TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國 際 控 股 有 限 公 司)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

MAJOR AND CONNECTED TRANSACTIONS
COMBINATION AGREEMENT FOR ESTABLISHMENT OF TTE CORPORATION
EXCHANGE OPTION AGREEMENT

CONNECTED TRANSACTION
ACQUISITION OF WUXI AND INNER MONGOLIA ASSETS
CALL OPTION AGREEMENT
DVD OPTION AGREEMENT

CONTINUING CONNECTED TRANSACTIONS
OPERATION AGREEMENTS

Reference is made to the announcement of the Company dated 30 January 2004 relating to the signing of the Combination Agreement.

Pursuant to the Combination Agreement, the Company and Thomson will combine their respective TV businesses and assets under the ownership of TTE. As a part of its contribution under the Combination, the Company is required to purchase from the TCL Corp Group the Wuxi and Inner Mongolia Assets and contribute these assets to the TTE Group. On 28 May 2004, the Company, through its wholly-owned subsidiary TCL Holdings (BVI) Limited, entered into two separate conditional sale and purchase agreements for the acquisition of the Wuxi Assets and the Inner Mongolia Assets respectively. TCL Corp is the controlling shareholder of the Company and currently holds approximately 54.2% of the entire issued share capital of the Company. Accordingly, the Acquisition will constitute a connected transaction of the Company under the Listing Rules.

As noted in the Combination Announcement, the Combination Agreement constitutes a major transaction of the Company under the Previous Listing Rules and the obligations of the parties to the Combination Agreement are subject to fulfillment of a number of conditions including, among others, the execution of the Transaction Documents. The Directors are pleased to announce that all Transaction Documents, the agreement and execution of which constitute closing conditions of the Combination Agreement, have been agreed to and finalized and are expected to be signed by the relevant parties on or before Closing, which is currently expected to be in July 2004.

The Transaction Documents include the Corporate Documents which relate to the effecting of the Combination, and the Operation Agreements which concern the future operation of TTE and would provide the TTE Group with a broad range of operational services to conduct its business globally.

The Operation Agreements are to be entered into between TTE and the Thomson Group or the TCL Corp Group (as the case may be). Following Closing, the entire issued share capital of TTE will be held by the Company and Thomson as to 67% and 33% respectively (and they will therefore both constitute "controlling shareholders" of TTE for the purposes of the Listing Rules), and given TCL Corp is a controlling shareholder of the Company, the transactions contemplated under the Operation Agreements will accordingly constitute continuing connected transactions of the Company under the Listing Rules. Depending on the size of the transactions, some will be exempt from the reporting, announcement and independent shareholders' approval requirements, while the majority will be subject to disclosure obligations and/or independent shareholders' approval.

The Company will convene the EGM at which resolutions will be proposed for the purpose of considering and if thought fit, approving the Combination Agreement, the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, the Relevant Continuing Connected Transactions and the proposed Caps. An Independent Board Committee, comprising Dr. Hon Fong Ming, has been established to advise the Independent Shareholders regarding the aforesaid matters. Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

A shareholders' circular containing, among other things, further details of the aforesaid matters, the recommendation of the Independent Board Committee, the opinion letter from Commerzbank to the Independent Board Committee and the notice convening the EGM will be despatched to the Shareholders as soon as practicable.

BACKGROUND

The Company has strived to restructure its portfolio of businesses to focus primarily on multi-media electronic products (including televisions and computers) and to significantly expand its business overseas. Accordingly, the Company has been considering various options for restructuring its interests in businesses other than its multi-media businesses. The signing of the Combination Agreement for the establishment of TTE to combine the respective TV businesses and assets of the Group and the Thomson Group represented a significant step in achieving the goal towards further expansion overseas. The Board believes that the Combination will make TTE a major global player in the business of TV R&D, manufacture, sales and distribution.

ACQUISITION OF THE WUXI AND INNER MONGOLIA ASSETS

As noted from above, the Company is required to purchase from the TCL Corp Group for cash consideration of approximately RMB231.5 million (about HK$218.4 million) the Wuxi and Inner Mongolia Assets and contribute these assets to the TTE Group. TCL Corp, a controlling shareholder of the Company currently holding approximately 54.2% of the entire issued share capital of the Company, directly or indirectly owns the Wuxi and Inner Mongolia Assets. The

Acquisition will therefore constitute a connected transaction for the Company under the Listing Rules and will require approval by the Independent Shareholders (that is to say TCL Corp and its associates will be required to abstain from voting for the Acquisition at the EGM).

Set out below is a summary of the major provisions of the agreements in respect of the Acquisition.

Wuxi Agreement dated 28 May 2004

Parties

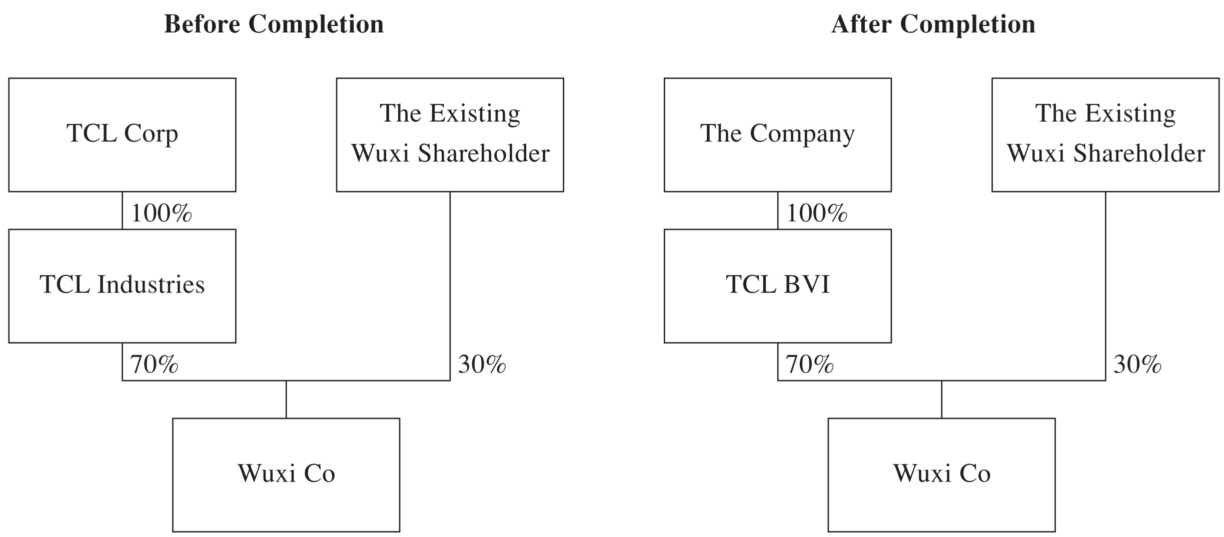
(1) Vendor: TCL Industries, a direct wholly-owned subsidiary of TCL Corp and the direct holding company of the Company

(2) Purchaser: TCL BVI, a direct wholly-owned subsidiary of the Company

Equity Interest to be Transferred

Wuxi Co is owned as to 70% by TCL Corp (held through TCL Industries) and 30% by the Existing Wuxi Shareholder, an independent third party not connected with the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. The Wuxi Assets to be purchased by the Group represents a 70% equity interest in Wuxi Co. Upon completion of the transaction, the Group will hold a 70% equity interest in Wuxi Co and the TCL Corp Group will no longer hold any interest in Wuxi Co. The Existing Wuxi Shareholder will remain the owner of the remaining 30% equity interest in Wuxi Co.

Set out below are the shareholding structures of the Wuxi Co immediately before and immediately after completion of the Wuxi Agreement respectively:



Consideration

The consideration for the purchase of the Wuxi Assets is RMB105.7 million (about HK$99.7 million) to be payable in cash by TCL BVI to TCL Industries on the date of completion of the Wuxi Agreement and will be funded from the internal resources of the Group.

Completion

Completion of the sale and purchase of the Wuxi Assets is conditional upon, among others, the following conditions being fulfilled on or before 30 September 2004:

(1) the Existing Wuxi Shareholder issuing a written acknowledgement confirming its agreement to the sale and purchase of the Wuxi Assets and its waiver of its first right of refusal in relation thereto;

(2) the Independent Shareholders having approved the Wuxi Agreement and the transactions contemplated thereunder; and

(3) all necessary approvals having been obtained from the relevant PRC authorities.

None of the above conditions can be waived and completion is expected to take place in July 2004.

Inner Mongolia Agreement dated 28 May 2004

Parties

(1) Vendors: (a) TCL Corp, the ultimate controlling shareholder of the Company

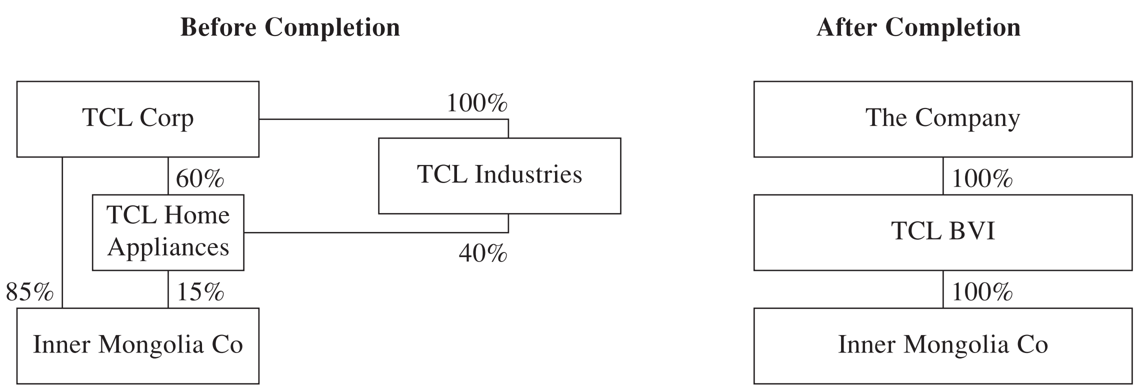
(b) TCL Home Appliances, an indirect wholly-owned subsidiary of TCL Corp

(2) Purchaser: TCL BVI

Equity Interest to be Transferred

Inner Mongolia Co is owned by TCL Corp and TCL Home Appliances as to 85% and 15% respectively. The Inner Mongolia Assets to be purchased by the Group represents the entire equity interest in Inner Mongolia Co. Upon completion of the transaction, the Group will hold the entire equity interest in Inner Mongolia Co and TCL Corp Group will no longer hold any interest in Inner Mongolia Co.

Set out below are the shareholding structures of Inner Mongolia Co immediately before and immediately after completion of the Inner Mongolia Agreement respectively:



Consideration

The total consideration for the purchase of the Inner Mongolia Assets is RMB125.8 million (about HK$118.7 million), of which RMB106.9 million (about HK$100.9 million) being 85% thereof and RMB18.9 million (about HK$17.8 million) being the remaining 15% thereof are payable in cash by TCL BVI to TCL Corp and TCL Home Appliances respectively on the date of completion of the Inner Mongolia Agreement and will be funded from the internal resources of the Group.

Completion

Completion of the sale and purchase of the Inner Mongolia Assets is conditional upon, among others, the following conditions being fulfilled on or before 30 September 2004:

(1) the Independent Shareholders having approved the Inner Mongolia Agreement and the transactions contemplated thereunder; and

(2) all necessary approvals having been obtained from the relevant PRC authorities.

None of the above conditions can be waived and completion is expected to take place in July 2004.

Basis for Determining the Consideration

Wuxi Co and Inner Mongolia Co have manufacturing plants with floor space of 54,000 sq. m. and 80,000 sq. m., respectively. Their average annual colour television production capacities are approximately 1.5 million sets each.

As at 31 December 2003, the net book values attributable to the Wuxi Assets and Inner Mongolia Assets in Wuxi Co and Inner Mongolia Co were RMB88.1 million (about HK$83.1 million) and RMB 97.2 million (about HK$91.7 million), respectively. The consideration for the purchase of the Wuxi and Inner Mongolia Assets has been arrived at after arm's length negotiation and on normal commercial terms and was determined by reference to the net asset value as at 31 December 2003 of RMB151.1 million (about HK$142.5 million) of Wuxi Co as disclosed in the valuation report dated 10 March 2004 issued by Wuxi Zhongxin Certified Public Accountants Co., Ltd. (無錫眾信會計師事務所有限公司), an independent PRC valuer and RMB125.8 million (about HK$118.7 million) of Inner Mongolia Co as disclosed in the valuation report dated 12 March 2004 issued by Neimenggu Huafang (Lianhe) Certified Public Accountants (內蒙古華方(聯合)會計師事務所), an independent PRC valuer.

The considerations for the purchase of the Wuxi and Inner Mongolia Assets accordingly represent approximately the net asset value of Wuxi Co and Inner Mongolia Co (per valuation report) attributable to the Wuxi and Inner Mongolia Assets, respectively.

The audited net profit before taxation and extraordinary items attributable to the Wuxi Assets for the year ended 31 December 2002 and 2003 were RMB3.0 million (about HK$2.8 million) and RMB8.7 million (about HK$8.2 million), respectively. The audited net profit after taxation and extraordinary items attributable to the Wuxi Assets for the year ended 31 December 2002 and 2003 were RMB3.0 million (about HK$2.8 million) and RMB8.0 million (about HK$7.6 million), respectively.

The audited net profit before taxation and extraordinary items of the Inner Mongolia Assets for the year ended 31 December 2002 and 2003 were RMB7.3 million (about HK$6.9 million) and RMB14.1 million (about HK$13.3 million), respectively. The audited net profit after taxation and extraordinary items of the Inner Mongolia Assets for the year ended 31 December 2002 and 2003 were RMB2.2 million (about HK$2.1 million) and RMB6.2 million (about HK$5.8 million), respectively.

Reasons for the Agreements

As disclosed above in the discussion of the Combination Announcement, the Company wishes to create a major global player in the business of TV R&D, manufacture, sales and distribution that will combine the resources of the respective TV related businesses and assets of the Group and the Thomson Group. It is intended under the Combination Agreement that the Company will purchase from the TCL Corp Group and contribute into TTE the Wuxi and Inner Mongolia Assets.

It is intended that Wuxi Co and Inner Mongolia Co will continue their business of operating TV manufacturing plants located in Wuxi and Inner Mongolia respectively.

TRANSACTION DOCUMENTS

The obligations of the parties to the Combination Agreement are subject to fulfillment of a number of conditions, including, among others, the execution of the Transaction Documents. The Transaction Documents will be entered into on or before Closing and will only become effective from the Closing Date. The Group will be a party to most of the Transaction Documents, which can largely be divided into two categories: (a) the Corporate Documents, which relate to the effecting of the Combination and related transactions, and on matters that are not directly related to the operations of TTE, and (b) the Operation Agreements, which concern the future operation of TTE and would provide the TTE Group with a broad range of services to facilitate conducting its business globally.

CORPORATE DOCUMENTS

Set out below are the Corporate Documents to which the Group will be a party of (a total of 6 agreements) and a summary of their respective major terms.

1. Shareholders' Agreement

1.1 *Parties*

(a) TTE

(b) the Company

(c) Thomson

1.2 *Principal business of TTE*

TTE's principal business shall be conducting the following activities throughout the world:

(a) researching and developing TV technologies;

(b) designing TV Products;

(c) licensing intellectual property for TV Products;

(d) manufacturing, distributing and selling TV Products;

(e) providing goods and services relating to TV Products; and

(f) undertaking activities associated or ancillary to any of the foregoing.

1.3 *Relationship among TTE, the Company and Thomson*

The following principles govern the relationship between TTE, the Company and Thomson:

(a) TTE shall be organized as a stand-alone business with an arm's-length relationship with the Group and the Thomson Group;

(b) transactions between TTE and the Group or the Thomson Group shall be on terms no less favourable to TTE than those applicable to independent third parties at arm's length; and

(c) if the Group or the Thomson Group offers terms and conditions to TTE that are at least as favourable as those offered by an independent third party, TTE shall give preference to dealing with the Group or the Thomson Group, as applicable.

1.4 *Restrictions and pre-emptive rights on transfer of TTE shares*

The transfer or allotment of TTE Shares are subject to the following pre-emptive rights on transfer of shares:

(a) no shareholder of TTE shall sell, give, assign, pledge, grant any security interest in or otherwise dispose of or create any encumbrance on any TTE Share or any interest therein (each a "Transfer"), except for any Transfer to a subsidiary which its holding company owns no less than a 95% interest (the "Permitted Transferee"). On any Transfer to a party other than the Permitted Transferee, the prospective transferor must first offer the TTE Share to be transferred to the other existing shareholder(s) of TTE on the same terms and conditions. No TTE Shares may be issued and transferred to certain business competitors of TTE or their affiliates; and

(b) TTE shall not issue any securities to any person unless it has offered such securities to the existing shareholders of TTE in accordance with their respective pro rata shares on the same terms and conditions.

1.5 *Lock-up*

In addition to the Transfer restrictions as described in the preceding paragraph, a shareholder of TTE shall not:

(a) transfer any TTE Share in the first three years after the Closing Date;

(b) transfer more than an aggregate 20% of its initial shareholding in TTE from and after the third anniversary of the Closing Date, provided that a shareholder may sell an additional 15% of its initial shareholding in TTE if TTE's consolidated EBIT in the immediately prior financial year exceeds 120% of TTE's targeted consolidated EBIT of TTE for that year; or

(c) transfer more than an aggregate 20% of its initial shareholding in TTE (up to 40% cumulatively with the 20% in paragraph (b)) from and after the fourth anniversary of the Closing Date, provided that a shareholder may sell an additional 15% (up to 30% cumulatively with the 15% in paragraph (b)) of its initial shareholding in TTE if TTE's consolidated EBIT in the immediately prior financial year exceeds 120% of TTE's targeted consolidated EBIT for that year.

After the fifth anniversary of the Closing Date, a shareholder of TTE will no longer be subject to the foregoing lock-up restrictions but shall comply with other applicable Transfer restrictions.

1.6 *Corporate governance*

TTE will be subject to the following corporate governance arrangements:

(a) the TTE Board shall be responsible for the management and control of TTE and shall make all major decisions of TTE;

(b) the number of directors constituting the TTE Board shall be nine, of which the Company and Thomson are entitled to nominate six and three respectively;

(c) the chairman of the TTE Board shall be elected by majority vote of the directors and shall not have a casting vote;

(d) quorum of board meetings shall be three directors, which shall include at least two nominated by the Company, if the Company holds at least 13.25% of the then equity interest of TTE; and

(e) save for certain important actions that shall be jointly approved by at least one director nominated by each of the Company and Thomson, TTE matters are generally decided by vote of a majority of the directors of TTE. Actions requiring the joint approval include entering into material new business unrelated to its principal business, and distributing its distributable income in excess of 70% of its consolidated net profit in any financial year.

1.7 *Non-competition*

Each shareholder of TTE covenants to TTE that until the later of (a) the fifth anniversary of the Closing Date, and (b) the date such shareholder and its affiliates in aggregate no longer hold more than 33% of its initial holding in TTE, it and its subsidiaries shall not directly or indirectly conduct any business in competition with the TV design and manufacturing business carried on by the TTE Group unless such competing business is conducted in performance of its obligations under a Transaction Document.

1.8 *Term and termination*

The agreement will only become effective on the Closing Date and will continue in effect until the earlier of (a) the date a shareholder of TTE holds in excess of 90% of TTE Shares; (b) the date on which a bankruptcy event occurs with respect to any of TTE, the Company or Thomson; (c) the closing date of the Share Exchange when Thomson exercises the Exchange Option; and (d) any date agreed upon in writing by all of the Parties.

2. Exchange Option Agreement

2.1 *Parties*

(a) Grantor: the Company

(b) Grantee: Thomson

2.2 *Grant of Exchange Option*

Pursuant to the agreement, the Company will grant to Thomson an irrevocable option to exchange all (but not part) of its TTE Shares for new Shares to be issued by the Company.

The option is exercisable within the period from the earlier of (a) the completion of the Mobile Spin-Off and (b) 18 months after the Closing Date, and ending on, subject to certain extensions, the expiry of three months after the first public release of annual or semi-annual financial statements of the Company subsequent to the commencement of the exercise period.

2.3 *Number of Shares to be issued to Thomson on Share Exchange*

As the Combination involves only the TV business and assets of the Company and Thomson, in determining the number of Shares to be issued to Thomson on Share Exchange, the valuation of the Company is based on the premise that the Mobile Spin-Off will have been completed prior to the Share Exchange. The number of Shares to be issued to Thomson was computed based on arm's length negotiations between the Company and Thomson on the value of the Company's TV businesses and assets, the value of Thomson's TV businesses and assets being contributed to TTE and the combined value of the Company.

If the Mobile Spin-Off has been completed and the consideration received from the sale or divesture of the Mobile Interest (if any) has been distributed to the Shareholders at the time of the exchange, the number of Shares to be issued to Thomson in exchange for its 33% stake in TTE has been determined to be 1,149,140,810, which is approximately (but not equal to or exceeding) 30% of the aggregate of (a) the Shares issued by the Company at the close of business on 31 December 2003 and (b) the number of Shares to be issued to Thomson on Share Exchange, subject to adjustments for share split, consolidation, reclassification or extraordinary dividend payment as provided in the Exchange Option Agreement. The number of Shares to be issued to Thomson was computed based on arm's length negotiations between the Company and Thomson on the value of the Company, excluding the value of its Mobile Interest, relative to the combined value of the Company's and Thomson's TV businesses being contributed to TTE.

If the Mobile Spin-Off has not been completed at the time of the exchange, the number of Shares to be allotted and issued to Thomson on Share Exchange will depend on the relative valuation of Thomson's stake in TTE and the valuation of the Company (including the value of its Mobile Interests) at the time of the exercise, as agreed to between the parties or determined by an investment bank jointly selected by the parties or selected by an arbitrator.

TCL Corp will remain the single largest shareholder of the Company and in no circumstance will Thomson receive in the exchange such number of Shares which is equal to or exceeding 30% of the issued share capital of the Company upon the Share Exchange.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued upon the exercise of the Exchange Option by Thomson.

2.4 *Mobile Spin-Off*

The Company will use commercial best efforts to complete and close all the transactions necessary for or incidental to the Mobile Spin-Off within 9 months of the Closing Date. However, the Company is not required to undertake the Mobile Spin-Off on unfavourable terms or market conditions that are not in the best interest of the Shareholders.

2.5 *Acquisition of Sales Interest*

At the time of negotiating the Combination Agreement, the Company was, in principle, required to contribute to the TTE Group the entire TV business of the TCL Corp Group, including all of TCL Corp's interests in the Wuxi and Inner Monogolia Assets and the Sales Company, which is currently owned by the Company and TCL Corp as to 51% and 49% respectively. However, it was subsequently decided not to transfer the Company's and TCL Corp's shareholdings in the

Sales Company to TTE before Closing. The Company, in return, agreed to try and complete the acquisition of the Sales Interest before the closing of the Exchange Option for a cash consideration of €6.5 million (approximately HK$61.1 million), which is determined on the basis of the net asset value of the Sales Company as at 31 December 2003. Should any agreement for the acquisition of the Sales Company be entered into, the Company will make any necessary announcement and/or seek Shareholders' approval pursuant to the requirements of the Listing Rules. Upon completion of such acquisition, the Company will own all of the equity interests in the Sales Company.

2.6 *Payment by the Company*

As stipulated in the Combination Agreement, the Company will acquire and contribute the Wuxi and Inner Mongolia Assets at a cash consideration of HK$218.4 million in exchange for certain of its shareholding in TTE. These assets will be part of its contribution under the Combination Agreement in exchange for its 67% shareholding in TTE. In determining Thomson's stake in the Company upon the exercise of the Exchange Option, the value of the Company (excluding the value of the Mobile Interest) was negotiated without considering any cash payment by the Company for these acquisitions. The Company has therefore agreed to compensate Thomson as a Shareholder of the Company upon the exercise of the Exchange Option HK$61.1 million in cash for the change in the Company's valuation as a result of the cash paid for the acquisitions of the Wuxi and Inner Mongolia Assets. The compensation amount of HK$61.1 million has been determined on the basis of the cash payment to the TCL Corp Group for the Acquisition, taking into consideration Thomson's likely equity interest in the Company after the exercise of the Exchange Option, assuming the Mobile Spin-Off is completed. Such compensation shall be paid to Thomson at the closing of the Exchange Option.

2.7 *Conditions Precedent to closing of Share Exchange*

Closing of Share Exchange is subject to the conditions that:

(a) no injunction or order issued by any court of competent jurisdiction prohibiting the delivery of TTE Shares by Thomson in exchange for the Shares shall be in effect; and

(b) all approvals required for the Share Exchange shall have been obtained.

2.8 *Connected Transaction*

Prior to Closing, Thomson is not a connected person of the Company. After Closing, Thomson will hold 33% of TTE Shares in issue and will become a connected person of the Company by virtue of its shareholding in TTE. The exercise of the Exchange Option by Thomson will constitute a connected transaction of the Company under Rules 14A.68 and 14A.69 of the Listing Rules. As the Relevant Ratio is more than 25% but less than 75%, the exercise of the Exchange Option will also constitute a major transaction pursuant to Rule 14.08 of the Listing Rules. Shareholders' approval will be sought at the EGM for the approval of the grant and the exercise of the Exchange Option. Thomson and its associates (if at the time of EGM holding any Share) are required to abstain from voting on the resolutions for approving the Exchange Option Agreement.

3. DVD Option Agreement

3.1 *Parties*

(a) Grantor and covenantor: Thomson

(b) Grantee: TTE

(c) Covenantor: the Company

3.2 *Grant of DVD Option*

The Group and Thomson may at a later stage combine their respective DVD businesses into TTE. Accordingly, Thomson will grant to TTE an irrevocable option to acquire the Thomson DVD Business for no consideration, which can only be exercised in whole but not in part during the period commencing on the Closing Date and ending on 31 December 2004. Should TTE exercise the option to acquire the Thomson DVD Business, the Company may consider to inject into TTE its DVD business. The Company will make any necessary announcement and/or seek Shareholders' approval pursuant to the requirements of the Listing Rules if any agreement is entered into in respect of the injection of the Company's DVD business into the TTE Group.

3.3 *Contribution if DVD option not exercised*

Should TTE decide not to exercise the option, Thomson will offer to contribute to TTE such assets (in the form of current or non-current assets) with an aggregate fair market value of €20 million (about HK$188 million). Thomson and TTE shall negotiate in good faith to agree on the value of the assets. The shortfall amount shall be compensated by Thomson in the form of one or more of (a) cash, (b) assets that are relevant to and reasonably usable in TTE's operating business and/or (c) cancellation of certain number of TTE Shares issued to Thomson.

3.4 *Non-competition*

On and from the closing of the exercise of the DVD Option, the non-competition undertaking given by Thomson and the Company respectively to TTE under the Shareholders' Agreement in respect of the TV business will be deemed to apply to the DVD business, and the Company will procure TCL Corp to give the same undertaking to TTE.

3.5 *Connected Transaction*

Prior to Closing, Thomson is not a connected person of the Company. After Closing, Thomson will hold 33% of TTE Shares in issue and will become a connected person of the Company by virtue of its shareholding in TTE. The exercise of the DVD Option by TTE will constitute a connected transaction of the Company under Rules 14A.68 and 14A.70 of the Listing Rules. Shareholders' approval will be sought at the EGM for approval of the grant and the exercise of the DVD Option. Thomson and its associates (if at the time of EGM holding any Share) are required to abstain from voting on the resolutions for approving the DVD Option Agreement. As the Relevant Ratios in respect of the transaction under the agreement are more than 5% but less than 25%, the exercise of the DVD Option by the Company will also constitute a discloseable transaction of the Company under Rule 14.08 of the Listing Rules.

4. Restructuring Cost Reimbursement Agreement

4.1 *Parties*

(a) TTE

(b) Thomson

4.2 *Restructuring plan of TTE*

Pursuant to the Combination Agreement, Thomson has agreed to reimburse the TTE Group up to €33 million (about HK$310.2 million) of restructuring costs incurred within the first two years of the Closing Date in relation to the Thomson TV Business contributed to TTE, subject to certain adjustment as may be agreed by the parties.

The restructuring costs that are reimbursable must be part of a restructuring plan approved by the TTE Board. If the aggregate of such costs in any three months period is less than €1 million (about HK$9.4 million), approval of TTE board is not required.

5. Patent Royalty Agreement

5.1 *Parties*

(a) Licensor: TLSA

(b) Licensee: TTE

5.2 *Establishment of a paid-up royalty account*

In return for the assets and cash contributed by Thomson pursuant to the Combination Agreement, TTE shall upon signing of the Patent Royalty Agreement establish a €70 million (about HK$658 million) paid-up royalty account used for payment of royalties payable to Thomson and its affiliates under certain Operation Agreements. This amount may be subject to certain deductions, to be agreed between Thomson and the Company.

Following the Closing Date, any royalties payable under the patent license agreement(s) between TLSA or its affiliates and TTE or its affiliates will be paid out of the paid-up royalty account. After the 4th anniversary of the agreement, TTE may elect to apply the remaining balance in the paid-up royalty account to pay any other amounts that may be due to TLSA or its affiliates under certain other Operation Agreements.

5.3 *Term and termination*

Upon signing the agreement shall remain effective until the later of (a) the termination of the patent license agreement(s) between TLSA and TTE and (b) when the balance of the paid-up royalty account has been used up.

6. Call Option Agreement

6.1 *Parties*

(a) Grantor: Thomson

(b) Grantee: the Company

6.2 *Grant of option to purchase Thomson's shares*

Thomson will grant to the Company an option to purchase from Thomson an aggregate of no less than 2.5 million shares (of nominal value of €3.75 (about HK$35.25) each) of Thomson at the exercise price of €18.12 (about HK$170.33) per share. The option is exercisable (in whole or not in more than two parts) during the period from the third months after the Closing Date (the "Exercise Date") and ending the 2nd anniversary from the Exercise Date. The shares of Thomson to be purchased by the Company upon exercise of the Call Option will be new shares or treasury shares of Thomson, however the type of shares to be purchased is not yet decided.

6.3 *Connected Transaction*

As no consideration is involved for the grant of the Call Option, the grant of the Call Option by Thomson to the Company is exempted from the reporting, announcement and shareholders approval requirements under Chapter 14 of the Listing Rules by reason that the value of the transaction in respect of the grant of the Call Option is below the Company's discloseable translation threshold. After Closing, Thomson will hold 33% of TTE Shares in issue and will become a connected person of the Company by virtue of its shareholding in TTE. The exercise of the Call Option by the Company will therefore constitute a connected transaction of the Company under Rules 14A.68 and 14A.70 of the Listing Rules. Shareholders' approval will be sought at the EGM for approval of the grant and the exercise of the Call Option. Thomson and its associates (if at the time of EGM holding any Share) are required to abstain from voting on the resolutions for approving the Call Option Agreement. As the Relevant Ratios in respect of the transaction under the agreement are more than 5% but less than 25%, the exercise of the Call Option by the Company will also constitute a discloseable transaction of the Company under Rule 14.08 of the Listing Rules.

OPERATION AGREEMENTS

With a view to achieving operational efficiency and utilizing the competitive advantages of Thomson Group in North America and Europe and the TCL Corp Group in PRC, TTE will enter into a number of Operation Agreements with the Thomson Group and the TCL Corp Group. The Operation Agreements to be entered into between TTE and the Thomson Group or the TCL Corp Group form part of the Transaction Documents, the execution of which on or before the Closing Date is a condition to the Combination Agreement.

PROSPECTIVE CONTINUING CONNECTED TRANSACTIONS

Thomson is currently an independent third party not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates. After Closing, Thomson will hold 33% of TTE Shares in issue and will become a connected person of the Company by virtue of its shareholding in TTE. TCL Corp is the controlling shareholder of the Company holding approximately 54.2% of the existing issued share capital of the Company. Accordingly, the transactions contemplated under the Operation Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These agreements have been finalized on the basis of arm's length negotiations between the parties.

Depending on the size of the transactions, it is expected that some are fully exempt from the reporting, announcement and independent shareholders' approval requirements but the majority are subject to disclosure obligations and/or Independent Shareholders' approval. Based on the counter parties, the Operation Agreements can be broadly divided into Thomson continuing connected transactions and TCL Corp continuing connected transactions.

To give effect to the key principle of supporting the growth and sustainability of TTE's business, Thomson and TCL Corp have agreed that certain fair margins charged to TTE for services to be provided by them will be waived during the initial phase of TTE's operation and linked to the performance of TTE's business thereafter.

(A) THOMSON CONTINUING CONNECTED TRANSACTIONS

TTE will enter into a number of operation agreements with the Thomson Group to leverage its global distribution infrastructure and strong intellectual properties and other assets for the growth of TTE's business. The terms of the agreements are some of the factors considered by the parties in determining Thomson's contribution to TTE and its share of equity stake in TTE. The terms of the agreements to be entered into between TTE and the Thomson Group are negotiated on normal commercial terms on an arm's length basis. It should be noted that Thomson is an independent third party not connected with the directors, chief executives or substantial shareholders of the Company and the continuing connected transactions occur only from Closing when Thomson will become a controlling shareholder of a subsidiary of the Company.

TTE is a newly incorporated company and the merger with Thomson will only become effective on Closing of the Combination Agreement, no historical transactions in respect of the continuing connected transactions mentioned in this section had been entered into with Thomson Group. As all continuing connected transactions to be entered into with Thomson will be new transactions, no historical figures for the amounts to be involved under the said transactions can be provided.

(I) Exempt Thomson Continuing Connected Transactions

The transactions in this category are exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules due to the amount involved will be de minimis as it will be less than 0.1% of the Relevant Ratio. They consist of agreements between the Thomson Group and TTE relating to patent arrangements, patent services, patent sub-licensing services, information technology shared services and administrative shared services which have been negotiated on an arm's length basis and constitute ordinary course agreements of TTE. Should the amounts to be involved in any transaction under this category exceed 0.1% of the Relevant Ratio, the Company will comply with the disclosure obligation or Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(II) Partially Exempt Thomson Continuing Connected Transactions (exempt from independent shareholders' approval requirements)

The transactions contemplated under the category of partially exempt continuing connected transaction are expected to be of an amount on an annual basis of less than 2.5% of the Relevant Ratio and therefore falls under Rule 14A.34. Accordingly they will only be subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Thomson Styling Services Agreement

1.1 *Parties*

(a) Thomson

(b) TTE

1.2 *Provision of styling services by Thomson*

TTE will subcontract selected styling services (including industrial and other designs of TV products) to Thomson as an exclusive styling service provider in respect of all TV products of the TTE Group bearing or marketed under the "Thomson" or "RCA" trademarks and a non-exclusive provider in respect of other TV products as mutually agreed upon by the Parties from time to time.

1.3 *Service fees*

TTE shall pay to Thomson on a monthly basis a service fee for the provision of the styling services. The service fees payable will be based on annual service fee budget mutually determined by the parties based on the estimated actual costs of Thomson in providing the styling services, which costs shall not exceed the service fees charged by competing styling providers for comparable styling services.

1.4 *Term and termination*

The agreement shall be for a term of three years. Thomson may terminate the agreement by giving TTE a six-month advance notice. TTE may terminate the agreement by giving Thomson a six-month advance notice if Thomson has failed to perform its styling obligations to a standard comparable to standard market practice.

1.5 *Determination of the Caps*

Based on the actual costs of Thomson in providing the styling services, the Directors expect that the aggregate amount of styling services fees payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$27 million, HK$48 million and HK$53 million respectively.

2. Thomson Strategic Sourcing Agreement

2.1 *Parties*

(a) Thomson

(b) TTE

2.2 The parties will jointly establish a sourcing steering committee (a) to co-ordinate their sourcing activities where synergies exist between the parties, (b) to maintain and improve sourcing efficiencies resulting from the combined volume and global presence and (c) to share best sourcing practices.

2.3 Following Closing, TTE will utilize the following information systems at the ex-Thomson sites until 31 December 2005 to facilitate its sourcing activities:

(a) Thomson TOCOM System: a proprietary purchased components sourcing data management system owned by Thomson;

(b) Thomson EasySource System: a purchased services data management and procurement system used by Thomson; and

(c) NPP system: a system used by an ex-Thomson site for non-production purchase via a third party contractor.

After 31 December 2005, TTE will evaluate whether the use of the foregoing information systems should be continued. In consideration for the use of the above-mentioned information systems, TTE agrees to pay Thomson an annual fee of €2.85 million (about HK$26.79 million) which figure is determined by the parties with reference to the costs incurred by Thomson in the year ended 31 December 2003 in connection with developing and maintaining the three information systems discussed above.

2.4 Each of the parties will make its own procurement decision and enter into its own agreements with the relevant vendors for supply of the required components and services.

2.5 *Term and termination*

The agreement shall continue until the earlier of 31 December 2005 and the date of termination of the agreement by either party upon occurrence of a bankruptcy event or material breach provided that the agreement may be extended by the parties by mutual agreement.

2.6 *Determination of the Caps*

According to the terms of the agreement, the annual fee payable to Thomson under the agreement is fixed at €2.85 million (approximately HK$26.8 million), subject to adjustment. Therefore, the Directors expect that the aggregate amount of services fees payable under the agreement for each of the two financial years ending 31 December 2005 will not exceed HK$13.4 million and HK$27 million respectively.

(III) Non-exempt Thomson Continuing Connected Transactions

The transactions contemplated under the category of non-exempt continuing connected transactions are expected to be over 2.5% of the Relevant Ratio on an annual basis. Accordingly, they will be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Most of the agreements constituting the Relevant Continuing Connected Transactions are for a term exceeding three years. They are part of a whole package of arrangement among the relevant parties. The Directors consider that any restriction to limit the term of the agreements to three years will be harmful to the interest of TTE and accordingly the interest of the Company and the Shareholders as a whole because the TTE Group will not be able to fully extract and utilise what Thomson and TCL Corp can offer for the future development of TTE. In the letter from Commerzbank, Commerzbank will explain why a term of a period of longer than three years for each of those agreements is required and it will confirm that it is business practice for the Company to enter into contracts of these types to be of such duration.

3. Patent License Agreement — Color Television Receivers

3.1 *Parties*

(a) TLSA

(b) TTE

3.2 *Grant of license*

TLSA will grant to the TTE Group a non-exclusive, non-transferable, non-assignable, indivisible and non-sublicensable license, right and privilege under all of the patents owned, controlled and/or acquired by TLSA during the term of the agreement to make, lease and sell analog Colour Television Receivers.

3.3 *Royalty calculation*

TTE shall pay royalty to TLSA, on a quarterly basis, in respect of all units of the Colour Television Receivers with the rate ranges that are consistent with rates offered by Thomson to other television manufacturers and vary according to the country in which the Colour Television Receivers are manufactured.

3.4 *Term*

The agreement shall be for a term of five years and shall be automatically renewed for further five-year terms unless and until terminated by either party by giving 6 months' prior written notice before the expiration of any five years term.

3.5 *Reason for term in excess of three years*

As Thomson Group is one of the world's largest technology patent holders in analogue TV technology, with a portfolio of over 40,000 patents, the Directors are of the view that a term of five years is in the interests of TTE, the Company and the Shareholders.

This agreement is based on the standard agreement entered into between TLSA and any licensee around the world. The Directors believe that the terms of this agreement are consistent with market practice in respect of patent licensing agreements.

3.6 *Determination of the Caps*

The Directors expect that the aggregate amount of royalties payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$136 million, HK$284 million and HK$330 million respectively.

The monetary limits for the agreement are determined based on the product of predetermined royalty rates applicable in different countries and the internal projection of the number of televisions manufactured by TTE over the next few years. The projection reflects an increase in the number of televisions to be manufactured and sold by TTE based on the aggregate number of televisions sold by Thomson TV Business and the Company of approximately 18.5 million in the fiscal year 2003, taking into consideration the operational synergies driven by (a) global presence advantage; (b) comprehensive product range, (c) increased R&D resources for innovation; and (d) sourcing and materials synergies driven by economies of scale following the Closing.

4. Receivables Purchase and Sales Agreement

4.1 *Parties*

(a) TTE

(b) Thomson

4.2 As no working capital associated with the Thomson TV Business will be contributed to TTE, pursuant to the Combination Agreement, to ensure the smooth running of TTE such that it will have no difficulty in funding its initial operations, Thomson has agreed to enter into this agreement to purchase, on a rolling basis, up to a maximum outstanding amount of €100 million (about HK$940 million) of the trade account receivables of TTE and its relevant subsidiaries and collect such receivables on behalf of TTE and its relevant subsidiaries. Such outstanding amount shall, from the 1st anniversary of Closing, be reduced by 1/12 at the end of each month so that it shall, at the 2nd anniversary of Closing, be zero, and the agreement shall then be automatically terminated.

4.3 *Sale and purchase of TTE's trade account receivables*

Thomson shall not be obliged to purchase any receivables arising out of the sale, distribution and other disposition of TTE's TV products in countries other than U.S. unless Thomson shall have received appropriate opinions of counsel relating to the validity, perfection and priority of such purchase under the applicable laws in such other countries.

4.4 The trade account receivables shall be purchased by Thomson at a discount of the book value of such receivables and the relevant discount rate shall be determined with reference to the average gross interest cost incurred in relation to total financial debt as shown in Thomson's latest published annual or semi-annual financial statements for its principal amount of indebtedness outstanding for the most recent 6-month period covered by such financial statements.

4.5 *Administration*

Thomson shall collect the receivables in accordance with the credit and collection policies and practices of TTE in effect on the Closing Date, as may be modified thereafter with Thomson's prior written approval (not to be unreasonably withheld) during the period from Closing to the 2nd anniversary thereof. For the trade account receivables that cannot be collected by Thomson within 45 days after their due date for whatever reason, TTE shall provide Thomson credits ("Credits") of equivalent amount in exchange for Thomson's transferring back to TTE such non-collectable trade account receivables so that Thomson is not required to bear any default or non-collection risks of the trade account receivables of TTE. Thomson may use the Credits to set off its payment obligation in purchasing additional receivables (or any part thereof) from TTE Group under the agreement.

4.6 *Determination of the Caps*

Thomson shall, for a period of two years upon Closing, purchase trade account receivables from TTE, on a rolling basis, up to a maximum outstanding amount of €100 million (equivalent to approximately HK$940 million) to fund its working capital. Such relevant amount shall, from the 1st anniversary of the Closing, be reduced by 1/12 at the end of each month so that it shall, at the 2nd anniversary of the Closing, be zero. On the basis that Closing shall take place in June or July 2004, the Directors expect that the aggregate amount of receivables to be outstanding under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$940 million, HK$940 million and HK$470 million respectively.

5. Thomson Trademark License Agreement

5.1 *Parties*

(a) Licensor: Thomson

(b) Licensee: TTE

5.2 *Grant of license*

Thomson shall grant to TTE and certain of its subsidiaries for a 20-year term a non-sub-licensable and non-transferable license to use certain of its registered trademarks including "Thomson", "RCA", "Scenium", "LiFE" ("Thomson A Brands") and "SABA" ("Thomson B Brand") for the manufacture and sale of TV products in certain countries in the North America, Europe and other regions.

The grant of license under the agreement shall be subject to certain pre-existing trademark license contracts or arrangements of Thomson. Any renewals (other than the automatic renewals and other renewals that do not require the consent of Thomson or are not otherwise within its control) or amendments of such pre-existing contracts or arrangements shall be subject to the written consent of TTE.

5.3 *Royalties*

No royalties shall be payable by TTE to Thomson prior to the 2nd anniversary of the Closing Date. Thereafter, the royalties payable shall be linked with the performance of the TTE Group and calculated by reference to the net sales of TV products and the applicable royalty rates. The applicable royalty rates will be 0.5%, 1% or 2% for Thomson A Brands and 0.25%, 0.5% or 1% for Thomson B Brand, depending on whether the consolidated EBIT margin of the TTE Group for the applicable year falls under 3%, between 3% and 6%, or over 6%, respectively.

5.4 *Reimbursement of branding advertising costs*

Thomson shall conduct brand promotion and marketing of the licensed trademarks in the ordinary course of business. TTE shall reimburse Thomson for the general brand advertising costs incurred by Thomson during the term of the agreement at a minimum of 0.5% of the aggregate annual net sales of TV products using the Thomson A Brands in the relevant territories for the previous fiscal year.

Thomson shall reinvest the 0.5% trademark license fees payable by the TTE Group to Thomson in respect of Thomson A Brands products for the period from the secondary anniversary to the fifth anniversary after Closing as additional general brand awareness advertising costs for the Thomson A Brands.

Prior to commencing any brand promotion or marketing campaign which has not been pre-approved in any semester budget proposal and would incur costs over €100,000 (about HK$940,000), Thomson shall consult with TTE.

5.5 *Costs and expenses*

TTE shall be solely responsible for the expenses in the performance of quality control and other trademark use monitoring activities. TTE shall reimburse Thomson 50% of its out-of-pocket expenses and fees paid to government authorities which is incurred between the date of the agreement and the 5th anniversary thereof in:

(i) obtaining and maintaining the trademarks in the respect of the TV products in the relevant territory;

(ii) recording the agreement; and

(iii) obtaining entry of TTE as a registered or authorized user in countries where it is legally required and requested by TTE.

5.6 *Term and termination*

The agreement shall be for a term of 20 years unless earlier terminated in accordance with the terms of the agreement.

Commencing from 1 January 2005, if TTE fails to meet in any calendar year the minimum sales target in an exclusive territory as annexed to the agreement, Thomson may give a written notice of underperformance to TTE. If TTE fails to reasonably demonstrate to Thomson within 90 days that TTE will meet or actually fails to meet the minimum sales target for the current year, Thomson may terminate the license with respect to such exclusive territory by one year's prior written notice to TTE.

5.7 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that for each of the three financial years ending 31 December 2006 (i) the aggregate royalty payable under the agreement will not exceed HK$Nil, HK$Nil and HK$206 million respectively and (ii) the aggregate amount of branding fee reimbursement will not exceed HK$106 million, HK$194 million and HK$213 million respectively.

The monetary limits for the agreement are determined based on (i) an increase in the projected sales in the business of the TTE Group over the next few years; (ii) the highest applicable royalty rates (i.e. 2% for Thomson A Brands and 1% for Thomson B Brand TV products) in case the EBIT margin of the TTE Group will exceed the maximum 6%; (iii) no royalty payment shall be payable prior to the 2nd anniversary of the Closing and (iv) internal budgeting on general advertising costs. The increase in the projected sales is based on the expected operational synergies driven by (a) global presence advantage; (b) comprehensive product range; (c) increased R&D resources for innovation; and (d) sourcing and materials synergies driven by economies of scale following the Closing.

5.8 *Reason for term in excess of three years*

One of the main objectives in entering into the joint venture is to leverage on the "Thomson", "RCA" and other brands to be licensed to TTE by Thomson to expand into overseas markets in an efficient and effective manner. A license to use these brands will be a key asset of TTE. The right of the Group to distribute products bearing the "Thomson", "RCA" or other brands held by Thomson is essential for the development of TTE's business in Europe, the U.S. and elsewhere in the world.

The Directors believe that it is in the interest of the Company for TTE to have stable entitlement over an extended period to use the brands licensed under this agreement. By securing a 20-year trademark license agreement, the Directors believe that the duration of the contract is long enough to enable the Group to continue the distribution of such branded products without unnecessary interruption. Otherwise, a significant amount of additional investment will be required to develop new brands for those markets.

Since strong trademarks are crucial to the success of a consumer electronics manufacturer and typically require substantial investments in development and promotion over a period of time, licensees generally desire the terms of trademark licenses to be as long as the licensor would permit.

6. North America Sales and Marketing Agency Agreement

6.1 *Parties*

(a) Principal: TTE

(b) Agent: Thomson Inc., a company incorporated under the laws of Delaware and a wholly-owned subsidiary of Thomson

6.2 *Appointment of agent and scope of services*

TTE shall appoint Thomson Inc. as an exclusive sales and marketing agent to provide a range of sales and marketing services (including after-sales and logistics services) with respect to all TV end-products of TTE in the USA and Canada, and with respect to the TV end-products of TTE bearing trademarks licensed from Thomson only in Mexico (the "Scope of Services").

6.3 *Exclusivity*

Save and except certain limited existing TV related business of Thomson Inc. agreed by the parties, none of Thomson Inc. and its affiliates may directly or indirectly engage in any competing business activities within the Scope of Services. In addition, TTE shall not engage in, or contract a third party to engage in, any business activities within the Scope of Services, except that TTE may sell and market (i) products as an OEM manufacturer for other customers and (ii) private label products provided that such business activities do not have an adverse impact on the sales of "Thomson" or "RCA" branded TV products in the USA, Canada or Mexico.

6.4 *Expenses and commissions*

Cost

TTE shall pay certain budgeted, reimbursable costs and expenses incurred by Thomson Inc. for the provision of the services under the agreement.

Base commission

In addition, TTE shall pay Thomson Inc. a percentage of the projected costs and expenses other than those reimbursed directly by TTE to be incurred by Thomson Inc. as base commission and the relevant percentage is determined as follows:

(i) For the period prior to the 5th anniversary of the date of the agreement: 100% x a ratio of the actual net sales achieved to the sales target

(ii) For the period from the 5th anniversary of the date of the agreement onward: 105% x a ratio of the actual net sales achieved to the sales target

Margin incentive commission

If TTE can achieve an overall gross margin of the products sold in the USA, Canada and Mexico above the overall gross margin of the products sold worldwide, TTE shall pay Thomson Inc. a percentage of the projected costs and expenses to be incurred by Thomson Inc. as margin incentive commission. The relevant percentage will be 3% times a ratio of the actual net sales achieved to the sales target. However, no margin incentive commission shall be payable prior to the second anniversary of the date of the agreement.

Performance incentive commission

TTE may at its sole discretion offer Thomson Inc. a performance incentive commission at a commission rate determined by TTE.

6.5 *Term and termination*

(a) The agreement shall continue until the earlier of

(A) the latest of

(i) five years from the date of the agreement;

(ii) such date as may be agreed by the parties in writing upon renewal of the agreement; and

(iii) the date on which Thomson Group holds in aggregate less than 50% of its initial holding in TTE or the Company (upon the exercise of the Exchange Option).

(B) 20 years from the date of the agreement

(b) Notwithstanding (a) above, the agreement may be terminated by consent of both parties or by either party immediately if the other party ceases to carry on its business or undergoes a change in control that has a material adverse effect on the interest of that party.

(c) Either party shall be entitled to serve on the other party a termination notice if the other party is materially underperformed with reference to a semi-annual sales plan or in material breach or default of the agreement. The termination shall be effective one year after the receipt by the other party of the termination notice.

6.6 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that the aggregate commission payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$805 million, HK$1,352 million and HK$1,418 million respectively.

The monetary limits for the agreement are determined based on the Company's (i) internal budgeting on aggregate regional sales and marketing costs of Thomson TVs; (ii) internal projection on the aggregate regional sales target of Thomson TV products in North America; (iii) projected sales for each forthcoming year will exceed pre-determined sales target and (iv) the payment of a 3% margin incentive commission after the 2nd anniversary of the Closing.

6.7 *Reason for term in excess of three years*

As the Thomson TV products have historically been distributed through the sales team and distribution network of Thomson and that the Combination Agreement does not entail the transfer of the Thomson's distribution networks to TTE, it is crucial that the Group will be able to continue to benefit from the distribution networks and customer relationships of Thomson.

The Group can leverage on the well-developed sales and agency network of Thomson in North America over an undisturbed period of time without the need for the Company to incur significant expenditures in establishing its own distribution network to cover the whole of North America, a market in which the Group has no significant experience in distributing branded products. Thomson's sales network in North America has an extensive coverage reaching approximately 220 distributors and over 10,000 retail outlets. It has well-established relationships with most of the nationwide distributors (such as, Wal-Mart, Best Buy, Target, etc.) as well as expertise in brand management, merchandising, market intelligence, sales and logistics management of TV end-products in this market. The ability for TTE to gain immediate access to North America via the Thomson Group's existing distribution network will provide immediate commercial benefits to the Group.

The Directors believe that limiting the term of this agreement to three years will prevent TTE from achieving the efficiencies and other benefits from the developed network of Thomson and would be detrimental to the interests of TTE, the Company and the Shareholders.

7. Europe, Middle East and Africa Sales and Marketing Agency Agreement

7.1 *Parties*

(a) Principal: TTE

(b) Agent: Thomson

7.2 *Appointment of agent and scope of services*

TTE shall appoint Thomson as (i) an exclusive sales and marketing agent to provide a range of sales and marketing services (including after-sales and logistics services) (the "Product Services") with respect to all TV end-products of TTE in 29 countries in Europe (including France, Germany, Italy and England); (ii) an exclusive sales and marketing agent to provide the Product Services with respect to the TV end-products of TTE bearing trademarks licensed from Thomson only in 17 other countries in Europe and Africa (including Algeria, Morocco, Tunisia, Poland, Turkey and Russia); and (iii) a non-exclusive sales and marketing agent to provide the Product Services with respect to TV end-products in other 24 countries (including Australia, Saudi Arabia, Egypt and Kuwait) as agreed between the parties after Closing.

7.3 Save for the counter party for the agreement being Thomson instead of Thomson Inc. and the geographical regions covered under the agreement are Europe, Middle East and Africa instead of the USA, Canada and Mexico, the major terms in relation to exclusivity, expenses and commissions and term and termination are same as those under the North America Sales and Marketing Agency Agreement. Please refer to the relevant paragraphs under the heading "North America Sales and Marketing Agency Agreement".

7.4 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that the aggregate commission payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$798 million, HK$1,320 million and HK$1,409 million respectively.

The monetary limits for the agreement are determined based on the Company's (i) internal budgeting on the aggregate regional sales and marketing costs of Thomson TVs; (ii) internal projection on the aggregate regional sales target of Thomson TV products in the Europe, Middle East and Africa; (iii) projected sales for each forthcoming years will exceed pre-determined sales target and (iv) the payment of a 3% margin incentive commission after the 2nd anniversary of the Closing.

7.5 *Reason for term in excess of three years*

Save and except that the distribution network concerned is related to Europe, Middle East and Africa regions, the reasons in support of a term longer than three years for this agreement is similar to those for the North America Sales and Marketing Agency Agreement.

The markets covered by this agreement are more fragmented than the North American market and may prove even more costly to TTE to establish a new distribution network.

8. Agreement relating to Thomson Television Angers

8.1 *Parties*

(a) Thomson

(b) TTE

8.2 *Background*

Thomson's Angers Factory will not be part of the Thomson TV Business to be contributed to TTE. As Thomson has agreed that it will not engage in any design and manufacturing of TVs that compete with TTE, the parties have agreed to make arrangements for reorganising the operations of the Angers Factory, provided that TTE shall not make a loss or a profit on sales of products produced at the Angers Factory. It is anticipated that in the process of reorganisation, TTE shall purchase (a) certain fixed assets (mainly equipment) as listed in the agreement (the "Subject Assets") for a nominal consideration of €1 (about HK$9.4), and (b) the raw materials for and work-in-progress generated by the Subject Assets on the same basis as the supply of components as set out in the Thomson Preferred Supplier Agreement (details as set out below).

Should the aggregate book value of the Subject Assets to be transferred to TTE from the Angers Factory be less than €8 million (about HK$75.2 million), Thomson shall transfer other assets of the Angers Factory or cash to TTE to make up the shortfall. In other words, TTE can in any event receive assets and/or cash of total value of €8 million (about HK$75.2 million) in return for the nominal consideration of €1 (about HK$9.4).

8.3 *Engaging the production capacity of Thomson's Angers Factory*

TTE shall engage the production capacity of Thomson at its Angers Factory for production of high-end TV products and their sub-assemblies and modules for sale primarily in Europe. TTE will purchase from the Angers Factory certain models exclusively for sale primarily in Europe.

TTE shall purchase TV products from the Angers Factory at a price determined with reference to the net sales price of such products to customers by TTE and TTE's aggregate general and administrative expenses, provided that TTE shall not suffer any loss or make any profit from such sales.

8.4 *Acquisition of new assets*

Thomson may acquire new assets (the "New Assets") up to €8 million (about HK$75.2 million) for TV production in consultation with TTE to continue the production at the Angers Factory to meet the products ordered by TTE. To the extent the New Assets shall no longer be used by the Angers Factory for TV production prior to the completion of the intended reorganization, TTE shall purchase from Thomson the New Assets for a nominal consideration of €1 (about HK$9.4) and the raw materials for and work-in-progress generated by the New Assets on the same basis as the supply of components as set out in the Thomson Preferred Supplier Agreement. Should the aggregate fair market value of the New Assets to be transferred to TTE from the Angers Factory be less than €8 million (about HK$75.2 million), Thomson shall transfer cash to TTE to make up the shortfall.

8.5 *Profit sharing*

Should the Angers Factory make any profit in any year during the term of the agreement after taking into account any restructuring costs, Thomson shall share such profit with TTE by an equitable methodology to be agreed by the parties.

8.6 *Term and termination*

The agreement shall continue in force until the earliest of:

(a) full implementation of the intended reorganization;

(b) termination by either party due to material breach by or liquidation of the other party; and

(c) five years from the date of the agreement,

provided that the term of the agreement may be extended by the parties by mutual agreement.

8.7 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group in the European regions for each of the three financial years ending 31 December 2006, the Directors expect that the aggregate amounts payable for the purchase from the Angers Factory under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$1,432 million, HK$2,863 million and HK$2,863 million respectively.

The monetary limits for the agreement are determined based on (i) projected sales of Angers Factory (based on the historical sales of approximately €213 million (approximately HK$2,002 million) for year 2003); and (ii) the reorganisation of the Angers Factory's TV operation.

8.8 *Reason for term in excess of three years*

The Angers Factory is a part of the TV business of Thomson, but is not being acquired by TTE because it has significantly higher operating cost than the rest of Thomson's TV business in Europe. Thomson, however, cannot use the TV manufacturing facilities at Angers for its own benefit since it is bound by a non-competition undertaking under which it is prohibited from competing with TTE in TV design and manufacturing. As a result, Thomson has to gradually reorganise the Angers Factory. Under this agreement, TTE will utilize Angers as a subcontractor for part of its requirements over a period of five years (provided that TTE shall incur no loss and realise no profit from this arrangement), which will give Thomson time to reorganise its operations at that plant.

The five-year subcontracting arrangement is an integral part of the Combination Agreement negotiated between the Company and Thomson, on the basis of which Thomson will be responsible for any restructuring associated with the Angers Factory.

9. Thomson Preferred Supplier Agreement

9.1 *Parties*

(a) Purchaser: TTE

(b) Supplier: Thomson

9.2 *Appointment of preferred supplier*

TTE shall appoint Thomson as one of the only two preferred suppliers for certain components (being CRTs and any other component or integrated circuits used or to be used in connection with the development, production or manufacture of TV end-products by TTE which are produced and designed by the Thomson Group or incorporates a material extent of the intellectual property rights of the Thomson Group) (the "Components") and shall give priority to Thomson for the supply of the Components.

Provided that (i) TTE has certified such Components regarding their quality, specifications, terms of supply and other attributes of supply and (ii) the Components are of comparable product quality, specifications and reliability as offered by other suppliers and are offered at terms taken as a whole as competitive as those offered by other suppliers, TTE shall use reasonable efforts to make Thomson the most significant supplier in terms of volume for the Components.

9.3 *Designation as preferred customer*

Thomson shall designate TTE as its preferred customer. In case of production capacity constraint on Thomson's part, Thomson shall grant priority to TTE for orders placed by TTE for the Components over orders of other customers of Thomson provided such grant of priority will not cause Thomson to breach its existing obligations with other customers.

9.4 *Term and termination*

The agreement shall become effective from the date of the agreement and shall continue until the earliest of:

(a) the later of (i) three years from the date of the agreement; (ii) such date as may be agreed by the parties upon its renewal after the expiry of the three-year term; and (iii) the date on which the Thomson Group holds less than 50% of the initial 33% of the total issued share capital of TTE or should the Exchange Option be exercised, the initial percentage of the total issued share capital of the Company issued to Thomson upon such exercise;

(b) termination by either party due to the other party's liquidation or material breach;

(c) 15 years from the date of agreement; and

(d) the date on which the Thomson Group holds less than 13.25% of the total issued share capital of TTE or should the Exchange Option be exercised, certain minimum percentage of the total issued share capital of the Company.

9.5 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that the aggregate amounts payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$5,625 million, HK$11,572 million and HK$13,429 million respectively.

The monetary limits for the agreement are determined based on (i) the budget requirement of the TTE Group in terms of expenditure on raw materials, in particular CRTs; and (ii) projected increase in the sales of TV products by the TTE Group, taking into consideration the operational synergies driven by (a) global presence advantage; (b) comprehensive product range, (c) increased R&D resources for innovation; and (d) sourcing and materials synergies driven by economies of scale following the Closing.

9.6 *Reason for term in excess of three years*

Given that the Group is currently sourcing CRTs and other components from Thomson, it is in the interest of the Company if TTE is able to secure a stable supply of components from Thomson at competitive market prices for a period longer than three years.

The supply of the components from Thomson is subject to the scrutiny of TTE in that only Components which quality, specifications and terms of supply and other attributes of supply have been certified by TTE are eligible for supply to TTE. Further, the Components must be of comparable product quality, specifications and reliability as offered by other suppliers and offered at terms taken as a whole as competitive as those offered by other suppliers. The agreement also grants TTE the status of a preferred customer of Thomson.

(B) TCL CORP CONTINUING CONNECTED TRANSACTIONS

TTE will enter into the following agreements with the TCL Corp Group to leverage its infrastructure and assets for the growth of its business. These agreements have been finalized on the basis of arm's length negotiations between the parties. Although the Company has existing continuing connected transactions with TCL Corp concerning the subject matter to be involved in the non-exempt TCL continuing connected transactions, the scope to be involved under the new transactions to be entered into by TTE is not the same, accordingly any comparison of the historical figures would not be appropriate.

(I) Exempt TCL Corp Continuing Connected Transactions

1. *Company TCL Trademark License Agreement*

1.1 *Parties*

(a) TCL Corp

(b) the Company

1.2 *Background*

The entering into of the TCL Trademark License Agreement (as described below) gives rise to the need to introduce substantial amendments to the existing trademark license agreement ("Existing Trademark Agreement") entered into by TCL Corp and the Company on 15 November 1999. Therefore, conditional upon the effectiveness of the TCL Trademark License Agreement, the Company will terminate the Existing Trademark Agreement and enter into a new trademark license agreement with TCL Corp to cover products of the Group other than those of the TTE Group.

1.3 *Nature of the agreement*

The Group (excluding the TTE Group) will be granted free of charge the sole and exclusive right to use certain trademarks of TCL Corp worldwide in respect of audio-visual products, multi-media products and internet related products (including but not limited to DVD players, desktop and notebook computers, computer accessories, set-top boxes) developed or formulated or manufactured or sold or dealt with by the Group but excluding parts, components or kits that are used for the manufacture of any of the said products and products covered under the TCL Trademark License Agreement. The expiry date of this Agreement will be same as that under the Existing Trademark Agreement (i.e. 15 November 2049).

As the right to use the TCL trademarks by the Group (excluding the TTE Group) under the agreement is free of charge, the transaction under the agreement is exempt from the reporting, announcement and shareholders approval requirements under Chapter 14A of the Listing Rules by reason that its value is de minimis.

(II)Non-exempt TCL Corp Continuing Connected Transactions

2. *TCL Trademark License Agreement*

2.1 *Parties*

(a) Licensor: TCL Corp

(b) Licensee: TTE

2.2 *Grant of license*

TCL Corp shall grant to TTE Group for a 20-year term an exclusive (subject to certain limited exceptions which related to existing obligation or business of TCL Corp) non-sublicensable and non-transferable license to use certain of its registered trademarks for the manufacture and sale of TV products including: (i) "TCL" in Asia-Pacific ("TCL A Brand"); and (ii) "TCL" in rest of the world outside Asia-Pacific; and "Rowa" in the PRC (collectively "TCL B Brands").

2.3 *Royalty*

No royalty shall be payable by TTE to TCL Corp prior to the 2nd anniversary of the Closing Date. Thereafter, the royalties payable shall be linked with the performance of the TTE Group and calculated by reference to the net sales of TV products and the applicable royalty rates. If any royalty is payable, the applicable royalty rates for TCL A Brand will be (i) 0.5% if the EBIT percentage is equal to or greater than 3% but less than 6%, (ii) 1.5% if the EBIT percentage is over 6%. The applicable royalty rates for TCL B Brand will be (i) 0.25% if the EBIT percentage is equal to or greater than 3% but less than 6%, (ii) 0.75% if the EBIT percentage is over 6%.

2.4 *Reimbursement of branding advertising costs*

TCL Corp shall conduct brand promotion and marketing of the licensed trademarks in the ordinary course of business. TTE shall reimburse TCL Corp for the general brand advertising costs incurred by TCL Corp during the term of the agreement at a minimum of 0.5% of the aggregate annual net sales of TV products using the TCL A Brand of TCL Corp in the relevant territories for the previous fiscal year.

Prior to commencing any brand promotion or marketing campaign which has not been pre-approved in any semester budget proposal and would incur costs over €100,000 (about HK$940,000), TCL Corp shall consult with TTE.

2.5 *Costs and expenses*

TTE shall be solely responsible for the expenses in the performance of quality control and other trademark use monitoring activities. TTE shall reimburse TCL Corp 50% of its out-of-pocket expenses and fees paid to government authorities which is incurred between the date of the agreement and the 5th anniversary thereof in:

(i) obtaining and maintaining the trademarks in respect of the TV products in the relevant territory;

(ii) recording the agreement; and

(iii) obtaining entry of TTE as a registered or authorized user in countries where it is legally required and requested by TTE.

2.6 *Term and termination*

The agreement shall be for a term of 20 years unless earlier terminated in accordance with the terms of the agreement.

2.7 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that (i) the aggregate royalty payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$Nil, HK$Nil and HK$147 million respectively and (ii) the aggregate amount of branding fee reimbursement will not exceed HK$56 million, HK$121 million and HK$138 million respectively.

The monetary limits for the agreement are determined based on (i) an increase in the projected sales of the business of its TCL A Brand and TCL B Brands TV products of the TTE Group over the next few years; (ii) the highest applicable royalty rates (i.e. 1.5% for TCL A Brand and 0.75% for TCL B Brands TV products) in case the EBIT margin will exceed the maximum 6% every year; (iii) no royalty payment shall be payable prior to the 2nd anniversary of the Closing and (iv) internal budgeting on general brand advertising costs. The increase in the projected sales is based on the expected operational synergies driven by (a) global presence advantage; (b) comprehensive product range; (c) increased R&D resources for innovation; and (d) sourcing and materials synergies driven by economies of scale following Closing.

2.8 *Reason for term in excess of three years*

According to a recent survey by Beijing Famous-Brand Evaluation Co. Ltd., the "TCL" brand was the sixth most valuable brand name in China in 2003. The "TCL" brand has a strong presence for audio, video, household appliance and mobile handset in Asia-Pacific, in particular the PRC.

The "TCL" brand is among the most widely recognized in China and represents a sign of trust in consumer electronics products in the minds of consumers in the PRC. The Directors consider that the right for TTE to use the "TCL" trademark for its business is one of the key assets of the joint venture.

The reasons in support of a term longer than three years for this agreement is similar to those for the Thomson Trademark License Agreement.

3. *PRC Sales and Marketing Agency Agreement*

3.1 *Parties*

(a) Principal: TTE

(b) Agent: Sales Company

3.2 *Appointment of agent and scope of services*

TTE shall appoint Sales Company as (a) an exclusive sales and marketing agent to provide a whole range of sales and marketing services (including after-sales and logistics services) with respect to all TV end-products of TTE sold or designated to be sold in the PRC and (b) an exclusive distributor to purchase all TV end-products for resale in the PRC (the "Scope of Services").

Sales Company shall, in its capacity as a principal, purchase the TV end-products from TTE and distribute them in the PRC.

3.3 *Exclusivity*

Save and except certain exceptions agreed by the parties, none of Sales Company and its affiliates may directly or indirectly engage in any competing business activities within the Scope of Services.

TTE shall not engage any third party for activities within the Scope of Services. The agreement does not prevent TTE to sell and market (i) products as an OEM manufacturer for other customers and (ii) private label products provided that such business activities do not have an adverse impact on the sales of "TCL" branded TV products in the PRC.

3.4 *Expenses and commissions*

Purchase price

Sales Company shall pay TTE the purchase price in respect of the TV end-products Sales Company sold in relevant territory under the agreement.

Cost

TTE shall pay certain budgeted, reimbursable costs and expenses incurred by Sales Company for the provision of the services under the agreement.

Base commission

In addition, TTE shall pay Sales Company a base commission determined as the product of (i) base commission rate (to be agreed by the parties) for each semi-annual period, which shall be between 6% and 10% and (ii) purchase price collected by the agent for the products sold.

Performance incentive commission

TTE may at its sole discretion offer Sales Company a performance incentive commission equal to the product of a commission rate between 1% and 2% and any excess of net sales of the products of TTE in the PRC over the sales target for a semi-annual period.

3.5 *Term and termination*

(a) The agreement shall become effective upon execution and shall continue until the earlier of

(A) the latest of

(i) five years from the date of the agreement;

(ii) such date as may be agreed by the parties in writing upon renewal of the agreement; and

(iii) the date on which TCL Corp holds in aggregate less that 50% of the initial 67% of the total issued share capital of TTE.

(B) 20 years from the date of the agreement

(b) Notwithstanding (a) above, the agreement may be terminated at the earlier of (i) the mutual consent of both parties (ii) by either party immediately if the other party ceases to carry on its business or undergoes a change in control that has a material adverse effect on the interest of that party and (iii) assuming the exercise of the Exchange Option, the completion of the acquisition of the Sales Interest from TCL Corp.

(c) Either party shall be entitled to serve on the other party a termination notice if the other party is materially underperformed with reference to the semi-annual sales plan or in material breach or default of the agreement. The termination shall be effective one year after the receipt by the other party of the termination notice.

3.6 *Determination of Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that the aggregate amounts payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$802 million, HK$1,703 million and HK$1,938 million respectively.

The monetary limits for the agreement are determined based on (i) projected increase in the business volume of TTE in the PRC following the Combination; (ii) the maximum 10% base commission; and (iii) the payment of 3% performance incentive commission to the Sales Company; taking into consideration the operational synergies driven by (a) global presence advantage; (b) comprehensive product range, (c) increased R&D resources for innovation; and (d) sourcing and materials synergies driven by economies of scale.

3.7 *Reason for term in excess of three years*

Save and except that the distribution network concerned is related to the PRC, the reasons in support of a term longer than three years for this agreement are similar to those for the North America Sales and Marketing Agency Agreement.

4. *TCL Preferred Supplier Agreement*

4.1 *Parties*

(a) Purchaser: TTE

(b) Supplier: TCL Corp

4.2 The agreement to be entered into by TTE with TCL Corp will be substantially the same as Thomson Preferred Supplier Agreement as described above containing similar rights and obligations. As TCL Corp is not a supplier for CRTs, CRTs are specifically excluded in the defined term of Components in the agreement as opposed to the Thomson Preferred Supplier Agreement as described above. For details of the terms in relation to appointment of preferred supplier, designation as preferred customer and operational matters, please refer to the relevant paragraph under Thomson Preferred Supplier Agreement.

4.3 *Term and termination*

The agreement shall continue until the earliest of:

(a) the later of (i) three years from the date of the agreement; (ii) such date as may be agreed by the parties upon its renewal after the expiry of the three-year term; (iii) the date on which the Company holds less than 50% of the initial 67% of the total issued share capital of TTE; and (iv) should the Exchange Option be exercised, the date on which TCL Corp holds less than 50% of its initial percentage of the total issued share capital of the Company upon such exercise;

(b) 15 years from the date of the agreement;

(c) termination by either party due to the other party's liquidation or material breach; and

(d) the date on which the TCL Corp and its affiliates hold less than 13.25% of the total issued share capital of TTE or should the Exchange Option be exercised, certain minimum percentage of the total issued share capital of the Company.

4.4 *Determination of the Caps*

Based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2006, the Directors expect that the aggregate amounts payable under the agreement for each of the three financial years ending 31 December 2006 will not exceed HK$1,595 million, HK$5,543 million and HK$10,104 million respectively.

The monetary limits for the agreement are determined based on (i) projected increase in terms of expenditure in the raw materials requirement of the TTE Group following Combination (based upon the historical amount of HK$512 million paid by the Company to TCL Corp for sourcing of raw materials), and (ii) projected increase in the sales of TV products by the TTE Group, taking into consideration the expected operational synergies driven by (a) global presence advantage; (b) comprehensive product range; (c) increased R&D resources for innovation; and (d) sourcing and materials synergies driven by economies of scale.

4.5 *Reason for term in excess of three years*

Given that the Group is currently sourcing components and other materials (excluding CRTs) from TCL Corp, it is in the interest of the Company if TTE is able, as the Group has been, to secure a stable supply of components and other materials at competitive market price for a period longer than three years.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Company undertakes to comply with the rules in relation to annual review of continuing connected transactions set out in Rules 14A.37 to 14A.41 of the Listing Rules. The Company specifically undertakes upon any variation or renewal of the above relevant agreements, the Company will comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules.

THE PROFORMA STATEMENT OF NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The following is the proforma statement of the unaudited net tangible assets of the Group as enlarged by the Combination and adjusted by the following items on the basis presented below:

	HK$'000
Unaudited consolidated net tangible assets of the Group as at 31 March 2004	3,548,047
Add: Estimated net tangible assets of Thomson to be injected into TTE attributable to the Group pursuant to the Combination Agreement *(note 1)*	1,372,964
Less: Dilution of net tangible asset of the Group pursuant to the Combination Agreement *(note 1)*	(675,549)
Issues of shares after 31 March 2004 pursuant to the exercise of:	
— share options	1,629
— convertible notes	5,000
Final dividend of the Group paid before the Closing Date	(272,000)
	3,980,091
Less: Goodwill arising on the consolidation of Wuxi and Inner Mongolia Assets *(note 2)*	(40,418)
Unaudited adjusted proforma combined net tangible assets of the Group as enlarged by the Combination after the Closing Date	3,939,673

Note 1 As the TV business of the Group and that of the Thomson Group will remain in full operation at all times and the actual amount of net tangible assets to be contributed is not ascertainable until Closing, the estimated amount of net tangible assets to be injected by the Group is estimated based on the assets of the Group as at 31 March 2004, taking into account the terms of the Combination Agreement. The amount of net tangible assets to be injected by Thomson is based on the net asset value of the fixed assets of the Thomson TV Business as at 31 December 2003, and other tangible assets to be contributed by Thomson to TTE pursuant to the terms of the Combination Agreement.

Note 2 The amount of goodwill on consolidation will be determined on the date of completion of the Acquisition when a further review of the value of the underlying assets of the Enlarged Group will be performed. The unaudited adjusted proforma combined net tangible assets of the Enlarged Group will be increased by the amount of goodwill so allocated to the underlying assets of the Enlarged Group.

REASONS FOR AND BENEFITS OF THE COMBINATION AND THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the Combination will enable TTE to become a major global company in the TV industry by combining the resources of the respective TV related businesses and assets of the Group and the Thomson Group. The Combination will strengthen the Company's competitiveness and facilitate its expansion into overseas markets and the emerging digital TV market.

TTE's key assets and strengths will include, among others, (a) solid market position and strong brands in all main regions, such as the "TCL" brand in Asia, the "Thomson" brand in Europe and the "RCA" brand in the USA; (b) extensive sales network offering broad coverage in Asia, the USA and Europe; (c) a cost-efficient manufacturing platform with facilities near each major consumer market; (d) strong technological capabilities with broad coverage of analog and digital technologies; and (e) a comprehensive range of high-quality TV products and related services. The Directors currently expect TTE to achieve significant operational synergies, particularly with revenue synergies driven by global presence, comprehensive product range and increased R&D resources for innovation, sourcing and materials synergies through volume pooling, chassis optimization and standardization of components, and manufacturing synergies driven by economies-of-scale and optimization of global footprint, for instance, transfer of the manufacturing of small to medium screen size TVs to China and Thailand, and exporting TV components manufactured in China for assembly outside of China.

The Thomson Group's and the Group's geographical footprints are highly complementary, which will reduce the Group's costs of expansion into overseas markets. Domestically, the Group operates one of the most extensive and efficient distribution networks for consumer electronics products in China. The TCL brand is one of the most well-recognized among consumers in the PRC. Outside China, the Group will gain direct access to the USA and Europe with well-known brands of "Thomson" and "RCA" through TTE.

Thomson has one of the most extensive R&D capabilities in relation to TV. With the enhanced R&D capabilities contributed by the Thomson Group, TTE aims to further strengthen its competitiveness, and to position itself for the rapid growth in global demand for digital TV. It is expected that TTE will enable the Group to improve its product variety and increase contributions from advanced TV models.

The Board believes that the Operation Agreements will increase the resources available to the Company, including access to distribution channels in North America and Europe and important intellectual property rights for the business, and will create significant value for Shareholders in the long-term.

BUSINESS PROSPECTS

The Company reported TV revenue of approximately HK$12.4 billion (about €1.3 billion) for the year ended 31 December 2003, maintaining its number one position in the PRC with a 19% market share. Thomson's TV business revenue for the same period was approximately €1.7 billion (about HK$16.1 billion) with market share of 10.9% in North America and 8% in Europe respectively. The joint venture will allow the Company to gain immediate access to all major markets, with manufacturing plants in North America, Europe and Asia. TTE will optimize its global manufacturing footprints to deliver the most competitive cost structure. With its strong brand presence and full range of products, TTE will be able to serve a wide span of end markets. TTE is expected to achieve sourcing synergies through economies-of-scale and standardization of components, manufacturing synergies through plant optimization, and revenue synergies driven by global presence and a complete product range (from OEM to A-brands) of both TCL and Thomson, e.g., additional OEM/no name/opening price point ("OPP") offerings in the U.S., high-end products in the U.S. and China, and penetration into new markets.

In the U.S. and Europe, TTE will focus on strengthening its competitiveness through efficiency enhancement and cost control measures. Some of the major initiatives are (a) introducing lower-cost components and chassis to increase margin on "Thomson" and "RCA" products; (b) introducing OPP and lower-cost products in the U.S. and Europe under Thomson's B-brand; (c) optimizing R&D resources across all laboratories; and (d) leveraging scale to obtain preferential terms from suppliers and vendors. In China, TTE will focus on introducing high-end products, such as LCD and PDP TVs as well as strengthening its platform in the middle-end product segment. In addition, TTE will prioritize its strategic focus on metropolitan markets in China and refine its pricing strategy. TTE will continue its effort in gaining market share in the emerging markets, such as Southeast Asia, Australia, India, Middle East, Africa, Russia and Hong Kong, TTE also plans to continue the expansion and development of the OEM business. By leveraging its global manufacturing platform and broad product range, TTE will be able to deliver more competitive products to its customers.

The Group has identified the following challenges facing the Combination and has developed implementation strategies for addressing the challenges:

(a) In order to turnaround the net loss position of Thomson's TV business in 2002 and 2003, the Group will focus on increasing its efficiency and reducing cost in North America and Europe through sourcing, manufacturing and other synergies arising from the Combination. One of the important near-term objectives is to enable TTE to compete effectively in these markets against exports from other Asian manufacturers, particularly in the low-to middle-end segments.

(b) The Group notes that the differences in the corporate culture and management philosophy of the Company and Thomson's TV business may be a challenge to the management of TTE. In the past, the Group successfully acquired the Schneider Electronics GmbH and other overseas businesses. Through reorganisation of the Schneider business, the Group has gained valuable experience in managing the cultural differences of overseas corporations, and where applicable will leverage on such experience in the implementation of the Combination. TTE will ensure a smooth merger by retaining the existing core management team of the Thomson TV Business. TTE will also adopt employee incentive schemes to reward those employees who make contributions to the long-term growth of the TTE Group.

(c) Pursuant to the Combination Agreement, Thomson's sales networks, trademarks and TV patents do not form part of its contribution to the TTE Group. TTE will however enter into the Operation Agreements with Thomson for ensuring that TTE will be able to continue to benefit from the distribution networks, customer relationships, brand presence and TV patent portfolio built by Thomson over many years.

    Since Thomson's worldwide TV R&D center is part of its contribution to the Combination, TTE will have independent R&D capabilities of world-class standards for development of its own patents. It is expected that in the future, TTE will be able to leverage on its own patent portfolio to derive new revenue source through patent licensing and receive more favorable terms from other patent licensors through cross-licensing arrangements.

INFORMATION ON THE GROUP

The Group is a leading multimedia consumer electronics product manufacturer, with a strong brand presence in China and Asia. Its core products include TVs, mobile handsets, personal computers, audio-visual equipment as well as information technology services. Under its highly recognized and well-established TCL brand, it is one of the strongest players in the TV and mobile handset marketplace in China. Committed to expanding globally, the Group acquired the assets of Schneider, a Germany-based consumer electronics brand in Europe in 2002. The Group operates a number of highly efficient manufacturing bases in China, Asia and Europe. For further information on the Company, please visit www.tclhk.com. (The information that appears in this website does not form part of this announcement.)

INFORMATION ON THE THOMSON GROUP

Thomson Group is the leading provider of technology and service solutions for integrated entertainment and media companies. By capitalizing on and expanding its leadership positions at the intersection of entertainment, media and technology, Thomson Group provides end-to-end solutions to content creators, video network operators and manufacturers and retailers through its Technicolor, Grass Valley, THOMSON and RCA brands. To advance and enable the digital media transition, Thomson has three principal divisions: Digital Content Solutions, Video Networks Solutions and Industrial and Consumer Solutions. Thomson Group distributes its products under the THOMSON, RCA, Technicolor and Grass Valley brand names. Thomson's TV manufacturing plants are located in Mexico, Poland, France and Thailand with TV products mainly distributed to the U.S. and Europe. For more information regarding Thomson and Thomson Group, please visit its website at www.thomson.net. (The information that appears in this website does not form part of this announcement.)

INFORMATION ON THE TCL CORP

TCL Corp is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. The brand name "TCL" is among the most widely recognized in China. According to recent survey by Beijing Famous-Brand Evaluation Co. Ltd., "TCL" was the sixth most valuable brand name in China in 2003. For further information on TCL Corp, please visit www.tcl.com. (The information that appears in this website does not form part of this announcement.)

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM at which resolutions will be proposed for the purpose of considering and if thought fit, approving the Combination Agreement and the transactions contemplated thereunder (including the Transaction Documents to which the Group is a party), the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, the Relevant Continuing Connected Transactions contemplated under the Operation Agreements and the Caps.

The Board considers that the terms of the above mentioned agreements have been concluded after arm's length negotiation between the parties thereto on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned. The independent non-executive Directors concur with the executive directors that the agreements are in the interest of the Company and the Shareholders as a whole.

TCL Corp and its associates are required to abstain from voting on the resolutions for approving the Acquisition and the non-exempt TCL Corp continuing connected transactions pursuant to the Listing Rules. Save for the resolutions for approving the Acquisition and the non-exempt TCL Corp continuing connected transactions, TCL Corp and its associates are entitled to vote on all the resolutions for approving the Combination Agreement other than the Acquisition and the TCL Corp continuing connected transactions and intend to vote for such resolutions at the EGM. It is the present intention of the parties to the Combination Agreement that in the event the resolution for approving the Acquisition is not passed by the Independent Shareholders at the EGM, they will waive the relevant condition and proceed with Closing and effect the Combination without the Wuxi and Inner Mongolia Assets with appropriate adjustments. Thomson and its associates (if at the time of EGM holding any Share) are required to abstain from voting on the resolutions for approving the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement and the non-exempt Thomson continuing connected transactions.

The Independent Shareholders will be asked to approve by poll the above resolutions at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, the Relevant Continuing Connected Transactions and the proposed Caps. Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

RECOMMENDATION OF INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, the Relevant Continuing Connected Transactions and the Caps. The Independent Board Committee comprises only one independent non-executive Director, Dr. Hon Fong Ming as the other independent non-executive Director Mr. Albert Thomas da Rosa is a partner of Cheung, Tong & Rosa, legal advisers to the Company as to Hong Kong law in connection with the Combination and the transactions contemplated thereunder. Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

SHAREHOLDERS' CIRCULAR

A Shareholders' circular containing, among other things, further details of the Combination Agreement, the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, the Relevant Continuing Connected Transactions and the proposed Caps, the recommendation of the Independent Board Committee, the opinion letter from Commerzbank to Independent Board Committee and the notice convening the EGM will be despatched to the Shareholders as soon as practicable.

LISTING AND DEALING

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued upon the exercise of the Exchange Option by Thomson. No part of the share capital of the Company is listed or being dealt in on, and no listing or permission to deal is being or proposed to be sought on, any other stock exchange.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or any securities of the Company.

As at the date of this announcement, the Board comprises Li Dong Sheng, Zhao Zhong Yao, Lu Zhong Li, Hu Qiu Sheng, Yan Yong and Suen Hay Wai as executive directors and Hon Fong Ming and Albert T. da Rosa, Jr. as independent non-executive directors.

DEFINITIONS

"Acquisition"	the acquisition of the Wuxi and Inner Mongolia Assets contemplated under the Wuxi Agreement and the Inner Mongolia Agreement entered into between the Group and the TCL Corp Group
"Angers Factory"	the factory operated by Thomson for the production of TV products, sub-assemblies and modules and located at Angers, France
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day other than (a) Saturday or Sunday or (b) any other day on which commercial banks in (i) Huizhou, PRC, (ii) Hong Kong or (iii) Paris, France are required or authorized by law or executed orders to be closed
"Call Option"	the option to be granted by Thomson to the Company to purchase from Thomson an aggregate of no less than 2.5 million shares (of nominal value of €3.75 (about HK$35.25) each) of Thomson at the exercise price of €18.12 (about HK$170.33) per share under the Call Option Agreement
"Call Option Agreement"	the Call Option Agreement to be entered into between Thomson and the Company on or prior to Closing, details of which are described in the paragraph headed "Call Option Agreement" in the section headed "Corporate Documents"
"Caps"	the proposed annual limits for the values of the partially exempt and non-exempt continuing connected transactions
"Circular"	the circular issued by the Company dated 31 May 2004 in respect of, among other things, the Combination Agreement, the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, certain other Transaction Documents to which the Group is a party and the continuing connected transactions contemplated under the Operation Agreements
"Closing"	the closing of the transactions contemplated under the Combination Agreement

"Closing Date"	the fifth Business Day after the day on which the last of the conditions precedent (other than any conditions precedent that by their nature are to be satisfied at the Closing) is satisfied or waived in accordance with the Combination Agreement; or such other date as the Company and Thomson may agree in writing
"Colour Television Receivers"	colour television receivers that utilize colour CRT as the display device and shall include both complete receivers as well as such receivers which are complete except for cabinets or other permanent housings, but excluding any CRT integrated into or used in connection with such colour television receivers
"Combination"	the combination of the respective TV businesses and assets of the Thomson Group and the Group (including the Wuxi and Inner Mongolia Assets purchased by the Group from the TCL Corp Group) to be held and managed by TTE pursuant to the Combination Agreement
"Combination Agreement"	the combination agreement dated 28 January 2004 (together with subsequent amendments) entered into by the Company, Thomson and TCL Corp in respect of the establishment of TTE, details of which are set out in the Combination Announcement
"Combination Announcement"	the announcement of the Company dated 30 January 2004
"Commerzbank"	Commerzbank AG, through its Hong Kong Branch, the independent financial adviser to the Independent Board Committee
"Company"	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 meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Corporate Documents"	the agreements forming part of the Transaction Documents, details of which are described in the section headed "Corporate Documents"
"CRT"	cathode ray tube
"Director(s)"	the director(s) of the Company
"DVD"	digital versatile disc

"DVD Device"	any home apparatus primarily for playing or recording DVDs so that they may be visually observed through another device, excluding any amplified home theater products and components (including optical pickups, optical modules and remote control units) for DVD Devices
"DVD Option"	the irrevocable option to be granted by Thomson to the Company to purchase the Thomson DVD Business under the DVD Option Agreement
"DVD Option Agreement"	the DVD Option Agreement to be entered into between Thomson, the Company and TTE on or prior to Closing pursuant to the Combination Agreement, details of which are described in the paragraph headed "DVD Option Agreement" in the section headed "Corporate Documents"
"EBIT"	for any person, on a consolidated basis, the algebraic sum of (a) net income of such person, (b) net interest expense, and (c) tax expenses
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among others, the Combination Agreement (including the Transaction Documents to which the Group is a party) and the transactions contemplated thereunder, including the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement, and the non-exempt continuing connected transactions contemplated under the Operation Agreements
"Enlarged Group"	the Group as enlarged upon Closing
"Exchange Option"	the irrevocable exchange option to be granted by the Company to Thomson under the Exchange Option Agreement
"Exchange Option Agreement"	the exchange option agreement to be entered into between the Company and Thomson on or prior to Closing pursuant to the Combination Agreement, details of which are described in the paragraph headed "Exchange Option Agreement" in the section headed "Corporate Documents"
"Existing Wuxi Shareholder"	Wuxi Electronic Instrument Operation Company Limited (無錫市電儀資產經營有限公司), an enterprise established in the PRC, an independent third party not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Board comprising the sole member Dr. Hon Fong Ming, an independent non-executive Director, established to advise the Independent Shareholders in respect of the Acquisition, the Exchange Option Agreement, the Call Option Agreement, the DVD Option Agreement and the Relevant Continuing Connected Transactions
"Independent Shareholders"	in respect of the connected transactions proposed to be voted at the EGM, shareholders that are not required under the Listing Rules to abstain from voting to approve such connected transactions
"Inner Mongolia Agreement"	the conditional sale and purchase agreement dated 28 May 2004 entered into between TCL BVI as purchaser and TCL Corp and TCL Home Appliances as vendors, for the sale and purchase of the Inner Mongolia Assets
"Inner Mongolia Assets"	the 100% interest of TCL Corp in Inner Mongolia Co., an enterprise established in the PRC which operates a TV manufacturing plant located in Inner Mongolia, the PRC
"Inner Mongolia Co"	Inner Mongolia TCL Electrical Appliance Company Limited (內蒙古 TCL 王牌電器有限公司), an enterprise established in the PRC operating TV manufacturing plant located in Inner Mongolia, the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time
"Mobile Interest"	the 40.8% ownership interest of the Group in TCL Mobile including all right, title and interest in and to any assets and equity securities of the Group primarily related to the business of TCL Mobile
"Mobile Spin-Off"	the sale, disposition, divestiture or transfer of the Mobile Interest to any person other than a Group member or a TTE Group member and the distribution of all the consideration in relation thereto, if any
"Operation Agreements"	the agreements forming part of the Transaction Documents concerning the future operation of TTE and stipulated under the Combination Agreement to be entered into between TTE and Thomson Group or TCL Corp Group on or prior to Closing, details of which are described in the section headed "Operation Agreements"
"PRC" or "China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
"Previous Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in force immediately preceding the coming into force of the substantially amended Listing Rules on 31 March 2004
"R&D"	research and development

"Relevant Continuing Connected Transactions"	the non-exempt Thomson continuing connected transactions described in the paragraphs headed "Non-exempt Thomson Continuing Connected Transactions", and the non-exempt TCL Corp continuing connected transactions described in the paragraph headed "Non-exempt TCL Corp Continuing Connected Transactions"
"Relevant Ratio"	any of the five ratios set out in Rule 14.07 of the Listing Rules which are relevant in categorizing the transactions contemplated under the Combination Agreement (as disclosed in this announcement) (for the purpose of categorizing the continuing connected transactions, the profit ratio is not applicable)
"RMB"	Renminbi, the lawful currency of PRC
"Sales Company"	TCL Electrical Appliance Sales Co., Ltd. (惠州 TCL 電器銷售有限公司), a company established under the laws of the PRC, which is owned as to 51% and 49% by the Group and TCL Corp respectively
"Sales Interest"	the 49% ownership interest of TCL Corp in the Sales Company
"Share(s)"	share(s) of HK$0.10 each in the capital of the Company
"Share Exchange"	the exchange by Thomson the shares in TTE to be issued to Thomson at Closing for Shares pursuant to the Exchange Option Agreement
"Shareholder"	holder of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCL BVI"	TCL Holdings (BVI) Limited, a company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"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 shares of which are listed on the Shenzhen Stock Exchange and is the ultimate controlling shareholder of the Company
"TCL Corp Group"	TCL Corp and its subsidiaries (excluding members comprising the Group)
"TCL Home Appliances"	TCL Home Appliances (Huizhou) Company Limited (TCL 家用電器(惠州)有限公司), a company established under the laws of the PRC and is a wholly-owned subsidiary of TCL Corp
"TCL Huhehaote"	TCL King Electrical Appliances (Huhehaote) Co., Ltd. (TCL 王牌電器(呼和浩特)有限公司), a wholly foreign-owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company

"TCL Industries"	T.C.L. Industries Holdings (H.K.) Limited, a company established under the laws of Hong Kong, the direct controlling shareholder of the Company and a wholly-owned subsidiary of TCL Corp
"TCL Mobile"	Huizhou TCL Mobile Communication Co., Ltd. (惠州TCL移動通信有限公司), a company established under the laws of the PRC
"TCL Wuxi"	TCL King Electrical Appliances (Wuxi) Co., Ltd. (TCL王牌電器(無錫)有限公司), a sino-foreign joint venture enterprise established in the PRC in which the Company indirectly holds a 70% interest through TCL BVI
"Thomson"	Thomson S.A., a company incorporated under the laws of France, whose shares are listed on the *Premier Marché* of Euronext Paris S.A. and on the New York Stock Exchange in the form of American depository shares
"Thomson DVD Business"	the business of Thomson Group of R&D, manufacturing, distribution and sales of DVD Devices
"Thomson Group"	Thomson and its subsidiaries
"Thomson TV Business"	the TV businesses and assets to be injected by Thomson into TTE pursuant to the Combination Agreement
"TLSA"	Thomson Licensing S.A., a company incorporated under the law of France and a wholly-owned subsidiary of Thomson
"Transaction Documents"	the agreements stipulated under the Combination Agreement to be entered into by the relevant parties on or prior to the Closing in relation to the combination of the respective TV businesses and assets of the Group and the Thomson Group and the future operation of TTE
"TTE"	a company to be established pursuant to the Combination Agreement to be named as TTE Corporation
"TTE Board"	the Board of TTE
"TTE Group"	TTE and its subsidiaries
"TTE Share(s)"	share(s) of equity securities of TTE
"TV"	television
"TV Products"	TVs, other audio visual devices, components of the foregoing devices and similar or substitutable devices and devices compatible with or ancillary or related to such foregoing devices
"U.S." or "USA"	the United States of America

"Wuxi Agreement"	the conditional sale and purchase agreement dated 28 May 2004 entered into between TCL BVI as purchaser and TCL Industries as vendor, for the sale and purchase of the Wuxi Assets
"Wuxi and Inner Mongolia Assets"	the Wuxi Assets and the Inner Mongolia Assets
"Wuxi Assets"	the 70% interest of TCL Corp in Wuxi Co, the remaining 30% interest of which is being held by Existing Wuxi Shareholder
"Wuxi Co"	TCL Digital Science and Technology (Wuxi) Company Limited (TCL數碼科技(無錫)有限公司), a sino-foreign joint venture enterprise established in the PRC, which operates a TV manufacturing plant located in Wuxi, the PRC
"Euro" or "€"	Euro, the single currency of the participating member states from time to time of the European Union that adopt such currency in accordance with the Treaty on European Union signed on 7 February 1992 as amended

For your convenience, this announcement contains translation between Hong Kong dollars and Euro at HK$ 9.4 = €1 and between Renmibi and Hong Kong dollars at RMB 1.06 = HK$1, being exchange rates prevailing on 27 May 2004. The translations shall not be taken as representations that the Hong Kong dollars and Renminbi amounts could actually be converted into Euro or Hong Kong dollars at those rates, or at all.

On behalf of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 1 June 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of TCL International Holdings Limited (the "Company") will be held at 2:00 p.m. on Friday, 2 July 2004 at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions (with or without modification) (capitalized items in this notice shall have the same meanings as defined in the circular of the Company dated 31 May 2004 (the "Circular") unless the context otherwise requires):

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the establishment of TTE Corporation (as described in the Circular) and the combination of the respective TV businesses and assets of the Group (excluding the contribution of the Wuxi and Inner Mongolia Assets acquired by the Group to TTE Group) and the Thomson

Group pursuant to the Combination Agreement (a copy of which has been produced to the meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved;

(b) the transactions contemplated under the Combination Agreement excluding the contribution of the Wuxi and Inner Mongolia Assets acquired by the Group to TTE Group but including the execution, entry into and performance of the Transaction Documents to which the Group (including the TTE Group) is a party be and are hereby approved and ratified; AND

(c) the board of directors (the "Board") of the Company (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with (a) and (b) above and to make and agree such non-material variations to the terms of any of such agreements and any other document in connection with (a) and (b) above as the Board in its discretion considers to be desirable and in the interests of the Company."

2. "**THAT**

(a) the acquisition of the Wuxi and Inner Mongolia Assets by the Group pursuant to the Wuxi Agreement and the Inner Mongolia Agreement (a copy of each of them has been produced to the meeting and marked "B" and "C" respectively and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved and ratified; AND

(b) the contribution by the Group to TTE Group of the Wuxi and Inner Mongolia Assets to be acquired by the Group from TCL Corp Group pursuant to the Combination Agreement be and are hereby approved; AND

(c) the Board (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation of (a) and (b) above, or any of them, and the transactions contemplated by each of them, and to make and agree such non-material variations to the terms of any of such agreements and any other document referred to in any of them as the Board in its discretion considers to be desirable and in the interests of the Company."

3. "**THAT** conditional upon the passing of Resolution No. 1 above, the grant to Thomson of the Exchange Option pursuant to the Exchange Option Agreement (a copy of which has been produced to the meeting marked "D" and signed by the chairman of the meeting by way of identification and is disclosed in the Circular) and the issue and allotment of the Shares which fall to be issued by the Company upon the exercise of the Exchange Option by Thomson be and are hereby approved AND the Board (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation of the Exchange Option Agreement, and the transactions contemplated thereunder, and to make and agree such non-material variations to the terms of any of such agreements and any other document referred to in any of them as the Board in its discretion considers to be desirable and in the interests of the Company."

4. "**THAT** conditional upon the passing of Resolution No. 1 above, the grant to the Company of the Call Option by Thomson pursuant to the Call Option Agreement (a copy of which has been produced to the meeting marked "E" and signed by the chairman of the meeting by way of

identification and is disclosed in the Circular) and the exercise of the Call Option at the sole discretion of the Board be and are hereby approved AND the Board (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation of the Call Option Agreement and exercise of the Call Option (if applicable), and the transactions contemplated thereunder, and to make and agree such non-material variations to the terms of any of such agreements and any other document referred to in any of them as the Board in its discretion considers to be desirable and in the interests of the Company."

5. "**THAT** conditional upon the passing of Resolution No. 1 above, the grant to TTE of the DVD Option by Thomson pursuant to the DVD Option Agreement (a copy of which has been produced to the meeting marked "F" and signed by the chairman of the meeting by way of identification and is disclosed in the Circular) and the exercise of the DVD Option at the sole discretion of the Board be and are hereby approved AND the Board (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation of the DVD Option Agreement and exercise of the DVD Option (if applicable), and the transactions contemplated thereunder, and to make and agree such non-material variations to the terms of any of such agreements and any other document referred to in any of them as the Board in its discretion considers to be desirable and in the interests of the Company."

6. "**THAT** conditional upon the passing of Resolution No. 1 above, the agreements constituting the non-exempt Thomson continuing connected transactions (as described in the paragraph headed "Non-exempt Thomson Continuing Connected Transactions" in the Circular) to be entered into between TTE and the Thomson Group be and are hereby approved AND the fixing of the respective Caps of the non-exempt Thomson continuing connected transactions as disclosed in the Circular be and are hereby approved AND the Board (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation of the agreements referred to above, or any of them, and the transactions contemplated by each of them, and to make and agree such non-material variations to the terms of any of such agreements and any other document referred to in any of them as the Board in its discretion considers to be desirable and in the interests of the Company."

7. "**THAT** conditional upon the passing of Resolution No. 1 above, the agreements constituting the non-exempt TCL Corp continuing connected transactions as described (in the paragraph headed "Non-exempt TCL Corp Connected Transactions" in the Circular) to be entered into between TTE and the TCL Corp Group be and are hereby approved AND the fixing of the respective Caps of the non-exempt TCL Corp continuing connected transactions as disclosed in the Circular be and are hereby approved AND the Board (or any director of the Company) be and are hereby authorized to do whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation of the agreements referred to above, or any of them, and the transactions contemplated by each of them, and to make and agree such non-material variations to the terms of any of such agreements and any other document referred to in any of them as the Board in its discretion considers to be desirable and in the interests of the Company."

By order of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 31 May 2004

As at the date of this notice, the board of Directors is composed of Mr. Li Dong Sheng, Ms. Lu Zhong Li, Mr. Hu Qiu Sheng, Mr. Zhao Zhong Yao, Mr. Yan Yong, Mr. Suen Hay Wai as executive Directors and Mr. Albert Thomas da Rosa, Junior and Mr. Hong Fong Ming as an independent non-executive Directors.

Notes:

1. The register of members of the Company will be closed on Friday, 2 July 2004, on which no share transfers will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, all transfers of Shares (with the relevant share certificates) must be lodged with the branch share registrar of the Company in Hong Kong, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 30 June 2004.

2. Any Shareholder entitled to vote at the Extraordinary General Meeting is entitled to appoint one (1) or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Shareholders must appoint a proxy in writing. Such instrument should be signed by the person appointing the proxy or by such person's authorised representative. If the form of proxy is signed by another person so authorized by the shareholder, the power of attorney or other authorising document must be certified by a notary. The notarially certified power of attorney or other authorising document together with the proxy form must be returned to the Registered Office of the Company not later than 48 hours prior to the commencement of the Extraordinary General Meeting. The completion and deposit of a form of proxy will not preclude any shareholder from attending and voting at the Extraordinary General Meeting.

3. Each shareholder (or his/her proxy) shall be entitled to one vote for each share held. If a shareholder has appointed more than one proxy to attend the meeting, the voting rights can only be exercised by way of poll.

4. The votes for approving Resolution Nos. 2 to 7 must be taken by poll.

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