

TCL INTERNATIONAL HOLDINGS LIMITED

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TCL INTERNATIONAL HOLDINGS LIMITED **TCL 國際控股有限公司***

(incorporated in Cayman Islands with limited liability)

CONNECTED TRANSACTIONS

The board of directors of TCL International Holdings Limited wished to announce that on 7th July 2000, TCL Holdings (BVI) Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and an instrument of transfer with Telital (China) Investments Limited, an independent third party, for the purpose of:

- (a) acquisition of a 20% interest in Huizhou TCL-Telital Mobile Communication Company Limited at a consideration of US\$1,500,000 equivalent to HK\$11,700,000; and
- (b) acquisition of a 20% interest in TCL-Telital Mobile Communication (HK) Company Limited at a consideration of HK\$1,000,000.

TCL Holdings Corporation Ltd., the ultimate controlling shareholder of the Company, is also an ultimate controlling shareholder of TCL Communication Equipment Co. Ltd., a company listed in the PRC, which holds a 40% interest in Huizhou TCL-Telital Mobile Communication Co. Ltd. and through its wholly-owned subsidiary hold a 40% interest in TCL-Telital Mobile Communication (HK) Company Limited. As a result, TCL Holdings Corporation Ltd. has approximately an effective 16.6% interest in the said companies. In the circumstances, the aforesaid acquisitions would constitute connected transactions for the Company under Rule 14.23(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PARTIES

- (1) Telital (China) Investments Limited
- (2) TCL Holdings (BVI) Limited

DOCUMENTS

1. Sale and Purchase Agreement
2. Instrument of transfer

DATE

7th July 2000

THE AGREEMENT

Asset acquired under the Agreement

A 20% interest in Huizhou TCL-Telital represented by 20% of the registered capital in Huizhou TCL-Telital.

Huizhou TCL-Telital

According to the business licence of Huizhou TCL-Telital, its registered capital is US\$10,000,000. 40% of the registered capital in the sum of US\$4,000,000 was attributable to Telital. The remaining 60% was attributable to TCL Communication as to 40% in the sum of US\$4,000,000 and Jasper as to 20% in the sum of US\$2,000,000. Huizhou TCL-Telital is engaged in manufacturing, distributing and trading of digital mobile telephone and accessories in connection therewith. As Huizhou TCL-Telital is a Sino-foreign equity joint venture, any of its profits will be shared by its holders of the registered capital in the proportion of their respective contribution of registered capital and any of its losses and liabilities to the extent of registered capital contributed.

Consideration

US\$1,500,000 which is to be paid on completion of the Agreement. Under the Agreement, TCL-BVI shall also be responsible for paying up the outstanding registered capital due from Telital in the sum of US\$500,000 (equivalent to HK\$3,900,000). Upon payment, the said payment will be part of capital injection of TCL-BVI. Huizhou TCL-Telital did not have any profit for its first year of operation for the year ended 31st December 1999.

Completion

Completion of the Agreement is to take place on (i) the seventh Business Day following the date of issue of Certificate of Approval by the relevant PRC authority or similar document evidencing or showing that Huizhou TCL-Telital Investment is attributable to TCL-BVI or (ii) 30 days after signing of the Agreement, whichever is earlier. Upon completion of the Agreement, the Huizhou TCL-Telital Investment will be held by TCL-BVI and TCL-BVI will be entitled to 20% of the profits and dividends of Huizhou TCL-Telital. TCL-BVI will only be liable for loss and liabilities of Huizhou TCL-Telital to the extent of its total contribution of registered capital in the sum of US\$2,000,000 (equivalent to HK\$15,600,000).

THE INSTRUMENT

Asset acquired under the Instrument

10,000 shares representing a 20% interest in the issued share capital of Hong Kong TCL-Telital.

Hong Kong TCL-Telital

Hong Kong TCL-Telital is engaged in distributing and trading of digital mobile telephone and accessories in connection therewith. It is also engaged in trading of raw materials for manufacturing digital mobile telephones. The shareholding structure of Hong Kong TCL-Telital is the same as that of Huizhou TCL-Telital, save that the interest of TCL Communication therein is held through its wholly-owned subsidiary. Hong Kong TCL-Telital's profits will be shared by its shareholders in the proportion of their respective shareholdings. TCL-BVI will not be liable to the losses and liabilities of Hong Kong TCL-Telital except to the extent of its investment in the shares.

TCL INTERNATIONAL HOLDINGS LIMITED

Consideration

HK\$1,000,000 which is to be paid on completion. Hong Kong TCL-Telital did not have any profit in its first year of operation for the year ended 31st December 1999.

Completion

Completion of the Instrument is expected to take place within two days from the date of Instrument when the Instrument is duly stamped.

CONSIDERATION

The total consideration to be paid by TCL-BVI under both the Agreement and the Instrument amounts to HK\$16,600,000 which has been arrived at after arm's length negotiations and on normal commercial terms. The said consideration representing the costs of Telital's investment in the assets acquired under the Agreement and the Instrument will be funded from the Group's internal resource. Save for the payment of total consideration and the further capital injection in the sum of US\$500,000 (equivalent to HK\$3,900,000), no further capital commitment is required from TCL-BVI.

CONNECTED TRANSACTIONS

TCL Holdings Corporation Ltd., the ultimate controlling shareholder of the Company, is also the ultimate shareholder of TCL Communication Equipment Co. Ltd. which holds a 40% interest in Huizhou TCL-Telital and through its wholly owned subsidiary holds a 40% interest in Hong Kong TCL-Telital. As a result, TCL Holdings Corporation Ltd. has approximately an effective 16.6% interest in the said companies. In the circumstances, the aforesaid acquisitions would constitute connected transactions for the Company under Rule 14.23(b) of the Listing Rules. In addition, Jasper is an associate of a non-executive director of the Company. The total consideration under the Agreement and the Instrument represents less than 3% of the book value of the net tangible assets of the Company as disclosed in the latest published accounts, therefore no shareholders' approval is required.

REASONS FOR THE ACQUISITIONS

TCL INTERNATIONAL HOLDINGS LIMITED

The Board considers that the acquisitions are in line with the Group's convergence strategy by providing various types of internet access devices to connect consumers to internet. The Acquisitions will provide further opportunities for the Group to venture into the booming mobile communication industry in the PRC. Therefore, the Acquisitions are in the best interest of the Company and its shareholders as a whole.

The Acquisitions, being acquisitions from an independent third party, have no relevance to the statement made by the Board in the prospectus of the Company dated 17th November 1999 that the Group had no definite plans for the acquisitions of any business from the controlling shareholders within one year from the commencement of dealings of shares of the Company on the Stock Exchange on 26th November 1999.

The directors confirmed that no directors had dealt in the shares of the Company in consequence of possession of any information in relation to the Acquisitions.

GENERAL

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and sale of electronic products in the PRC.

DEFINITIONS

"Acquisitions"	the acquisitions as contemplated under the Agreement and the Instrument;
"Agreement"	the sale and purchase agreement dated 7th July 2000 entered into between TCL-BVI and Telital;
"Board"	the board of directors (including independent non-executive directors) of the Company;
"Company"	TCL International Holdings Limited;
"Group"	the Company together with its subsidiaries;
"Hong Kong TCL-Telital"	TCL-Telital Mobile Communication (HK) Company Limited, a company incorporated in April 1999 in Hong Kong with limited liability;
"Huizhou TCL-Telital"	Huizhou TCL-Telital Mobile Communication Co. Ltd., a sino-foreign equity joint venture established in March 1999 in the PRC;
"Huizhou Investment"	TCL-Telital a 20% interest in Huizhou TCL-Telital represented by 20% of the registered capital in Huizhou TCL-Telital;
"Instrument"	the instrument of transfer dated 7th July 2000 entered into between TCL-BVI and Telital;
"Jasper"	Jasper Ace Limited, a company incorporated in the British Virgin Islands;

TCL INTERNATIONAL HOLDINGS LIMITED

"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"PRC"	the People's Republic of China;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"TCL-BVI"	TCL Holdings (BVI) Limited, a direct wholly-owned subsidiary of the Company;
"TCL Communication"	TCL Communication Equipment Co. Ltd., a PRC listed company; and
"Telital"	Telital (China) Investments Limited, an independent third party.

On Behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 8th July 2000

** For identification only*

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