCL Multimedia Qualified Members and the relevant TCL Communication Qualified Members will make payment of fees and commissions in respect of the Other Financial Services in accordance with the payment terms of the separate agreements for the provision of loans or other financial services as might be entered into.

### **Other undertakings of TCL Corp. under the Financial Services Framework Agreements**

TCL Corp. will separately undertake to each of TCL Multimedia and TCL Communication that:

- (i) it will procure the Finance Company to perform its obligations under the Financial Services Framework Agreements; and
- (ii) in case the Finance Company experiences any financial difficulties, TCL Corp. will inject capital to the Finance Company based on the needs of the Finance Company.

### **Term of the Financial Services Framework Agreement**

It is proposed that the term of the Financial Services Framework Agreements be from the date of the agreement to 31 December 2008 which may be extended upon written agreement of all parties to the Financial Service Framework Agreements subject to the then requirements of the Listing Rules. TCL Multimedia and TCL Communication will re-comply with the applicable Listing Rules requirements, including the reporting, announcement and/or independent shareholders' approval requirements (if necessary) under Chapter 14A of the Listing Rules should the Financial Services Framework Agreements be extended.

### **Listing Rules requirements**

As at the date of this announcement, TCL Corp. holds approximately 39% and 55% of the issued share capital of TCL Multimedia and TCL Communication respectively. TCL Corp. is the controlling shareholder and a connected person of TCL Multimedia and TCL Communication.

TCL Multimedia and TCL Communication will indirectly hold approximately 14% and 4% respectively and TCL Corp. will directly hold approximately 62% of the registered capital of the Finance Company. The Finance Company will be a non wholly-owned subsidiary of TCL Corp. and a connected person of each of TCL Multimedia and TCL Communication under the Listing Rules.

All the services which may be provided by the Finance Company to the TCL Multimedia Qualified Members and the TCL Communication Qualified Members under the Financial Services Framework Arrangements will constitute continuing connected transactions for TCL Multimedia and TCL Communication respectively.

### *Annual caps*

The table below sets out the proposed annual caps in respect of the Deposit Services and the Other Financial Services for the three years ending 31 December 2008.

Caps	TCL Multimedia			TCL Communication		
	Year ending 31 December			Year ending 31 December		
	2006	2007	2008	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Maximum outstanding balances of deposits (including interest receivables in respect of these deposits)	1,100,000	1,100,000	1,100,000	400,000	400,000	400,000
Maximum fees and commissions payable under the Other Financial Services	2,700	3,500	4,400	1,170	1,560	1,950

TCL Multimedia and TCL Communication expect that only their major subsidiaries in the PRC may utilize the Deposit Services and thus expect that the amounts which may be deposited with the Finance Company shall greatly depend on the available cash balances of such PRC subsidiaries. Accordingly, the proposed caps in respect to the Deposit Services were set by TCL Multimedia and TCL Communication with reference to the cash flow forecasts of their respective major subsidiaries in the PRC for the three years ending 31 December 2008. The respective caps represent about 50% of the estimated maximum available cash balances of the relevant PRC subsidiaries of TCL Multimedia and TCL Communication (as the case may be) during the period from 1 January 2006 to 31 December 2008.

The caps set by TCL Multimedia and TCL Communication in respect of the Other Financial Services were determined with reference to the recent fee rates of the major type of transaction under the Other Financial Services which the TCL Multimedia Qualified Members or the TCL Communication Qualified Members may utilize and the estimated volume of such type of transaction which may be required by the TCL Multimedia Qualified Members and the TCL Communication Qualified Members for each of the three years ending 31 December 2008.

### *The Deposit Services*

With respect to both TCL Multimedia and TCL Communication, the Deposit Services are subject to the requirements of reporting, announcement and approval by the independent shareholders of TCL Multimedia and TCL Communication by poll at the relevant extraordinary general meetings of TCL Multimedia and TCL Communication and will constitute a discloseable transaction for each of them based on the relevant proposed caps.

### *The Other Financial Services*

Based on the present proposed maximum value of the fees and commissions which may be payable by the TCL Multimedia Group in respect of the Other Financial Services and the 5-day average market capitalization of TCL Multimedia immediately prior to the publication of this announcement, the Other Financial Services are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

With respect to TCL Communication, the Other Financial Services are only subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules and the requirements under Rules 14A.37 to 14A.38 of the Listing Rules, based on the relevant caps.

## *The Finance Services*

So long as the Finance Services will be provided on normal commercial terms (or better to the TCL Multimedia Qualified Members (in the case of TCL Multimedia) or the TCL Communication Qualified Members (in the case of TCL Communication)) where no security over any assets of the TCL Multimedia Group or the TCL Communication Group (as the case may be) is given in respect of the Finance Services, the Finance Services will be exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules; otherwise TCL Multimedia or TCL Communication (as the case may be) will have to comply with the necessary requirements under the Listing Rules before accepting any such Finance Services.

## **REASONS FOR THE TRANSACTIONS**

The principal purpose of setting up the Finance Company is to provide cost efficient finance and treasury services to all Qualified Members, including the TCL Multimedia Qualified Members and the TCL Communication Qualified Members. The pricing policies and the operation of the Finance Company are subject to guidelines issued by the China Banking Regulatory Commission. According to the terms of the Financial Services Framework Agreements, the deposit rates which may be obtained from the Finance Company for the Deposit Services will be no less favourable than those which may be obtained from other independent financial institutions from time to time; any Finance Services which may be provided by the Finance Company under the Financial Services Framework Agreements will be at interest rates that are no less favourable than those offered by other independent financial institutions from time to time; and the Other Financial Services will also be provided by the Finance Company to the TCL Multimedia Qualified Members and the TCL Communication Qualified Members at terms that are no less favourable to them than those offered by other independent financial institutions. Each of TCL Multimedia and TCL Communication also believes that the Finance Company, being a financial institution itself, may also facilitate the respective TCL Multimedia Qualified Members and the TCL Communication Qualified Members to obtain cheaper financing from other financial institutions in the PRC by taking advantage of the inter-bank lending rates which the Finance Company may enjoy in respect of its own borrowings from other financial institutions. It is expected that the inter-bank interest rates are usually lower than the interest rates of other corporate commercial loans.

The respective directors of TCL Multimedia and TCL Communication are of the view that the following arrangements will help safeguard the money deposited with the Finance Company.

- (i) The Finance Company will be a financial institution approved by the China Banking Regulatory Commission and will be operated under the relevant guidelines and requirements issued by the China Banking Regulatory Commission.
- (ii) Through the proposed investments of TCL King Electrical Appliances and TCL Mobile Communication, the TCL Multimedia Group and the TCL Communication Group will respectively be placed in a position to better understand and monitor the operation and financial position of the Finance Company than those of other independent financial institutions.
- (iii) Under the Investment Agreements, TCL Corp. will procure the Finance Company to execute the Financial Services Framework Agreements which include undertakings from TCL Corp. and the Finance Company that the amount of financing which each group of the TCL Multimedia Qualified Members and the TCL Communication Qualified Members will obtain from the Finance Company and/or TCL Corp. will not be less than the amount that each group of the TCL Multimedia Qualified Members and the TCL Communication Qualified Members may deposit with the Finance Company respectively. According to the terms of the Financial Services Framework Agreements, if the Finance Company fails to return any money deposited by the TCL Multimedia Qualified Members or the TCL Communication Qualified Members, the TCL Multimedia Qualified Members or the TCL Communication Qualified Members (as the case may be) can then offset the relevant outstanding



deposit amount against the same amount of loan owed by them to the Finance Company and/or TCL Corp. and/or request TCL Corp. to repay the outstanding deposit amount on behalf of the Finance Company in full.

It is also believed that the Finance Company, being an affiliated company of TCL Multimedia and TCL Communication, will be placed in a better position to serve the financial needs of the TCL Multimedia Group and the TCL Communication Group. It is expected that the Finance Company will be more efficient in terms of processing transactions for the TCL Multimedia Group and the TCL Communication Group than other financial institutions given their close relationships.

The directors of TCL Multimedia and TCL Communication (excluding their respective independent non-executive directors in respect of the Deposit Services) believe that the Investment Agreements and the Financial Services Framework Agreements are on normal commercial terms, the transactions thereunder are fair and reasonable and in the respective interests of TCL Multimedia and TCL Communication and their respective shareholders as a whole. The directors of TCL Multimedia and TCL Communication (excluding their respective independent non-executive directors in respect of the Deposit Services) also believe that the transactions under the Financial Services Framework Agreements will be entered into in the ordinary and usual course of businesses of the TCL Multimedia Group and the TCL Communication Group respectively. The respective independent non-executive directors of TCL Multimedia and TCL Communication will express their views on the Deposit Services which may be provided to the TCL Multimedia Qualified Members and the TCL Communication Qualified Members (as the case may be) after having considered the advice to be given by their independent financial adviser.

## **GENERAL**

As explained above, the relevant Deposit Services which may be provided by the Finance Company to the TCL Multimedia Qualified Members and the proposed caps are subject to approval by the independent shareholders of TCL Multimedia. The Deposit Services which may be provided by the Finance Company to the TCL Communication Qualified Members and the relevant proposed caps are subject to approval by the independent shareholders of TCL Communication. Each of TCL Multimedia and TCL Communication will form an independent board committee to advise their respective independent shareholders on the terms of the Deposit Services and the relevant proposed caps for the three year ending 31 December 2008.

CIMB – GK Securities (HK) Ltd. has been appointed as the independent financial adviser to the independent board committees and the independent shareholders of TCL Multimedia and TCL Communication in respect of the above matters.

TCL Corp. and its associates are interested in approximately 39% and 55% of the issued share capital of TCL Multimedia and TCL Communication respectively, and are required to abstain from voting in respect of the relevant resolutions to be put forward at the extraordinary general meetings of TCL Multimedia and TCL Communication in this regard.

Each of TCL Multimedia and TCL Communication will issue a circular to their respective shareholders as soon as practicable setting out, among other things, details of the relevant Financial Services Framework Agreements in respect of the Deposit Services and the relevant proposed caps, a letter from the independent board committee of each of TCL Multimedia and TCL Communication, a letter from the independent financial adviser to the independent board committee and the independent shareholders of each of TCL Multimedia and TCL Communication and a notice to convene an extraordinary general meeting.

The shares of TCL Corp. are listed on the Shenzhen Stock Exchange. As mentioned earlier in this announcement, TCL Corp. has agreed to undertake that if any TCL Multimedia Qualified Member or TCL Communication Qualified Member demands repayment of any money deposited by it with the Finance Company in accordance with the relevant terms and procedure and the Finance Company fails to follow the repayment demand, TCL Corp. will repay the outstanding deposit amount on behalf of the Finance

Company in full if the relevant TCL Multimedia Qualified Member or TCL Communication Qualified Member so requests. TCL Multimedia and TCL Communication understand from TCL Corp. that the making of such undertaking is subject to the approval of the shareholders of TCL Corp. as required under the Shenzhen Stock Exchange Listing Rules. TCL Multimedia and TCL Communication further understand from TCL Corp. that TCL Corp. currently plans to convene a shareholders' meeting in April 2006 with a view to obtaining such shareholders' approval. Accordingly, the Financial Services Framework Agreements will only be entered into, after (i) TCL Corp. has obtained approval from its shareholders for the making of the relevant undertakings under the Financial Services Framework Agreements, (ii) TCL Multimedia or TCL Communication (as the case may be) has obtained approval from its independent shareholders for the Deposit Services which may be provided by the Finance Company to the TCL Multimedia Qualified Members (in the case of TCL Multimedia) or the TCL Communication Qualified Members (in the case of TCL Communication) and the relevant proposed caps and (iii) the Finance Company has been duly established.

## DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BEA”	The Bank of East Asia, Limited, 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
“Deposit Services”	deposit of money by the TCL Multimedia Qualified Members or TCL Communication Qualified Members with the Finance Company pursuant to the relevant Financial Services Framework Agreements
“Finance Company”	the Finance Company to be established by TCL Corp., TCL King Electrical Appliances, TCL Mobile Communication and BEA
“Finance Services”	the services of money lending and other financing (including loans, guarantees, receivable factoring, bill acceptance and bill discounting) which may be provided by the Finance Company to the TCL Multimedia Qualified Members or the TCL Communication Qualified Members pursuant to the relevant Financial Services Framework Agreements
“Financial Services Framework Agreement(s)”	the separate agreements proposed to be entered into by each of TCL Multimedia and TCL Communication with TCL Corp. and the Finance Company with a view to setting out, among other things, the principal terms of the Deposit Services, the Finance Services and the Other Financial Services
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Agreement(s)”	the two separate investment agreements dated 9 March 2006 entered into between TCL Corp. and each of TCL King Electrical Appliances and TCL Mobile Communication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Other Financial Services”	all financial services which may be provided by the Finance Company to the TCL Multimedia Qualified Members and the TCL Communication Qualified Members under the Financial Services Framework Agreements other than the Deposit Services and the Finance Services
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Qualified Members”	all companies which the Finance Company will be allowed to provide services to pursuant to the Administrative Measures on Group Finance Companies (企業集團財務公司管理辦法) promulgated by the China Banking Regulatory Commission, which shall only include TCL Corp., any subsidiary of which TCL Corp. owns an equity interest of 51% or more, any company in which TCL Corp. or any of its subsidiaries own, individually or collectively, an equity interest of over 20% and any company in which TCL Corp. or any of its subsidiaries are, individually or collectively, the largest shareholder
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL Communication”	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“TCL Communication Group”	TCL Communication and its subsidiaries
“TCL Communication Qualified Member(s)”	such member(s) of the TCL Communication Group which is a/are Qualified Member(s)
“TCL Corp.”	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 TCL Multimedia and TCL Communication
“TCL Corp. Group”	TCL Corporation and its subsidiaries
“TCL King Electrical Appliances”	TCL King Electrical Appliances (Huhehaote) Company Limited (TCL 王牌電器(呼和浩特)有限公司), an indirect wholly-owned subsidiary of TCL Multimedia
“TCL Mobile Communication”	TCL Mobile Communication (Hohhot) Co., Ltd. (TCL 移動通信(呼和浩特)有限公司), an indirect wholly-owned subsidiary of TCL Communication
“TCL Multimedia”	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

“TCL Multimedia Group”                      TCL Multimedia and its subsidiaries

“TCL Multimedia Qualified Member(s)”                      such member(s) of the TCL Multimedia Group which is a/are Qualified Member(s)

On behalf of the board of directors

**TCL Multimedia Technology Holdings Limited**                      **TCL Communication Technology Holdings Limited**

**Li Dong Sheng**

*Chairman*

On behalf of the board of directors

**Li Dong Sheng**

*Chairman*

Hong Kong, 9 March 2006

*As at the date of this announcement, the board of directors of TCL Multimedia 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.*

*The directors of TCL Multimedia jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than the information relating to the TCL Communication Group.*

*As at the date of this announcement, the board of directors of TCL Communication comprises Li Dong Sheng, Yuan Xin Cheng, Liu Fei, Yan Yong, Vincent, Du Xiaopeng, Simon, Guo Aiping, George and Wong Toe Yeung as executive directors and Shi Cuiming, Wang Chongju and Lau Siu Ki, Kevin as independent non-executive directors.*

*The directors of TCL Communication jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than the information relating to the TCL Multimedia Group.*

*For the purpose of this announcement, unless otherwise indicated, the exchange rate at HK\$1 = RMB1.039 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.*

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