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TCL 多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1070)

DISCLOSEABLE AND CONNECTED TRANSACTION

The Company announces that on 21 June 2006, the Company and T.C.L. Industries, a controlling Shareholder, entered into the Sale and Purchase Agreement pursuant to which the Company agrees to sell, and to procure its relevant subsidiaries to sell, and T.C.L. Industries agrees to purchase (i) the entire issued share capital of Computer Technology, (ii) the entire issued share capital of Education Web and (iii) the 65% equity interest in Industrial Institute for a total initial cash consideration of HK\$377,000,000 (subject to adjustment).

Following the Disposal, the Group will cease to hold any interests in Computer Technology, Education Web and Industrial Institute.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

T.C.L. Industries is a controlling Shareholder and is therefore a connected person of the Company within the meaning of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction for the Company pursuant to Rule 14A.13 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Company will issue a circular to the Shareholders as soon as practicable setting out, among other things, details of the Disposal, a letter from the Independent Board Committee, a letter from the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders and a notice to convene the EGM.

THE DISPOSAL

The Sale and Purchase Agreement

Date: 21 June 2006

Parties to the Sale and Purchase Agreement:

Vendor: the Company will sell and will procure its wholly-owned subsidiaries (being Information Technology Industrial and Electronics BVI) to sell (i) the entire issued share capital of Computer Technology; (ii) the entire issued share capital of Education Web; and (iii) the 65% equity interest in Industrial Institute

Purchaser: T.C.L. Industries, which will purchase the Sale Shares from the Group

Consideration

The initial Consideration is HK\$377,000,000 comprising:

- (i) the consideration for the sale of the entire issued share capital of Computer Technology of HK\$288,000,000;
- (ii) the consideration for the sale of the entire issued share capital of Education Web of HK\$54,000,000; and
- (iii) the consideration for the sale of the 65% equity interest in Industrial Institute of HK\$35,000,000.

The initial Consideration was negotiated between the parties at arm's length on normal commercial terms and was set based on the net asset value of each of the Computer Technology Group, the Education Web Group, Industrial Institute and Web Technology (the entire share capital of which will be transferred to Computer Technology as a condition precedent to the Sale and Purchase Agreement and will form part of the assets to be disposed of under the Disposal) as at 31 December 2005. The initial Consideration represents a premium of approximately 0.48% over the aggregate net asset values of the Computer Technology Group, the Education Web Group and Web Technology and 65% of the net asset value of Industrial Institute as at 31 December 2005 after taking into account the capitalization of the shareholders' loans of the Computer Technology Group and the Education Web Group. The financial statements of each member of the Computer Technology Group, the Education Web Group, Industrial Institute and Web Technology for the year ended 31 December 2005 have been reviewed by the auditors of the Company during the statutory audit of the Company's consolidated financial statements for the year ended 31 December 2005.

The Consideration will be adjusted based on the net asset value attributable to the Sale Shares as at the completion date of the Sale and Purchase Agreement. If the consolidated net asset value of any of Computer Technology Group, Education Web Group or Industrial Institute attributable to the relevant Sale Shares is greater than the relevant initial Consideration (as shown in the breakdown above), T.C.L. Industries shall then pay such excess amount in cash to the Group as further consideration. If the consolidated net asset value of any of Computer Technology Group, Education Web Group or Industrial Institute attributable to the relevant Sale Shares as at the completion date of the Sale and Purchase Agreement is less than the relevant initial Consideration, the Company will then refund T.C.L. Industries an amount equivalent to such shortfall in cash. Payment of any further consideration and refund should be net off and in no event the net refund to T.C.L. Industries shall be more than HK\$30 million which was agreed after arm's length negotiations between the parties to the Sale and Purchase Agreement. The net asset values attributable to the Sale Shares will be determined based on the unaudited financial statements of the Computer Technology Group, the Education Web Group and Industrial Institute as at the date of Completion which will not be reviewed by any external expert given the size of the transaction but will be reviewed by the Board with a view to ensuring that such financial statements will be compiled properly. The Company will issue an announcement if there is any adjustment to the initial Consideration. If the adjusted Consideration will result in a change in the classification of the Disposal under Chapter 14 of the Listing Rules, the Company will comply with the relevant additional requirements under the Listing Rules.

Completion

Completion, for the purposes of the transactions contemplated under the Sale and Purchase Agreement, will take place on the fifth business day (or such later date as the parties to the Sale and Purchase Agreement may agree in writing) after the following conditions are fulfilled or waived:

- (i) the Independent Shareholders having passed the resolution(s) at the EGM to approve the Disposal as required under the Listing Rules;
- (ii) the Company having obtained the required written consent to the Disposal and if such consent is subject to conditions, the Company having accepted such conditions;

- (iii) completion of the transfer of the 100% interest in Web Technology from Information Technology Industrial to Computer Technology having taken place;
- (iv) TCL Corp., being the owner of the remaining 35% interest in Industrial Institute, having signed a declaration to waive its preferential right in respect of the acquisition of the 65% interest in Industrial Institute by T.C.L. Industries; and
- (v) a valuation report in respect of TCL Tower having been issued by a property valuer as agreed between the parties to the Sale and Purchase Agreement in an agreed form.

Parties to the Sale and Purchase Agreement shall endeavour to procure all the above conditions precedent be fulfilled on or before 22 September 2006 (or such later date as the parties to the Sale and Purchase Agreement may agree in writing).

The initial Consideration shall be settled in cash by T.C.L. Industries in full on the date of Completion which shall be the fifth business day following the conditions precedent being fulfilled or waived, or such later date as may be agreed by the parties to the Sale and Purchase Agreement, but in any event shall not be later than 29 September 2006.

Under the Sale and Purchase Agreement, the Company will procure that the management accounts of Computer Technology, Education Web and Industrial Institute as at the date of Completion be prepared, and a copy of which be provided to T.C.L. Industries, within one month from the date of Completion (or such other period as may be agreed between the parties to the Sale and Purchase Agreement). Any adjustment to the initial Consideration shall be settled in cash within 7 days from the aforesaid expiry date of provision of the management accounts.

Following the Disposal, the Company will cease to hold any interests in Computer Technology, Education Web and Industrial Institute.

Information on the assets to be disposed of under the Sale and Purchase Agreement

Information on Computer Technology

Computer Technology is a direct wholly-owned subsidiary of the Company and is, together with its subsidiaries, principally engaged in the manufacture and sale of personal computers and peripheral products.

The table below sets out the unaudited turnover and the net profit/(loss) before and after taxation of the Computer Technology Group for the two years ended 31 December 2004 and 2005:

	Year ended 31 December 2005	Year ended 31 December 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2,071,299	1,962,638
(Percentage to the consolidated turnover of the Group)	(5.99%)	(7.67%)
Net profit before taxation	9,296	32,073
(Percentage to the profit of the Group before taxation and minority interests)	(N.A.) <i>(Note 1)</i>	(7.68%)
Net (loss)/profit after taxation	(2,572)	27,637
(Percentage to the net profit of the Group after taxation but before minority interests)	(N.A.) <i>(Note 1)</i>	(9.60%)

Note 1: The Group recorded a net loss before and after tax for the year ended 31 December 2005.

As at 31 December 2005, the unaudited deficiency in net assets of the Computer Technology Group amounted to approximately HK\$90.6 million (including a shareholders' loan of approximately HK\$345.4 million which has subsequently been capitalized and the goodwill arising from the Company's acquisition of an interest in the Computer Technology Group in 2001).

Currently, Computer Technology does not hold any interest in Web Technology. As a condition precedent to the Sale and Purchase Agreement, the 100% interest in Web Technology held by the Group will be transferred to Computer Technology, which in turn will be transferred to T.C.L. Industries under the Disposal. Web Technology is principally engaged in the technological development in home appliances and the manufacture and sale of personal digital assistant (PDA) products. For the two years ended 31 December 2004 and 2005, the unaudited net losses of Web Technology were approximately HK\$4,309,000 and HK\$596,000 respectively. Web Technology did not record any taxation for both years. The unaudited net assets of Web Technology amounted to approximately HK\$32.7 million as at 31 December 2005.

Information on the Education Web Group

Education Web is an indirect wholly-owned subsidiary of the Company and is, together with its subsidiary and jointly-controlled entity, principally engaged in the provision of online education services, technological development in and the sale of the computer educational software and hardware and the provision of the related technological support services and remote educational services.

The table below sets out the unaudited net profit before and after taxation and minority interests of the Education Web Group for the two years ended 31 December 2004 and 2005:

	Year ended 31 December 2005	Year ended 31 December 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	—	—
Net profit before taxation and minority interests	4,092	815
(Percentage to the profit of the Group before taxation and minority interests)	(N.A.) <i>(Note 2)</i>	<i>(0.19%)</i>
Net profit after taxation and minority interests	4,092	1,454
(Percentage to the net profit of the Group after taxation but before minority interests)	(N.A.) <i>(Note 2)</i>	<i>(0.50%)</i>

Note 2: The Group recorded a net loss before and after tax for the year ended 31 December 2005.

Operations of the Education Web Group are mainly carried out by a jointly-controlled entity of Education Web. As at 31 December 2005, the unaudited net assets of the Education Web Group amounted to approximately HK\$10.4 million (including a shareholder's loan of approximately HK\$42.8 million which has subsequently been capitalized).

Information on Industrial Institute

The Company holds a 65% equity interest in Industrial Institute. Industrial Institute is the owner of TCL Tower. TCL Tower is currently used as offices or research units of, among others, various members of TCL Corp. and its associates including certain members of the Group.

The table below sets out the audited net profit/(loss) before and after taxation of Industrial Institute for the two years ended 31 December 2004 and 2005:

	Year ended 31 December 2005 <i>HK\$'000</i>	Year ended 31 December 2004 <i>HK\$'000</i>
Turnover (Percentage to the consolidated turnover of the Group)	38,299 (0.11%)	— (<i>Note 3</i>)
Net profit/(loss) before taxation (Percentage to the profit of the Group before tax and minority interests)	15,102 (N.A.) (<i>Note 4</i>)	(6,376) (N.A.)
Net profit/(loss) after taxation (Percentage to the net profit of the Group after tax but before minority interests)	14,213 (N.A.) (<i>Note 4</i>)	(6,376) (N.A.)

Note 3: Industrial Institute did not record any turnover for the year ended 31 December 2004.

Note 4: The Group recorded a net loss for the year ended 31 December 2005.

As at 31 December 2005, the audited net assets of Industrial Institute amounted to approximately HK\$53 million.

Reasons for the Disposal

The amount of gross proceeds is HK\$377 million. The entire amount of the estimated net sale proceeds of approximately HK\$377 million from the Disposal will be used by the Group for repayment of its debts.

As mentioned above in this announcement, the Group is a consumer electronics manufacturer. The products of the Group include televisions, audio-visual products, computers and others. After the Disposal, the Group will streamline its business structure to focus its resources on the development of the television business segment which is the most important business segment of the Group but is highly competitive. The Directors (excluding the independent non-executive Directors) are of the opinion that the Disposal was entered into on normal commercial terms after arm's length negotiations between the parties, is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The independent non-executive Directors will opine on the Disposal after having considered the advice to be given by the independent financial adviser.

Based on the initial Consideration and the financial statements of the Group as at 31 December 2005, there would be an estimated gain on Disposal of approximately HK\$1.8 million.

Listing Rules requirements

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

T.C.L. Industries is a controlling Shareholder (currently holding approximately 38.74% of the issued share capital of the Company) and is therefore a connected person of the Company within the meaning of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction for the Company pursuant to Rule 14A.13 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

T.C.L Industries and its associates (including TCL Corp. and its associates) are required to abstain from voting in respect of the relevant resolution(s) to be put forward at the EGM for approving the Disposal.

INFORMATION ON THE GROUP AND T.C.L. INDUSTRIES

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

T.C.L. Industries is an investment holding company holding approximately 38.74% of the total issued share capital of the Company. T.C.L. Industries is wholly-owned by TCL Corp. The TCL Corp. together with its associates (including the Group), is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. For more information on TCL Corp., please visit the official website of TCL Corp.: www.tcl.com.

GENERAL

CIMB-GK Securities (HK) Ltd. has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

The Company will issue a circular to the Shareholders as soon as practicable setting out, among other things, details of the Disposal, a letter from the Independent Board Committee, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a notice to convene the EGM.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	TCL Multimedia Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal under the Sale and Purchase Agreement
“Computer Technology”	TCL Computer Technology (BVI) Co., Ltd., a wholly-owned subsidiary of the Company
“Computer Technology Group”	Computer Technology and its subsidiaries
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire shareholding interest in Computer Technology, the entire shareholding interest in Education Web and the 65% equity interest in Industrial Institute under the Sale and Purchase Agreement
“Education Web”	TCL Education Web Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Education Web Group”	Education Web and its subsidiary and jointly-controlled entity
“EGM”	the extraordinary general meeting of the Company to be convened with a view to seeking approval from the Independent Shareholders for the Disposal
“Electronics BVI”	TCL International Electronics (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Board established for the purpose of reviewing the Disposal which will be voted upon at the EGM
“Independent Shareholders”	Shareholders other than TCL Corp. and its associates
“Industrial Institute”	Shenzhen TCL Central R&D Co., Ltd. (深圳市 TCL 工業研究院有限公司), a sino-foreign joint venture incorporated in the PRC and is 65% indirectly owned by the Company, and 35% owned by TCL Corp.

“Information Technology Industrial”	TCL Information Technology Industrial (Group) Company Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between T.C.L. Industries and the Company on 21 June 2006
“Sale Shares”	the shares/equity interests in Computer Technology, Education Web and/or Industrial Institute (as the case may be) to be disposed of by the Group under the Disposal
“Shareholders”	holders of Share(s)
“Share(s)”	share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL Corp.”	TCL Corporation (TCL 集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder
“T.C.L. Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of TCL Corp.
“TCL Tower”	TCL Tower, which is located at West of Keji Nan Shi Road and North of Gaoxin Nan Yi Road, Nanshan District, Shenzhen, Guangdong Province, the PRC
“Web Technology”	TCL Web Technology (Shenzhen) Co. Ltd. (TCL 萬維科技(深圳)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 23 June 2006

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

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1 = RMB 1.039 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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