TCL INTERNATIONAL HOLDINGS LIMITED

（TCL 國際控股有限公司）*

(incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

FINANCIAL HIGHLIGHTS			
	2001	**2000**	**Increase/(Decrease)**
	HK$M	*HK$M*	*(%)*
Turnover	**9,610**	8,569	12
Profit before tax	**317**	459	(31)
Net profit attributable to shareholders	**292**	428	(32)
Basic earnings per share (HK cents)	**11.70**	17.79	(34)
Dividend per share (HK cents)	**3.00**	3.50	(14)

The Board of Directors of TCL International Holdings Limited (the "Company") is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001 with comparative figures for the previous year as follows :

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		2001	**2000**
	Notes	***HK$'000***	*HK$'000*
Turnover		**9,609,735**	8,569,198
Cost of sales		**(7,891,035)**	(6,870,267)
Gross profit		**1,718,700**	1,698,931
Other revenue and gains		**135,888**	57,186
Selling and distribution costs		**(1,123,776)**	(995,708)
Administrative expenses		**(386,322)**	(217,755)
Other operating expenses		**(60,216)**	(15,809)

Profit from operating activities		**284,274**	526,845
Finance costs	3	**(24,185)**	(43,029)
Share of profits and losses of:			
Jointly-controlled entities		**65,237**	(10,626)
Associate		—	74
Provision for impairment of a jointly-controlled entity		**(8,614)**	—
Provision for advances to a jointly controlled entity		—	(14,067)
Profit before tax		**316,712**	459,197
Tax	4	**(25,780)**	(32,888)
Profit before minority interests		**290,932**	426,309
Minority interests		**898**	1,456
Net profit from ordinary activities attributable to shareholders		**291,830**	427,765
Transfer to reserve fund		**(96,352)**	(60,684)
Retained profit for the year		**195,478**	367,081
Dividend	5	**75,455**	87,893
Earnings per share:	6		
— Basic		**11.70 cents**	17.79 cents
— Diluted		**11.64 cents**	17.69 cents

CONSOLIDATED BALANCE SHEET

	2001	2000
	HK$'000	*HK$'000*
		(Restated)
Non-current Assets		
Fixed assets	**853,364**	646,303
Goodwill	**306,046**	—
Interests in associates	**14,953**	784
Interests in jointly-controlled entities	**237,048**	116,088
Long term investment	**1,682**	1,682
	1,413,093	764,857
Current Assets		
Inventories	**2,039,045**	2,547,337
Trade and bills receivable	**937,463**	897,903
Other receivables	**301,563**	98,506
Pledged time deposits	**63,112**	101,790
Cash and bank balances	**1,021,009**	1,000,928
	4,362,192	4,646,464

Current Liabilities		
Trade and bills payable	**2,151,096**	2,287,406
Tax payable	**20,895**	68,495
Other payables and accruals	**600,638**	200,942
Interest-bearing bank borrowings	**23,667**	122,822
Loan from the ultimate holding company	**—**	139,131
	2,796,296	2,818,796
Net Current Assets	**1,565,896**	1,827,668
Total Assets Less Current Liabilities	**2,978,989**	2,592,525
Non-current Liabilities		
Interest-bearing bank borrowings	**6,628**	7,006
Deferred tax	**1,915**	1,915
	8,543	8,921
Minority Interests	**36,508**	16,993
	45,051	25,914
	2,933,938	2,566,611
Capital and Reserves		
Issued capital	251,122	240,560
Reserves	2,607,361	2,238,158
Proposed final dividend	75,455	87,893
	2,933,938	2,566,611

Notes:

1. Principal Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those in the annual financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the Statement of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001.

These SSAPs prescribe new accounting management and disclosure practices. The major SSAPs which have had a significant effect on the financial statement are:

SSAP 9 (Revised): "Events after the balance sheet date"

SSAP 14 (Revised):	"Leases"
SSAP 18 (Revised):	"Revenue"
SSAP 26:	"Segment reporting"
SSAP 30:	"Business Combinations"

2. Depreciation and amortization

During the year, depreciation of HK$112,272,000 (2000: HK$64,591,000) was charged to the profit and loss account in respect of the Group's property, plant and equipment; and amortisation of HK$25,312,000 (2000 : Nil) was charged to the profit and loss account in respect of the Group's goodwill arising on consolidation.

3. Finance costs

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest on bank loans, and other loans wholly repayable within five years	**24,185**	42,864
Interest on finance leases and hire purchase contracts	**—**	165
	24,185	43,029

4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries and jointly controlled entitles enjoy income tax exemptions and reductions. Certain subsidiaries and jointly controlled entities are subject to income taxes at tax rates ranging from 7.5% to 33%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Group:		
Hong Kong	**5,401**	5,322
Elsewhere	**22,204**	28,493
Over provision in prior year	**(2,574)**	(1,076)
Deferred Tax	**—**	(1,185)
	25,031	31,554
Share of tax attributable to:		
Jointly controlled entities	**749**	1,334
	25,780	32,888

5. Dividend

	Group	
	2001	2000
	HK$'000	*HK$'000*
Proposed final — 3.0 (2000: 3.5) HK cents per share	**75,455**	87,893

6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$291,830,000 (2000: HK$427,765,000) and the weighted average of 2,494,435,950 (2000: 2,404,057,377) shares in issue during the year.

The calculation of diluted earnings per share is also based on the net profit from ordinary activities attributable to shareholders for the year of HK$291,830,000 (2000: HK$427,765,000). The weighted average number of shares used in the calculation is 2,494,435,950 (2000: 2,404,057,377) shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 13,086,174 (2000: 14,547,802) shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

FINANCIAL REVIEW

Segmented Information

An analysis of the Group's turnover and profit from operating activities by principal activities for the year ended 31 December 2001 is as follows:

	Turnover		Profit from operating activities	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By activity:				
Colour televisions	**7,476,257**	7,070,497	**387,934**	442,405
White goods & air-conditioners	**935,606**	1,149,786	**28,952**	125,072
Computers related products	**864,720**	—	**(17,550)**	—
Other audio visual products	**241,954**	342,427	**(14,799)**	7,140
Others	**91,198**	6,488	**(38,959)**	(19,032)
	9,609,735	8,569,198	**345,578**	555,585
Less:Amortisation of goodwill			**(25,312)**	—
Corporate expenses			**(35,992)**	(28,740)
			284,274	526,845

Television —Market competition and price war among the industry players become less ferocious in the second half of the year. Sales volume increased by 9% with sales revenue increased by 6% to HK$7,476 million. In order to allow the Group to react swiftly to this highly dynamic market, the Group allocated more resources on ameliorating operations efficiency and reducing its stock level. At the end of the year, more than 30% of decrease in stocks was recorded. Coupled with the Group's emphasis on higher end models which entailed higher margin, gross margin of the TV division could be maintained at 19%. It is encouraging to note that TCL is able to maintain its leading position in the industry and is the best performer, both in terms of profitability and market share.

White Goods —The overall performance of other home appliances businesses was far from expectation. Established since 1999, the white goods division has still been at its initial stage of development. Over-optimistic pricing policy and the delay in product rollout largely contributed to the lower-than-expected sales. In the air-conditioner subdivision, higher profit margin of the industry has enticed more players to enter the market. Low level of sales made it difficult for the Group to take advantage of the economies of scale, in particular, when the newly acquired manufacturing facility in Zhongshan went into operation in early 2001. Gross margin of white goods decreased by 5%.

Computers and monitors	—The burst of the internet bubble has led to a worldwide reduction in PC demands. Continuous price cuts caused delay in consumption and sales target was unable to attain. Together with the provision of certain obsolete stock, gross margin was eroded by 5% and the division has made a loss of 17.5 million in 2001. The management believes that the situation is only temporary. We are confident that with the gradual pick-up of the worldwide economy and gradual streamlined flow of sales and operation resulting from a full-scale restructuring of the ERP system and distribution network, the performance of the division will soon have a turnaround in the near future.

More than 90% of the Group's turnover and contribution to trading results was derived from activities in the People's Republic of China Mainland.

Associated Company and Jointly Controlled Entities

— The mobile phone business in which the Group had a 20% stake in 2001 has experienced encouraging results. Unit sales have increased from 220,000 sets in 2000 to 1,250,000 sets in 2001. Share of profits before tax attributed to the Group amounted to HK$61 million. Subsequent to the year end in January 2002, the Group acquired an additional 10% interest in the mobile phone business. It is believed that the mobile phone business will become the Group's major profit contributor in the future.

— The economy of India and not to mention the television market was badly hit by the disastrous earthquake in January 2001. The performance of our JV in India was further aggravated by the financial difficulties of our JV partner there, which was handling the assembly and distribution and therefore has tremendous impact on the ultimate profitability of the JV. The future of this JV is still under consideration and for prudence sake, a full provision for investment in the amount of HK$8 million is made. In addition, trade receivable from the JV partner in the amount of HK$38 million is fully provided and included in other operating expenses.

— The Group's another major joint venture — Henan TCL Melody Electronics Co., Ltd was able to turn around from its previous loss-making position recorded as in 2000. With the production of the more-profitable 29 inches TVs, gross margin as well as overall results were improved.

— Other newly invested joint ventures such as the distance learning projects, the compressors manufacturing factory were still at their initial stage of development with no profit contributions to the Group.

Liquidity, Financial Resources and Borrowings

With the Group's efficient management of resources, financial position of the Group remains healthy. Cash on hand amounted to HK$1 billion of which HK$63 million was pledged as security for trade finance facilities in the PRC. Bank loans reduced by HK$100 million to HK$30 million.

During the year, a total of 105,619,289 shares were issued at a price of HK$1.78 per share as partial consideration for the acquisition of the Group's PC business from our holding company. Apart from the above, there was no major equity financing during the year.

BUSINESS REVIEW AND PROSPECT

The combination of a dwindling global economy and benign domestic economic growth meant that TCL International Holdings Limited weathered a tough year of ferocious competition within the industry. Nevertheless, we were aspired by “innovative reform, in tune with the market situation and acting in unison”. While many consumer electronics manufacturers saw their bottom lines suffer in 2001, the Group managed a sustained profit. Growth in sales revenue and market share further solidified our leading position in the home appliance industry in the PRC.

China's successful accession to the WTO will offer both threats and opportunities. Faced with these new challenges and opportunities, we will not be complacent but are proactive to strengthen management, extend our advantages and further upgrade our overall corporate competitiveness. Concurrent with our efforts to sustain continuing stable growth domestically, we will actively develop and expand our overseas markets. We believe that the Group, by leveraging its many distinguishing qualities during the globalisation of the worldwide economy, the reallocation of the value chain in the industry and the consolidation of the domestic industry, will be able to capitalize greatly on development opportunities and become more competitive in the worldwide market.

Performance Overview

In 2001 financial year, turnover grew by 12% over the previous year to HK$9.6 billion; profit attributable to shareholders slipped by 32% to HK$0.29 billion. The growth in turnover was attributed primarily to the PC business acquired in the year while the decline in profit was linked to the slowdown in economic growth and relentless competition in the industry.

In 2001, the Group outranked all its competitors by selling 6.2 million television sets, an increase of 9% over the previous year, and secured a 19% share of the domestic market. Despite a decline in the gross profit margin of the television business in the wake of price competition, the Group is still the most profitable enterprise in the PRC's television industry. As one of the PRC's largest television enterprises, the Group's long-term objective is to be a competitive international enterprise by becoming a global mainstream manufacturer and distributor of home appliances while simultaneously solidifying our current leading position in the domestic market. In this respect, the

Group acquired a 51% equity interest in TCL Electrical Appliances Sales Co., Ltd. from its parent company in August 2001. We firmly believe that this acquisition will have far-reaching and critical effects in enhancing the overall competitiveness of TCL.

Although the white goods business was less satisfactory in 2001, we believe that, after a year of review and adjustment, and by leveraging the strength of the TCL brand name and the competitive advantages of our sales network, the air-conditioner, refrigerator and washing machine business will return to healthy growth.

In the information technology sector, despite difficulties in the market place, our PC business retained much of its already secure market position. The ERP information management system implemented last year to establish competitive advantages in the consumer desktop PC arena has built a solid foundation. Subsequent to a short period of adjustment, we will further enhance the level of quality and service, and secure stable growth in PC business, as well as develop actively our personal consumer digital products. I have every reason to believe that the PC business will turn around in 2002.

Regarding our information value-added services, the Group's Remote Education Project is progressing smoothly and has begun marketing and sales activities. In view of the development of the PRC education information market, and despite its current small scale, this sector is not only lucrative but will also stimulate sales growth in hardware.

Although the world economy was sluggish and weak in 2001 and despite certain difficulties and the absence of major overseas investment, the Group's overseas business achieved sales revenue of HK$645 million, up 16% over the previous year. The Group was keen on retaining growth in the pace of overseas expansion, strengthening management and financial controls and minimising risk. With China's accession to the WTO, our overseas business is expected to expand swiftly.

The most encouraging aspect of 2001 was a rapid growth in the mobile phone business, in which the Group increased the stake from 20% in 2001 to 30% in 2002. Both sales of 1.25 million sets and profit of HK$0.3 billion far exceeded pre-set goals. This business has already become one of the Group's important sources of profit.

Taking into account the world economy and the conditions of the domestic industry, the Group is still the most outstanding player in the industry, despite the downturn in last year's performance. During the past year of hardships, we have gained insight into recognising our advantages and are determined to turn any shortcomings into benefits when taking on bigger challenges in the future. Indeed, we plan to further enhance our overall competitiveness and capitalising on opportunities.

2002 Prospects

Despite China's accession to the WTO, Beijing's success in winning the bid for the 2008 Olympic Games and the reduction in domestic interest rates that will help boost the PRC economy and personal consumption rates, the slow economic growth in 2001 may have a lingering impact on 2002 and prevent the economy from attaining its former fast growth.

In the home appliances industry, the increasing influx of foreign investment and excessive competition among domestic manufacturers will likely lead to consolidation of the domestic industry and acceleration of further cooperation with international enterprises. The Group is wary of this paradigm shift and the market opportunities it is expected to bring. We will therefore take pragmatic and proactive steps to monitor both the domestic and the international markets. We firmly believe that challenges always come with opportunities.

TCL will further explore our potential, make effective use of our resources, renew sales strategies, strengthen channel building, speed up market responses, forge strategic cooperation, emphasize quality and added-value on product development, and improve operating efficiencies as to solidify and expand our leading position within the industry.

The Group is very confident about sustaining its leading position in the domestic television market, as well as proactively enhancing its sales capability and profits in white goods. The television business will continue to be our principal source of profit, although its overall relationship to our total profit will decline as a result of growth in the contributions made by the Group's diverse businesses.

Subsequent to China's accession to the WTO, trade barriers to PRC exports will gradually be dismantled. With the expected gradual recovery of the global economy, the Group is optimistic about its overseas business for the current year. We will strengthen market promotions, expand product lines, speed up the introduction to market of new products and upgrade after-sales services in overseas markets in order to actively accomplish swift growth in overseas markets.

In the information technology business, the Group will optimise hardware product lines, including PCs, strengthen remote education as one of the principal content applications, fully leverage on the prestigious TCL brand name and make use of the established Internet-based educational products to facilitate other product line sales. Despite the fact that the Group's information technology business was unable to contribute profit in 2001, the business has enormous growth potential. We still firmly believe that this investment will bring shareholders satisfactory returns in the future having survived temporary difficult situation.

In 2002, the Group has increased its equity interest in the mobile phone business to 30% by acquiring an additional 10% interest in Huizhou TCL Mobile Communication Co., Ltd., which is expected to sustain swift growth.

In 2002, the Group will pursue consistently its philosophy of “creating value for customers, opportunities for employees and benefits for society”, as well as meet challenges positively and sustain continued healthy corporate growth. As a shareholder of one of the leading companies in the PRC, your future returns is promising.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

BOOK CLOSURE

The Register of Members will be closed from 4 May 2002 to 10 May 2002 both days inclusive. In order to qualify for the proposed final dividends, all transfers, accompanied by the relevant share certificates, should be lodged with the Registrars by 4:00 p.m. on 3 May 2002.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited during the year.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere gratitude to our shareholders for their support and to our staff for their commitment and hard work during the year.

On behalf of the Board
LI Dong Sheng
Chairman

Hong Kong, 13 March 2002

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on both the Company's *website (www.tclhk.com) and the Stock Exchange's website (www.hkex.com.hk) in due course.*

* *For identification purposes only*

***Please also refer to the published version of this announcement in the** (South China Morning Post)*