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**TCL**

**TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED**  
**(TCL多媒體科技控股有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1070)

**CONNECTED TRANSACTIONS –**  
**ACQUISITION OF ASIC MICROELECTRONICS**

On 27 September 2007, TCL Huizhou, a wholly owned subsidiary of the Company entered into two separate equity transfer agreements with TCL Corporation and TCL Industries respectively to acquire 75% and 25% equity interest in Asic Microelectronics. Upon completion of the Acquisitions, Asic Microelectronics will become a wholly-owned subsidiary of the Company.

TCL Industries and TCL Corporation are the immediate and ultimate controlling Shareholders respectively and are therefore connected persons of the Company within the meaning of the Listing Rules. Each of the Relevant Ratio for the aggregated consideration for the Acquisitions to be involved is lower than 2.5%. Accordingly, the Acquisitions constitute connected transactions and are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

**ACQUISITION OF THE ENTIRE INTEREST IN ASIC MICROELECTRONICS**

On 27 September 2007, TCL Huizhou, a wholly owned subsidiary of the Company entered into two separate equity transfer agreements respectively with TCL Corporation and TCL Industries to acquire 75% and 25% equity interest in Asic Microelectronics. Upon completion of the Acquisitions, Asic Microelectronics will become a wholly-owned subsidiary of the Company.

**The Acquisitions**

Pursuant to the Equity Transfer Agreements as described below, TCL Huizhou agrees to acquire from the Vendors the following amount of equity interest in Asic Microelectronics at the following consideration:

Agreements	Name of the Vendors	Percentage of interest acquired	Amount of consideration paid by TCL Huizhou	
			RMB	HK\$
Equity Transfer Agreement I	TCL Corporation	75%	18,750,000	19,312,500
Equity Transfer Agreement II	TCL Industries	25%	6,250,000	6,437,500
		100%	25,000,000	25,750,000

The consideration shall be paid by TCL Huizhou to the relevant vendors in cash upon signing of the relevant agreements.

## BACKGROUND INFORMATION REGARDING ASIC MICROELECTRONICS

### Business

Asic Microelectronics was incorporated in PRC on 8 October 1999 with registered capital of RMB40,000,000 (equivalent to approximately HK\$41,200,000), of which 75% and 25% are currently held by TCL Corporation and TCL Industries respectively. Asic Microelectronics has been engaged in design and development of various integrated circuits (mainly for remote controls) and provision of integrated circuits related technical supports. Asic Microelectronics has been in a leading position for development of technical know how in the integrated circuits industry. Throughout the years, Asic Microelectronics has established a good sales network and it has recently developed a number of new products which are expected to be well received by the market.

### Net profit/loss

The unaudited net profit/loss before and after taxation and extraordinary items for the 6 months ended 30 June 2007, the audited net profit/loss before and after taxation and extraordinary items for the years ended 31 December 2006 and 2005 are as follows:

	For the 6 months ended		For the year ended		For the year ended	
	30 June 2007		31 December 2006		31 December 2005	
	(Unaudited)		(Audited)		(Audited)	
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(approximates)</i>		<i>(approximates)</i>		<i>(approximates)</i>	
Net profit/(loss) before taxation and extraordinary items	(136,803)	(140,907)	(1,824,130)	(1,878,854)	929,511	957,396
Net profit/(loss) after taxation and extraordinary items	(136,803)	(140,907)	(1,873,656)	(1,929,866)	897,317	924,237

Notwithstanding Asic Microelectronics suffered an operating loss of RMB1,824,130 (equivalent to approximately HK\$1,878,854) for the financial year of 2006 (mainly due to certain non-recurring items) and RMB136,803 (equivalent to approximately HK\$140,907) for the first half financial year of 2007, in view of its recent products portfolio, Asic Microelectronics is considered (with support by opinion of the PRC Valuer as described below) to have earning potential for the years to come.

### Net asset value

According to the management accounts of Asic Microelectronics as at 30 June 2007, the unaudited net asset value of Asic Microelectronics was RMB21,781,054 (equivalent to approximately HK\$22,434,486) (as at 31 December 2006 and 31 December 2005, the audited net asset value was RMB21,917,857 (equivalent to approximately HK\$22,575,393) and RMB23,791,513 (equivalent to approximately HK\$24,505,258) respectively).

The Equity Transfer Agreements stipulated that the Acquisitions should exclude cash (expected to be in the aggregate sum of RMB13,839,656 (equivalent to approximately HK\$14,254,846)) which would be retained by the Vendors. The major assets of Asic Microelectronics include facilities for producing integrated circuits products, inventory of raw materials together with integrated circuits related products and receivables.

### **Valuation by PRC Valuer**

According to the valuation report provided by an independent professional PRC Valuer, the net asset value of Asic Microelectronics as at 30 June 2007 was RMB38,865,345 (equivalent to approximately HK\$40,031,305) comprising a revaluation surplus amount of the tangible net assets of RMB2,495,553 (equivalent to approximately HK\$2,570,420) and intangible assets of RMB14,515,500 (equivalent to approximately HK\$14,950,965).

The intangible assets mainly comprise (a) production design technology of a value amounting to RMB13,516,300 (equivalent to approximately HK\$13,921,789) and (b) a trademark "ASIC" at a valuation amount of RMB999,200 (equivalent to approximately HK\$1,029,176). As the design and production technology developed by Asic Microelectronics of the integrated circuits are innovative technology, there is no similar prevailing market price reference for its value. The PRC Valuer appraised the value by the economic benefit model and discounted cash flow methods. The valuation had taken into account various factors including, (i) in relation to Asic Microelectronics, its historical revenue and sales, costs of operation, etc. for past 4.5 years, its business model and investment plan; and (ii) in relation to the industry in which Asic Microelectronics is engaged, the estimated market demand and competition constraints. In formulating the earning projection, the PRC Valuer assumed that the sales of the mature products and the new products of Asic Microelectronics will increase by 8% and 15% respectively per year.

In arriving at the value as stated in the valuation report, the PRC Valuer adopted a rate of 25% as the Licensor's share on licensee's profit rate (i.e. a ratio of the technology product price over purchaser's profits), a rate of 9% as the total discounted cashflow rate (comprising the non-risky return rate of 2.52% and the risky return rate of 6%) and a rate of 8% as the profit sharing rate for the trademark "ASIC".

The consideration for the Acquisitions has been determined after arm's length negotiation between TCL Huizhou and the Vendors, after taking into account of the net asset value of Asic Microelectronics as at 30 June 2007 as valued by the PRC Valuer.

The auditors of the Company, Ernst & Young, have been instructed to review the accounting policies and calculations for the profit forecast made in the valuation report and confirmed that the same was presented on a basis consistent in all material respects with the accounting policies adopted by the Group in its financial statements. The intangible asset as aforesaid will be recorded as an intangible asset of RMB14,515,500 (equivalent to approximately HK\$14,950,965). The Directors confirmed that the forecast made in the valuation report has been reasonably made after due and careful enquiry.

## **REASONS FOR ENTERING INTO THE AGREEMENTS**

Asic Microelectronics, being in the business of development and selling of various integrated circuits (mainly for remote controls), has both facilities and expertise in producing integrated circuits products which form an indispensable part of the Group's products.

It is considered that by acquiring the entire interest in Asic Microelectronics, the Group will be in a better position to further strengthen its product quality and supply and therefore increase its competitiveness. Given that the business of Asic Microelectronics is closely related to that of the Group, the Acquisitions will bring consolidation to the production chain of the Group. With Asic Microelectronics' experience, expertise and know how in integrated circuits industry, the Directors (including the independent non-executive Directors) believe that the Acquisitions would bring overall advantages to the Group, particularly enhancing its capability and competitiveness in exploring, developing and expansion of the integrated circuits products market.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreements are fair and reasonable, on normal commercial terms and in the interests of the shareholders of the Company as a whole.

## **LISTING RULES REQUIREMENTS**

TCL Industries and TCL Corporation are the immediate and ultimate controlling Shareholders respectively and are therefore connected persons of the Company within the meaning of the Listing Rules. Each of the Relevant Ratio for the aggregated consideration for the Acquisitions to be involved is lower than 2.5%. Accordingly, the Acquisitions constitute connected transactions and are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

## **INFORMATION ON THE PARTIES**

The Group, are principally engaged in the manufacture and sale of wide range of electronic consumer products including television set and audio-visual products. For more information on the Group, please visit its official website at [www.tclhk.com](http://www.tclhk.com) (the information that appears in this website does not form part of this announcement).

TCL Huizhou, a wholly owned subsidiary of the Company, is principally engaged in manufacturing and sales of audio-visual products and sales in electronics components.

TCL Corporation and its subsidiaries (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of electronic, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at [www.tcl.com](http://www.tcl.com) (the information that appears in this website does not form part of this announcement).

TCL Industries, a wholly owned subsidiary of TCL Corporation and is the immediate controlling shareholder of the Company, with investments in the manufacture and sale of wide range of electronic consumer products including television set and audio-visual products.

Asic Microelectronics, is principally engaged in research, design, development, selling of various integrated circuits and related electronics application products and provision of integrated circuits related technical supports.

## **DEFINITION**

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

“Acquisition(s)”	acquisition of 75% equity interest in Asic Microelectronics from TCL Corporation to TCL Huizhou pursuant to the Equity Transfer Agreement I and acquisition of 25% equity interest in Asic Microelectronics from TCL Industries to TCL Huizhou pursuant to the Equity Transfer Agreement II
“Asic Microelectronics”	深圳市愛思科微電子有限公司 (Shenzhen Asic Microelectronics Ltd.), a foreign investment company with limited liability established in PRC
“Board”	the board of Directors
“Company”	TCL Multimedia Technology 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 (stock code: 1070)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement I”	the equity transfer agreement entered into between TCL Huizhou and TCL Corporation dated 27 September 2007
“Equity Transfer Agreement II”	the equity transfer agreement entered into between TCL Huizhou and TCL Industries dated 27 September 2007
“Equity Transfer Agreements”	the Equity Transfer Agreement I and the Equity Transfer Agreement II
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange from time to time
“RMB”	Renminbi, the lawful currency of the PRC

“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
“PRC Valuer”	中聯資產評估有限公司 (China United Assets Appraisal Co., Ltd.), an independent firm of valuers licensed by the Ministry of Finance to carry out valuation of securities assets, land, mining exploration and mining rights in the PRC
“Relevant Ratio”	any ratio applicable to the Transactions set out in Rule 14.07 of the Listing Rules
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company which is for the time being and from time to time a subsidiary of the Company (within the meaning of section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) as modified from time to time), whether incorporated in Hong Kong, or elsewhere and “Subsidiaries” means all of them
“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 Huizhou”	TCL王牌電器(惠州)有限公司 (TCL King Electrical Appliances (Huizhou) Company Limited), a company incorporated in PRC with limited liability, a wholly owned subsidiary of the Company
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司), a company incorporated in Hong Kong with limited liability, the immediate holding company of the Company and a wholly owned subsidiary of TCL Corporation
“Vendors”	TCL Corporation and TCL Industries
“%”	per cent

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

Hong Kong, 27 September 2007

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1.03 = RMB1 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

*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, Robert Maarten Westerhof and Wu Shihong as independent non-executive directors.*