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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 26 July 2005, the Company, entered into a sale and purchase agreement with the Vendor to purchase the Assets at a consideration initially set at US\$10,000,000 (equivalent to approximately HK\$78,000,000), subject to adjustments by reference to the Final Valuation as described below with a maximum potential upward adjustment of the consideration to US\$11,000,000 (equivalent to approximately HK\$85,800,000).

The consideration is to be satisfied by the Company assuming certain outstanding obligations of the Vendor totaling US\$11,000,000 (equivalent to approximately HK\$85,800,000) with the excess amount above the initial purchase consideration to be treated as a loan from the Company to the Vendor. Therefore, the Vendor will issue the Note for US\$1,000,000 (equivalent to approximately HK\$7,800,000) in favour of the Company, such Note will be secured by the Subordinated Lien.

An independent valuer chosen solely by the Vendor valued the Assets at US\$10,000,000 (equivalent to approximately HK\$78,000,000), such amount is used as the initial consideration for the Assets. To verify Initial Valuation, another independent valuer will jointly be appointed by the Vendor and the Company to provide the Final Valuation. The principal amount of the Note will be adjusted according to the Final Valuation as determined by the second valuer. If the Final Valuation is higher than the Initial Valuation but less than US\$11,000,000 (equivalent to approximately HK\$85,800,000), the principal amount of the Note will be reduced by their difference, provided that the maximum principal amount that the Note may be reduced shall not exceed US\$1,000,000 (equivalent to approximately HK\$7,800,000) and if the Note is reduced by such maximum amount the Note will be cancelled. If the Final Valuation is higher than US\$11,000,000 (equivalent to approximately HK\$85,800,000), the final consideration shall be US\$11,000,000 (equivalent to approximately HK\$85,800,000) and the Note will be cancelled. If the Final Valuation is lower than the Initial Valuation, the principal amount of the Note will be increased by their difference.

TCL Corporation, the ultimate controlling shareholder (as defined in the Listing Rules) of the Company indirectly controls approximately 51% of the issued share capital of the Vendor. According, the Vendor is a connected person and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

AGREEMENT DATED 26 JULY 2005

Parties

Vendor : Opta Systems, LLC. doing business as Go-Video a company in which TCL Corporation, the ultimate controlling shareholder (as defined in the Listing Rules) of the Company indirectly controls approximately 51% of the issued share capital thereof

Purchaser : the Company

Assets to be acquired

The Assets consist of the legal and beneficial interest in certain intellectual property rights of the Vendor, including trademarks, pending trademark applications, service marks, trade names, domain names, patents, patent applications (including any idea, design, concept, method, process, technique, apparatus, software, invention, discovery or improvement) and copyrights. The Assets include 24 patents and patent applications in USA, Europe, Japan, Australia, Hong Kong, Canada and Korea covering dual-deck technologies which have been used in DVD production worldwide as well as other electronics products and systems and trademarks associated with such products and more than twenty trademarks covering registrations in Europe, USA, Canada and Mexico such as the well recognized brands CINEVISION and GO VIDEO, and some copyrighted materials. There are currently no lawsuits against the Assets and therefore no contingent liabilities.

According to the Vendor, the estimated revenue per annum generated from the Assets is approximately in the region of US\$1,840,000 (equivalent to approximately HK\$14,352,000).

Consideration and Basis for Determining the Consideration

The consideration for the Assets is initially set at US\$10,000,000 (equivalent to approximately HK\$78,000,000) being the initial estimated value of the Assets, subject to adjustments by reference to the Final Valuation as described below with a maximum potential upward adjustment of the consideration to US\$11,000,000 (equivalent to approximately HK\$85,800,000).

The consideration is to be satisfied by the Company assuming certain outstanding obligations of the Vendor totaling US\$11,000,000 (equivalent to approximately HK\$85,800,000) with the excess amount above the initial purchase consideration to be treated as a loan from the Company to the Vendor. Therefore, the Vendor will issue the Note for US\$1,000,000 (equivalent to approximately HK\$7,800,000) in favour of the Company, such Note will be secured by the Subordinated Lien. Prior to the Acquisition, Wells had a lien over all the assets of the Vendor. For this transaction, the Company has obtained release of the Assets from Wells' lien and also obtained Wells' approval to create a lien in favour of the Company for the Note but subordinated to Wells' lien over the remaining assets of the Vendor.

An independent valuer chosen solely by the Vendor valued the Assets at US\$10,000,000 (equivalent to approximately HK\$78,000,000), such amount is used as the initial consideration for the Assets. To verify Initial Valuation, another independent valuer will jointly be appointed by the Vendor and the Company to provide the Final Valuation. The principal amount of the Note will be adjusted according to the Final Valuation as determined by the second valuer. If the Final Valuation is higher than the Initial Valuation but less than US\$11,000,000 (equivalent to approximately HK\$85,800,000), the principal amount of the Note will be reduced by their difference, provided that the maximum principal amount that the Note may be reduced shall not exceed US\$1,000,000 (equivalent to approximately HK\$7,800,000) and if the Note is reduced by such maximum amount the Note will be cancelled. If the Final Valuation is higher than US\$11,000,000 (equivalent to approximately HK\$85,800,000), the final consideration shall be US\$11,000,000 (equivalent to approximately HK\$85,800,000) and the Note will be cancelled. If the Final Valuation is lower than the Initial Valuation, the principal amount of the Note will be increased by their difference.

The Directors consider that the value of the Assets will closely reflect the current value of the Assets and that the consideration for the Assets was determined after arm's length negotiations and on normal commercial terms with reference to the Initial Valuation.

Completion

Completion of the Agreement took place on 26 July 2005.

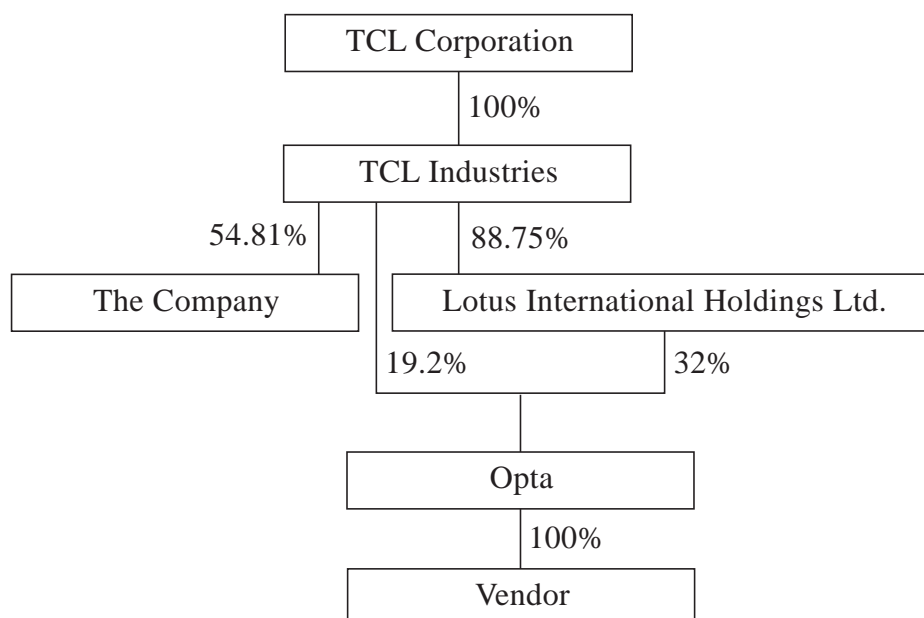
REASONS FOR THE ACQUISITION

Currently, the Group also engages in design, manufacturing and distribution of, inter alia, DVD products. The Directors believe that the Acquisition will enable the Group to (1) make use of the Assets in the Group's DVD products; (2) offer a more complete and distinct product line which will support the growth and expansion of the Group's core television business; and (3) further grow the intellectual property portfolio of the Group which has been increasingly focused on the development of its intellectual property assets.

The Directors, including independent non-executive Directors, consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and believes that the Acquisition is in the best interests of the Company and its shareholders as a whole.

CONNECTED TRANSACTION

The ownership structure of the Vendor is set out below:



TCL Corporation, the ultimate controlling shareholder (as defined in the Listing Rules) of the Company, indirectly controls approximately 51% of the issued share capital of Opta the 100% direct holding company of the Vendor. Accordingly, the Vendor is a connected person and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP

The Group is a leading multimedia consumer electronics product manufacturer in brand presence in major markets of the world including the PRC, North America, Europe and Asia under the brands of "TCL", "Thomson" and "RCA". It is principally engaged in the production, sale and distribution of TVs, personal computers, audio-visual equipment including DVD as well as information technology services. The Group is one of the largest TV manufacturers in the PRC. 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 OF THE VENDOR

The Vendor is principally engaged in the business of designing, manufacturing and marketing consumer electronics products including DVD players, DVD recorders, portable DVDs, DVD-VCR, DVD Recorder + VCR, MP3 Players and LCD TV.

LISTING RULES REQUIREMENT

As the maximum consideration of US\$11,000,000 (equivalent to approximately HK\$85,800,000) is more than HK\$1,000,000 but less than 2.5% of each of the percentage ratios, the Company is obliged to issue this announcement and to include details of the transactions contemplated under the Agreement in the Company's next published annual report and accounts, but no independent shareholders' approval is required for the Agreement under Rule 14A.32(1) of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Assets of the Vendor pursuant to the Agreement;
“Agreement”	the purchase and sale agreement dated 26 July 2005 entered into between the Vendor and the Company in relation to the Acquisition;
“Assets”	assets consist of the legal and beneficial interest in certain the intellectual property rights of the Vendor, including trademarks, pending trademark applications, service marks, trade names, patents applications therefore (including any idea, design, concept, method, process, technique, apparatus, software, invention, discovery or improvement) and copyrights to be sold by the Vendor and to be purchased by the Company in the Acquisition;
“Board”	the board of directors of the Company;
“Company”	TCL Multimedia Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“Directors”	directors of the Company;
“DVD”	digital versatile disc;
“Final Valuation”	valuation of the Assets determined by an independent valuer appointed by the Company and the Vendor within 90 days of the Agreement;
“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;
“Initial Valuation”	valuation of the Assets determined by an independent valuer, Cronkite & Kissell appointed by the Vendor;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Note”	a promissory note made by the Vendor to the Company dated 26 July 2005 initially for the principal sum of US\$1,000,000 (equivalent to approximately HK\$7,800,000) (subject to adjustments as to the principal amount as more particularly set out in the third paragraph under the heading “Consideration and Basis for Determining the Consideration”) at the rate of interest of 0.257% per month to be due on 26 January 2006 and secured by the Subordinated Lien;
“Opta”	Opta Corporation a 51% non wholly owned indirect subsidiary of the TCL Corporation and 100% holding company of the Vendor;
“PRC”	the People’s Republic of China;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Subordinated Lien”	a lien (in favour of the Company as security for the Note) over all the assets of the Vendor (other than the Assets) subordinated to an existing lien in favour of Wells;
“TCL Corporation”	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 is the ultimate controlling shareholder of the Company;
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company established under the laws of Hong Kong, the direct controlling shareholder of the Company and a wholly owned subsidiary of TCL Corporation;
“Vendor”	Opta Systems, LLC., a company incorporated under the law of Delaware, USA with limited liability;
“USA”	the United States of America;
“US\$”	the United States dollars, the lawful currency of USA for the time being; and
“Wells”	Wells Fargo Business Credit, Inc..

Unless otherwise specified, conversion of US dollar into Hong Kong dollar is based on the exchange rate of US\$1.00=HK\$7.8.

As at the date of this announcement, the executive directors of the Company are Li Dong Sheng, Lu Zhong Li, Hu Qiu Sheng, Yan Yong, Zhao Zhong Yao and the non-executive director is Albert Thomsa da Rosa, Junior and the independent non-executive directors are Tang Guliang, Wang Bing and Hon Fong Ming.

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 29 July 2005

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