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TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

TCL 多 媒 體 科 技 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

MEMORANDA OF UNDERSTANDING CONNECTED TRANSACTIONS

The Board is pleased to announce that the Group has reached an understanding with Thomson in relation to certain principles on the basis of which certain existing arrangements in relation to the operation of TTE, the joint venture company established between Thomson and the Company on 30 July 2004 pursuant to the Combination Agreement will be amended. Two binding memoranda of understanding were entered into on 21 April 2005 in respect of (a) the sales and marketing activities in respect of the Group's products in the U.S., Canada, and Europe and (b) the operation of the Angers Factory located in France.

The MOUs provide that the parties will enter into a number of Definitive Agreements to implement the principles contained in the MOUs.

The transactions contemplated under the MOUs will give rise to certain modifications to a number of Transaction Documents in respect of which Independent Shareholder's approval was obtained on 2 July 2004. The Company has specifically undertaken that it will comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules upon any material variation of those Transaction Documents. Accordingly, completion of certain transactions contemplated under the MOUs will be subject to Independent Shareholders' approval.

Thomson is a connected person of the Company by virtue of its 33% interest in the existing issued share capital of TTE. Certain transactions contemplated under the MOUs will, when entered into, constitute non-exempt on-going connected transactions of the Company under Chapter 14A of the Listing Rules and it is anticipated that they will be subject to Independent Shareholders' approval as the amount to be involved is expected to exceed 2.5% of the Relevant Ratio. Detailed terms of the transactions contemplated under the MOUs will be set out in the Definitive Agreements to be finalised in due course. A further announcement will be issued when the Definitive Agreements are finalised. A connected transaction circular in respect of the transactions will be issued following the issue of the announcement relating to the Definitive Agreements.

The Directors believe that the MOUs were made on normal commercial terms which are fair and reasonable so far as the Company and the Shareholders are concerned.

MEMORANDA OF UNDERSTANDING DATED 21 APRIL 2005

Background

Reference is made to the joint venture established pursuant to the Combination Agreement and a number of Transaction Documents entered into pursuant thereto (details of which are set out in the Merger Circular). Thomson is a connected person of the Company by virtue of its 33% interest in the existing issued share capital of TTE. Details of the arrangement with Thomson in connection with the operation of TTE have been set out in a number of Transaction Documents and disclosed in the Merger Circular.

The TTE Board has been monitoring the development and operation of TTE's TV business (including its arrangement with Thomson in respect of the Angers Factory as described below under the heading "Angers MOU") since its establishment in August 2004. In the past, manufacturing has been undertaken by TTE whereas the sales and marketing activities in the U.S., Canada and Europe have been undertaken by Thomson pursuant to the sales and marketing agency agreements. The TTE Board has formed the view that for TTE to operate more effectively, (a) such sales and marketing activities should be transferred from Thomson and integrated into TTE to enable TTE to have control over such activities and (b) the arrangement for the Angers Factory should be modified in the manner described below.

The Company and Thomson have agreed upon the principles for effecting the intended changes and two binding memoranda of understanding were entered into on 21 April 2005 in respect of the Subject Activities.

The MOUs set forth the principles in accordance with which the Subject Activities will be conducted in the future. The parties will enter into a number of Definitive Agreements to implement the principles contained in the MOUs. The Definitive Agreements will supersede the MOUs. A further announcement will be issued when the Definitive Agreements are finalised.

The transactions contemplated under the MOUs will give rise to modifications to or termination of the following Transaction Documents:

1. NA Agency Agreement;
2. EMEA Agency Agreement;
3. Styling Agreement;
4. Thomson Trademark Agreement; and
5. Angers Agreement.

(Details of the above documents can be found in the Merger Circular.)

Independent Shareholder's approval was obtained in the extraordinary general meeting of the Company held on 2 July 2004 in respect of the above Transaction Documents save for the Styling Agreement which did not require Independent Shareholders' approval because the value involved is below 2.5% of the Relevant Ratio. The Company has specifically undertaken that it will re-comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules upon any material variation to the transaction in respect of which previous Independent Shareholders' approval was obtained.

SALES AND MARKETING MOU

Parties:

- (i) The Company
- (ii) Thomson S.A.
- (iii) Thomson Inc.
- (iv) TTE Corporation

This MOU concerns the future operation model in respect of the sales and marketing activities of the Group's products in the U.S., Canada and Europe. The transactions contemplated thereunder will result in termination of the NA Agency Agreement and EMEA Agency Agreement under which Thomson has been appointed as the exclusive sales and marketing agent to provide a range of sales and marketing services (including after-sales and logistics services) for all TV products of TTE in the U.S. and Canada and a number of countries in Europe.

The guiding principle set out in the MOU is that the business activities of Thomson and TTE in the U.S. and Canada and a number of countries in Europe will be clearly divided. TTE will focus on TVs and Thomson will focus on audio/video products, home networking accessories and residential telephones. Each of Thomson and TTE will bear its own costs in connection with the split of business activities.

The MOU contemplates that Thomson will transfer to TTE the product sales, marketing and management activities currently performed by Thomson for TTE under the NA Agency Agreement in the U.S. and Canada and the EMEA Agency Agreement in Europe. It is expected that no cash consideration will be paid by TTE for transfer of employees or acquisition of the relevant entities which are the existing employers of the employees to be transferred. The proposed new arrangements will enable TTE to have direct control over its sales and marketing activities. The Board considers that with specialization of sales force becoming a trend in the TV industry, it will be more cost effective for the Group to have close and direct control of its marketing and sales activities which will enable TTE to closely monitor the costs involved and take appropriate cost control measures, rather than the arm's length sales agency relationship in the present agency agreements.

The MOU contemplates that a new service agreement will be entered into between Thomson and TTE in respect of certain services which will continue to be provided by Thomson, namely the after-sales and possibly the logistics services business which includes consumer call center, component sales, service contracts and parts distribution.

As part of the changes to be made to the agency model, Thomson's worldwide design and styling group (including packaging, and user interface) will also be transferred to TTE and this will give rise to changes to the existing Styling Agreement under which Thomson acts as an exclusive styling service provider for all TV products of the Group bearing "Thomson" or "RCA" trademarks.

Further, the MOU also contemplates certain modifications to the trademark license fees payable by TTE to Thomson under the Thomson Trademark Agreement pursuant to which Thomson has granted the Group the right to use certain of its registered trademarks for the manufacture and sale of TV products in certain countries. Further details of these modifications will be included in the announcement relating to the Definitive Agreements. The modification to the trademark license fee will constitute a material variation to the transactions in respect of which previous Independent Shareholders' approval was obtained and accordingly they will be subject to Independent Shareholders' approval.

ANGERS MOU

Parties: (i) Thomson S.A.
(ii) TTE Corporation

Under the existing Angers Agreement, TTE purchases TV products from the Angers Factory at a price calculated to have the consequence that TTE does not suffer any loss or make any profit from the purchase of such products. The Angers MOU contemplates that going forward Thomson will act as a subcontractor to TTE in relation to the production at the Angers Factory. The TTE Board is of the view that this subcontracting approach will be a more appropriate model for TTE as it will enable TTE to have direct control over the production cost and types of products made by the Angers Factory so that changing market demands can be more easily met. The Angers MOU also contemplates changes to the arrangement in respect of labour usage, transfer of certain business activities and Materials of the Angers Factory.

Transactions contemplated under the Angers MOU will constitute a material variation to the Angers Agreement and accordingly they will be subject to Independent Shareholders' approval. In addition, the Subcontracting Service will constitute an ongoing connected transaction of the Company and will require the approval of the Independent Shareholders as it is expected to exceed 2.5% of the Relevant Ratio. Further details of these arrangements will be included in the announcement relating to the Definitive Agreements.

OBLIGATIONS OF THE PARTIES UNDER THE MOUS

The MOUs provide that the parties will use all reasonable efforts to negotiate and finalize the Definitive Agreements by 15 May 2005 in accordance with the business principles set out therein.

DURATION OF THE MOUS

The MOUs shall become effective upon execution by the parties and shall continue in force until the earlier of:

- (a) such date as the parties to the MOUs may agree in writing to terminate the relevant MOU;
- (b) the execution of the Definitive Agreement(s) in respect of the relevant MOU; and
- (c) such date of termination as determined by a party in accordance with the provisions therein.

CONDITIONS PRECEDENT

Closing of the transactions contemplated under the MOUs and the Definitive Agreements shall be conditional upon all the conditions set forth below being satisfied on or before 30 June 2005, failing which any party may elect to terminate either of the MOUs by giving the other party or parties not less than 14 days' written notice:

- (i) approval of the transactions contemplated thereunder by the Independent Shareholders and board approval of Thomson; and
- (ii) clearances from the Stock Exchange of the documents and announcements required to be prepared and made for the transactions contemplated by the MOUs and the Definitive Agreements.

Closing of the transactions contemplated under the Sales and Marketing MOU is also conditional upon signing of the Angers MOU and vice versa.

A further announcement will be issued when the Definitive Agreements have been finalised. As the Definitive Agreements will supersede the MOUs, the independent financial advisors to be appointed by the Company in connection with the transactions contemplated under the MOUs will opine on the terms and arrangements of the transactions set out in the Definitive Agreements. The circular in respect of the transactions will only be issued after the announcement of the Definitive Agreements has been published.

The Directors believe that the MOUs were made on normal commercial terms which are fair and reasonable so far as the Company and the Shareholders are concerned.

Definition

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

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| “Angers Agreement” | the Agreement relating to operation of the Angers Factory entered into between Thomson and TTE dated 30 July 2004, a brief description thereof has been disclosed under the heading of “Angers MOU” herein |
| “Angers Factory” | the factory located at Angers, France and operated by Thomson for the production of TV products, sub-assemblies and modules |
| “Angers MOU” | the binding Memorandum of Understanding dated 21 April 2005 entered into between Thomson and TTE in respect of amending the Angers Agreement |
| “Board” | the board of Directors |
| “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 Merger Circular |
| “Company” | TCL Multimedia Technology Holdings Limited (previously known as TCL International Holdings Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Definitive Agreements” | the definitive agreements to be entered into in respect of the transactions contemplated under the MOUs |
| “Directors” | the directors of the Company |
| “EMEA Agency Agreement” | Europe, Middle East and Africa Sales and Marketing Agency Agreement entered into between Thomson and TTE dated 30 July 2004, a brief description thereof has been disclosed under the heading of “Sales and Marketing MOU” herein |
| “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 |

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| “Independent Shareholders” | in respect of a connected transaction proposed to be voted on at a general meeting of the Company, shareholders that are not required under the Listing Rules to abstain from voting to approve such connected transaction |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange from time to time |
| “Materials” | the title to and interests, risks and liabilities in all products, raw materials and works in progress at the Angers Factory |
| “Merger Circular” | the circular of the Company dated 31 May 2004 relating to the establishment of TTE |
| “MOU” | Sale and Marketing MOU or Angers MOU (as the case may be) |
| “MOUs” | the Sale and Marketing MOU and the Angers MOU |
| “NA Agency Agreement” | North America Sales and Marketing Agency Agreement entered into between TTE and Thomson Inc., a wholly owned subsidiary of Thomson, dated 30 July 2004, a brief description thereof has been disclosed under the heading of “Sales and Marketing MOU” herein |
| “Relevant Ratio” | any of the ratio (except the profits ratio) set out in Rule 14.07 of the Listing Rules |
| “PRC” or “China” | the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement |
| “Sales and Marketing MOU” | the binding Memorandum of Understanding dated 21 April 2005 entered into between Thomson, Thomson, Inc., the Company and TTE in respect of the transfer of certain activities from Thomson to TTE and other matters related thereto |
| “Share(s)” | share(s) of HK\$0.10 each in the capital of the Company |
| “Shareholder” | holder of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Styling Agreement” | Thomson Styling Services Agreement entered into between Thomson and TTE dated 30 July 2004, a brief description thereof has been disclosed under the heading of “Sales and Marketing MOU” herein |
| “Subcontracting Service” | the service to be provided by Thomson acting as a subcontractor of TTE for the manufacturing of television products, sub-assemblies and modules and supply of rework services at the Angers Factory |
| “Subject Activities” | the business activities contemplated to be transacted under the MOUs (i.e. concerning (a) the sales and marketing of the Group’s products in the U.S., Canada and Europe and (b) the operation of the Angers Factory located in France |

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| “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 which is the ultimate controlling shareholder of the Company |
| “Thomson” | Thomson S.A., a company incorporated under the laws of France, whose shares are listed on the <i>Premier Marché</i> of Euronext Paris S.A. and on the New York Stock Exchange in the form of American depository shares |
| “Thomson Trademark Agreement” | Thomson Trademark License Agreement entered into between Thomson and TTE dated 30 July 2004 |
| “Transaction Documents” | the agreements entered into pursuant to the Combination Agreement in relation to the combination of the respective TV businesses and assets of the Company and Thomson and the future operation of TTE |
| “TTE” | a company established pursuant to the Combination Agreement and currently owned by the Company and Thomson 67% and 33% respectively |
| “TTE Board” | the board of directors 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 |

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, Albert Thomas da Rosa, Junior as non-executive director and Hon Fong Ming, Wang Bing and Tang Guliang as independent non-executive directors.

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 21 April 2005

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