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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)

CONNECTED TRANSACTION

The Board is pleased to announce that on 4 July 2005, the Company and TIE-BVI, its direct wholly-owned subsidiary, entered into the Acquisition Agreement with TCL Corp, the ultimate controlling shareholder of the Company, for the acquisition of 49% equity interest in the Sales Company which controls and operates a distribution and after-sales services network in the PRC. Upon completion of the Acquisition, the Group will own the entire equity interest of the Sales Company.

The Acquisition constitutes a connected transaction of the Company under the Listing Rules. As the amount involved thereunder is less than 2.5% of the Relevant Ratio, the Acquisition is only subject to announcement and reporting requirements and does not require the approval of the Independent Shareholders in accordance with Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the circular of the Company dated 31 May 2004 relating to the combination of the respective TV businesses and assets of the Group and the Thomson Group and the establishment of TTE, the joint venture company formed between the Company and Thomson pursuant to the Combination Agreement dated 28 January 2004 (details of which are set out in the Circular). The consideration paid by the Company for acquisition of Thomson TV Business included among other things, contribution by TTE of TCL Corp's interest in the Sales Company. This gave rise to an obligation on the part of the Company to acquire the Sales Interest which has been expressly provided in the Exchange Option Agreement. The Company has obtained Shareholders' approval on 2 July 2004 for the Combination Agreement as well as the transactions contemplated thereunder including the Exchange Option Agreement which was entered into by the Company on 30 July 2004, the closing date of the Combination Agreement, in satisfaction of one of the closing conditions of the Combination Agreement.

Pursuant to the Exchange Option Agreement, the Company is required to acquire the Sales Interest before the closing of the Exchange Option for a cash consideration of €6.5 million (equivalent to about HK\$62 million). Although the Exchange Option Agreement is not conditional upon the Acquisition (the Exchange Option Agreement has been effective from 30 July 2004), it contains provision for the Acquisition as aforesaid and the closing date for the Exchange Options shall be postponed until the relevant PRC governmental approval for the Acquisition has been sought. No changes have been made to the terms of the Acquisition since the execution of the Exchange Option Agreement on 30 July 2004. The Company entered into the Acquisition Agreement with TCL Corporation on 4 July 2005 in fulfillment thereof its obligation under the Exchange Option Agreement.

The Sales Company was established on 15 August 1996 under the laws of the PRC and currently controls and operates a distribution and after-sales services network in the PRC. TIE-Huizhou, an indirect wholly owned subsidiary of the Company, currently owns 51% of the equity interest of the Sales Company which was purchased on 30 August 2001 and TCL Corp owns the remaining 49%. The Sales Interest was acquired by TCL Corp in 2002 from Independent Third Party at the original cost of about RMB61 million

(equivalent to about HK\$57 million) and at the book value of RMB14.7 million (equivalent to about HK\$13.9 million) which is equivalent to 49% of registered capital of the Sales Company as represented by the Sales Interest.

ACQUISITION AGREEMENT

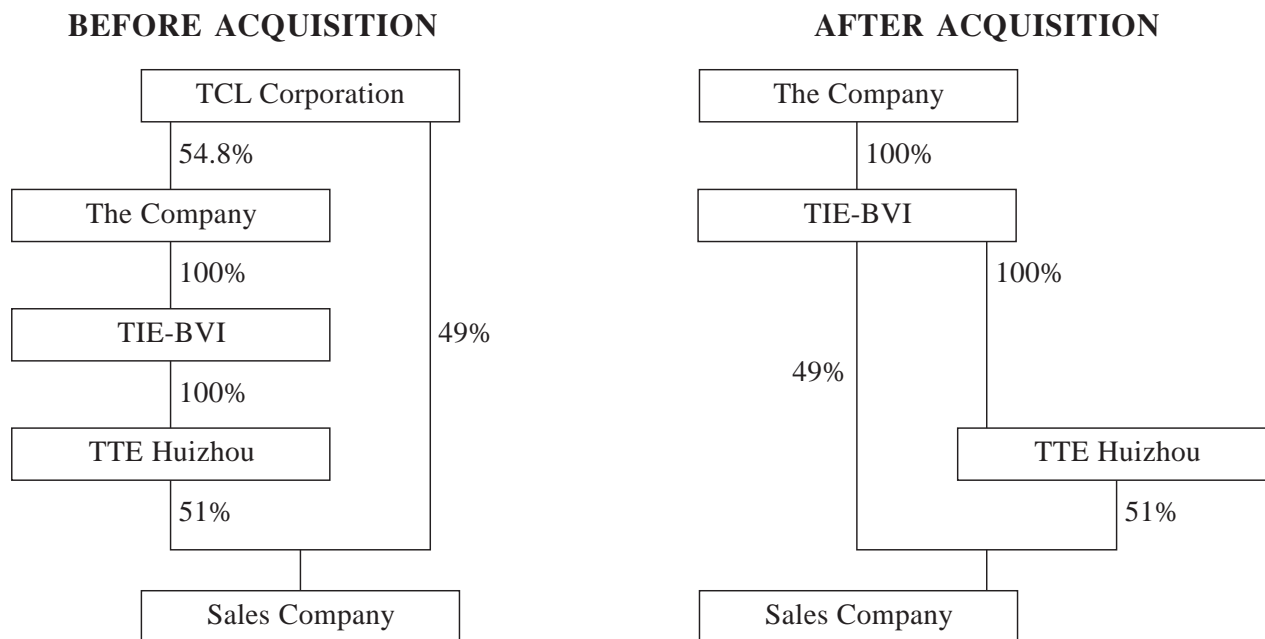
Date: 4 July 2005

Parties: (1) The Company
 (2) TCL International Electronics (BVI) Limited as the purchaser
 (3) TCL Corporation as the vendor

Transaction

Pursuant to the Acquisition Agreement, TCL Corporation, the Company's ultimate controlling shareholder, agreed to sell the Sales Interest to TIE-BVI. The Company agreed to procure TIE-BVI, its direct wholly owned subsidiary, to make such purchase and TIE-BVI joined in the Acquisition Agreement as the purchaser to purchase the Sales Interest. As the relevant PRC regulations now permit a foreign company to acquire such interests, the Company considers that it is in the interest of the Company to use TIE-BVI as the purchasing entity of the Sales Interest. Upon completion of the Acquisition, the Group will own the entire equity interest of the Sales Company.

The shareholding of the Sales Company before and after the Acquisition is as follows:



Consideration

The cash consideration for the Acquisition in the sum of €6.5 million (equivalent to about HK\$62 million) is the amount of consideration prescribed under the Exchange Option Agreement dated 30 July 2004 which was determined, as noted in the Circular, on the basis of the audited net asset value of the Sales Company as at 31 December 2003 (Please refer to the following paragraph for details of the figures). The Sales Interest form part of the Company's acquisition for Thomson's TV business in July 2004. When calculating the number of Shares to be issued to Thomson in exchange of its 33% interest in TTE in early 2004, the Sales Interest was considered to be part of the assets of the Group. Accordingly, the net asset value of the Sales Company as at 31 December 2003 was used as the basis for determining the purchase price of the Sales Interest. At the time when the consideration was determined, the Sales Company operated at a profit of about RMB10 million (equivalent to HK\$9.4 million) a year representing a price earning ratio of about

six times, which is considered as acceptable to all parties concerned. The acquisition of the Sales Interest at the aforesaid consideration is a result of negotiation between the Company and Thomson in respect of the combination of the respective TV business and assets of the Group and the Thomson Group as stipulated in the Combination Agreement. The consideration will be funded by the Company's internal resources.

The audited total asset value of the Sales Company was about RMB627 million (equivalent to about HK\$591 million) as at 31 December 2003 and was about RMB649 million (equivalent to about HK\$612 million) as at 31 December 2004. The audited net asset value attributable to the Sales Interest was about RMB40.4 million (equivalent to about HK\$38.1 million) as at 31 December 2003 and was about RMB42.4 million (equivalent to about HK\$40.0 million) as at 31 December 2004. Accordingly, the consideration of €6.5 million (equivalent to about HK\$62 million) represents a premium of about 63% and 55% respectively compared to the audited net asset value attributable to the Sales Interest as at 31 December 2003 and as at 31 December 2004 respectively. However as the Acquisition forms part of the terms of the Combination Agreement for the establishment of TTE and the Sales Interest was part of the Company's consideration for acquisition of Thomson TV Business, the terms of the Acquisitions should be viewed together with other terms of the Combination Agreement as a whole. Having taken into account the price earning ratio as reflected in the accounts of the Sales Company for the year ended 31 December 2003, the Directors (including independent non-executive Directors) consider that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole. As mentioned above, the terms of the Combination Agreement and the transactions contemplated thereunder including the Exchanged Option Agreement had been approved by the Shareholders on 2 July 2004.

For each of the two years ending 31 December 2004, the audited turnover of the Sales Company amounted to about RMB1,031 million (equivalent to about HK\$973 million) and about RMB1,207 million (equivalent to about HK\$1,139 million) respectively. The audited net profits before taxation and extraordinary items and after taxation and extraordinary items attributable to the Sales Interest for the year ended 31 December 2003 amounted to about RMB10.6 million (equivalent to about HK\$10.0 million) and about RMB9.4 million (equivalent to about HK\$8.9 million) respectively. The audited net loss before taxation and extraordinary items and after taxation and extraordinary items attributable to the Sales Interest for the year ended 31 December 2004 were both about RMB22.8 million (equivalent to about HK\$21.5 million).

Conditions Precedent

The Acquisition is conditional upon, among other things, having obtained all the necessary PRC governmental approvals required for the Acquisition. Should the conditions precedent for the Acquisition are not satisfied on or before 30 September 2005, the Acquisition Agreement will be terminated.

REASONS FOR THE ACQUISITION

The Combination Agreement stipulated the combination of the respective TV businesses and assets of the Group and the Thomson Group. The Sales Interest was initially contemplated to be one of the assets to be injected by the Group on closing of the Combination Agreement but the parties then agreed to postpone the Acquisition to a later date to allow sufficient time be made for arranging and applying for the relevant PRC governmental approval for the Acquisition.

The Company has stated in the Circular that should any agreement for the acquisition of the Sales Interest be entered into, it would make any necessary announcement and/or seek shareholders' approval pursuant to the requirements of the Listing Rules. TCL Corp is the controlling shareholder of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the amount involved thereunder is less than 2.5% of the Relevant Ratio, the Acquisition is only subject to announcement and reporting requirements and does not require the approval of the Independent Shareholders in accordance with Rule 14A.32 of Chapter 14A of the Listing Rules.

The Group now entered into the Acquisition Agreement in fulfillment of the Company's obligation under the Exchange Option Agreement. After completion of the Acquisition, the Group will hold the entire equity interest of the Sales Company and accordingly will enjoy the full benefit of the profits of the Sales Company. The Board believes that the Group's full control of the distribution and after-sales services network in the PRC established by the Sales Company will enhance the services for and the sales of the Group's products in the PRC and accordingly the overall competitiveness and profitability of the Group.

With observing the terms of the Exchange Option Agreement as prerequisite, the Acquisition Agreement was negotiated and entered into on an arm's length basis in the ordinary and usual course of business of the Group and on normal and commercial terms which, in the opinion of Directors (including independent non-executive Directors), are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE GROUP

TCL Multimedia Technology Holdings Limited is a leading multimedia consumer electronics manufacturer with a global sales network. Television is the core product of the Group. This business is operated under its 67% owned subsidiary, TCL-Thomson Electronics Corporation (TTE), the company established between the Group and Thomson S.A. in August 2004. The Group's TVs sold in Asia, Europe and North America are marketed under three key brands — "TCL", "THOMSON" and "RCA" respectively. Currently, the Group is the largest TV player in the world in terms of production and sales volume. Headquartered in China, TCL Multimedia operates highly efficient manufacturing plants and R&D centres across all major continents. In addition to TVs, the Group also manufactures PCs and AV products. 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 TCL CORPORATION

TCL Corp, the vendor of the Sales Interest, 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 2004. For further information on TCL Corp, please visit www.tcl.com.

As at the date of this announcement, the Board comprises Li Dong Sheng, Zhao Zhong Yao, Lu Zhong Li, Hu Qiu Sheng and Yan Yong 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.

DEFINITION

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

"Acquisition"	the acquisition of the Sales Interest by the Group
"Acquisition Agreement"	the agreement for sale and purchase dated 4 July 2005 entered into between the Company, TIE-BVI as the purchaser and TCL Corp as the vendor in relation to the Acquisition
"Board"	the board of directors of the Company
"Circular"	the Company's circular dated 31 May 2005 relating to the establishment of TTE

“Combination Agreement”	The combination agreement dated 28 January 2004 (together with subsequent amendments) entered into between the Company, Thomson and TCL Corp in respect of the establishment of TTE
“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
“Euro” or “€”	the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam or otherwise participates in European economic and monetary union in a manner and with similar effect to such third stage
“Exchange Option”	the irrevocable exchange option granted by the Company to Thomson under the Exchange Option Agreement
“Exchange Option Agreement”	the exchange option agreement entered into between the Company and Thomson on 30 July 2004 pursuant to the Combination Agreement, details of which are set out in the Circular
“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 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
“Independent Third Party”	a third party that is not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange from time to time
“PRC” or “China”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Relevant Ratio”	any of the ratio (except the profits ratio) set out in Rule 14.07 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the 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, in which TIE-Huizhou holds 51% interest and TCL Corp holds the remaining 49%
“Sales Interest”	the 49% equity interest in the Sales Company currently owned by TCL Corp
“Share”	Share 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
“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 Group”	Thomson and its subsidiaries
“Thomson TV Business”	the TV businesses and assets injected by Thomson into TTE pursuant to the Combination Agreement
“TIE-BVI”	TCL International Electronics (BVI) Limited (TCL 國際電子 (BVI) 有限公司), an investment holding company incorporated in the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“TIE-Huizhou”	TCL International Electronics (Huizhou) Company Limited (TCL 國際電子 (惠州) 有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a direct wholly-owned subsidiary of TIE-BVI
“TTE”	TTE Corporation, a company incorporated in the British Virgin Islands with limited liability and is owned by the Company and Thomson as to 67% and 33% respectively

For your convenience, this announcement contains translation between Euro, Hong Kong dollars and Renminbi at the rate of HK\$9.50 = €1 and HK\$1.00 = RMB1.06. The translation shall not be taken as representations that the Hong Kong dollars could actually be converted into Euro or Renminbi at that rate, or at all.

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 5 July 2005

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