

TCL INTERNATIONAL HOLDINGS LIMITED

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TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國際控股有限公司)*

(incorporated in Cayman Islands with limited liability)

CONNECTED TRANSACTION

The Board is pleased to announce that on 20 August, 2001 the Company has through TCL Shenzhen, its indirect wholly owned subsidiary, entered into an agreement with TCL Holdings, the controlling shareholder of the Company, for the acquisition of 65% equity interest in TCL Industrial, a company established under the laws of the PRC.

The consideration for the acquisition is RMB32,500,000 (equivalent to HK\$30,660,000) and will be funded by the internal sources of the Group. The Acquisition constitutes a connected transaction of the Company as defined in Chapter 14 of the Listing Rules.

The consideration involved in the Agreement does not exceed 3% of the book value of the net tangible assets of the Company as disclosed in the latest published audited accounts of the Company. Therefore the Acquisition is not subject to approval of independent shareholders.

The terms and conditions of the Agreement have been negotiated on an arm's length basis and on normal commercial terms. The Board (including the independent non-executive Directors) considers the Agreement to be fair and reasonable, and beneficiary to the Company and are on normal commercial terms.

(1) THE AGREEMENT

Date:

20 August, 2001

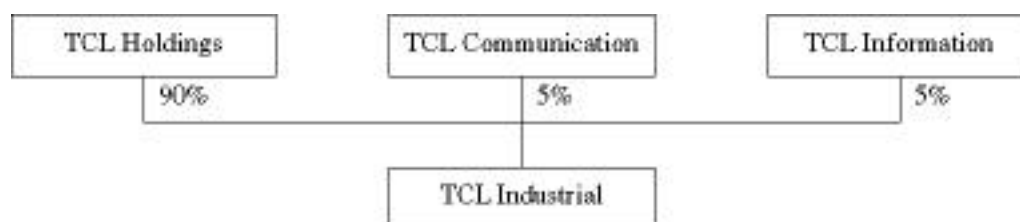
Parties:

- (1) TCL Holdings as the vendor
- (2) TCL Shenzhen as the purchaser

Pursuant to the Agreement, the Group is to acquire from TCL Holdings of 65% equity interest in TCL Industrial.

TCL Industrial is an equity joint venture established on 5th July, 1999 under the laws of the PRC with registered capital of RMB50,000,000 (equivalent to HK\$47,170,000.)

As at the date of the Agreement, TCL Holdings, TCL Information and TCL Communication hold 90%, 5% and 5% interest in TCL Industrial respectively and the shareholding chart of TCL Industrial is as follows:



Completion of the Agreement is to take place on the date when all relevant PRC approval (including on the transfer) is granted and it is expected that the completion will take place within one month from the date of the Agreement.

On the same date of the Agreement, each of TCL Holdings and TCL Information also entered into separate sale and purchase agreements independent from the Agreement for the purpose of transfer to TCL Communication respectively of 15% and 5% interest in TCL Industrial. Completion of the said agreements are to take place on the date when all relevant PRC approvals (including on the said transfers) are granted.

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On the basis that completion of transfers by each of TCL Holdings and TCL Information to TCL Communication will take place either prior to or simultaneously with the Acquisition, on completion of the Acquisition TCL Industrial will be held by TCL Shenzhen, TCL Communication and TCL Holdings as to 65%, 25% and 10% respectively, and the shareholding chart of TCL Industrial will be as follows:



TCL Industrial was initially established for the purpose of conducting research and development of information technology products for TCL Holdings Group. It has not commenced business and therefore no profit and loss accounts have been prepared. It is expected that TCL Industrial will commence operation by the end of this year and will focus on undertaking research and development projects in respect of the electronic consumer products offered by the Group. TCL Industrial will be an independent profit centre to market research and development results. All the intellectual property rights to be derived from the research and development will belong to TCL Industrial. Future revenue of TCL Industrial will come from the licence fee and assignment of the intellectual property rights of the research products and its investment in high technology projects. The trade counter-parties of TCL Industrial could be other members of the Group, connected persons of the Company or independent third parties. It is expected that TCL Industrial will benefit from the natural synergy of connections within the group of companies of TCL Communication and TCL Holdings Group to source research and development projects from outsider business parties. Should TCL Industrial enter into any transaction with any connected persons in the future, the Company will comply with the provision of Chapter 14 of the Listing Rules governing the connected transaction.

Consideration

The registered capital of TCL Industrial has yet been paid up. The purchase price for the Acquisition is RMB32,500,000 (equivalent to HK\$30,660,000), representing 65% of the registered capital of TCL Industrial, is paid by taking-up TCL Holding's commitment for the capital contribution in the sum of RMB32,500,000 (equivalent to HK\$30,660,000). Therefore, the purchase price will become TCL Shenzhen's shares of capital contribution in TCL Industrial. Save for taking up the capital commitment from TCL Holdings in payment of the

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capital contributions aforesaid in cash, no further capital commitment is required from the Group. The capital contribution will be paid when notice of demand therefor is received from TCL Industrial but in any event not earlier than on the completion of the Acquisition and will be funded by the internal sources of the Group. It is expected that all the capital contribution will be made within one year from the completion. The consideration was concluded after arm's length negotiations and on normal commercial terms. As TCL Industrial has not yet commenced any operation, capital contribution paid or to be paid by its shareholders amounted to RMB50,000,000 (equivalent to HK\$47,170,000) in total represents its entire assets.

Reasons for the Acquisition

In order to maintain competitiveness of the Group, the Board is keen to take measures to strengthen the Group's research and development capabilities so that the Group can from time to time produce innovative products. By acquiring 65% of the equity interest and co-operating with TCL Holdings and TCL Communication in TCL Industrial, the Board is confident that the investment will enhance the competitive edge and business development of the Group.

Connected Transaction

TCL Holdings is the ultimate controlling shareholder of the Company. Therefore the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

The consideration involved in the Agreement does not exceed 3% of the book value of the net tangible assets of the Company as disclosed in the latest published audited accounts of the Company. Therefore the Acquisition is not subject to approval of independent shareholders. The Directors (including independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company insofar as the independent shareholders of the Company are concerned and are on normal commercial terms.

(3) GENERAL

The Company is an investment holding company. Its principal subsidiaries are principally engaged in the design, manufacture, assembly and sale of a wide range of electronic consumer products. These include internet-related information technology products, colour television sets, other audio-visual products and white goods.

(4) DEFINITIONS

``Acquisition"	the acquisition of 65% of the equity interest of TCL Industrial pursuant to the provisions of the Agreement
``Agreement"	the sale and purchase agreement dated 20 August, 2001 entered into between TCL Holdings and TCL Shenzhen in relation to the transfer from TCL Holdings to TCL Shenzhen of 65% interest in TCL Industrial
``Board"	the board of Directors
``Company"	TCL International Holdings Limited, the shares of which are listed and traded on the Stock Exchange
``Director(s)"	the director(s) of the Company
``Group"	the Company together with its subsidiaries
``Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
``PRC"	the People's Republic of China which, for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
``RMB"	renminbi, the lawful currency of the PRC
``Stock Exchange"	the Stock Exchange of Hong Kong Limited
``subsidiary"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
``TCL Communication"	TCL Communication Equipment Share Co. Ltd. (TCL 通訊設備股份有限公司), a company limited by shares established in the PRC which shares are listed on the Shenzhen Stock Exchange, in which TCL Holdings has a 41.43% interest
``TCL Holdings"	TCL Holdings Corporation Ltd. (TCL 集團有限公司), a state-owned limited liability company established under the laws of the PRC supervised and owned as to approximately 58.13% by the Huizhou municipal people's government, the ultimate controlling shareholder of the Company
``TCL Holdings Group"	TCL Holdings and its subsidiaries (except members comprising the Group)

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- “TCL Industrial” Shenzhen TCL Industrial Institute Limited (深圳市 TCL 工業研究有限公司), a company established under the laws of the PRC in which the Company will indirectly hold a 65% interest after the Acquisition
- “TCL Information” TCL Information Technology Limited (惠州市 TCL 信息技術有限公司), a company established under the laws of the PRC, which is not a member of the Group but a member of TCL Holding Group, in which TCL Holdings has a 100% interest
- “TCL Shenzhen” TCL King Electronics (Shenzhen) Co., Ltd. (TCL 王牌電子(深圳)有限公司), a wholly foreign-owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company

On Behalf of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 20 August, 2001

Unless otherwise specified, conversion of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.06.

** for identification only*

Please also refer to the published version of this announcement in the (Hong Kong iMail)