

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement



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 TRANSACTIONS
NORTH AMERICA TRANSFER AGREEMENT
EUROPEAN MASTER TRANSFER AGREEMENT
CONTINUING CONNECTED TRANSACTIONS
RELATED AGREEMENTS**

Reference is made to the announcement of the Company dated 21 April 2005 relating to the signing of (a) the Sales and Marketing MOU in respect of the transfer by the Thomson Group to the TTE Group of the sales and marketing and design and styling activities in North America and Europe; and (b) the Angers MOU in respect of the operation of the Angers Factory located in France.

The Board is pleased to announce that the terms of the definitive agreements for the transactions contemplated under the MOUs have been finalized and on 12 July 2005, the Group and the Thomson Group entered into the Transfer Agreements, the closing of which is subject to the fulfillment of a number of conditions including, among other things, the execution of the Related Agreements.

Thomson is a connected person of the Company and accordingly the transactions under the Transfer Agreements and the Related Agreements will constitute connected transactions or continuing connected transactions of the Company under the Listing Rules. Since the aggregate amount to be involved under the Transactions will exceed 2.5% of the Relevant Ratio, the Transactions are subject to the requirements of reporting, announcement and approval by the Independent Shareholders in accordance with Chapter 14A of the Listing Rules. The terms of the Transactions were negotiated and were or will be 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 that, in the Directors' opinion, are fair and reasonable and in the interests of the Shareholders as a whole.

A Shareholders' circular containing, among other things, further details of the Transactions, the recommendation of the Independent Board Committee, the opinion letter from the independent financial adviser to the Independent Board Committee and the notice convening the EGM will be despatched to the Shareholders as soon as practicable.

BACKGROUND

As noted in the Company's announcement dated 21 April 2005 in respect of the signing of the MOUs, the Company has been monitoring the business development and operation of TTE since its establishment in August 2004, and is of the view that for TTE to operate more effectively, (a) sales and marketing activities should be transferred from the Thomson Group and integrated into the TTE Group to enable TTE to have more direct control over such activities; and (b) the operations of the Angers Factory should be modified to better meet the needs and interests of the parties. The Board is pleased to announce that subsequent to the signing of the MOUs on 21 April 2005, the terms of the definitive agreements for the transactions

contemplated under the MOUs have been finalized. On 12 July 2005, the Group and the Thomson Group entered into the Transfer Agreements, the closing of which is subject to the fulfillment of a number of conditions including, among other things, the execution of the Related Agreements.

Thomson is currently a connected person of the Company by virtue of its 33% interest in the existing issued share capital of TTE. It is expected that Thomson will complete its exercise of the Exchange Option in the near future. Pursuant to the Exchange Option, Thomson will exchange its 33% interest in TTE with the Company for an interest in the Company which equals the number of Shares representing 30% of the enlarged issued share capital of the Company minus one Share. The actual number of Shares to be issued upon exercise of the Exchange Option is yet to be finalized and the Company will issue another announcement in respect thereof when the parties have agreed on the closing date of the Exchange Option. Thomson will therefore become a substantial shareholder (as such term is defined in the Listing Rules) of the Company and remain a connected person of the Company by virtue of its interest in the Company upon closing of the Exchange Option. Accordingly the transactions under the Transfer Agreements and the Related Agreements will constitute connected transactions or continuing connected transactions of the Company under the Listing Rules. TCL Corporation currently holds about 54% of the Shares and is the controlling shareholder of the Company. Following completion of the Exchange Option TCL Corporation's shareholding in the Company will decrease to about 38% but it will remain the single largest Shareholder of the Company.

CONNECTED TRANSACTIONS — TRANSFER AGREEMENTS

NA Transfer Agreement

Date: 12 July 2005

Parties: (1) Thomson Inc.
(2) Thomson Multimedia Ltd.
(3) Thomson
(4) TTE Technology, Inc.
(5) TTE Technology Canada Ltd.
(6) TTE
(7) The Company

Transfer of NA Business Activities

Pursuant to the NA Transfer Agreement, Thomson NA Group will transfer to TTE the business activities comprising of the product sales, marketing and management, the design and styling activities (such as industrial design and graphics design) related to TV, which are currently performed by Thomson NA Group for TTE NA Group under the NA Agency Agreement and the Thomson Styling Services Agreement.

TTE NA Group is required to make offers of employment to the employees of Thomson NA Group primarily related to the NA Business Activities (conditional on and effective from the Closing) on same or comparable wages such employees are receiving from Thomson NA Group as of the date of offer. The parties have identified about 80 of such employees to be transferred to TTE NA Group. On Closing, such employees who choose to accept TTE NA Group's employment offer will become employees of TTE NA Group. Thomson will be responsible for all amounts due and payable to such employees (including wages, commission, untaken annual or sick leave and benefits under pension plan, etc.) before Closing and TTE NA Group will be responsible for such transferred employees' wages and other benefits during their employment with TTE NA Group after Closing. TTE NA Group will also be responsible for (a) the severance payments which may be paid to such transferred employees after Closing, including those portions that relate to the period of their employment with Thomson NA Group before Closing; and (b) the

restructuring costs relating to the severance of certain Thomson employees whom TTE NA Group does not wish to have transferred to it. The additional liabilities to be assumed by TTE NA Group in this respect are estimated to be about US\$2.6 million (equivalent to about HK\$20.28 million).

Thomson NA Group will also transfer to TTE NA Group the assets primarily related to the NA Business Activities (such as books and records, and fixtures and equipment). The consideration to be paid by TTE NA Group for such assets amounts to a monetary value of about US\$47,000 (equivalent to about HK\$366,600), which is equal to the value of such net assets at 31 May 2005 as shown in the unaudited accounts of Thomson NA Group. The consideration has been arrived at after arm's length negotiation between the parties. TTE NA Group is also required to assume certain business contracts primarily related to the NA Business Activities. The annual obligations under such contracts will amount to about US\$200,000 (equivalent to about HK\$1.56 million).

Accordingly, the total consideration under the NA Transfer Agreement amounts to about US\$2.85 million (equivalent to about HK\$22.20 million) comprising the following:

- (a) US\$2.6 million (equivalent to about HK\$20.28 million) in relation to severance costs;
- (b) US\$47,000 (equivalent to about HK\$366,600) for transfer of the assets primarily related to the NA Business Activities to be paid by TTE to Thomson; and
- (c) US\$200,000 (equivalent to about HK\$1.56 million) for which TTE will be responsible for the assumed certain business contracts primarily related to the NA Business Activities.

The NA Transfer Agreement will give rise to termination of the NA Agency Agreement and the Thomson Styling Services Agreement. (Please also refer to the paragraphs under the heading "TTE Styling Agreement" below for the existing and new arrangement of styling activities.)

Conditions

The respective obligations of each party to the NA Transfer Agreement are subject to the satisfaction or waiver of, among other things, the following conditions on or prior to the Closing Date:

- (a) the Transactions have been approved by the Independent Shareholders;
- (b) all government and regulatory approvals required to consummate the transactions contemplated under the NA Transfer Agreement have been obtained; and
- (c) execution of the Related Agreements.

The closing of the transactions contemplated under the NA Transfer Agreement will occur simultaneously with the closing of the European Master Transfer Agreement (please refer to the paragraphs under the heading "Conditions" in the section headed "European Master Transfer Agreement" below).

Closing is expected to take place on or by 9 September 2005.

Termination

The NA Transfer Agreement may be terminated by the Group or the Thomson Group at any time prior to the Closing Date if:

- (a) Closing has not occurred by 31 October 2005; or
- (b) any order issued by a court or governmental authority restrains or prohibits the Closing and such order has become final and non-appealable.

European Master Transfer Agreement

Date: 12 July 2005

Parties: (1) The Company
(2) TTE
(3) Thomson

Transfer of Europe Business Activities

The European Master Transfer Agreement, provides for the transfer from Thomson Europe Group to the TTE Group of the product sales, marketing and management, design, logistics and styling activities related to TV that are currently performed by Thomson Europe Group under the EMEA Agency Agreement and the Thomson Styling Services Agreement.

In connection with the transfer of the Europe Business Activities, Thomson Europe Group will transfer to the TTE Group those Thomson employees who are: (a) employees of the Transferred Entities; (b) persons subject to automatic transfers, in connection with the transactions contemplated in the European Master Transfer Agreement, pursuant to the applicable laws of any member state of the European Union or any other relevant jurisdictions; and (c) persons who have accepted individual offers of employment from the TTE Group.

The parties have identified about 325 such employees of Thomson Europe Group who are currently expected to be transferred to the TTE Group. The arrangement of such offers and the split of liabilities in relation thereto before and after Closing is similar to the arrangement under the NA Transfer Agreement. From and as of the Closing Date, TTE will assume all liabilities and obligations with respect to the employees so transferred including severance payments covering portions that relate to the period of their employment with Thomson Europe Group after Closing. The obligations with respect to severance payment are estimated to be about €5 million (equivalent to about HK\$50 million). In addition, in respect of redundancies of employees who refuse TTE Group's offer of employment and whose employment is terminated as a result, TTE will assume (i) the minimum dismissal costs incurred by Thomson pursuant to applicable laws and collective bargaining agreements and (ii) the severance costs, up to €1 million (equivalent to about HK\$10 million) in aggregate, incurred by Thomson (with TTE's prior approval if such incurrence is outside Thomson's standard practice) above such minimum dismissal costs.

Thomson Europe Group will also transfer to the TTE Group the assets primarily related to the Europe Business Activities. Such assets will comprise certain fixtures and equipment in addition to equity interest in the Transferred Entities. The Transferred Entities are primarily related to the Europe Business Activities and all located in Europe and consist of three Transferred New Entities and one Transferred Existing Entity. To implement the intended transfer contemplated under the European Master Transfer Agreement, Thomson will transfer certain assets, liabilities and personnel from Thomson Europe Group to the Transferred New Entities. On Closing, TTE is required to pay Thomson €541,000 (equivalent to about HK\$5.41 million) for consideration of the acquisition of the Transferred Entities, which represents the net asset value in the Transferred Entities as shown in the unaudited accounts of Thomson Europe Group as at 31 May 2005. Thomson is required to pay TTE €2.49 million (equivalent to about HK\$24.9 million), which represents the value of assumed liabilities of about €11.87 million (equivalent to about HK\$118.7 million) in excess of the assets of about €9.38 million (equivalent to about HK\$93.8 million). Accordingly on Closing, Thomson will pay TTE a net amount of about €1.95 million (equivalent to about HK\$19.5 million). If the value of the shares, assets and liabilities transferred as at the Closing Date as shown in the closing accounts (to be made available within 45 days from the Closing Date) is different from the value as set out above, adjustment to the consideration paid is required to be made on an Euro for Euro basis and interest will be payable by the paying party for the adjustment sum from the date on which the adjustment sum is determined to the date of payment of the adjustment sum.

Accordingly, the total consideration under the European Master Transfer Agreement amounts to about €8.49 million (equivalent to about HK\$84.9 million) comprising the following:

- (a) about €5 million (equivalent to about HK\$50 million) for which TTE will be responsible in respect of the obligations with respect to transferred Thomson employees relating to severance payment;
- (b) a maximum of €1 million (equivalent to about HK\$10 million) for which TTE will be responsible in respect of obligations relating to redundancy of employees who are terminated by Thomson; and
- (c) €2.49 million (equivalent to about HK\$24.9 million) in respect of the amount required to be paid by Thomson to TTE for the difference of assets and assumed liabilities (the actual payment will be €1.95 million (equivalent to about HK\$19.5 million) as mentioned above after deduction of €541,000 (equivalent to about HK\$5.41 million) for consideration of the acquisition of the Transferred Entities).

The European Master Transfer Agreement will give rise to termination of the EMEA Agency Agreement and the Thomson Styling Services Agreement.

Conditions

It is a condition precedent for the European Master Transfer Agreement becoming effective that the Related Agreements are in the forms agreed between the Group and the Thomson Group.

The respective obligations of each party to the European Master Transfer Agreement are also subject to the satisfaction or waiver of, among other things, the following conditions on or prior to the Closing Date:

- (a) the Transactions have been approved by the Independent Shareholders;
- (b) all government and regulatory authorities approvals required to consummate the transactions contemplated under the European Master Transfer Agreement have been obtained;
- (c) execution of the Related Agreements; and
- (d) each of certain Thomson French employees required to be retained with Thomson has accepted an offer of employment from the Thomson Group and none of them has accepted an offer of employment from the TTE Group.

Unless the parties agree otherwise, the closing of the transactions contemplated under the European Master Transfer Agreement will occur simultaneously with and will be conditional on the Closing of the NA Transfer Agreement.

Termination

The terms for terminating the European Master Transfer Agreement by the Group or the Thomson Group are the same as those under the NA Transfer Agreement.

As mentioned above, the assets to be acquired under the Transfer Agreements will be transferred to the TTE Group from various entities within the Thomson Group. Accordingly, audited figures are not available for the acquisition as a whole.

RELATED AGREEMENTS

The obligations of the parties to the Transfer Agreements are subject to the fulfillment of a number of conditions including, among other things, the execution of the following Related Agreements:

- (1) Amended Angers Agreement;
- (2) Trademark Agreement Amendment;
- (3) Reimbursement Agreement Amendment;
- (4) NA Service Agreement;
- (5) Thomson Laboratory Agreement;
- (6) Thomson Europe After Sales Agreement;
- (7) TTE Logistics Agreement; and
- (8) TTE Styling Agreement.

The Related Agreements as mentioned above will be executed on or before the Closing Date in fulfillment of one of the conditions for the Closing and will only become effective from the Closing Date. The Company will issue a separate announcement in respect of the Closing and the execution of the Related Agreements.

Reimbursement Agreement Amendment

Under the Reimbursement Agreement, Thomson agreed to reimburse the TTE Group up to €33 million (equivalent to about HK\$330 million) of restructuring costs incurred by TTE within the first two years of the Merger Closing Date in relation to the TV business contributed by it to TTE. In consideration for the overall balance of the Transactions, Thomson has agreed in the Reimbursement Agreement Amendment to increase the amount eligible for reimbursement by €5 million (equivalent to about HK\$50 million) to a total of €38 million (equivalent to about HK\$380 million). Such increase was a result of arm's length negotiation between the parties in relation to the estimated restructuring costs to be incurred by TTE under the Transfer Agreements and the Related Agreements. In particular, the severance payment and other expenses related to the transfer of employees to TTE under the Transfer Agreements required an increase in the amount eligible for reimbursement. All other material terms of the Reimbursement Agreement will remain unchanged.

CONTINUING CONNECTED TRANSACTIONS

Save for the Reimbursement Agreement Amendment, the Related Agreements will constitute Continuing Connected Transactions of the Company.

(1) Amended Angers Agreement

Parties: (1) Thomson
(2) TTE

The Existing Angers Agreements has a term of five years from 30 July 2004, the date of the agreement, under which TTE purchases TV products from the Angers Factory at a price calculated so that TTE does not suffer any loss or make any profit from the purchase of such products. (Please refer to the Merger Circular for further details.) Under the Amended Angers Agreement, Thomson will act as a subcontractor to TTE for the manufacturing of TV products, sub-assemblies and modules and supply of rework services at the Angers Factory. The proposed arrangement is intended to give both Thomson and the Company greater flexibility to meet changing market demands.

The Amended Angers Agreement will give rise to the following material variation to the Existing Angers Agreement:

- (a) Instead of selling TV products by Thomson to TTE on the basis as mentioned above. Thomson will now provide the Subcontracting Service at the Angers Factory to TTE at an hourly rate consistent with the production cost structure currently in use at the Angers factory. A minimum order of Subcontracting Service in terms of hours per semester will be guaranteed by TTE.
- (b) Under the Existing Angers Agreement, TTE had no right to influence or direct operations at the Angers Factory. Pursuant to the Amended Angers Agreement, however, Thomson will provide TTE flexibility (such as work time modulation, two shifts days organization) to match TTE's order for the Subcontracting Service.
- (c) Thomson will transfer to TTE the title to and interests, risks and liabilities in all products, raw materials, works in progress at the Angers Factory and all liabilities associated therewith. All Materials ordered prior to 30 July 2004 will be transferred at a price to be negotiated between the parties on arm's length basis at market value. Materials ordered after 30 July 2004 will be transferred based on either the net book value or the historical value of such Materials.
- (d) Thomson will also transfer to TTE certain business activities including material procurement, material financing controlling and the customer services interface in relation to the Angers Factory which will involve the transfer of 14 Thomson employees to TTE.
- (e) TTE will pay to Thomson a total amount of €20 million (equivalent to HK\$200 million) spreading over 5 years ranging from €6 million (equivalent to about HK\$60 million) in 2005 to €2 million (equivalent to about HK\$20 million) in 2009 to cover the reorganisation costs incurred in connection with having an operation model of Angers Factory acceptable to the parties.
- (f) On a quarterly basis over a five-year period, Thomson will pay to TTE an amount corresponding to the difference between the production cost structure in use at the Angers Factory and the production cost structure in use at the European factory operations previously transferred to TTE pursuant to the Combination Agreement, which amount is not expected to exceed an average of €3.7 million (equivalent to about HK\$37 million) per quarter.

Save for the modification as aforesaid, other major terms of the Existing Angers Agreement (including those relating to acquisition of new assets as mentioned in the Merger Circular) remain unchanged. The transactions contemplated under the Amended Angers Agreement will constitute a material variation to the Existing Angers Agreement in respect of which previous Independent Shareholders' approval was obtained and accordingly they will be subject to Independent Shareholders' approval. In addition, given the Subcontracting Service will constitute a continuing connected transaction of the Company and the fee payable thereunder on annual basis will exceed 2.5% of the Relevant Ratio, approval of the Independent Shareholders is required for the Amended Angers Agreement which will supersede the Existing Angers Agreement under the Listing Rules.

Commerzbank, the independent financial adviser of the Company, will opine on the term of the Amended Angers Agreement which will supersede the Existing Angers Agreement and the Trademark Agreement, as amended by the Trademark Agreement Amendment (described below) in accordance with Rule 14A.35 of the Listing Rules, as these agreements will be for a term in excess of three years.

(2) Trademark Agreement Amendment

Parties: (1) Thomson as licensor
(2) TTE as licensee

Under the Trademark Agreement, Thomson granted to TTE and certain of its subsidiaries for a 20-year term a non-sub-licensable and non-transferable license to use certain of Thomson's registered trademarks including Thomson A Brands and related sub-brands "Thomson", "RCA", "Scenium" and "LiFE" and Thomson B Brand "SABA" for the manufacture and sale of TV products in certain countries in the North America, Europe and other regions.

The royalties payable under the Trademark Agreement are linked with the performance of the TTE Group and calculated by reference to the net sales of TV products and the applicable royalty rates. The base rates are 0.5%, 1% or 2% for Thomson A Brands and 0.25%, 0.5% or 1% for Thomson B Brand, depending on whether the consolidated EBIT margin of the TTE Group for the applicable year falls under 3%, between 3% and 6%, or 6% or over, respectively. The Trademark Agreement provides that on termination of the NA Agency Agreement and the EMEA Agency Agreement the base rates will be increased by 0.5% for Thomson A Brands and 0.25% for Thomson B Brand. The reason for the increase is to compensate Thomson for loss of revenue resulting from termination of the agency agreements. However, no base rate is payable by TTE to Thomson prior to the second anniversary of the Merger Closing Date.

The Trademark Agreement Amendment provides that Thomson will charge TTE a margin rate (in addition to the base rate) of 0.4% and 0.2% for Thomson A Brands and Thomson B Brand, respectively, for the period from 21 July 2005 to 21 April 2008 and thereafter the margin rate so charged will be the same as that originally stipulated (that is 0.5% for Thomson A Brands and 0.25% for Thomson B Brand). Notwithstanding the waiver of the base rate until the second anniversary of the Merger Closing Date, the margin rate is payable during all periods. The Transfer Agreements will terminate the NA Agency Agreement and the EMEA Agency Agreement and Thomson will no longer receive agency fees from TTE. The margin rate will be used to compensate Thomson for the early termination of the agency agreements. In its current form, the Trademark Agreement already provides that the base rate will be increased upon termination of the agency agreements. The margin rate to be charged pursuant to the Trademark Agreement Amendment is a more favorable rate for TTE than the increased base rate as contemplated under the Trademark Agreement. The Directors (including the independent non-executive Directors) are of the view that the terms of the Trademark Agreement Amendment are fair and reasonable.

Save as aforesaid, the major terms of the Trademark Agreement remain unchanged. The aforesaid will constitute a material variation to the Trademark Agreement in respect of which previous Independent Shareholders' approval was obtained and accordingly the Trademark Agreement, as amended by the Trademark Agreement Amendment will be subject to Independent Shareholders' approval.

(3) NA Service Agreement

Parties: (1) TTE
(2) Thomson Inc.

As the product after-sales and logistics activities under the NA Agency Agreement will not be transferred to TTE but will continue to be provided by Thomson NA Group for TTE, TTE will appoint Thomson Inc. under NA Service Agreement as its service provider to provide after-sales, logistics and other services in the U.S. and Canada with respect to TV and related products of the TTE Group sold or designated to be sold in the North America. The after-sales services will be provided on an exclusive basis whereas the logistics services and other services will be provided on a non-exclusive

basis. TTE will pay to Thomson Inc. all costs and expenses incurred by Thomson for the provision of the services under the agreement at cost. The agreement will take effect on the Closing Date and continue in force for a term of three years unless terminated earlier by the parties thereto in accordance with the provisions therein. However, TTE will have the sole option to renew the agreement on the same terms for an additional 12 to 18 months by giving notice of not less than three months to Thomson prior to the expiry of the term.

(4) Thomson Laboratory Agreement

Parties: (1) Thomson Inc.
(2) TTE Technology, Inc.

TTE Technology Inc. and Thomson Inc. will enter into the Thomson Laboratory Agreement under which TTE Technology Inc. will appoint Thomson Inc., as an independent contractor on a non-exclusive basis, to provide the laboratory services for TV and related products being developed by or for the TTE research and development laboratory located in North America. The service fee will be charged by Thomson Inc. at cost. However, TTE will be required to commit to a minimum service in the amount of US\$500,000 (equivalent to about HK\$3.9 million) each year to cover the fixed costs for the service to be provided thereunder. The agreement will be effective on the Closing Date and continue in force for a term of two years unless terminated earlier by the parties thereto in accordance with the provisions therein.

(5) Europe After Sales Agreement

Parties: (1) TTE
(2) Thomson Sales Europe

As the product after-sales activities under the EMEA Agency Agreement will not be transferred to TTE but will be continued to be provided by Thomson Sales Europe, TTE will appoint Thomson Sales Europe, a wholly-owned subsidiary of Thomson, under Europe After Sales Agreement as its exclusive service provider to provide after-sales services (including consumer inquiries, warranty management, repair and rework, service contracts and E-business) with respect to TV and related products of the TTE Group sold or designated to be sold in certain European countries.

The after-sales services of warranty management, repair and rework and service contracts performed by Thomson Sales Europe for products bearing Thomson A Brands or Thomson B Brand in such countries will be free of charge. Whereas for products not bearing Thomson A Brands or Thomson B Brand will be charged by Thomson at a rate to be mutually agreed by parties on a case by case basis which is expected to be not less favourable than those offered to an independent third party. The fee for providing the services of consumer inquiries and E-business will be entirely borne by TTE at cost.

The agreement will be effective on the Closing Date and continue in force for a term of three years unless terminated earlier by the parties thereto in accordance with the provisions therein. However, TTE will have the sole option to renew the agreement on the same terms for an additional 12 to 18 months by giving notice of not less than 6 months to Thomson prior to the expiry of the term.

(6) TTE Logistics Agreement

Parties: (1) TTE
(2) Thomson Sales Europe

Under the Logistics Agreement, TTE will provide to Thomson Sales Europe logistics management services (including management and follow-up of the performance of logistics contracts, management of logistics costs savings programs and re-engineering projects initiated by Thomson) with respect to audio and/or video products (other than TVs) and other products of Thomson sold or designated to be sold in Europe and some other countries.

Thomson Sales Europe will pay to TTE a service fee of €240,000 (equivalent to HK\$2.4 million) per year charged at cost. The agreement will be effective on the Closing Date and continue in force until 31 December 2008 unless terminated earlier by the parties thereto in accordance with the provisions therein. Commerzbank will opine on the term of the agreement as its term will be in excess of three years.

(7) TTE Styling Agreement

Parties: (1) Thomson
(2) TTE

Currently Thomson provides styling services to TTE under the existing Thomson Styling Services Agreement (detail of which are set out in the Merger Circular). After Closing, the design and styling activities will be transferred to the TTE Group and under the Styling Agreement, Thomson will engage the TTE Group as an independent contractor, on a non-exclusive basis, to provide to the Thomson Group the styling services (such as industrial design, design development, strategic design and graphic design) for and with respect to Thomson's products. The service fee will be charged by TTE at cost. The agreement will be effective on the Closing Date and continue in force for a term of one year.

The Styling Agreement will give rise to termination of the Thomson Styling Services Agreement on the Closing Date.

Caps for Continuing Connected Transactions

The Board expects that the amounts to be involved under the following Continuing Connected Transactions will not exceed the following cap amounts for the three years ending 31 December 2007:

	The annual cap amount for the financial		
	year ending 31 December		
	2005	2006	2007
	HK\$'000,000	HK\$'000,000	HK\$'000,000
Continuing Connected Transactions			
(1) Amended Angers Agreement	334.5	349.2	319.8
(2) Trademark Agreement Amendment	72.0	190.8	235.0
(3) NA Service Agreement	24.2	49.9	51.5
(4) Thomson Laboratory Agreement	2.2	4.3	2.2
(5) Europe After Sales Agreement	1.0	1.0	1.0
(6) TTE Logistics Agreement	1.3	2.5	2.5
(7) TTE Styling Agreement	8.0	10.7	N/A

The caps for the Subcontracting Service under the Amended Angers Agreement were determined based on (a) the minimum amount of hours committed to by TTE, which is about 332,000 hours a year in average at an hourly rate equal to the production cost structure currently in use at the Angers Factory and (b) the reorganisation costs to be incurred by TTE. The hourly rate to be charged will not be less favourable to the TTE Group than to an independent third party. The commitment for the three years ending 31 December 2007 is estimated to be about 370,000 hours, 400,000 hours and 375,000 hours respectively.

The caps for the Trademark Agreement Amendment were determined based on the estimated turnovers of the TTE Group for each of the three financial years ending 31 December 2007 and the expected increase of sales of about 5% for the period under review as a result of (i) the change of the operation model of the sales and marketing activities under the Transfer Agreements and (ii) expected market conditions, which is that a steady demand for TV products is anticipated by the Board based on its experience in industry and knowledge of the relevant markets. The variation in the fees payable in the 2005 and 2006 financial years is also due to the fact that (a) the payment of base fee as disclosed above has been waived until July 2006; and (b) the payment of margin rate will only commence from July 2005.

For the remaining Continuing Connected Transactions, the fees will be charged at cost at a rate no less favourable to the TTE Group than to an independent third party. The caps for the Continuing Connected Transactions are determined based on to the costs and the expected amount of the services to be involved thereunder after taking into account the amount of service required by the TTE Group as a result of the change of operation model of the sales and marketing activities under the Transfer Agreements. When determining the expected level or volume of services required, the Company has taken into account relevant factors such as the expected turnovers based on its experience in industry and knowledge of the relevant markets, the needs of the TTE Group for the relevant services under the new operation model in respect of the sales and marketing activities and the availability of other service providers.

As each of the NA Service Agreement, Thomson Laboratory Agreement and TTE Logistics Agreement will be entered into in the second half of 2005, the transaction volume in relation thereto for the year 2005 is expected to be about half of that for year 2006. The cap amount for the year 2007 has assumed a steady increase in turnover of the business of TTE Group.

The Thomson Laboratory Agreement has a term of two years. The annual cap amount for 2007 is expected to be half of that for 2006 because the agreement will expire in mid 2007.

Besides the Amended Angers Agreement, the Continuing Connected Transactions will be charged at cost, and no payment schedule will be involved. The fees charged, however, will be payable upon issuance of an invoice.

The terms of the Transactions have been negotiated and were or will be 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 the Directors (including independent non-executive Directors), are fair and reasonable and in the interests of the Shareholders as a whole.

The Company will comply with the rules in relation to annual review of the Continuing Connected Transactions as set out in Rules 14A.37 to 14A.41 of the Listing Rules.

Upon any variation or renewal of the above agreements, the Company will comply in full with the applicable requirements set forth in Chapter 14A of the Listing Rules.

If TTE exercises its sole option to renew any of the NA Service Agreement and the Europe After Sales Agreement upon expiry of the initial term of three years, the Company will comply with the requirements of reporting, announcement and approval by the Independent Shareholders, if necessary, in accordance with Chapter 14A of the Listing Rules.

For those transactions having a term exceeding three years, that is the Amended Angers Agreement, the Trademark Agreement as amended by the Trademark Agreement Amendment and TTE Logistics Agreement, the Company will re-comply with the requirements of reporting, announcement and approval by the Independent Shareholders, if necessary, in accordance with Chapter 14A of the Listing Rules after 31 December 2007.

REASONS AND BENEFITS FOR THE TRANSACTIONS

Currently, the sales and marketing activities in North America and Europe in respect of the Group's products are undertaken by the Thomson Group for the TTE Group under the NA Agency Agreement and the EMEA Agency Agreement. After Closing, such activities will be transferred to the TTE Group and TTE will have direct control over such activities.

The Board considers that in a fast changing business environment with specialization of sales force becoming a trend in the TV industry, it is important to emphasize customer relationship and reduce dependence on third party service providers. Accordingly establishing a fully dedicated sales force is important for the development of TTE's business. The Board believes that it will be more cost effective for TTE to have close and direct control of its marketing and sales activities. Moreover, having direct control over the market and sales operation will enable TTE to more effectively implement its strategic and operational objectives, as well as to better oversee pricing and program administration and manage customer mix and internal cost structure.

The total consideration for the Transferred Agreements is about HK\$107 million. Although TTE is required to pay wages and other employment benefits after Closing to the employees to be transferred from Thomson, the agency fee for sales and marketing activities of the Group's products in North America and Europe will no longer be payable after Closing. TTE believes that it will realize cost savings in the long run as a result of the transactions contemplated under the Transfer Agreements. More important, the transactions will give TTE a direct control over its sales and Marketing activities as mentioned above.

COMPLIANCE WITH THE LISTING RULES

Thomson is a connected person of the Company by virtue of its 33% interest in the existing issued share capital of TTE. It is expected that Thomson will complete its exercise of the Exchange Option in the near future. Pursuant to the Exchange Option, Thomson will exchange its 33% interest in TTE into an interest in the Company which equals to such number of Shares representing 30% interest in the enlarged issued share capital of the Company minus one Share. The issue and allotment of Shares which fall to be issued to Thomson upon exercise of the Exchange Option was approved by the Shareholders on 2 July 2004 and upon the completion of the exercise, Thomson will become a substantial shareholder and remain a connected person of the Company by virtue of its interest in the Company upon closing of the Exchange Option. Accordingly, the transactions under the Transfer Agreements and the Related Agreements will constitute connected transactions or continuing connected transactions of the Company under the Listing Rules. The Transactions as a whole in aggregate will exceed 2.5% of the Relevant Ratio and accordingly will be subject to the requirements of reporting, announcement and the Independent Shareholders' approval in accordance with Chapter 14A of the Listing Rules.

EGM AND SHAREHOLDERS' CIRCULAR

As the aggregate amount to be involved in the Transfer Agreements and Related Agreements will exceed 2.5% of the Relevant Ratio, the Transactions are subject to the requirements of reporting, announcement and the Independent Shareholders' approval in accordance with Chapter 14A of the Listing Rules. An EGM will be convened as soon as practicable at which ordinary resolution(s) will be proposed and voted by way of poll in order to approve the Transactions. In the event that the exercise of the Exchange Option is completed prior to the EGM and Thomson is a shareholder of the Company at the time of the EGM, in view

of the interest of Thomson in the Transactions, Thomson and its associates are required to abstain from voting at the EGM in respect of the said resolution(s). The Independent Board Committee has been formed to advise the Independent Shareholders on whether or not the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Commerzbank has been appointed as independent financial adviser to advise the Independent Board Committee in respect of the terms of the Transactions.

A Shareholders' circular containing, among other things, further details of the Transfer Agreements and Continuing Connected Transactions, the letter from the independent board committee and an opinion from Commerzbank together with the notice convening the EGM will be despatched to Shareholders as soon as possible.

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 THE THOMSON GROUP

Thomson (Euronext Paris: 18453; NYSE: TMS) provides technology, systems and services to help its Media & Entertainment clients — content creators, content distributors and users of its technology — realize their business goals and optimize their performance in a rapidly changing technology environment. The Group intends to become the preferred partner to the Media & Entertainment Industries through its Technicolor, Grass Valley, RCA and Thomson brands. For more information: www.thomson.net. (The information that appears in this website does not form part of this announcement.)

Thomson Inc. is the American subsidiary of Thomson, S.A. that serves the media and entertainment industries with a variety of services, products, and technologies. Through its Technicolor line of services, Thomson offers post-production, film printing, DVD replication, and distribution to Hollywood studios, game developers, and technology companies. Thomson's Grass Valley line of professional broadcast equipment is utilized by broadcasters and network operators to gather, manage, and distribute high-value entertainment and sports content. The company's Access Platforms and Gateways division provides key technologies and set-top receivers for network operators who distribute information and entertainment. Thomson's Connectivity division links together access devices in the consumer's home, with audio/video, home networking, and residential telephone solutions.

TTE Technology, Inc. is a subsidiary of TTE, a joint venture between TCL and Thomson and a leading global television enterprise. Established in July 2004, TTE specializes in the R&D, manufacturing, and sales and marketing of television products. TTE offers a complete range of television products — from budget to premium, from basic features to high-end innovation, from analog to digital technology. TTE employs a highly-skilled workforce of over 29,000 personnel in five profit centers, five R&D centers and ten manufacturing plants around the world.

Thomson Sales Europe purchases and sells consumer electronics goods and related services.

DEFINITION

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

“Agency Agreements”	the NA Agency Agreement and the EMEA Agency Agreement
“Amended Angers Agreement”	Amended and Restated Angers Agreement to be entered into between Thomson and TTE
“Angers Factory”	the factory operated by Thomson for the production of TV products, sub-assemblies and modules and located at Angers, France
“Angers MOU”	the binding memorandum of understanding dated 21 April 2005 entered into between Thomson and TTE in respect of amending the Existing Angers Agreement
“Board”	the board of Directors
“Closing Date”	the fifteenth business day after the day on which all the conditions precedent for the Closing have been satisfied or waived or such other date as the Group and Thomson Group may agree
“Closing”	the closing of the transactions contemplated under the Transfer Agreements
“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
“Continuing Connected Transactions”	the transactions contemplated under the Related Agreements (save for Reimbursement Agreement Amendment as it is an one-off connected transaction)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among others, the Transactions
“EMEA Agency Agreement”	Europe, Middle East and Africa Sales and Marketing Agency Agreement dated 30 July 2004 entered into between TTE and Thomson
“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
“Europe After Sales Agreement”	Europe After Sales Services Agreement to be entered into between TTE and Thomson Sales Europe at Closing
“Europe Business Activities”	the product sales, marketing and management activities for TV that are currently performed by Thomson Europe Group under the EMEA Agency Agreement

“European Master Transfer Agreement”	European Master Transfer Agreement dated 12 July 2005 entered into among the Company, TTE and Thomson
“Exchange Option”	the exchange of shares between the Company and Thomson as contemplated under the Exchange Option Agreement
“Exchange Option Agreement”	Exchange Option Agreement dated 30 July 2004 entered into between the Company and Thomson pursuant to the Combination Agreement, details of which are set out in the Merger Circular dated 30 July 2004
“Existing Angers Agreement”	the Agreement relating to operation of the Angers Factory dated 30 July 2004 entered into between Thomson and TTE, details of which are set out in the Merger 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 Board Committee”	a board of committee comprising the 3 independent non-executive Directors having been appointed to advise the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	in respect of a connected transaction and continuing 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 transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange from time to time
“Materials”	the title to, interests, risks and liabilities in all products, raw materials, works in progress at the Angers Factory
“Merger Circular”	The circular of the Company dated 31 May 2004 relating to the Combination Agreement and establishment of TTE
“Merger Closing Date”	30 July 2004, the closing date of the Combination Agreement for the establishment of the joint venture company, TTE
“MOUs”	the Sales and Marketing MOU and the Angers MOU
“NA Agency Agreement”	North America Sales and Marketing Agency Agreement dated 30 July 2004 entered into between TTE and Thomson Inc., a wholly owned subsidiary of Thomson, details of which are set out in the Merger Circular
“NA Business Activities”	the business activities comprising of: (a) the product sales, marketing and management activities; and (b) the design and styling activities, which are currently performed by Thomson NA Group for TTE NA Group
“NA Service Agreement”	North America Services Agreement to be entered into between TTE and Thomson at Closing
“NA Transfer Agreement”	North America Transfer Agreement dated 12 July 2005 entered into among Thomson Inc., Thomson Multimedia Ltd., Thomson, TTE Technology, Inc., TTE Technology Canada Ltd., TTE and the Company

“Related Agreements”	With respect to the NA Transfer Agreement, the NA Service Agreement and the Thomson Laboratory Agreement, and with respect to the European Master Transfer Agreement, the Amended Angers Agreement, the Reimbursement Agreement Amendment, the Trademark Agreement Amendment, the Europe After Sales Agreement, the TTE Logistics Agreement and the TTE Styling Agreement
“Relevant Ratio”	any of the five ratios set out in Rule 14.07 of the Listing Rules which are relevant in categorizing the Transactions (for the purpose of categorizing the connected transactions or the continuing connected transactions, the profit ratio is not applicable)
“Reimbursement Agreement”	Restructuring Cost Reimbursement Agreement dated 30 July 2004 entered into between TTE and Thomson, details of which are set out in the Merger Circular Amendment
“Reimbursement Agreement Amendment”	Amendment to the Restructuring Cost Reimbursement Agreement to be entered into between TTE and Thomson at Closing
“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(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontracting Service”	the service to be provided by Thomson acting as a subcontractor of TTE for the manufacturing of TV products, sub-assemblies and modules and supply of rework services at the Angers Factory pursuant to the Amended Angers Agreement
“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 depositary shares
“Thomson Europe Group”	Thomson and its certain subsidiaries in Europe
“Thomson Group”	Thomson and its subsidiaries
“Thomson Laboratory Agreement”	Laboratory Services Agreement to be entered into between Thomson and TTE Technology, Inc. at Closing
“Thomson NA Group”	Thomson and its certain subsidiaries in North America
“Thomson Sales Europe”	a company incorporated under the laws of France, previously registered under the corporate name “Thomson Multimedia Sales Europe” and a wholly-owned subsidiary of Thomson
“Thomson Styling Services Agreement”	Thomson Styling Services Agreement dated 30 July 2004 entered into between Thomson and TTE under which Thomson is appointed by TTE as its exclusive provider of certain styling services, details of which are set out in the Merger Circular
“Trademark Agreement Amendment”	Amendment to Thomson Trademark License Agreement to be entered into between Thomson and TTE at Closing

“Trademark Agreement”	Thomson Trademark License Agreement dated 30 July 2004 entered into between Thomson and TTE, details of which are set out in the Merger Circular
“Transactions”	the transactions contemplated under the Transfer Agreements and the Related Agreements (including the Reimbursement Agreement Amendment)
“Transfer Agreements”	the NA Transfer Agreement and the European Master Transfer Agreement
“Transferred Entities”	the Transferred Existing Entity and the Transferred New Entities
“Transferred Existing Entity”	the existing subsidiary of Thomson which is to be transferred to TTE pursuant to the European Master Transfer Agreement
“Transferred New Entities”	the newly incorporated subsidiaries of Thomson which are to be transferred to TTE pursuant to the European Master Transfer Agreement
“TTE”	a company established pursuant to the Combination Agreement and currently owned by the Company and Thomson 67% and 33% respectively
“TTE Group”	TTE and its current or future subsidiaries or affiliates
“TTE Logistics Agreement”	Logistics Management Agreement to be entered into between TTE and Thomson Sales Europe at Closing
“TTE NA Group”	TTE and its certain subsidiaries in North America
“TTE Styling Agreement”	TTE Styling Services Agreement to be entered into between Thomson and TTE at Closing
“TV”	Any apparatus (with or without accompanying sound reproduction apparatus) primarily for the reception and display of full motion visual images for visual observation (including the reception, transmission or display components thereof)
“US\$”	United States dollars, the lawful currency of 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 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.

For your convenience, this announcement contains translation between Hong Kong dollars and Euro/US dollars at the rate of HK\$10 = €1 (based on the average exchange rate in the past year) and HK\$7.8 = US\$1. The translation shall not be taken as representations that the Hong Kong dollars amount could actually be converted into Euro or US dollars at that rate, or at all.

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 12 July 2005

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