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# TCL 多媒體科技控股有限公司

## TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1070)

### CONTINUING CONNECTED TRANSACTION

The Company announces that on 21 June 2006, the Company and Industrial Institute, an associate of the ultimate controlling Shareholder, TCL Corp., entered into the Lease Framework Agreement in relation to the Leases between certain members of the Group as lessees and Industrial Institute as landlord. The rentals were determined with reference to the market rental of other similar premises agreed after arm's length negotiations between the parties to the Leases. Based on the caps, all of the applicable percentage ratios in respect of the Leases are less than 2.5%. Accordingly, the Leases are only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## THE LEASES

### Historical Leases

The Group started to use certain floor areas of the Property in 2004 as the Group's office and research centre. The table below sets out the Leases of the Property by the Group in 2004 and 2005 (Table A).

Lessees	Percentage of equity attributable to the Company	Commencement date	Rent-free period	Size of leased area as at 31 December 2005 square metre	Rental expenses paid or payable RMB'000
1. TTE Corporation	100%	1/9/2004	Nil	1,945	1,556
2. TCL Overseas Electronics (Huizhou) Limited	100%	1/9/2004	half a month	3,891	3,016
3. Shenzhen TCL New Technology Company Limited and TCL King Electrical Appliances (Huizhou) Company Limited	100%	1/3/2005	half a month	35,728	16,971
4. TCL Computer Technology Co., Ltd.* and TCL Web Technology (Shenzhen) Co. Ltd.*	100%	1/9/2004	half a month	13,096	10,149
				<b>Total</b>	<b>31,692</b>

\* These two companies will be disposed of under the Disposal.

Note: Leases 2 and 4 above continued after 31 December 2005, but the leased areas have been reduced since 1 January 2006. Please refer to the Leases 3 and 9 in Table B below for the corresponding Leases covered by the Lease Framework Agreement.

No rental expenses were recorded in the accounts of the Group for the year ended 31 December 2004 as all such expenses were determined and paid in the second half of 2005. For the year ended 31 December 2005, the rental expenses payable by the Group to Industrial Institute amounted to approximately RMB31,692,000 (equivalent to approximately HK\$30,502,000) as set out in the table above, out of which an amount of approximately RMB165,000 (equivalent to approximately HK\$159,000) was paid by the Group in 2006 and was recorded as expenses in the books and records of the Group in 2006. Save for the above, there were no other expenses paid or payable by the Group to Industrial Institute in 2005. Such premises were occupied by the Group for office or research purposes. Specific agreements were entered into in respect of each of the above Leases in 2005. The amount of rental paid or payable by the Group to the Industrial Institute in respect of such Leases were determined in accordance with the terms of the specific lease agreements. The Directors (including the independent non-executive Directors) consider that the terms of such Leases were fair and reasonable and were on normal commercial terms.

Industrial Institute is a 65% non wholly-owned subsidiary of the Company. The remaining 35% equity interest in Industrial Institute is owned by TCL Corp., the ultimate controlling Shareholder. Accordingly, Industrial Institute is an associate of TCL Corp. and thus a connected person of the Company for the purposes of the Listing Rules. Based on the relevant rental amount for the year ended 31 December 2005, the Leases in 2005 were only subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

The Stock Exchange has indicated that the Company has breached Rule 14A.34 of the Listing Rules as the Company failed to make a timely announcement in respect of the Leases between Industrial Institute and certain other members of the Group in 2005.

### **The Lease Framework Agreement**

With a view to better organizing the Leases and complying with the relevant requirements of the Listing Rules, the Lease Framework Agreement has been entered into.

Date : 21 June 2006

Parties : (i) the Company  
(ii) Industrial Institute

Term : from 21 June 2006 to 31 December 2008, which may be extended by the parties to the Lease Framework Agreement subject to the then requirements of the Listing Rules, including re-complying with the reporting, announcement and/or independent shareholders' approval requirements (if necessary) under Chapter 14A of the Listing Rules

### **Principal terms of the Leases**

The Lease Framework Agreement was entered into to cover all the Leases between the relevant members of the Group as lessees and Industrial Institute as landlord existed at the time when the Lease Framework Agreement was entered into and the Leases going forward up to 31 December 2008.

The table below sets out the Leases covered by the Lease Framework Agreement (Table B).

Lessees	Percentage of equity attributable to the Company	Commencement date in 2006	Date of termination or expiry of the lease	Size of leased area <i>square metre</i>	Monthly rental, repair and maintenance expenses payable <i>RMB</i>	Total rental, repair and maintenance expenses payable in 2006** <i>RMB</i>	Total rental, repair and maintenance expenses payable in 2007/2008** <i>RMB</i>
1 TTE Corporation	100%	17/2/2006	23/6/2006#	2,972	156,026	702,117	—
2 TTE Corporation	100%	1/7/2006	30/6/2007	1,669	87,614	525,681	1,051,363
3 TCL Overseas Electronics (Huizhou) Limited	100%	1/1/2006	31/8/2007	3,338	175,228	2,102,734	2,102,734
4 TCL Overseas Electronics (Huizhou) Limited	100%	1/3/2006	22/6/2006#	1,669	87,613	350,454	—
5 Shenzhen TCL New Technology Company Limited	100%	18/4/2006	30/4/2007	887	46,548	418,935	558,580
6 TCL King Electrical Appliances (Huizhou) Company Limited	100%	10/4/2006	30/4/2007	769	40,351	363,162	484,216
7 TCL OEM Sales Limited	100%	1/5/2006	30/6/2007	3,166	166,189	1,329,510	1,994,265
8 TCL OEM Sales Limited	100%	1/7/2006	30/6/2007	3,727	195,658	1,173,948	2,347,897
			Subtotal	18,197	955,227	6,966,541	8,539,055
9 TCL Computer Technology Co., Ltd.* and TCL Web Technology (Shenzhen) Co. Ltd.*	100%	1/1/2006	31/8/2007	11,234	589,781	7,077,372	7,077,372
10 Shenzhen TCL Education Electronics Limited*	100%	5/2/2006	4/2/2007	139	9,825	108,071	117,896
			Subtotal	11,373	599,606	7,185,443	7,195,268
			Total			14,151,984	15,734,323

\* These companies form parts of the assets which will be disposed of by the Group under the Disposal. The Disposal is subject to approval from the independent Shareholders. Please refer to announcement of the Company dated 23 June 2006 for details of the Disposal.

\*\* Assuming all the Leases covered by the Lease Framework Agreement will be renewed up to 31 December 2008, save for the two Leases marked with #.

# These two Leases have been terminated shortly after the entering into of the Lease Framework Agreement.

The premises rented under the Leases are used as the Group's office and research centre. After 31 December 2005, the Group has continued to lease various floor units of the Property as its office and research units. During 2006, the Group has re-arranged its office needs and a number of Leases were terminated. The total rental, repair and maintenance expenses incurred by the Group in respect of such Leases terminated in 2006 prior to the entering into of the Lease Framework Agreement amounted to approximately RMB1,027,000 (equivalent to approximately HK\$988,000). As a result, the existing total floor area at the Property leased by the Group is less than that leased by the Group as at 31 December 2005. All the rental, repair and maintenance expenses are payable in cash on a monthly basis and were determined after arm's length negotiations between the parties to the Leases with reference to the then market rental at the time when the Leases were entered into.

Under the existing specific lease agreements, the Leases will expire in the period from February 2007 to August 2007. The relevant members of the Group may renew the relevant Leases upon expiry on the same terms up to 31 December 2008.

As at the date of this announcement, save for the Leases as shown in Table B, there are no other leases which have been entered into between any member of the Group and TCL Corp. or any of its associates.

## Annual caps

The table below sets out the actual rental, repair and maintenance expenses paid or payable by the Group to Industrial Institute in 2005 and the annual caps in respect of the Leases for the three years ending 31 December 2008.

	<b>Amount of rental, repair and maintenance expenses payable by the Group to Industrial Institute in respect of the Leases:</b>			
	<b>for the year ended</b>			
	<b>31 December</b>	<b>for the year ending 31 December</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>Actual</b>	<b>Cap</b>	<b>Cap</b>	<b>Cap</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	31,692			
Total rental, repair and maintenance expenses payable under the Leases covered by the Lease Framework Agreement (as set out in Table B)		14,152	15,734	15,734
Add: Rental expenses in relation to the Leases in 2005 but were paid by and recorded in the books and records of the Group in 2006 (as disclosed in the paragraph headed "Historical Leases" above)		165	—	—
Add: Rental, repair and maintenance expenses paid in respect of the Leases terminated in 2006 before the entering into of the Lease Framework Agreement		1,027	—	—
Total cap if the Disposal is not completed		15,344	15,734	15,734
Less: Rental, repair and maintenance expenses payable for the Leases, the lessees of which will be disposed of by the Group under the Disposal (assuming that the Disposal will be completed by 29 September 2006, being the long stop date for the completion of the relevant sale and purchase agreement) (Note 1)		(1,799)	(7,195)	(7,195)
Total cap if the Disposal is completed		13,545	8,539	8,539

*Note 1:* The amounts are equivalent to three-month (for the years ending 31 December 2006) or twelve-month (for the years ending 31 December 2007 and 2008) payments of the monthly rental, repair and maintenance expenses.

The annual caps were determined based on the historical amount of rental, repair and maintenance expenses incurred in 2005 and 2006 prior to the entering into of the Lease Framework Agreement and the terms of the existing Leases under the Lease Framework Agreement.

## Reasons for the Leases

The Group has been leasing floor areas of the Property as its offices and research centre in respect of the Group's various business segments. The Directors (including the independent non-executive Directors) are of the opinion that the Leases were entered into (i) in the ordinary and usual course of business of the Group and (ii) on normal commercial terms after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) consider that terms of the Lease Framework Agreement governing the Leases are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Company considers it is in the interests of the Company and the Shareholders as a whole to continue the existing Leases as required by the operations of the Group.

## Listing Rules requirements

Under the Disposal, the 65% equity interest held by the Company in Industrial Institute will be transferred to T.C.L. Industries subject to the terms and conditions of the relevant sale and purchase agreement. As at the date of this announcement, T.C.L. Industries holds approximately 38.74% of the issued share capital of the Company and will hold 65% of the registered capital of Industrial Institute after completion of the Disposal. T.C.L. Industries is a controlling Shareholder and a connected person of the Company. TCL Corp. is the ultimate controlling Shareholder and currently holds a 35% interest in Industrial Institute. Industrial Institute is currently an associate of TCL Corp. and a connected person of the Company and will continue to be an associate of TCL Corp. and a connected person of the Company after completion of the Disposal.

The Leases will continue to constitute continuing connected transactions for the Company and are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules as all the applicable percentage ratios (other than the profits ratio) (as defined under Rule 14.07 of the Listing Rules) are less than 2.5%.

## INFORMATION ON THE GROUP, T.C.L. INDUSTRIES AND TCL CORP.

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. For more information on the Group, please visit the official website of the Company: [www.tclhk.com](http://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. TCL Corp. and its subsidiaries (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](http://www.tcl.com).

## 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

“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal under the sale and purchase agreement entered into between T.C.L. Industries and the Company on 21 June 2006, details of which are set out in the Company’s announcement dated 23 June 2006
“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
“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.
“Lease(s)”	the lease(s) between the Group and Industrial Institute in respect of the Property
“Lease Framework Agreement”	the lease framework agreement entered into between the Company and Industrial Institute on 21 June 2006 in relation to the lease of the Property owned by Industrial Institute
“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
“Property”	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
“RMB”	Renminbi, the lawful currency of the PRC
“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.

On behalf of the Board  
**Li Dong Sheng**  
*Chairman*

Hong Kong, 4 July 2006

*As at the date of this announcement, the Board comprises Li Dong Sheng, Lu Zhong Li, Yan Yong, Shi Wanwen, Wang Kang Ping, Alastair Kenneth Ruskin Campbell and Didier Trutt 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 = RMB1.039 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.*

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