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# TCL Multimedia Technology Holdings Limited

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

## PROPOSED ISSUE OF 4.5% CONVERTIBLE BONDS DUE 2012 AND RESUMPTION OF TRADING

On 18 May 2007, the Company and the Purchaser entered into the Purchase Agreement pursuant to which, subject to certain conditions, the Company agreed to issue and the Purchaser agreed to subscribe and pay for, or procure subscribers to subscribe and pay for, the Bonds in the principal amount of US\$140 million (equivalent to approximately HK\$1,095 million).

**Completion of the Purchase Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein including completion of the Rights Issue and the Shareholders having approved in the EGM the issue and allotment of the Conversion Shares.**

For illustration purposes only, assuming full conversion of the Bonds at the maximum Effective Initial Conversion Price of HK\$0.667 per Share, the Bonds will be convertible into 1,641,379,310 Conversion Shares (subject to adjustment), representing approximately 42.05% of the issued share capital of the Company as at the date of this announcement and approximately 21.90% of the enlarged issued share capital of the Company upon full conversion of the Bonds and completion of the Rights Issue (assuming no Shares will be issued upon exercise of options under the Share Option Scheme).

For illustration purposes only, assuming full conversion of the Bonds at the minimum Effective Initial Conversion Price of HK\$0.40 per Share, the Bonds will be convertible into 2,737,000,000 Conversion Shares (subject to adjustment), representing approximately 70.13% of the issued share capital of the Company as at the date of this announcement and approximately 31.86% of the enlarged issued share capital of the Company upon full conversion of the Bonds and completion of the Rights Issue (assuming no Shares will be issued upon exercise of options under the Share Option Scheme).

The Conversion Shares, when issued and delivered, will rank *pari passu* in all respects with the Shares then in issue.

**The Purchase Agreement may be terminated in certain circumstances, including non satisfaction of the conditions precedent stated below. Please refer to the section headed "Termination" below for further information.**

**As the Purchase Agreement is subject to the satisfaction of certain conditions precedent, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Pursuant to the Purchase Agreement, the Company shall apply the net proceeds from the Bond Issue first towards the repayment of the outstanding indebtedness under the Syndicated Loan Agreement and the balance of the proceeds shall be applied towards the Company's working capital purposes.

The Company will issue a circular to the Shareholders as soon as practicable to set out, among other things, details of the Bonds and a notice to convene the EGM.

Trading in the Shares was suspended from 9:30 a.m. on 21 May 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 22 May 2007.

Set out below are the principal terms of the Purchase Agreement and the Bonds.

### PURCHASE AGREEMENT

- Date: 18 May 2007
- Issuer: The Company
- Purchaser: Deutsche Bank AG, London  
To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
- Subscription: The Company has agreed to issue and the Purchaser has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of US\$140 million (equivalent to approximately HK\$1,095 million).
- Conditions precedent: The obligation of the Purchaser to subscribe and pay for the Bonds is conditional upon, among other things,:
- 1) a trust deed, a paying and conversion agency agreement and any security documents in relation to the Bonds having been executed by all parties thereto;

- 2) the delivery to the Purchaser a copy of (a) the audited consolidated financial statements of the Group for the year ended 31 December 2006 and the audit report thereon containing no qualification, note or modification by the auditors which in the Purchaser's reasonable opinion is material and adverse in the context of the issuance of the Bonds, other than a modification report by the auditors regarding the ability of the Group to operate as a going concern due to breaches by the Company of the terms of the Syndicated Loan Agreement and the Club Loan Agreement and any qualification covering the uncertainties of outstanding liabilities of the European Subsidiaries relating to their closure, winding-up or liquidation, and (b) the unaudited consolidated accounts of the Group for the period ended 31 March 2007;
- 3) the delivery to the Purchaser legal opinions of several jurisdictions and such other resolutions, consents, authorities and documents relating to the issue of the Bonds;
- 4) the lock-up undertakings given by TCL Industries (as detailed in the paragraph headed "Undertakings" below) having been executed and in full force and effect;
- 5) at the Closing Date, the representations and warranties given by the Company under the Purchase Agreement remaining true and correct, the Company performing all obligations expressed to be performed by the Closing Date, and the Company delivering a compliance certificate to the Purchaser certifying, amongst other things, that there has been no notice of demand for payment or acceleration of the outstanding indebtedness under the Syndicated Loan Agreement;
- 6) at the Closing Date there shall not have occurred any change, development or event reasonably likely to involve a prospective change in the condition or in the earnings, prospects, operations, business or general affairs of any member of the Group which in the Purchaser's opinion is material and adverse in the context of the Bond Issue;
- 7) completion of the Rights Issue;
- 8) the indebtedness under the Club Loan Agreement having been discharged; and
- 9) the Shareholders having approved in the EGM the issue and allotment of the Conversion Shares.

**Undertakings:**

TCL Industries undertakes to the Purchaser that from the date of the Purchase Agreement up to 90 days from the Closing Date, neither TCL Industries nor any person acting on its behalf will, except with prior written approval of the Purchaser,

- a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of:
  - i) any of the Shares or securities exchangeable for or convertible into or exercisable for the Shares; or
  - ii) warrants or other rights to purchase the Shares; or
  - iii) any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares; or
- b) enter into any other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of the Shares; or
- c) publicly announce any such offer, issue, sale or disposal of any Shares or securities set out in sub-paragraph (a) above; or
- d) engage in any transaction, arrangement or activity having an economic effect similar to any of the activities set out in sub-paragraph (a), (b) or (c) above.

**Termination:**

The Purchaser may at any time prior to payment of the net subscription monies for the Bonds to the Company terminate the Purchase Agreement upon occurrence of certain circumstances which include, among other things, breach of, or any event rendering untrue or incorrect in any respect any of the warranties and representations contained in the Purchase Agreement or any failure by the Company to perform any of its undertakings or agreements under the Purchase Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls which would reasonably be likely to prejudice materially the success of the transactions contemplated in the Purchase Agreement.

**Closing:**

Subject to the above conditions, closing of the Bonds shall take place on the Closing Date, on which the Bonds will be issued and delivered by the Company to the Purchaser.

**PRINCIPAL TERMS OF THE BONDS**

The principal terms of the Bonds are summarized as follows:

Issuer:	The Company
Principal amount of the Bonds:	US\$140 million (equivalent to approximately HK\$1,095 million)
Interest:	4.5% per annum on the principal amount outstanding from time to time, payable quarterly in arrear on 31 March, 30 June, 30 September and 31 December in each year commencing on 30 September 2007
Conversion period:	Bondholder(s) may exercise Conversion Rights at any time from 30 Trading Days after the Closing Date up to the close of business on the Maturity Date or, if the Bonds shall have been called for redemption before the Maturity Date, up to the close of business on a date no later than seven Business Days prior to the date fixed for redemption.
	Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof.

Conversion Price:	<p>The Conversion Price will initially be HK\$0.40 per Share (subject to adjustments).</p> <p>The Initial Conversion Price (as at the Closing Date) of HK\$0.40 per Share represents a discount of approximately 27.27% to the Closing Price of HK\$0.55 per Share on the Last Trading Date, and a discount of approximately 30.31% and 32.32% to the average of the Closing Prices for the five and ten Trading Days ended on the Last Trading Date of HK\$0.574 and HK\$0.591 respectively. However, as the Conversion Period commences from 30 Trading Days after the Closing Date and the Initial Conversion Price is subject to the Initial Reset which will take place prior to the commencement of the Conversion Period, the effective Initial Conversion Price which will be in effect at the commencement of the Conversion Period shall be the Conversion Price as adjusted in accordance with the Initial Reset as described below (i.e. the Effective Initial Conversion Price).</p> <p>All the Conversion Shares are converted at a fixed rate of exchange of HK\$7.82 to US\$1.00.</p>
Conversion Price Adjustments:	<p>The Conversion Price will be subject to adjustment for, amongst other things, consolidations, subdivisions and reclassification of Shares, capitalisation of profits or reserves, distributions, rights issues, issue of securities at less than the then market price, modification of rights of conversion and other events where the Company determines that an adjustment should be made.</p>
Initial Reset:	<p>The Initial Conversion Price shall be adjusted on the Initial Reset Date (i.e. 26th consecutive Trading Day immediately after completion of the Rights Issue) to 115% of the Reference Price provided that such adjusted price shall in no event be less than the Initial Conversion Price.</p> <p>For illustration purposes only, assuming the Volume Weighted Average Price for the period of 25 consecutive Trading Days immediately after completion of the Rights Issue is HK\$0.58 or higher, the Effective Initial Conversion Price at which the Bondholders are entitled to exercise their Conversion Right from the commencement of the conversion period would be HK\$0.667 per Conversion Share, being a premium of approximately 21.27% over the Closing Price of HK\$0.55 on the Last Trading Date.</p> <p>If all the Bonds are converted at the maximum Effective Initial Conversion Price of HK\$0.667 each, there will be 1,641,379,310 Conversion Shares (representing approximately 42.05% and 21.90% respectively of the existing and the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming no Shares will be issued upon exercise of options under the Share Option Scheme) and full conversion of the Bonds).</p> <p>If all the Bonds are converted at the Initial Conversion Price of HK\$0.40 each, there will be 2,737,000,000 Conversion Shares (representing approximately 70.13% and 31.86% respectively of the existing and the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming no Shares will be issued upon exercise of options under the Share Option Scheme) and full conversion of the Bonds).</p>
Annual Reset:	<p>If the Volume Weighted Average Price for each of the 25 consecutive Trading Days immediately prior to each Annual Reset Date is less than the Conversion Price on that particular Annual Reset Date, the Conversion Price shall be adjusted on that particular Annual Reset Date to the Volume Weighted Average Price for that period, provided that the adjusted Conversion Price shall not be less than 75% of the Effective Initial Conversion Price.</p> <p>If the Effective Initial Conversion Price is set at HK\$0.40 per Share, the adjusted minimum Conversion Price after the Annual Reset will become HK\$0.30 per Share (i.e. 75% of the minimum Effective Initial Conversion Price of HK\$0.40 per Share) which is the minimum Conversion Price under any circumstances if the adjustment is arising solely from the reset mechanism. Assuming full conversion of the Bonds at such price, there will be 3,649,333,333 Conversion Shares (representing approximately 93.50% and 38.40% respectively of the existing and the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming no Shares will be issued upon exercise of options under the Share Option Scheme) and full conversion of the Bonds).</p>
Cash Settlement Option:	<p>At the Company's option, the Cash Settlement Amount may be delivered in lieu of the Conversion Shares upon conversion of the Bonds by the Bondholders.</p>
Ranking of Conversion Shares:	<p>Conversion Shares, when issued and delivered, will rank pari passu in all respects with the Shares then in issue.</p>
Redemption at option of the Company:	<p>On or at any time after the 2nd anniversary date of the Closing Date and prior to the Maturity Date, the Company may redeem the Bonds in whole at the Early Redemption Amount provided the Closing Price for each of any 20 Trading Days falling within a period of 30 consecutive Trading Days was at least 130% of the Conversion Price in effect on such Trading Day, or at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.</p>
Early redemption for taxation reasons:	<p>The Company may redeem the Bonds in whole at the Early Redemption Amount if the Company satisfies the trustee of the Bonds that it has or will become obliged to pay additional tax in the event of certain changes in tax regulations in the Cayman Islands or Hong Kong to render the Company subject to tax for its payment to the Bondholders and such obligation cannot be avoided by the Company taking reasonable measures available to it.</p>
Other redemption events:	<p>Bondholders shall have the right to require the Company to redeem all or some of their Bonds at the Early Redemption Amount in the event that:</p> <ol style="list-style-type: none"> <li>1) when trading of the Shares on the Stock Exchange is suspended for a period of more than 30 consecutive Trading Days or the Shares cease to be listed or admitted to trading on the Stock Exchange; or</li> <li>2) there is a Change of Control; or</li> <li>3) the Closing Price for each of any 20 Trading Days falling within a period of 30 consecutive Trading Days was at least 30% below the Conversion Price in effect on such Trading Day.</li> </ol>
Maturity:	<p>Unless previously redeemed, converted or purchased and cancelled, each Bond shall be redeemed at 137.50% of its principal amount on the Maturity Date.</p>

Status:	The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Company and the Bonds shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The Bonds are secured pursuant to certain charges and pledges in respect of shares of the companies listed in the paragraph headed "Security" below.
Security:	<p>First ranking and exclusive charges and pledges on all the shares held by the Group in the following subsidiaries of the Company:</p> <ol style="list-style-type: none"> <li>1) TCL Information Technology Industrial (Group) Company Limited</li> <li>2) TCL International Electronics (BVI) Limited</li> <li>3) TTE Corporation</li> <li>4) TCL Holdings (BVI) Limited</li> <li>5) TCL Overseas Holdings Limited</li> <li>6) TTE (North America) Holdings Limited</li> <li>7) TTE Technology Inc.</li> <li>8) TTE Belgium S.A.</li> </ol> <p>all being wholly owned subsidiaries of the Company and investment holding companies holding directly or indirectly the entire operation of the Company.</p>
Financial Covenants:	<p>The Company undertakes the following, among other things, so long as any of the Bonds remain outstanding:</p> <ol style="list-style-type: none"> <li>1) except with prior consent by a Bondholders' Ordinary Resolution, it will not and will procure that no Subsidiary will: <ol style="list-style-type: none"> <li>a) sell any of its respective assets on terms whereby such asset is or may be leased to or re-acquired or acquired by it or another subsidiary; or sell its receivables on recourse terms except for the discounting of bills in the ordinary course of business;</li> <li>b) sell, transfer, lease or otherwise dispose of all or a substantial part of its respective assets;</li> </ol> </li> <li>2) except with prior consent by a Bondholders' Ordinary Resolution, it will not and will procure that no Subsidiary will, incur or have outstanding any Financial Indebtedness other than in respect of (i) the Bonds, (ii) the Syndicated Loan Agreement, (iii) the Club Loan Agreement, (iv) Financial Indebtedness as at the issue date of the Bonds in respect of loans and advance from the shareholders and affiliated entities of the Company and from TCL Finance Co., Ltd which does not exceed US\$70,700,000 and US\$19,480,000 respectively, (v) Financial Indebtedness by way of cash advances, trust receipts or interest bearing accounts payable in the ordinary course of trade with an aggregate amount not exceeding US\$100,000,000, (vi) Financial Indebtedness under facilities for accounts receivables financing in the ordinary and usual course of trade provided the aggregate amount for utilisation does not exceed US\$130,000,000;</li> <li>3) the Group will not incur capital expenditure for each period of 12 months exceeding US\$50,000,000 (equivalent to approximately HK\$391,000,000) in aggregate (except with prior consent by a Bondholders' Ordinary Resolution);</li> <li>4) except with prior consent by a Bondholders' Ordinary Resolution, the aggregate capital expenditure by TCL Overseas Marketing (Macao Commercial Offshore) Limited, TTE Belgium S.A. and their respective subsidiaries shall not exceed 15% of the capital expenditure of the Company and its subsidiaries for each period of 12 months;</li> <li>5) except with prior consent by a Bondholders' Ordinary Resolution, the aggregate operating losses of TCL Overseas Marketing (Macao Commercial Offshore) Limited, TTE Belgium S.A. and their respective subsidiaries shall not exceed US\$20,000,000 for the financial year ending 31 December 2007, and shall not exceed US\$10,000,000 for 2008 and US\$0 for each financial year thereafter; and</li> <li>6) it will not provide and extend any loans, facilities and guarantees to any person or entity who is its shareholder.</li> </ol>
Transferability:	Subject to the terms of the Purchase Agreement, a Bond may be transferred by delivery of the certificate issued in respect thereof, with the form of transfer on the back duly completed and signed, to the registrar (or its agents) for the Bonds.
Voting rights:	Bondholders will not have any right to attend or vote in any meeting of the Company by virtue of their being Bondholders.
Listing:	The Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Denomination:	US\$10,000
Negative Pledge:	The Company undertakes that, so long as any of the Bonds remains outstanding, it will not, and will procure that none of its Subsidiaries or other persons to create, among other things, any mortgage, charge, pledge, lien or other form of encumbrance on their respective present or future undertaking, assets or revenues, or any guarantee of or indemnity to secure any Market Securities.
Terms of the Bonds were agreed after arm's length negotiation between the Company and the Purchaser.	

## IMPACT ON SHAREHOLDING UPON FULL CONVERSION OF BONDS

As at the date of this announcement, TCL Corporation and parties acting in concert with it are interested in 1,534,101,289 Shares representing approximately 39.31% of the issued share capital of the Company (being 3,902,951,727 Shares in aggregate). Set out below is the shareholding structure of the Company upon full conversion of the Bonds after completion of the Rights Issue (assuming no outstanding options are exercised on or before completion of the Rights Issue) (for illustration purposes only, any of the situations below may or may not take place):

### Assuming Shareholders have taken up their respective rights and entitlements under the Rights Issue

Shareholder	Assuming Shareholders have taken up their respective rights and entitlement under the Rights Issue		Assuming full conversion of the Bonds at the maximum Effective Initial Conversion Price of HK\$0.667 per Share (Note 1)		Assuming full conversion of the Bonds at the minimum Effective Initial Conversion Price of HK\$0.40 per Share		Assuming full conversion of the Bonds at the minimum reset price of HK\$0.30 per Share	
	Share	%	Share	%	Share	%	Share	%
TCL Corporation and parties acting in concert with it	2,301,163,933	39.31%	2,301,163,933	30.70%	2,301,163,933	26.78%	2,301,163,933	24.21%
Thomson S.A. (Note 2)	905,832,143	15.47%	905,832,143	12.08%	905,832,143	10.54%	905,832,143	9.53%
Public (other than Bondholders)	2,647,431,514	45.22%	2,647,431,514	35.32%	2,647,431,514	30.81%	2,647,431,514	27.86%
Bondholders (other than the Purchaser) (Note 3)	–	–	3,517,241	0.05%	5,865,000	0.07%	7,820,000	0.08%
Bondholders (the Purchaser) (Note 3)	–	–	1,637,862,069	21.85%	2,731,135,000	31.80%	3,641,513,333	38.32%
<b>Total issued shares</b>	<b>5,854,427,590</b>	<b>100%</b>	<b>7,495,806,900</b>	<b>100%</b>	<b>8,591,427,590</b>	<b>100%</b>	<b>9,503,760,923</b>	<b>100%</b>

### Assuming NO Shareholders (other than TCL Industries) have taken up rights and entitlements under the Rights Issue

Shareholder	Assuming NO Shareholders (other than TCL Industries) have taken up rights and entitlement under the Rights Issue		Assuming full conversion of the Bonds at the maximum Effective Initial Conversion Price of HK\$0.667 per Share (Note 1)		Assuming full conversion of the Bonds at the maximum Effective Initial Conversion Price of HK\$0.40 per Share		Assuming full conversion of the Bonds at the minimum reset price of HK\$0.30 per Share	
	Share	%	Share	%	Share	%	Share	%
TCL Corporation and parties acting in concert with it	3,485,585,152	59.54%	3,485,585,152	46.50%	3,485,585,152	40.57%	3,485,585,152	36.68%
Thomson S.A. (Note 2)	603,888,095	10.32%	603,888,095	8.05%	603,888,095	7.03%	603,888,095	6.35%
Public (other than Bondholders)	1,764,954,343	30.14%	1,764,954,343	23.55%	1,764,954,343	20.54%	1,764,954,343	18.57%
Bondholders (other than the Purchaser) (Note 3)	–	–	3,517,241	0.05%	5,865,000	0.07%	7,820,000	0.08%
Bondholders (the Purchaser) (Note 3)	–	–	1,637,862,069	21.85%	2,731,135,000	31.79%	3,641,513,333	38.32%
<b>Total issued shares</b>	<b>5,854,427,590</b>	<b>100%</b>	<b>7,495,806,900</b>	<b>100%</b>	<b>8,591,427,590</b>	<b>100%</b>	<b>9,503,760,923</b>	<b>100%</b>

#### Note:

- Assuming the Volume Weighted Average Price of the Share for the 25 consecutive days ending the Initial Reset Date being not less than HK\$0.58, the Reference Price is therefore HK\$0.58 and the Conversion Price will be HK\$0.667 (i.e., 115% of the Reference Price).
- In the above illustrative events where the shareholding of the Company held by existing public Shareholders (other than the Bondholders) falls below 25% on conversion of the Bonds, the shareholding of Thomson S.A. in the Company will also fall below 10% and therefore Thomson S.A. is regarded as a public Shareholder.
- The Purchaser under the Purchase Agreement agrees to subscribe and pay for, or to procure subscribers to subscribe and pay for the Bonds. The Purchaser confirms that it has already procured independent investors to subscribe for Bonds in principal amount at least US\$300,000 (equivalent to HK2,346,000). On conversion of the Bonds by such independent investor(s), he will also be regarded as a public Shareholder.

### APPLICATION FOR LISTING

No application will be made for listing of, or permission to deal in, the Bonds to the Stock Exchange or any other stock exchange.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued pursuant to the Bonds.

### USE OF PROCEEDS AND REASONS FOR THE BOND ISSUE

The net proceeds from the Bond Issue, after deducting expenses and fees, are estimated to be approximately HK\$1,060 million. Pursuant to the Purchase Agreement, the Company shall apply such net proceeds first towards the repayment of the outstanding indebtedness under the Syndicated Loan Agreement and the balance of the proceeds shall be applied towards the Company's working capital purposes.

The conversion of the Bonds into Conversion Shares will enlarge the shareholder capital base of the Company and the Directors consider that it will facilitate the long-term development of the Company. Taking into account that the net proceeds of the Bonds will be used to repay existing syndicated loans and thus improve the financial position of the Company, the Directors are of the view that the terms of the Bonds are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

**As the Purchase Agreement is subject to the satisfaction of certain conditions precedent, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**



## SHAREHOLDERS' APPROVAL

The issue of Conversion Shares falling to be issued upon exercise of the Conversion Rights attached to the Bonds are subject to the Shareholders' approval at the EGM.

An EGM will be held to consider and, if thought fit, approve the issue and allotment of the Conversion Shares and the transaction contemplated therein including the increase of the authorized share capital of the Company. It is expected that further details of the Purchase Agreement in respect of the Bonds and the notice of EGM will be contained in the same circular to be issued by the Company in respect of the Rights Issue and despatched to the Shareholders as soon as practicable.

## RESUMPTION OF TRADING OF SHARES

Trading in the Shares was suspended from 9:30 a.m. on 21 May 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 22 May 2007.

## DEFINITIONS

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

"Accrued Interest"	accrued interest on the principal amount of the Bonds to be redeemed from and including the immediately preceding interest payment date of the Bonds to but excluding the date fixed for redemption
"Annual Reset Date"	any of the first, second or third anniversary of the Closing Date
"Board"	the board of Directors
"Bond(s)"	the 4.5% secured convertible bonds in an aggregate principal amount of US\$140 million to be issued by the Company pursuant to the Purchase Agreement
"Bondholder(s)"	holder(s) of the Bonds from time to time
"Bondholders' Ordinary Resolution"	a resolution approved by Bondholder(s) holding or representing 50% in the principal amount of the Bonds for the time being outstanding
"Bond Issue"	the issue of the Bonds to, and the purchase of the Bonds by, the Purchaser pursuant to the terms of the Purchase Agreement
"Business Day"	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
"Cash Settlement Amount"	the product of (a) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s), and in respect of which the Company has elected the Cash Settlement Option, and (b) the prevailing market price per Share as at the Trading Day following the date on which the Company delivers a notice to a Bondholder to exercise the Cash Settlement Option
"Cash Settlement Option"	the option exercisable by the Company as described under the paragraph headed "Cash Settlement Option" under the section headed "Principal Terms of the Bonds" in this announcement
"Change of Control"	the acquisition of the rights to appoint the majority of the Directors or acquisition of substantially all of the Shares or where a merger of the Company results in the same
"Closing Date"	the date which is 10 days after the first date on which all of the conditions precedent to the Purchase Agreement are satisfied or such other date as shall be agreed between the Company and the Purchaser
"Closing Price"	the price of the Shares published in the daily quotation sheet published by the Stock Exchange
"Club Loan Agreement"	the HK\$400,000,000 Term Loan Facility Agreement dated 23 December 2002 entered into between the Company and certain banks and financial institutions
"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"	has the meaning ascribed to it in the Listing Rules
"Conversion Period"	the period during which the Bondholder(s) may exercise Conversion Rights (i.e. at any time from 30 Trading Days after the Closing Date up to the close of business on the Maturity Date or, if the Bonds shall have been called for redemption before the Maturity Date, up to the close of business on a date no later than seven Business Days prior to the date fixed for redemption)
"Conversion Price"	the price to be paid by the Bondholders for conversion of the Bonds to Shares, which will initially be HK\$0.40 per Share (subject to reset and adjustment)
"Conversion Rights"	the right of a Bondholder to convert any Bonds into Conversion Shares
"Conversion Shares"	Shares to be allotted and issued by the Company upon conversion of the Bonds
"Director(s)"	the director(s) of the Company
"Early Redemption Amount"	for each US\$10,000 (equivalent to HK\$78,200) principal amount of the Bonds, the amount which is calculated as follows: $\text{issue price of each Bond} + \text{issue price of each Bond} \times (137.5\% \text{ of the principal amount of each Bond} - 100\%) \times \text{Redemption Period} / 1800 + \text{Accrued Interest}$
"Effective Initial Conversion Price"	the conversion price, after the Initial Reset, at which the Bondholders are entitled to exercise their conversion right at the commencement of the Conversion Period

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the increase of the authorized share capital and the issue and allotment of the Conversion Shares
“European Subsidiaries”	several subsidiaries of the Company operating in Europe which have commenced or will commence liquidation or receivership proceedings
“Financial Indebtedness”	Any indebtedness for or in respect of: <ul style="list-style-type: none"> <li>(A) moneys borrowed including any loans or advances from shareholders, affiliated entities and TCL Finance Co., Ltd.;</li> <li>(B) any amount raised by acceptance under any acceptance credit facility;</li> <li>(C) any amount raised pursuant to any note purchase facility or the issue of the bonds, notes, debentures, loan stock or any similar instrument;</li> <li>(D) the amount of any liability in respect of any lease or hire purchase contract which would be treated as a finance or capital lease;</li> <li>(E) receivables sold or discounted;</li> <li>(F) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;</li> <li>(G) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculation the value of any derivative transaction, only the marked to market value shall be taken into account;)</li> <li>(H) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and</li> <li>(I) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (A) to (H) above.</li> </ul>
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Conversion Price”	the initial Conversion Price of the Bonds (as at the Closing Date) of HK\$0.40
“Initial Reset Date”	the 26th consecutive Trading Day immediately after the completion of the Rights Issue
“Last Trading Date”	18 May 2007, being the last trading day of the Shares prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Securities”	any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or other securities market
“Maturity Date”	the fifth anniversary day of the Closing Date
“PRC”	the People’s Republic of China excluding Hong Kong and Macau for the purposes of this announcement
“Redemption Period”	number of days from and including the date of issue of the Bonds up to and including the date for redemption on a 360 days’ per year basis
“Rights Issue”	the proposed issue of Rights Shares by the Company on the basis of 1 Rights Share for every 2 existing Shares by way of rights referred to in the Company’s announcement dated 15 May 2007
“Rights Shares”	the new Shares to be issued by the Company pursuant to the Rights Issue
“Share(s)”	the ordinary share(s) which has (have) a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 15 February 2007
“Purchaser”	Deutsche Bank AG, London
“Purchase Agreement”	the agreement entered into on 18 May 2007 between the Company and the Purchaser regarding the Bond Issue
“Reference Price”	the lower of HK\$0.58 and the Volume Weighted Average Price of the Shares for a period of 25 consecutive Trading Days immediately after the completion of the Rights Issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

“Syndicated Loan Agreement”	the agreement entered into on 16 November 2004 between the Company and certain banks and financial institutions regarding facility of US\$180 million (equivalent to approximately HK\$1,407 million)
“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 the ultimate controlling shareholder of the Company
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the immediate holding company of the Company and a subsidiary of TCL Corporation (TCL集團股份有限公司)
“Trading Day”	a day on which the Stock Exchange is open for trading
“United States” or “U.S.”	United States of America
“US\$”	U.S. dollars, the lawful currency of United States
“Volume Weighted Average Price”	the order book volume-weighted average price of the Shares appearing on or derived from Bloomberg
“%”	per cent.

*In this announcement, unless stated otherwise herein, certain amounts quoted in US dollars have been translated into Hong Kong dollars and US dollars respectively at the reference rate of US\$1.00 to HK\$7.82 for informational purposes only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate at all.*

On behalf of the Board  
**Li Dongsheng**  
Chairman

Hong Kong, 21 May 2007

*As at the date of this announcement, the Board comprises Li Dongsheng, Lu Zhongli, Wang Kangping, Shi Wanwen and Yuan Bing as executive directors, Albert Thomas da Rosa, Junior as non-executive director and Tang Guliang, Wang Bing and Robert Maarten Westerhof as independent non-executive directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

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