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TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國際 控 股 有 限 公 司)*

(incorporated in Cayman Islands with limited liability)



GREAT WALL CYBERTECH LIMITED

(長 城 數 碼 廣 播 有 限 公 司)*

(incorporated in Bermuda with limited liability)

JOINT VENTURE AGREEMENT

TCL International Holdings Limited (through its wholly owned subsidiary TCL Holdings (BVI) Limited) and Great Wall Cybertech Limited has entered into a Joint Venture Agreement on 3 September 2002.

Under the Joint Venture Agreement, a joint venture company will be incorporated in Hong Kong to carry on certain business in relation to audio-visual products.

TCL Holdings (BVI) Limited and Great Wall Cybertech Limited shall, by themselves or by their respective nominees, at the consideration of HK\$7,000,000 and HK\$3,000,000 respectively, apply for allotment or transfer of 70 and 30 ordinary shares in the capital of the joint venture company respectively which will represent 70% and 30% of the entire issued share capital of the joint venture company.

The contracting parties to the Joint Venture Agreement are independent parties which are not associated with the directors, chief executive or substantial shareholders of the other party and of its subsidiaries or their respective associates.

The terms and conditions of the Joint Venture Agreement have been negotiated on an arm's length basis. The respective board of directors of TCL International Holdings Limited and Great Wall Cybertech Limited (including their respective independent non-executive directors) consider them to be fair and reasonable, and beneficial to TCL International Holdings Limited and Great Wall Cybertech Limited respectively and are on normal commercial terms.

JOINT VENTURE AGREEMENT

Date : 3 September 2002
Parties : (1) TCL (BVI)
(2) Great Wall

The contracting parties to the Agreement are independent parties which are not associated with the directors, chief executive or substantial shareholders of the other party and of its subsidiaries or their respective associates.

INVESTMENT AMOUNT

TCL (BVI) and Great Wall shall, by themselves or by their respective nominees, at the consideration of HK\$7,000,000 and HK\$3,000,000 respectively, apply for allotment or transfer of 70 and 30 ordinary shares in the capital of the JVC respectively which will represent 70% and 30% of the entire issued share capital of the JVC. Both parties will subscribe for the shares in the JVC by cash.

BUSINESS AND FINANCE OF THE JVC

The business of the JVC shall unless and until the Shareholders otherwise agree be confined to the Business.

Finance of the JVC shall be provided initially by the cash subscriptions for the Shares referred to under the heading "Investment Amount". Further working capital will be provided by the Shareholders at the time and in the manner stipulated by future resolutions of the board of directors of the JVC.

MANAGEMENT OF THE JVC

The Board shall have a minimum of three directors and a maximum of ten directors and no director shall have a casting vote. TCL (BVI) and Great Wall is entitled to appoint a maximum of seven and three directors respectively at any time and to remove any director so appointed.

SPECIFIC OBLIGATIONS OF GREAT WALL

Upon investment into the JVC, Great Wall shall not directly or indirectly whether by itself or any of its subsidiaries (except Great Wall France) carry on or conduct any Business except by virtue of its holding of Shares in the JVC.

Great Wall and TCL (BVI) shall use their respective best endeavour to enter into the Intended Lease within three months from the date of the Agreement. The initial proposed terms of the Intended Lease include that the rent therefor shall be RMB800,000 per month and for a rental period to be agreed between the parties.

TERMINATION

If either party to the Agreement shall commit any material breach thereunder, go into liquidation or undergo any change of control, the other party shall be entitled to terminate the Agreement forthwith by notice in writing to the other party.

Either party shall further be entitled to terminate the Agreement by notice in writing to the other if:

- (1) the Intended Lease has not been entered into within three months from the date of the Agreement; or
- (2) the Intended Lease has subsequently been terminated or withdrawn.

REASONS FOR THE JOINT VENTURE

The respective boards of directors of TCL International and of Great Wall are of the view that the Products have tremendous potential for development in the Territory. Therefore, by setting up the JVC and entering into the Intended Lease will enhance the overall competitiveness and profitability of both TCL Group and Great Wall Group.

GREAT WALL'S SCOPE OF BUSINESS

Great Wall's entering into the Agreement will have a restrictive impact on its scope of business. Under the Agreement the Business of Great Wall will be operated by the JVC and will no longer be operated by the Great Wall Group, save and except that Great Wall France will have the liberty to carry on the Business in Europe as before.

Great Wall's entering into the Agreement will not affect its operations (including manufacturing, sale and distribution) in:

- (i) the PRC;
- (ii) products other than the Products; and
- (iii) all other operations.

For the avoidance of doubt, both the TCL Group, the JVC and the Great Wall Group (through Great Wall France only) may carry on the Business in Europe notwithstanding the entering into the Agreement by Great Wall and TCL (BVI) because under the Agreement there are no such restriction on the said parties.

FINANCIAL IMPACT ON THE GREAT WALL GROUP

According to the latest audited financial results of Great Wall, as at 31 March 2001, the turnover of the Great Wall Group attributable to the Products and divided geographically are as follows:

- (i) Great Wall France in Europe: HK\$258 million;
- (ii) In the PRC: HK\$1,625 million; and
- (iii) Territory (excluding Europe operated by Great Wall France): HK\$723 million.

The aggregate of the above is HK\$2,606 million and equivalent to the total turnover of the Great Wall Group as at 31 March 2001.

The directors of Great Wall anticipate that by entering into the Agreement its profitability on the Business will be enhanced, as by teaming up with TCL, another major force in TV manufacturing, it will enjoy a larger economy of scale and thus lower cost of production. Notwithstanding an anticipated short-term reduction of turnover of the Business that was previously operated by the Great Wall Group by approximately 17%, the directors of Great Wall are of the view that Great Wall's entering into the Agreement will have a beneficial financial impact on the Great Wall Group as a whole.

GENERAL

TCL International is an investment holding company. Its principal subsidiaries are principally engaged in the design, manufacture, assembly and sale of a wide range of electronic consumer products, these include internet-related information technology products, colour television sets, other audio-visual products.

Great Wall is an investment holding company. Its principal subsidiaries and associates are principally engaged in the design, manufacture, assembly and sale of a wide range of electronic consumer products which include internet-related information technology products, colour television sets, other audio-visual products and white goods such as refrigerators and washing machines.

DEFINITIONS

“Agreement”	means the joint venture agreement dated 3 September 2002 entered into by TCL Holdings (BVI) Limited and Great Wall Cybertech Limited;
“Business”	means the business of sourcing, manufacturing, marketing, distribution and sale of the Products in the Territory and any ancillary acts or business relating thereto;
“Business Day”	means a day (other than Saturdays) on which trading banks are open for business in Hong Kong;
“Great Wall”	Great Wall Cybertech Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange;
“Great Wall France”	means Great Wall France S. A., a company incorporated in the Republic of France whose office is situated at Z. I. de I’ Aubrcce — 72300 SABLE — SUR–SARTHE, a wholly owned subsidiary of Great Wall;
“Great Wall Group”	means Great Wall and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Intended Lease”	means the lease to be entered into between Great Wall as the lessor and TCL Group as the lessee for lease of the Plant;
“JVC”	means a shelf company incorporated in Hong Kong acquired for the purpose of the Agreement which will be structured, regulated or governed in accordance with the terms of the Agreement;
“PRC”	means the People’s Republic of China which for the purposes of the Agreement excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;
“Plant”	means the land and (together with the fittings, buildings, machineries and equipments situate thereon) located in Huizhou Great Wall Industrial Estate in Huizhou, the PRC;
“Products”	means television with CRT, plasma television, DVD players, VCD players, CD-related audio products and other audio products;
“Share(s)”	means share(s) in the issued equity share capital of the JVC;
“Shareholder(s)”	means TCL (BVI), Great Wall and any person(s) who hold(s) any Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TCL International”	TCL International Holdings Limited, a company incorporated in Cayman Islands whose shares are listed on the Stock Exchange;

“TCL (BVI)”	TCL Holdings (BVI) Limited, a company incorporated in the British Virgin Islands;
“TCL Group”	means TCL (BVI) and its subsidiaries;
“Territory”	means any territory in the world except PRC.

On behalf of the board of directors of
TCL International Holdings Limited
Li Dong Sheng, Tomson
Chairman

On behalf of the board of directors of
Great Wall Cybertech Limited
Wu Shaozhang
Chairman

Hong Kong, 5 September 2002

Hong Kong, 5 September 2002

Unless otherwise specified, conversion of Renminbi into Hong Kong dollar is based on the exchange rate of HK\$1.00 = RMB1.06

** for identification only*

*Please also refer to the published version of this announcement in the (**The Standard**)*