

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 30 August 2001 the Company has through TCL Huizhou, its indirect wholly owned subsidiary, entered into the Acquisition Agreement with TCL Holdings, the controlling shareholder of the Company for acquisition of a 51% equity interest in TCL Appliance which controls and operates a distribution and after-sales services network in the PRC.

The consideration involved in the Acquisition Agreement is RMB28,000,000 (equivalent to HK\$26,415,000) and will be funded by the internal sources of the Group. The Acquisition Agreement constitutes a connected transaction of the Company as defined in Chapter 14 of the Listing Rules.

As the consideration involved 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, the transaction is not subject to approval of independent shareholders.

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

AGREEMENT FOR ACQUISITION OF 51% INTEREST IN TCL APPLIANCE

Date:

30 August 2001

Parties:

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

Pursuant to the Acquisition Agreement, the Group is to acquire from TCL Holdings 51% equity interest of the registered capital of TCL Appliance.

TCL Appliance is a company established on 15 August 1996 under the laws and regulations of the PRC with registered capital of RMB30,000,000 (equivalent to HK\$28,302,000) which has all been paid up. Of the registered capital, 51% was contributed by TCL Holdings and remaining 49% is owned by a company established under the laws and regulations of the PRC which is in turn owned as to 95% by the workers' union of TCL Appliance and as to 5% by four natural persons including Mr Yuan Xin Cheng, an executive Director of the Company. Save for Mr Yuan who is also a member of the workers' union of TCL Appliance, all members of the workers' union and the said natural persons are independent third parties not connected with the directors, chief executive, substantial shareholders of the Company or any of the subsidiaries or any associates of any of them. There are currently eight directors in the board of TCL Appliance, of which five nominated by TCL Holdings Group will resign and be replaced by those nominated by the Group after completion of the Acquisition Agreement.

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TCL Appliance commenced business immediately after its establishment. It now controls and operates a distribution and after-sales services network with over 9,200 employees in the PRC. The network currently comprises of 34 branches, 182 sales offices, 87 representative offices, more than 10,000 agency and over 3,000 services centers which cover more than 20,000 distributors and retailers with major branches at Changsha, Hangzhou, Guangzhou, Zhengzhou and Shijiazhuang. The network is considered as one of the most sophisticated and successful distribution network of consumer products in the PRC.

Pursuant to a distribution agreement entered into between the Company and TCL Appliance dated 15 November 1999, TCL Appliance has been appointed as a non-exclusive distribution agent of the Group's products under TCL brand name in the PRC. At present, all of the Group's products except personal computer or related products sold in the PRC are sold through the network of TCL Appliance. Of the turnover of TCL Appliance, 98.7% is attributable to the Group and the remaining 1.3% is attributable to TCL Holdings Group in connection with distributions of small electrical appliances or products. Subsequent to the completion of the Acquisition Agreement, distributions of the products of TCL Holdings Group will constitute connected transactions to the Company. TCL Appliance has been gradually scaling down its turnover of the activity with TCL Holdings Group and it is expected that the turnover will be likely below the de-minus threshold of 0.03% of the book value of the net tangible assets of the Company as disclosed in the latest published audited accounts of the Company or HK\$1,000,000 as prescribed by Chapter 14 of the Listing Rules such that no disclosure is required.

CONSIDERATION

Pursuant to the Acquisition Agreement, the purchase price for the 51% interest in TCL Appliance is RMB28,000,000 (equivalent to HK\$26,415,000) which is to be paid in cash on the fifth business day after all of the conditions therein have been satisfied. The purchase price will be funded by the internal resources of the Group. Save for the payment of the purchase price, there is no capital commitment on the part of the Group.

Completion of the Acquisition Agreement is conditional upon the satisfaction of all of the conditions therein including the rendering of PRC legal opinions confirming the validity of the transfer, and the obtaining of all necessary approvals and consents on the transfer from the relevant PRC authorities. It is expected that the completion will take place within one month from the date of the Acquisition Agreement.

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration has been arrived at after arm's length negotiation and on normal commercial terms.

According to a valuation report provided by an independent valuer recognized by the relevant PRC authority, the net assets value of TCL Appliance as at 31 December 2000 amounted to approximately RMB37,818,000 (equivalent to HK\$35,677,000) and accordingly that attributable to the 51% equity interest of TCL Appliance was approximately RMB19,287,000 (equivalent to HK\$18,195,000) respectively. The audited net consolidated losses before and after taxation of TCL Appliance for the year ended 31 December 1999 was RMB81,386,000 (equivalent to HK\$76,779,000) and RMB87,896,000 (equivalent to HK\$82,921,000) respectively. The audited net profits before and after taxation of TCL Appliance for the year ended 31 December 2000 was RMB62,476,000 (equivalent to HK\$58,940,000) and RMB54,632,000 (equivalent to HK\$51,540,000) respectively.

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The purchase price accordingly represents a premium of approximately 45% to the net assets value attributable to the 51% interest being acquired as at 31 December 2000 and a price earning multiple of 1 to the profits attributable to the 51% interest being acquired for the year ended 31 December 2000.

The Board (including the independent non-executive Directors) considers the terms and conditions of the Acquisition Agreement 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.

REASONS FOR THE ACQUISITION

The Board believes that its access to the distribution network of TCL Appliance is one of the Group's most valuable competitive advantage. Through acquisition of a controlling stake in TCL Appliance the Group will be afforded much stronger protection than by merely relying on its contractual right under the distribution agreement. The Board believes that the direct control of the distribution network of TCL Appliance will enhance the overall competitiveness and profitability of the Group with costs saving, better customer service at retail outlets, faster flow of product and market information and more efficient operation.

CONNECTED TRANSACTION

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

The consideration involved in the Acquisition 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 transaction is not subject to approval of independent shareholders.

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.

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DEFINITIONS

“Acquisition Agreement”	the sale and purchase agreement dated 30 August, 2001 entered into between TCL Holdings as the vendor and TCL Huizhou as the purchaser in relation to the transfer of 51% interest in TCL Appliance
“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 1/3 of the Companies Ordinance
“TCL Appliance”	TCL Electrical Appliance Sales Co, Ltd. (惠州 TCL 電器銷售有限公司), a company established under the laws of the PRC, in which TCL Holdings holds a 51% interest remaining 49% is owned by a company established under the laws and regulations of the PRC which is in turn owned as to 95% by the workers' union of TCL Appliance and as to 5% by four natural persons including Mr Yuan Xin Cheng, an executive Director of the Company
“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)
“TCL Huizhou”	TCL King Electrical Appliances (Huizhou) Co., Ltd. (TCL 王牌電器(惠州)有限公司), a wholly foreign-owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company

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On Behalf of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 30 August 2001

Unless otherwise specified, conversion of Renminbi into Hong Kong dollar 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 (South China Morning Post)