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: 01070)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN TCL KING ELECTRONICS (SHENZHEN) COMPANY LIMITED

The Board announces that on 28 June 2011, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the entire equity interest in the Target Company, at a consideration of RMB315.5 million (equivalent to HK$378.6 million) (subject to adjustment).

As the applicable percentage ratios of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

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Set out below are the major terms of the Equity Transfer Agreement:

THE EQUITY TRANSFER AGREEMENT

Date: 28 June 2011

Parties:

Vendor	TCL Holdings (BVI) Limited
Purchaser	Talent Bright International Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

INTERESTS TO BE DISPOSED OF

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to dispose of and the Purchaser has agreed to purchase the entire equity interest in the Target Company. The Target Company used to be principally engaged in manufacture of audio-visual products. The assets of the Target Company include, amongst others, the Landed Property, a 4.2% equity investment (the "Investment") and bank balance and cash. The Landed Property in Shekou, Shenzhen, the PRC, having a site area of 17,990.6 square meters on which erected certain buildings with a total gross floor area of 39,586.8 square meters, represents the major assets of the Target Company. The Purchaser will indirectly acquire the Landed Property through the Equity Transfer Agreement.

The Landed Property comprises three pieces of land, two of which are of remaining land use right of one to two years and including one which is of administrative allocation use (行政劃撥用地). The Vendor is obliged to make an application to the relevant authority to (i) extend the land use rights for twenty-five years for two pieces of land which land use rights are due to be expired shortly, and (ii) change of land use purpose from administrative allocation use (行政劃撥用地) to transferrable industrial use (出讓的工業用地) for one piece of land.

CONSIDERATION AND PAYMENT TERMS

The consideration for the Disposal is RMB315.5 million (equivalent to HK$378.6 million) (subject to adjustment), which was determined by the parties at arm's length negotiation with reference to the net asset value of the Target Company in the sum of approximately RMB123.4 million (equivalent to approximately HK$148.1 million) as at 28 June 2011. There may be adjustment on the amount of the consideration if the retained earning of the Target Company as at the Transfer Date is different from that as shown in the financial statement of the Target Company as at 28 June 2011 or the fees incurred for satisfying the post transfer obligations of the Vendor exceed a specified amount as stipulated under the Equity Transfer Agreement.

The consideration shall be payable by the Purchaser to the designated account of the Vendor in two installments. The 1st installment is in the sum of RMB182 million (equivalent to HK$218.4 million) being payable within one business days after the signing of the Equity Transfer Agreement. The 2nd installment is in the sum of RMB133.5 million (equivalent to HK$160.2 million) being payable with three business days upon the Vendor's completion of certain post transfer obligations including the extension of the term of the land use rights and the change of the nature of the land use right as above mentioned.

TRANSFER OF LANDED PROPERTY AND EFFECT OF THE TRANSFER

Upon payment by the Purchaser of the 1st installment on the Transfer Date, the Vendor will pass to the Purchaser all the title documents, company seals, chops and papers in relation to the Target Company. Persons nominated by the Purchaser will be appointed as the directors of the board of the Target Company. Effectively, management and control together with all the assets, property, interest and rights in relation to the Target Company will be transferred to the Purchaser, save and except for certain carve out assets as agreed by the parties which include: (i) the Investment amounting to RMB1.8 million, representing the 4.2% equity interests in DTVIA Techlabs Co., Ltd. (北京中視聯數字系統有限公司), (ii) undistributed retained earnings of the Target Company as at 30 June 2011, (iii) 20% equity interest of Shenzhen TCL New Technology, (iv) any income arising from the carved out assets as stipulated under the Equity Transfer Agreement and (v) idle fixed assets. The Vendor warrants that the net asset value of the Target Company will not be less than RMB123.4 million as at the Transfer Date. Save for the carved out interest as aforesaid, after the Transfer Date the Group will no longer have any interest or right in the Target Company nor does it assume any risk in relation to the Target Company. Accordingly, the Group will effectively dispose of the entire equity interest in the Target Company with effect from the Transfer Date and the Target Company will cease to be a subsidiary of the Group.

POST TRANSFER OBLIGATIONS

The Vendor undertakes that it will before 15 December 2011 (i) extend the land use rights for twenty-five years for two pieces of land which land use right are due to be expired shortly and for one of them to additionally complete the procedure for changing the land use purpose from administrative allocation use to transferrable industrial use and (ii) complete the procedure for change in business registration (工商變更登記手續).

TERMINATION

In case of default by the Vendor in respect of its post transfer obligations as mentioned above, or the realised amount of contingent liabilities of the Target Company exceed RMB70 million (equivalent to HK$84 million), or material defects exist in the titles of the Landed Property, the Purchaser is entitled to terminate the Equity Transfer Agreement. The Purchaser undertakes to pay the consideration according to the terms of the Equity Transfer Agreement. In default, the Purchaser shall pay the Vendor a daily interest amount at 0.03% of the outstanding consideration with reference to the number of days overdue; and if the Purchaser delays in payment by more than 30 days, the Vendor shall be entitled to terminate the Equity Transfer Agreement. When the Equity Transfer Agreement is terminated, the Vendor shall return to the Purchaser the consideration already paid by the Purchaser together with any interest accrued thereon, if applicable, and the Purchaser is liable to return to the Vendor any equity interest transferred to it by the Vendor. The defaulting party is liable to pay a default penalty of RMB20 million (equivalent to HK$24 million) to the non-defaulting party.

GUARANTEE

The Company has executed the Guarantee in favour of the Purchaser to guarantee the due performance by the Vendor of its post transfer obligations as mentioned above. Under the Guarantee, the Company also undertakes to be responsible for any liability arising from the Vendor's breach under the Equity Transfer Agreement. The Guarantee will be valid for a period of 2 years from the date of Guarantee.

By a separate arrangement, the Target Company agreed to pay to the Group after the transfer a licence fee of approximately RMB40.6 million (equivalent to approximately HK$48.7 million) for the use of certain trademarks with the "TCL" character specified under a manual within the territory of PRC for a period of three years.

INFORMATION REGARDING THE TARGET COMPANY

The Target Company used to be an operating arm of the Group engaging in the manufacture of audio-visual products. In contemplation of the Disposal, the Group has caused all the business of the Target Company to be transferred out. Prior to the Disposal, the Target Company have become a holding company without any operation.

Set out below are the audited financial information of the Target Company for the two financial years ended 31 December 2010:

	2009 *RMB million* *(HK$ million)*	2010 *RMB million* *(HK$ million)*
Net profit before taxation and extraordinary items	1.5 (1.8)	93.2 (111.8)
Net profit after taxation and extraordinary items	0.4 (0.5)	72.6 (87.1)

FINANCIAL EFFECT OF THE DISPOSAL

There will be a gain (after tax) of approximately RMB200.4 million (equivalent to approximately HK$240.5 million) from the Disposal based on the consideration for the Disposal of RMB315.5 million (equivalent to HK$378.6 million) (subject to adjustment) and the unaudited net asset value of the Target Company of approximately RMB123.4 million (equivalent to approximately HK$148.1 million) as at 28 June 2011, together with the release of exchange fluctuation reserve upon the Disposal of approximately RMB29.2 million (equivalent to approximately HK$35.0 million). The Group intends to utilize the consideration as working capital.

REASONS FOR THE DISPOSAL

The Directors considered that the Disposal represents a good opportunity for the Company to realise idle assets of the Target Company at a reasonable price under the current market condition. The proceeds from the Disposal will provide additional cash flow, which will strengthen the financial position of the Group for its business development in its production of LED backlight LCD TV and innovative products such as smart TV, 3D TV and digital broadcast TV.

The Directors (including the independent non-executive Directors) of the Company consider that the terms of the Equity Transfer Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Board wishes to confirm that no Director has any material interest in the said transaction and therefore none of them is required to abstain from voting on the board resolution for approving the said transaction.

GENERAL INFORMATION ON THE PARTIES

The Group, including the Vendor, is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets and audio-visual products. The Group has factories in the PRC, Poland, Mexico and Vietnam and distributes its products in all major markets globally. For more information on the Group, please visit its official website at http://multimedia.tcl.com (the information that appears in this website does not form part of this announcement).

The Purchaser is an investment holding company, which is wholly owned by Fantasia Holdings. The principal business of Fantasia Holdings is property development in the PRC.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in relation to the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules.

DEFINITIONS

"Board"	the board of Directors of the Company;
"business day(s)"	a day (other than Saturday, Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business;

"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: 01070);
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of the entire equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement;
"Fantasia Holdings"	Fantasia Holdings Group Co., 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: 01777);
"Group"	the Company and its subsidiaries;
"Guarantee"	the guarantee executed by the Company on 28 June 2011 in favor of the Purchaser in respect of certain obligations of the Vendor;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Landed Property"	three pieces of land with buildings erected thereon located at K407-0028, K407-0002, K407-0001 Industrial Road No.6, Shekou, Nanshan, Shenzhen, the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"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;
"Purchaser"	Talent Bright International Limited, a limited liability company incorporated under the laws of the British Virgin Islands which is a wholly-owned subsidiary of Fantasia Holdings;

"RMB"	Renminbi, the lawful currency of the PRC;
"Equity Transfer Agreement"	the equity transfer agreement dated 28 June 2011 entered into between the Vendor and the Purchaser in relation to the Disposal;
"Shenzhen TCL New Technology"	Shenzhen TCL New Technology Company Limited (深圳TCL新技術有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	TCL King Electronics (Shenzhen) Company Limited (TCL王牌電子(深圳)有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company;
"Transfer Date"	the date on which the economic, financial and legal responsibility in relation thereto of the Target Company have been transferred, i.e. 29 June 2011;
"Vendor"	TCL Holdings (BVI) Limited, a limited liability company incorporated under the laws of the British Virgin Islands which holds 100% equity interests in the Target Company;
"%"	per cent.

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated to HK$ at the rate of RMB1.00 = HK$1.20. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.

By order of the Board
Li Dongsheng
Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, ZHAO Zhongyao, YU Guanghui and XU Fang as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin and LEONG Yue Wing as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF and WU Shihong as independent non-executive directors.