TCL Multimedia Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Recently, a major breakthrough has been made for the intended restructuring of the European operation of the Group as a result of an agreement reached between Thomson S.A., TTE Corporation, TTE Europe SAS and the Company. The agreement includes, among others, variation of certain terms in some existing agreements between TTE Corporation and Thomson S.A. and settlement with Thomson of certain receivables and payables between the Thomson Group and the Group.

The restructuring and turnaround of TTE's Europe operations are expected to result in the amicable wind-down of the current activities of TTE Europe SAS and a business transition to a new business model. The process will commence in late October/early November 2006.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Trading in the shares of the Company on the Stock Exchange was suspended at the Company's request from 9:30 a.m. on 27 October 2006 pending the issue of this announcement. The Company has applied to the Stock Exchange for trading in its shares of the Company to resume from 9:30 a.m. on 31 October 2006.

TCL Multimedia Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group") has recorded substantial losses as a result of the poor business performance of its operations in Europe. It is estimated that the accumulated losses of the Group's investment in Europe as at 30 September 2006 amounted to EUR203 million (about HK$2,034 million). Hence, it has been the top priority of the Company to take measures to drastically restructure its European operation in order to minimize incurring further losses.

EUROPE RESTRUCTURING AND NEW BUSINESS MODEL

Recently, a major breakthrough has been made for the Europe restructuring as a result of an agreement (the "Term Sheet") reached between Thomson S.A. ("Thomson", together with its subsidiaries "Thomson Group"), a substantial shareholder of the Company (having shares of the Company representing about 29.3% of the issued share capital thereof), TTE Corporation ("TTE"), a direct wholly-owned subsidiary of the Company, TTE Europe SAS ("TTE Europe"), an indirect wholly-owned subsidiary of the Company, and the Company. The Term sheet describes the basic framework making possible the amicable wind-down of current activities of TTE Europe and the re-launch of the Company's business in Europe under a new business model. The Term Sheet was signed on 12 October 2006 but was only binding on the parties and effective from 26 October 2006, the date on which TTE Europe, together with its employee representatives, launched its restructuring plan.

The process for the amicable wind-down of the activities of TTE Europe, the most important subsidiary of the Group in Europe, is expected to commence in late October/early November 2006 and to include, among others, restructuring of the majority of TTE Europe's current employee base in Europe devoted to Europe commercial activities and winding-up of most of its current operations. The wind-down covers substantially all the activities related to sale and marketing of TV products (excluding OEM business) of the Group in Europe. As part of the process, some other subsidiaries of the Group in Europe, such as the six sales subsidiaries of TTE Europe, in respectively, the Czech Republic, Germany, Hungary, Italy, Spain, and Sweden, should also undergo a restructuring in the future. Assets and inventories of the Group in Europe will also be disposed of in due course. Should any agreement be concluded, such may result in a notifiable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), further announcement will be made as and when appropriate.

To maintain the Group's presence in Europe, the Group will pursue a new business model that will expand the Group's existing OEM business serving European customers. Compared to the old business model, this will be a huge simplification of operation. The new operation will have a much simpler supply chain and lean and efficient organization in Europe. It is planned that the majority of support services will be based in Hong Kong and PRC. As a result of the restructuring process, revenues of the Group in Europe will decline in 2007 (compared to 2006), but should rise again in 2008. The scaled-down operation of the Group in Europe and the new business model will reduce operating costs drastically.

It is expected that the business of the Group in areas other than Europe, such as the PRC and North America, will not be affected as a result of the restructuring of TTE Europe in Europe.

THE TERM SHEET WITH THOMSON

The Term Sheet is structured to help TTE Europe to carry out restructuring, wind-down and transition to new business model. It represents the efforts of the Company to find an appropriate restructuring plan for TTE in Europe and also to ensure that the Group's market presence in Europe will be maintained. Implementation of this plan will also require settlement with other creditors of TTE Europe. So far TTE Europe has only discussed with TTE, the Company and Thomson (all being its major creditors) on its restructuring plan and has obtained their assistance and concessions in terms as set out in the Term Sheet. TTE Europe has yet been in detailed discussion with other creditors. In light of major creditors having already agreed to the plan, the board of directors of the Company (the "Board") is confident that other creditors will also cooperate and the restructuring of the European operations will be implemented as planned.

The Term Sheet modifies certain existing arrangements and agreements between the Group and Thomson Group which are continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Changes made to the Trademark License Agreement and New Angers Agreement mentioned below are the more significant changes which will affect the future operation of the Group.

In relation to the existing Trademark License Agreement

Under the Trademark License Agreement between Thomson and TTE (and its subsequent amendment) (the "Trademark License Agreement") (for details of which please refer to the Company's circular dated 2 August 2005), Thomson granted to TTE and its subsidiaries a 20-year license (the "License") to use certain Thomson's registered trademarks ("Thomson Trademark") for manufacture and sale of TV products in certain countries in the North America, Europe and other regions in return for a royalty fee based on the TTE's net sales of TV products. There is a minimum sales target for TTE to meet, the failure of which will entitle Thomson to terminate the Trademark License Agreement.

Due to poor performance in Europe, TTE has not been able to meet the minimum sales target as stipulated. Following the discussions between Thomson and the Group, the parties have decided to amend the Trademark License Agreement. TTE will continue to have the right to use Thomson Trademark in Europe for the next two years and no payment of the royalty fee is required for the said use. For Russia, Ukraine, and Kazakhstan, with payment of royalty fee as agreed in the Trademark License Agreement, TTE can still use the Thomson Trademark for 7 more years up to late 2013. Save as aforesaid all the terms of the Trademark License Agreement remain unchanged.

In relation to the existing New Angers Agreement

Under the New Angers Agreement between Thomson and TTE (for details of which please refer to the Company's circular dated 2 August 2005), Thomson sub-contracts its factory in Angers, France, to TTE at a certain hourly rate for manufacturing of TV products, sub-assemblies and modules and supply of rework services at the Angers Factory. In return, TTE guarantees a minimum order of such sub-contracting services in terms of hours and if such minimum hours are not observed, Thomson will invoice TTE for the difference not ordered on the same terms and conditions as the quantity ordered.

TTE's orders to the Angers factory have from time to time fallen below the minimum as stipulated in the agreement. In light of the restructuring of Europe activities, the Term Sheet significantly reduces the minimum hours which TTE must order, to 150,000 hours for year 2007 and to 75,000 hours for year 2008. This represents an average 61% reduction in 2007 and 78% reduction in 2008 of the contracted loads. The subcontracting arrangement will end at the end of 2008 instead of 30 July 2009 as originally agreed. As a result, financial commitment on part of TTE under the New Angers Agreement has been greatly reduced. In addition, the Term Sheet states that Thomson will proceed by January 2007, subject to certain conditions, with the payment of certain payables to TTE in relation to assets of the Angers factory that will not be transferred to TTE.

The Term Sheet will render the transaction value to be involved under the aforesaid two agreements much lower than the proposed annual caps approved by the shareholders of the Company on 18 August 2005 for those continuing connected transactions.

Other terms

Thomson will repay, subject to certain conditions, certain sum prepaid by the Group in relation to filing and management of certain intellectual property rights. Further, for an effective re-launch of the Company's business in Europe under a new business model, TTE commits to support the working capital needs of TTE Europe up to a maximum of EUR13 million (about HK$130 million).

The Board is of the view that the terms as stated in the Term Sheet are pre-requisites that make possible the restructuring for European operation and the best way to resolve the loss making trend for the Group in Europe.

FINANCIAL IMPACT OF THE EUROPE RESTRUCTURING

Turnover of the Group's European operation for the nine months ended 30 September 2006 amounted to EUR328 million (about HK$3,275 million), accounting for about 15% of the Group's turnover. Net loss of the European operation for the nine months ended 30 September 2006 amounted to EUR159 million (about HK$1,591 million) while the Group recorded a net loss of HK$1,519 million for the period. Total assets of the European operation as at 30 September 2006 amounted to EUR132 million (about HK$1,323 million), representing about 10% of the Group's total assets.

The restructuring costs is estimated to be in the region of EUR45 million (about HK$450 million) covering primarily the provision for the redundancy payment or retrenchment benefits to the employees and certain other warranty costs or costs associated with termination of services. Part of it will be financed by the net cash-in-flow contributed by Thomson after netting off various payables and receivables between the Group and Thomson Group. It is estimated that after taking into account of the Term Sheet, the cash-out-flow on part of the Company as a result of the restructuring plan, if fully implemented as planned, will amount to about EUR24 million (about HK$240 million, which may be higher if the restructuring costs are higher than expected) plus the working capital required for the re-launch of a new business model in Europe as mentioned above, part of which will be financed by realization of assets of the Group in Europe and the balance by the working capital of the Company. As the restructuring is now only at its early stage, the exact impact on the Company's profit and loss for the year ending 31 December 2006 is yet to be determined. It is expected that the exact impact will only be available when the Company finalises its accounts for the year ended 31 December 2006 and the Company will state the exact impact in the results announcement for the year then ended.

The Board believes that the overall restructuring plan (inclusive of the new business model) will pave the way for the Company to reach profitability in Europe by 2008. In view of the current economic climate and the financial drain on the Group by the European operation, the Board considers it would be beneficial for the Group to substantially scale down its operation in Europe in order to stop incurring further loss and pave its way for recovery.

As noted in the unaudited consolidated financial statements of the Company for the nine months ended 30 September 2006, the operation in North America continued to improve whilst operating performance in Emerging Markets and Strategic OEM business demonstrated improvement and the customer base has been expanded consistently. The Board believes that Europe restructuring will benefit the Group as a whole, as much less funding will be required for its European operation and the Group can focus and utilize its resources in other geographical regions in which it operates. Reduction of the loss in Europe and turnaround of the Group's operation in Europe is the critical step in the Group's recovery and ability to post a profit in the forthcoming short term.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m., 27 October 2006 pending the issuance of this announcement.

Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m., 31 October 2006.

Unless otherwise specified, conversion of Euro into Hong Kong Dollars is based on the exchange rate of €1 : HK$10

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

As at the date hereof, 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.

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 27 October 2006

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