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TCL Multimedia Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1070)

CONTINUING CONNECTED TRANSACTIONS

The Group has been conducting certain continuing connected transactions with the Thomson Group and the TCL Corporation Group in its ordinary and usual course of business. As set out in the 2004 Circular, the caps for the transactions under the Thomson Patent License Agreement, the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement and the TCL Preferred Supplier Agreement expired on 31 December 2006. As set out in the 2005 January Circular, the caps for the transactions under the Master Overseas Supply Agreement will expire on 31 December 2007. In view of the above, the Company proposes to revise and/or set new caps for the above continuing connected transactions.

In addition, the Company has entered into the Master Call Centre Services Supply Agreement and the Master Logistics Service Supply Agreement with certain members of the TCL Corporation Group. Under Rule 14A.25 of the Listing Rules, the transactions under the two agreements are aggregated for the purposes of the Listing Rules.

All the above transactions have been and/or will continue to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms.

The Company is an approximately 38.74% owned subsidiary of TCL Corporation and is approximately 19.32% owned by Thomson. TCL Corporation is the controlling Shareholder and Thomson is the substantial Shareholder, therefore connected persons of the Company for the purposes of the Listing Rules. Accordingly, the transactions under the above agreements will constitute continuing connected transactions for the Company pursuant to the Listing Rules.

Based on the relevant annual cap amounts, the transaction under the Thomson Patent License Agreement is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. Based on the relevant annual cap amounts, the proposal to revise and set annual caps for the transactions under the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement, and the aggregated transactions under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their relevant proposed caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. TCL Corporation and its associates will abstain from voting in respect of the resolutions to be put forward at the EGM in respect of the revision and/or setting of the annual caps for the

transactions under the TCL Trademark Licence Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement for the three years ending 31 December 2009, and the terms of the transactions under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their proposed annual caps. Thomson and its associates will abstain from voting in respect of the resolutions to be put forward at the EGM in respect of the setting of the annual caps for the transactions under the Thomson Preferred Supplier Agreement.

An Independent Board Committee will be established to advise the Independent Shareholders on the proposed caps in respect of the transactions under the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement and the terms of the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their proposed annual caps. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will despatch to the Shareholders a circular containing further details of the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement, the Master Overseas Supply Agreement, the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM as soon as practicable.

INTRODUCTION

The Group has been conducting certain continuing connected transactions with the Thomson Group and the TCL Corporation Group in its ordinary and usual course of business. As set out in the 2004 Circular, the caps for the transactions under the Thomson Patent License Agreement, the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement and the TCL Preferred Supplier Agreement expired on 31 December 2006. As set out in the 2005 January Circular, the caps for the transactions under the Master Overseas Supply Agreement will expire on 31 December 2007. Accordingly, the Company would like to take this opportunity to revise and/or set new caps for the above continuing connected transactions.

In addition, the Company has entered into the Master Call Centre Services Supply Agreement and the Master Logistics Service Supply Agreement with certain members of the TCL Corporation Group. Details of the proposed transactions are set out below in this announcement.

EXISTING CONTINUING CONNECTED TRANSACTIONS

Transaction exempt from independent shareholders' approval requirement

Based on the new caps set for the following transaction, the setting of such new caps for the transaction is subject to the reporting and announcement requirements of the Listing Rules but is exempt from the independent shareholders' approval requirement.

Thomson Patent License Agreement

Date: 30 July 2004

Parties: TLISA – Licensor
TTE – Licensee

Major terms: The major terms of the Thomson Patent License Agreement have been summarized in the Company's announcement dated 1 June 2004 and the 2004 Circular, and are repeated below.

Pursuant to the Thomson Patent License Agreement, TLSA has been granting and will continue to grant to the TTE Group a non-exclusive, non-transferable, non-assignable, indivisible and non sub-licensable license, right and privilege under all of the patents owned, controlled and/or acquired by TLSA during the term of the agreement to make, lease and sell analog Colour Television Receivers.

TTE shall pay royalty to TLSA, in respect of all units of the Colour Television Receivers with the pre-agreed rates vary according to the country in which the Colour Television Receivers are manufactured as set out in the agreement.

Term: Five years from 30 July 2004 to 29 July 2009 and shall be automatically renewed for further five years terms unless and until terminated by either party by giving 6 months' prior written notice before the expiration of any five years term.

The term of the Thomson Patent License Agreement exceeds three years. In accordance with Rule 14A.35 of the Listing Rules, the then independent financial advisers of the Company opined in the letter dated 31 May 2004 (a copy of which was set out in the 2004 Circular) that it was business practice for the Company to enter into the Thomson Patent License Agreement with a term exceeding three years.

Transactions subject to independent shareholders' approval

Based on the proposed new caps for the transactions under following agreements, the revision and/or setting of such proposed new caps are subject to the independent shareholders' approval requirement.

Thomson Preferred Supplier Agreement

Date: 30 July 2004

Parties: TTE – Purchaser
Thomson – Supplier

Major terms: The Thomson Preferred Supplier Agreement was approved by the independent Shareholders on 2 July 2004. The major terms of the Thomson Preferred Supplier Agreement have been summarized in the Company's announcement dated 1 June 2004 and the 2004 Circular, and are repeated below.

Pursuant to the Thomson Preferred Supplier Agreement, TTE has appointed Thomson as one of the only two preferred suppliers for the Components and has given priority to Thomson and its affiliates for the supply of the Components. The major terms of the Thomson Preferred Supplier Agreement have been summarized in the 2004 Circular and are repeated below.

Provided that (i) TTE has certified such Components regarding their quality, specifications, terms of supply and other attributes of supply and (ii) the Components are of comparable product quality, specifications and reliability as offered by other suppliers and are offered at terms taken as a whole as competitive as those offered by other suppliers, TTE shall use reasonable efforts to make Thomson the most significant supplier in terms of volume for the Components.

Thomson shall designate TTE as its preferred customer. In case of production capacity constraint on Thomson's part, Thomson shall grant priority to TTE for orders placed by TTE for the Components over orders of other customers of Thomson provided such grant of priority will not cause Thomson to breach its existing obligations with other customers.

Term: From the date of the agreement up to the earliest of:

- (a) the later of (i) 30 July 2007; (ii) such date as may be agreed by the parties upon its renewal after the expiry of the three-year term; and (iii) the date on which the Thomson Group holds less than 14.66% of the total issued share capital of the Company (as at the date of this announcement, the Thomson Group holds approximately 19.32% of the issued share capital of the Company);
- (b) termination by either party due to the other party's liquidation or material breach;
- (c) 15 years from the date of agreement (i.e. 30 July 2019); and
- (d) the date on which the Thomson Group holds less than 13.25% of the total issued share capital of the Company.

The term of the Thomson Preferred Supplier Agreement exceeds three years. In accordance with Rule 14A.35 of the Listing Rules, the then independent financial adviser of the Company opined in its letter dated 31 May 2004 (a copy of which was set out in the 2004 Circular) that it was business practice for the Company to enter into the Thomson Preferred Supplier Agreement with a term exceeding three years.

TCL Preferred Supplier Agreement

Date: 30 July 2004

Parties: TTE – Purchaser
TCL Corporation – Supplier

Major terms: The TCL Preferred Supplier Agreement was approved by the independent Shareholders on 2 July 2004. The major terms of the TCL Preferred Supplier Agreement have been summarized in the Company's announcement dated 1 June 2004 and the 2004 Circular, and are repeated below.

Pursuant to the TCL Preferred Supplier Agreement, TTE has appointed TCL Corporation as one of the only two preferred suppliers for the Components and has given priority to TCL Corporation and its affiliates for the supply of the Components (other than CRTs as the TCL Corporation Group does not supply CRTs). The major terms of the TCL Preferred Supplier Agreement are the same as those of the Thomson Preferred Supplier Agreement as summarized above.

- Term: From the date of the agreement up to the earliest of:
- (a) the later of (i) 30 July 2007; (ii) such date as may be agreed by the parties upon its renewal after the expiry of the three-year term; (iii) the date on which TCL Corporation holds less than 19.37% of the total issued share capital of the Company (as at the date of this agreement, the TCL Corporation Group holds approximately 38.74% of the issued share capital of the Company);
 - (b) 15 years from the date of the agreement (i.e. 30 July 2019);
 - (c) termination by either party due to the other party's liquidation or material breach; and
 - (d) the date on which TCL Corporation and its affiliates hold less than 13.25% of the total issued share capital of the Company.

The term of the TCL Preferred Supplier Agreement exceeds three years. In accordance with Rule 14A.35 of the Listing Rules, the then independent financial adviser of the Company opined in its letter dated 31 May 2004 (a copy of which was set out in the 2004 Circular) that it was business practice for the Company to enter into the TCL Preferred Supplier Agreement with a term exceeding three years.

Master Overseas Supply Agreement

Date: The original Master Overseas Supply Agreement was entered into on 29 December 2004 and subsequently amended by a supplemental agreement dated 5 January 2007 to extend the expiry date of the agreement to 31 December 2009 (subject to the approval of the Independent Shareholders).

Parties: The Company – Purchaser
TCL Corporation – Supplier

Major terms: The Master Overseas Supply Agreement was approved by the independent Shareholders on 22 February 2005. The major terms of the Master Overseas Supply Agreement have been summarized in the Company's announcement dated 29 December 2004 and the 2005 January Circular, and are repeated below.

Pursuant to the Master Overseas Supply Agreement, the Group may purchase any TCL Products from the TCL Corporation Group in any Overseas Territories. The TCL Corporation Group shall sell the relevant TCL Products to the Group if the terms (including the prices) of such purchase offered by the Group to the TCL Corporation Group are not less favourable to the Group than those on which the relevant member of the TCL Corporation Group has sold or supplied such TCL Products to any independent customers in any Overseas Territories.

All the transactions made pursuant to the Master Overseas Supply Agreement will be supported by written contracts to be entered into between the Group and the TCL Corporation Group, and the terms of which will have to be determined in accordance with the provisions of the Master Overseas Supply Agreement after arm's length negotiations between the Group and the TCL Corporation Group and on normal commercial terms.

Term: From 22 February 2005 to 21 February 2008 (in accordance with the existing Master Overseas Supply Agreement, and to be extended to 31 December 2009 under the supplemental agreement dated 5 January 2007 (subject to the approval of the Independent Shareholders)).

TCL Trademark License Agreement

Date: 30 July 2004

Parties: TCL Corporation – Licensor
TTE – Licensee

Major terms: The TCL Trademark License Agreement was approved by the independent Shareholders on 2 July 2004. The major terms of the TCL Trademark License Agreement have been summarized in the Company's announcement dated 1 June 2004 and the 2004 Circular, and are repeated below.

Pursuant to the TCL Trademark License Agreement, TCL Corporation and its subsidiaries have granted to the TTE Group an exclusive (subject to certain limited exceptions which are related to some existing obligation or business of TCL Corporation), non sub-licensable and non-transferable license to use certain of its registered trademarks for the manufacture and sale of television products including: (i) "TCL" in Asia-Pacific; and (ii) "TCL" in rest of the world outside Asia-Pacific and "Rowa" in the PRC.

TTE Group shall pay to TCL Corporation royalties which shall be calculated based on the net sales of the television products of the TTE Group bearing any of the licensed trademarks under this agreement and the applicable royalty rates. Under the TCL Trademark License Agreement, the royalty rates range from 0% to 1.5% depending on the trademarks, territories and performance of the TTE Group.

TCL Corporation will continue to conduct general brand promotion and marketing in respect of those licensed trademarks under the TCL Trademark License Agreement in its ordinary course of business. Under the TCL Trademark License Agreement, the TTE Group shall reimburse TCL Corporation such relevant portion of the cost and expenses incurred by TCL Corporation for the general brand advertising costs incurred by TCL Corporation or any other entities controlled by TCL Corporation or under the common control of TCL Corporation during the term of the agreement. The minimum amount of such reimbursement shall be 0.5% of the aggregate annual net sales of the television products of the TTE Group using certain trademarks of TCL Corporation in the relevant territories for the previous fiscal year.

Term: From 30 July 2004 to 30 July 2024 unless earlier terminated in accordance with the terms of the agreement.

The term of the TCL Trademark License Agreement exceeds three years. In accordance with Rule 14A.35 of the Listing Rules, the then independent financial adviser of the Company opined in its letter dated 31 May 2004 (a copy of which was set out in the 2004 Circular) that it was business practice for the Company to enter into the TCL Trademark License Agreement with a term exceeding three years.

NEW CONTINUING CONNECTED TRANSACTIONS

Transaction subject to independent shareholders' approval

Under Rule 14A.25 of the Listing Rules, the transactions under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement are aggregated for the purposes of the Listing Rules. Based on the proposed caps for the aggregated transactions under two agreements, such aggregated transactions and the setting of the proposed caps are subject to the independent shareholders' approval requirement.

Master Logistics Service Supply Agreement

Date: 5 January 2007

Parties: the Company – client
Speed Distribution – service provider

Major terms: Pursuant to the Master Logistics Service Supply Agreement, the Group may from time to time request Speed Distribution to provide the logistics services at terms of no less favourable than (i) those offered by Speed Distribution to other independent clients and/or (ii) those offered to the Group by other independent service providers. Speed Distribution shall provide such logistics services to the Group if Speed Distribution has the necessary resources available.

On the other hand, if Speed Distribution can offer logistics services to the Group at terms of no less favourable than (i) those offered by Speed Distribution to other independent clients and/or (ii) those offered to the Group by other independent service providers, the Company shall procure its subsidiaries to actively consider using the services offered by Speed Distribution subject to the relevant requirements under the Listing Rules, including the caps set for the transaction from time to time. For the avoidance of doubt, the Group is under no obligation to use any logistics services offered by Speed Distribution under this agreement.

If there are no comparable terms offered to other independent customers by Speed Distribution and there are no comparable terms offered to the Group by other independent service provider, the terms of the services to be provided by Speed Distribution to the Group shall then be determined after arm's length negotiations between the parties and shall be on normal commercial terms.

Logistics services which may be provided by Speed Distribution under the Master Logistics Service Supply Agreement include, among others,:

- delivery and transfer of raw materials, components, finished goods, etc. among the Group's suppliers, distributors, customers, warehouses and distribution centres;

- warehouse management; and
- other services as agreed between the parties to the agreement from time to time.

If the logistics services provided by Speed Distribution to the Group under this agreement involve the work of a third party service provider engaged by Speed Distribution, Speed Distribution shall only charge the Group the actual cost incurred by Speed Distribution in this regard. The Company shall also reimburse Speed Distribution for the cost and expenses incurred by Speed Distribution in respect of any service improvement work at the request of or agreed by the Group.

Specific agreements shall be entered into between the Group and Speed Distribution pursuant to the terms of this Master Logistics Service Supply Agreement if the Group decides to use the logistics services provided by Speed Distribution.

Condition
precedent
and term:

The agreement shall become effective on the date on which the Master Logistics Service Supply Agreement is approved by the Independent Shareholders in accordance with the relevant requirements of the Listing Rules.

The agreement shall have a term of three years from its effective date.

The parties to the agreement may mutually agree (in writing) to renew the agreement for one or more 3-year period after the above expiry date subject to the Company complying with the relevant requirements of the Listing Rules.

Master Call Centre Services Supply Agreement

Date: 5 January 2007

Parties: the Company – client
TCL Corporation – service provider

Major terms: Pursuant to the Master Call Centre Services Supply Agreement, the TCL Corporation Group has agreed to provide the call centre services to the Group. The Company shall pay the TCL Corporation Group fees to be calculated based on the actual cost structure of the TCL Corporation Group in connection with the provision of the call centre services.

Under the Master Call Centre Services Supply Agreement, the TCL Corporation Group shall operate a nationwide customer call centre in the PRC to support the marketing and after-sales service of the various products of the Group and provide the Group with analysed customer information obtained through the operation of the customer call centre.

Condition precedent and term: The agreement shall become effective on the date on which the Master Call Centre Services Supply Agreement is approved by the Independent Shareholders in accordance with the relevant requirements of the Listing Rules.

The agreement shall have a term of three years from its effective date.

The parties to the agreement may mutually agree (in writing) to renew the agreement for one or more 3-year period after the above expiry date subject to the Company complying with the relevant requirements of the Listing Rules.

HISTORICAL VALUES AND ANNUAL CAPS

The following table sets out the respective historical amounts of the continuing connected transactions (other than the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement which are new transactions of the Company) as described above for the two years ended 31 December 2005 and the 6 months ended 30 June 2006 and the respective annual caps for the three years ending 31 December 2006:

Continuing connected transactions		For the year ended 31 December 2004 <i>HK\$'000</i>	For the year ended 31 December 2005 <i>HK\$'000</i>	For the 6 months ended 30 June 2006 (in respect of the actual transaction value) For the year ended 31 December 2006 (in respect of the cap amounts) <i>HK\$'000</i>
Partly exempt transaction (not subject to Independent Shareholders' approval)				
Thomson Patent License Agreement	Actual	18,670	30,991	7,387
	Original annual cap	136,000	284,000	330,000
Transactions subject to Independent Shareholders' approval				
Thomson Preferred Supplier Agreement	Actual	1,738,305	2,077,850	74,986
	Existing Annual cap	5,625,000	11,572,000	13,429,000
TCL Preferred Supplier Agreement	Actual	266,191	572,365	212,454
	Existing annual cap	1,595,000	5,543,000	10,104,000

Master Overseas Supply Agreement	Actual		N/A		108,217		16,878
	Existing annual cap		N/A		435,000		567,000
TCL Trademark License Agreement (Note 1)	Actual	aggregate royalty:	nil	aggregate royalty:	nil	aggregate royalty:	nil
		aggregate branding fee reimbursement:	nil	aggregate branding fee reimbursement:	nil	aggregate branding fee reimbursement:	nil
	Existing annual cap	aggregate royalty:	nil	aggregate royalty:	nil	aggregate royalty:	147,000
		aggregate branding fee reimbursement:	56,000	aggregate branding fee reimbursement:	121,000	aggregate branding fee reimbursement:	138,000
		Total:	56,000	Total:	121,000	Total:	285,000

Note 1: Under the TCL Trademark License Agreement, no license royalty was payable by the TTE Group to TCL Corporation during the period from 30 July 2004 to 29 July 2006. In addition, TCL Corporation has waived any obligations of the TTE Group to reimburse any branding fees for the two years ended 31 December 2005 and the six months ended 30 June 2006.

The following table sets out the respective annual caps or proposed annual caps of the continuing connected transactions under the agreements as described above for the three financial years ending 31 December 2009:

Type of continuing connected transactions		For the year ending 31 December 2007 HK\$'000		For the year ending 31 December 2008 HK\$'000		For the year ending 31 December 2009 HK\$'000
Partly exempt transaction (not subject to Independent Shareholders' approval)						
Thomson Patent License Agreement		3,525		1,418		1,531
Transactions subject to Independent Shareholders' approval						
Thomson Preferred Supplier Agreement		167,511		190,962		208,149
TCL Preferred Supplier Agreement		676,522		917,658		1,251,058
Master Overseas Supply Agreement		93,503		120,272		148,330
TCL Trademark License Agreement	aggregate royalty:	193,447	aggregate royalty:	237,947	aggregate royalty:	250,108
	aggregate branding fee reimbursement:	77,737	aggregate branding fee reimbursement:	95,570	aggregate branding fee reimbursement:	100,462
	Total:	271,184	Total:	333,517	Total:	350,570
Master Logistics Service Supply Agreement and Master Call Centre Services Supply Agreement		429,064		514,964		618,716

The major bases and assumptions for determining the caps for the various continuing connected transactions are set out below.

Caps for the Thomson Patent License Agreement

The caps for the transaction under the Thomson Patent License Agreement were determined based on the internal projected sales of the TTE Group's products using the patent analog technology in North America and Europe which was in turn determined based on the sales amount in 2006 with an estimated growth with reference to certain market estimates of the growth in unit shipments of television sets in the relevant regions and adjusted for the trend of switching from analog products to digital products and the impact of the proposed restructuring of the Group's operation in Europe which will temporarily negatively affect the supply of the Group's products and thus reduce the use of the licensed patents.

Proposed caps for the Thomson Preferred Supplier Agreement

The caps for the transaction under the Thomson Preferred Supplier Agreement were determined based on the estimated purchase amounts which in turn were determined based on the purchase amount in 2006 with an estimated growth in the size of the transaction with reference to certain market estimates in respect of the growth in the worldwide television shipments in 2007, 2008 and 2009 and the increasing trend in the cost of components as a result of the trend of moving from analog CRT televisions to digital non-CRT televisions like LCD televisions and plasma televisions.

Proposed caps for the TCL Preferred Supplier Agreement

The caps for the transaction under the TCL Preferred Supplier Agreement were determined based on the internal projection of the Company in respect of the requirement of the TTE Group in terms of raw materials and components for the manufacture of television products which in turn was determined based on the purchase amount in 2006 with an estimated growth for the next three years determined with reference to, among other factors, the trend of switching from CRT televisions to non-CRT televisions, and from small-sized televisions to large-sized televisions, the manufacturing of which requires more expensive raw materials and components and the expected appreciation of RMB against Hong Kong dollars.

Proposed caps for the Master Overseas Supply Agreement

The caps for the transaction under the Master Overseas Supply Agreement were determined based on the internal projection of the Company in respect of the possible distribution sales of TCL Products purchased under the Mater Overseas Supply Agreement, comprising mainly air conditioners and computers, in the Overseas Territories and thus the potential demand for purchases under the Master Overseas Supply Agreement. Such internal projection for determining the proposed cap amounts was in turn estimated by the Company based on the purchase amounts of air conditioners and computers of the Group in 2006 in relation to its overseas distribution business with an estimated growth with reference to the estimated potential growth of the overseas computer distribution business (which is a relatively young business and thus expected to experience higher growth) and the proposed expansion of the Group's overseas distribution network (which will help stimulate further growth in sales and thus the related purchases under this agreement).

Proposed caps for the TCL Trademark License Agreement

The caps for the transaction under the TCL Trademark License Agreement represent the product of the agreed highest royalty rates under the agreement times the projected sales of the TTE Group's products bearing TCL's trademarks licensed to the TTE Group under the TCL Trademark License Agreement which was in turn were estimated based on the sales amount in 2006 with an expected growth in the next three years with reference to certain market estimates of the expected growth in the sales of televisions in the PRC and other regions around the world.

Proposed caps for the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement

The caps for the aggregated transactions under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement were determined by the Company based on the sum of the estimated transaction values of the transaction under the Master Logistics Service Supply Agreement and those of the transaction under the Master Call Centre Services Supply Agreement for the three years ending 31 December 2009.

The estimated transaction values of the transaction under the Master Logistics Service Supply Agreement were determined based on the historical cost and expenses incurred by the Group in respect of the logistics services in the PRC in 2006 and the projected sales quantity in the next three years at an annual average growth rate of around 15% determined with reference to, among other factors, historical growth rates in sales quantity, the increasing quantity of products sold in the PRC, higher average transportation cost for digital non-CRT televisions than CRT televisions and the increasing fuel costs. For the six months ended 30 June 2006, the relevant logistics cost and expenses incurred by the Group amounted to approximately HK\$158.4 million.

The estimated transaction values of the transaction under the Master Call Centre Services Supply Agreement were determined based on the agreed hourly rates under the agreement times the estimated hours of calls in respect of the Group's products which may be handled by the TCL Corporation Group for the next three financial years which were in turn determined based on the historical amount of customer calls handled by the Group itself in 2006 adjusted with the effect of the new business models agreed between the Company and the TCL Corporation Group in respect of the PRC nationwide call centre services for the Group's customers (which is expected to increase the hours of outgoing customer calls expected to be handled by the call centre of the TCL Corporation Group) with an estimated growth for the next three years with reference to certain market estimates in respect of the growth in the television shipments in the PRC.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The TCL Trademark License Agreement, the Thomson Patent License Agreement, the TCL Preferred Supplier Agreement and the Thomson Preferred Supplier Agreement

In 2004, the Group combined its television business with the television business of the Thomson Group. As part of the combination, the Group also consolidated and acquired certain television manufacturing assets from the TCL Corporation Group. A number of agreements have been entered into with the TCL Corporation Group and the Thomson Group in connection with the business combination with a view to ensuring a smooth operation of the combined TTE Group. Such agreements include, among others, the TCL Trademark License Agreement, the Thomson Patent License Agreement, the TCL Preferred Supplier Agreement and the Thomson Preferred Supplier Agreement.

After the aforesaid combination, the TCL Corporation Group and the Thomson Group continue to hold certain trademarks and patents which are used by the TTE Group for the marketing of its televisions. Such trademarks and patents form an important part of the business of the TTE Group. The TCL Trademark License Agreement and the Thomson Patent License Agreement will allow the TTE Group to secure the use of such trademarks and patents over a reasonable period of time at reasonable rates.

The TCL Corporation Group and the Thomson Group are manufacturers of certain parts and components for television manufacturing. Pursuant to the TCL Preferred Supplier Agreement and the Thomson Preferred Supplier Agreement, TTE shall only purchase the components from the TCL Corporation Group or the Thomson Group on the condition that the components are of comparable product quality, specification and reliability and on terms taken as a whole as competitive as those offered by other independent suppliers. Moreover, the TCL Corporation Group and the Thomson Group shall grant priority to

TTE for orders placed by TTE for components over the orders placed by other customers without any additional cost. The Directors consider that the TCL Preferred Supplier Agreement and the Thomson Preferred Supplier Agreement will allow the TTE Group to secure a reliable source of supply (both in terms of quantity and quality) for essential components for the manufacturing of television products.

Based on the terms of the respective agreements and the above reasons for the transactions, the Directors (including the independent non-executive Directors) consider that the respective terms of the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Thomson Preferred Supplier Agreement are fair and reasonable and the transactions under the agreements are in the interests of the Company and its shareholders as a whole.

The Master Overseas Supply Agreement

Under the Master Overseas Supply Agreement, the Group may source any TCL Products from the TCL Corporation Group on normal commercial terms with a view to distributing such TCL Products for profits. The Master Overseas Supply Agreement is distinct and separate from the TCL Preferred Supplier Agreement under which the TTE Group purchases raw materials and components from the TCL Corporation Group for production of the TTE Group's television products, the principal business of the Group. The Directors believe that the Master Overseas Supply Agreement will provide the Group with an additional source of revenue and margin by capitalizing upon its established distribution network of the Group of its television products in the Overseas Territories without incurring significant additional overheads.

Based on the terms of the agreement and the reasons for the transaction as set out above, the Directors (including the independent non-executive Directors) consider that the respective terms of the Master Overseas Supply Agreement are fair and reasonable and the transactions under the agreement are in the interests of the Company and its shareholders as a whole.

The Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement

Currently, the Group has been supporting its needs for the Group's logistics services and call centre in the PRC internally. With a view to further streamlining the cost structure of the Group, the Company considers it beneficial to the Group for it to sub-contract the logistics services and call centre services to specialized service units. The Company further believes the specialized service units may be able to provide more efficient logistics services and call centre services than the present internal support units of the Group as the TCL Corporation Group will be able to enjoy a better economies of scale when they also provide services to other customers. Given the close relationship between the Group and TCL Corporation, the controlling Shareholder, the Group will be placed in a better position to monitor the services to be provided under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement than by other outside service providers.

Under the Master Logistics Service Supply Agreement, Speed Distribution shall provide the logistics services at the request of the Group at terms which are no less favourable than those offered by Speed Distribution to independent customers and also are no less favourable than those offered to the Group by other independent service providers. Under the Master Call Centre Services Supply Agreement, the TCL Corporation Group shall provide the call centre services to the Group based on the actual cost structure of the TCL Corporation Group. Based on the above reasons and the terms of the agreements, the Directors (excluding the independent non-executive Directors) consider that the terms of the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement are fair and reasonable and the transactions under the two agreements are in the interests of the Company and its Shareholders as a whole.

The independent non-executive Directors will opine on the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their caps after they have considered the advice from an independent financial adviser to be engaged by the Company in this regard.

SHAREHOLDERS' APPROVAL

The Company is an approximately 38.74% owned subsidiary of TCL Corporation and is approximately 19.32% owned by Thomson. TCL Corporation is the controlling Shareholder and Thomson is the substantial Shareholder. Both TCL Corporation and Thomson are therefore connected persons of the Company for the purposes of the Listing Rules. Accordingly, the transactions under the abovementioned agreements constitute or will constitute continuing connected transactions for the Company under the Listing Rules.

Based on the proposed caps for the three years ending 31 December 2009, some of the relevant percentage ratios in respect of the transactions under the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement, the Master Overseas Supply Agreement, the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement exceed 2.5%. As all the transactions under the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement have previously been approved by the Independent Shareholders and no material amendments have been made to the terms of such transactions after the transactions have been approved by the Independent Shareholders, such transactions are not required to be re-approved by the Independent Shareholders this time. However, the proposed revision and setting of the annual caps for the above transactions under the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement for the three years ending 31 December 2009 will be subject to approval of the Independent Shareholders.

The aggregated transactions under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their proposed caps for the three years ending 31 December 2009 are also subject to the approval of the Independent Shareholders.

Thomson and its associates will abstain from voting in respect of the resolution to be put forward at the EGM in respect of the setting of the annual caps for the transactions under the Thomson Preferred Supplier Agreement for the three years ending 31 December 2009.

TCL Corporation and its associates will abstain from voting in respect of the resolutions to be put forward at the EGM in respect of the revision and/or setting of the annual caps for the transactions under the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement for the three years ending 31 December 2009 and the terms of the aggregated transactions under the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their proposed annual caps for the three years ending 31 December 2009.

An Independent Board Committee will be established to advise the Independent Shareholders on the proposed caps for the three years ending 31 December 2009 in respect of the transactions under the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement and the Master Overseas Supply Agreement, and the terms of the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement and their proposed caps for the three years ending 31 December 2009. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will despatch to the Shareholders a circular containing details of the Thomson Preferred Supplier Agreement, the TCL Trademark License Agreement, the TCL Preferred Supplier Agreement, the Master Overseas Supply Agreement, the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement, letters from the Independent Board Committee and the independent financial adviser, and a notice convening the EGM as soon as practicable.

GENERAL

The Company is an investment holding company. The Company, through its subsidiaries, associated companies and jointly controlled entities, (including the TTE Group) is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television set and audio-visual products.

The TCL Corporation Group is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products.

Thomson provides technology, systems and services to help its media and 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.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Colour Television Receivers”	colour television receivers that utilize colour CRTs as the display device and shall include both complete receivers as well as such receivers which are complete except for cabinets or other permanent housings, but excluding any CRTs integrated into or used in connection with such colour television receivers
“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
“Components”	being CRTs and any other components or integrated circuits used or to be used in connection with the development, production or manufacture of TV end-products by TTE which are produced and designed by the Thomson Group or incorporates a material extent of the intellectual property rights of the Thomson Group
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“CRT(s)”	cathode ray tube(s)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider the revision and/or setting of caps for the transactions under the various agreements set out in this announcement and, where necessary, the transactions contemplated thereunder

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and/or the proposed caps for certain continuing connected transactions which will be voted upon at the EGM
“Independent Shareholders”	(i) Shareholders other than TCL Corporation and its associates in the case of the TCL Preferred Supplier Agreement, the TCL Trademark License Agreement, the Master Overseas Supply Agreement, the Master Logistics Service Supply Agreement and the Master Call Centre Services Supply Agreement; and (ii) Shareholders other than Thomson and its associates in the case of the Thomson Preferred Supplier Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Call Centre Services Supply Agreement”	the call centre services agreement entered into between the Company and TCL Corporation on 5 January 2007
“Master Logistics Service Supply Agreement”	the master logistics service supply agreement entered into between the Company and Speed Distribution on 5 January 2007
“Master Overseas Supply Agreement”	the master overseas supply agreement dated 29 December 2004 entered into between the Company and the TCL Corporation as amended by a supplemental agreement entered into between the same parties on 5 January 2007
“Overseas Territories”	any territory or geographical area in the world other than the PRC
“percentage ratios”	any percentage ratios as defined under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Speed Distribution”	Shenzhen Speed Distribution Platform Co., Ltd (深圳速必達商務服務有限公司), a company established in the PRC and a wholly owned subsidiary of TCL Corporation, which is principally engaged in the provision of logistics services in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 ultimate controlling shareholder of the Company

“TCL Corporation Group”	TCL Corporation and its subsidiaries (excluding members comprising the Group)
“TCL Preferred Supplier Agreement”	the TCL preferred supplier agreement dated 30 July 2004 entered into between the TCL Corporation and TTE
“TCL Products”	any goods including electronic or electrical goods or appliances (including but not limited to home electrical appliances traditionally designed in light colour, including but not limited to refrigerators, washing machines and air conditioners, communication equipment, electrical accessories and their components) manufactured, produced or otherwise sold or supplied by any member of the TCL Corporation Group
“TCL Trademark License Agreement”	the TCL trademark license agreement dated 30 July 2004 entered into between the TCL Corporation and TTE
“Thomson”	Thomson S.A., a company incorporated under the laws of France, whose shares are listed on the Premier Marche 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 Patent License Agreement”	the Thomson patent license agreement dated 30 July 2004 entered into between TLSA and TTE
“Thomson Preferred Supplier Agreement”	the Thomson preferred supplier agreement dated 30 July 2004 entered into between Thomson and TTE
“TLSA”	Thomson Licensing S.A., a company incorporated under the law of France and a wholly-owned subsidiary of Thomson
“TTE”	TTE Corporation, a wholly owned subsidiary of the Company
“TTE Group”	TTE and its subsidiaries
“2004 Circular”	the Company’s circular dated 31 May 2004
“2005 January Circular”	the Company’s circular dated 19 January 2005

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 5 January 2007

As at the date of this announcement, the Board comprises Li Dong Sheng, Lu Zhong Li, Wang Kang Ping, Shi Wanwen and Yuan Bing as executive directors, Albert Thomas da Rosa, Junior, Alastair Kenneth Ruskin Campbell and Didier Trutt as non-executive directors, and Tang Guliang, Wang Bing and Robert Maarten Westerhof as independent non-executive directors.

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