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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

TCL Holdings (BVI) Limited, a wholly-owned subsidiary of TCL International Holdings Limited (the "Company"), has on 4 March 2003 entered into as the purchaser a sale and purchase agreement with Great Wall Industrial Limited, a wholly owned subsidiary of Great Wall Cybertech Limited as the vendor, for the sale and purchase of 30 issued ordinary shares (with voting right) of Team Way Limited representing 30% of the entire issued share capital thereof.

The total consideration being HK\$3,000,000 determined by reference to the Vendor's share of the total paid-up capital of Team Way is payable upon completion which will be 7 March 2003 pursuant to the Agreement and will be satisfied by cash which will be funded by internal resources of the Group.

As the Vendor is a substantial shareholder of Team Way Limited which is a 70% subsidiary of the Company, the Agreement constitutes a connected transaction of the Company. Since the consideration is less than the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Company, the transaction is only subject to the disclosure requirement under Rule 14.25(1) of the Listing Rules. The Company will include details of the Agreement in its next published report and accounts.

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

THE AGREEMENT DATED 4 March 2003

Parties:

- (1) Great Wall Industrial Limited (the "Vendor")
- (2) Great Wall Cybertech Limited ("Great Wall")
- (3) TCL Holdings (BVI) Limited (the "Purchaser")

Background

Team Way, a company incorporated in Hong Kong, is a joint venture company established pursuant to the Joint Venture Agreement entered into by the Purchaser and Great Wall (details of which has already been disclosed in the announcement of the Company dated 5 September 2002). As stated in the said announcement, the parties to the Joint Venture Agreement saw the potential for developing the Business in overseas markets. Team Way was accordingly established to carry on the Business with a view of exploiting overseas market. It is owned as to 70 shares and 30 shares by the Group and Great Wall Group respectively representing 70% and 30% of the issued share capital thereof. Team Way began its operation in October 2002 and is now mainly engaged in marketing and distribution of the Products in overseas markets, such as Australia, the United States of America and South East Asia.

Being a manufacturer of Products, it is the Company's intention to expand its market share in overseas markets by distributing its Products worldwide. When the Vendor has made an offer for sale of its interest of 30% of the entire issued share capital in Team Way, the Board (including the independent non-executive Directors) considers it as a good opportunity to fully control Team Way and capitalize on the existing business so as to expand into the overseas market at the pace as it solely wishes.

Shares to be Transferred

The Company is to acquire through its wholly owned subsidiary from the Vendor 30 ordinary shares representing 30% of the entire issued share capital in Team Way. Upon completion of the Transaction, the Joint Venture Agreement will terminate and Team Way will become a wholly owned subsidiary of the Company. It is the intention of the Company that Team Way will continue to be engaged in the Business after completion.

Consideration

The Purchaser has to pay the total consideration in the sum of HK\$3,000,000 in cash to the Vendor on completion which will be 7 March 2003 pursuant to the Agreement.

Outstanding Terms of the Joint Venture Agreement

Under the Joint Venture Agreement, Great Wall Group has to procure its overseas customers to enter into purchase contract with Team Way for purchase of the Products and covenant with the Purchaser and Team Way that it will not for a period of one year after its ceasing to be a shareholder of Team Way, solicit or endeavour to entice away from or discourage from dealing with Team Way, or supply or provide any goods or services to, any person who was at any time during the subsistence of the Joint Venture Agreement a customer or client of Team Way and not to engage in the Business in the Territory as long as it remains a shareholder of Team Way and for a period of one year thereafter.

Effect of the Agreement

There is no condition precedent to the Agreement or its completion. However, it is a term of the Agreement that, in addition to the Purchaser agreeing to release Great Wall from all the Restrictive Covenants, a deed of release will be executed by Team Way and all its existing shareholders upon completion of the Agreement to be effective immediately. As a result, all rights and obligations, including the outstanding obligations as mentioned above under the heading "Outstanding Terms

of the Joint Venture Agreement”, under the Joint Venture Agreement will cease to have any effect. However, if the Agreement is not completed, Great Wall Group will still need to observe the Restrictive Covenants.

Notwithstanding the termination of the Joint Venture Agreement, the Lease entered into between TCL Group (as lessee) and Great Wall Group (as lessor) pursuant to the Joint Venture Agreement (details of which has already been disclosed in the announcement of the Company dated 4 December 2002) will continue to be effective pursuant to its own terms. The Lease provides the Group with immediate increase in capacity to cope with the growing production requirement.

Effects on Team Way

Mr. Wu Shaozhang, one of the three present directors of Team Way, who was appointed by Great Wall would resign upon completion of the Agreement. After Mr. Wu’s resignation, the Group will fully control the board as the remaining two directors were appointed by the Company. The Company does not intend to appoint another director to replace Mr. Wu, therefore there will be no change in staff or senior management in Team Way apart from the resignation of Mr. Wu.

The Purchaser has inherited the existing customers on the acquisition of 30% interest in Team Way offered by the Vendor. Team Way has stabilized its relationship with customers during the past few months.

As the Group has all along controlled the board of Team Way, the Company does not foresee any adverse consequence to it as a result of Mr. Wu’s resignation or the release of Restrictive Covenants as mentioned above under the heading “Effect of the Agreement”.

Completion

Completion is scheduled to take place on the 3rd Business Day following the date of the Agreement.

Basis for Determining the Consideration

The Consideration has been arrived at after arm’s length negotiation and on normal commercial terms and represents the Vendor’s share of the amount of the paid-up capital of Team Way. The total paid-up capital of Team Way is HK\$10 million, of which 70% and 30% was contributed by the Group and Great Wall Group respectively. Apart from the said capital contribution, up to the date of the Agreement, no further funding was provided to Team Way by either group. As Team Way is a newly incorporated company and only commenced its operation in October 2002, the Board considered it fair and reasonable to use the amount of paid up capital for determining the consideration.

Based on its unaudited accounts for the year ended 31 December 2002, the book value of the net tangible assets of Team Way as at 31 December 2002 was HK\$9,569,000 and its 30% shareholding amounted to HK\$2,871,000. Team Way reported a net loss of HK\$431,000 for the 3 months since its commencement of operation in October 2002.

After taking all the above factors into consideration, the Board (including the independent non-executive Directors) considers the terms and conditions of the Agreement to be fair and reasonable, and beneficial to the Company and its shareholders.

Reasons for the Agreement

As disclosed above, the Group wishes to increase its export to overseas market. The Board considers that acquisition of the remaining interest of Team Way, a corporate vehicle engaging solely in marketing and distribution in overseas market, will help to implement the Group's overseas expansion plan.

Further during the past few months of co-operation, there are occasions where an agreed direction in relation to financing and development of overseas market by Team Way cannot be reached between the Group and Great Wall Group and each party has its own agenda.

The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement are fair and reasonable insofar as the independent shareholders of the Company are concerned. Upon completion of the Agreement, Team Way can benefit from the focused direction brought by the Group's full control. Should any profit be obtained from Team Way, TCL Group will take the benefit to the full extent.

Connected Transactions

As the Vendor is a substantial shareholder of Team Way Limited which is a 70% subsidiary of the Company, the Agreement constitutes a connected transaction of the Company for the purpose of the Listing Rules.

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

Since the Consideration is less than the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Company, the transaction is only subject to the disclosure requirement and Rule 14.25(1) of the Listing Rules. The Company will include details of the Agreement in its next published report and accounts.

General

The Company is an investment holding company. Its principal subsidiaries are principally engaged in the design, manufacture and sale of a wide range of multi-media electronic consumer products, information technology and communication products in the PRC and overseas markets, which include colour television sets and other audio-visual products, personal computers, internet access devices and a range of value-added services.

Great Wall is an investment holding company. Its principal subsidiaries and associates are principally engaged in the design, manufacture, assembly and sale of a wide range of electronic consumer goods which include internet-related information technology products, colour television sets, other audio-visual products and white goods such as refrigerators and washing machines.

Definitions

“Agreement”	the sale and purchase agreement dated 4 March 2003 entered into by the Vendor, Great Wall and the Purchaser
“Board”	the board of Directors

“Business”	the business of sourcing, manufacturing, marketing, distribution and sale of the Products in overseas market
“Business Day”	a day (other than Saturday) on which banks in Hong Kong are open to conduct business generally throughout their normal business hours
“Company”	TCL International Holdings Limited, the shares of which are listed and traded on the Stock Exchange
“Consideration”	the sum of HK\$3,000,000 to be paid by in cash the Purchaser to the Vendor upon completion of the Agreement
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“Great Wall”	Great Wall Cybertech Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Great Wall Group”	Great Wall together with its subsidiaries and associates, excluding Great Wall France S.A., a company incorporated in the Republic of France whose office is situated at Z.I. De L’aubree, 72300 Sable Sur Sarthe, France
“Group” or “TCL Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture Agreement”	the joint venture agreement dated 3 September 2002 between Great Wall and the Purchaser
“Lease”	the lease for a term of 2 years from 1 November 2002 to 31 October 2004 for leasing of the land and (together with the fittings, buildings, machineries and equipments situate thereon) located in Huizhou Great Wall Industrial Estate in Huizhou, the PRC at the monthly rental of RMB840,000 (equivalent to HK\$792,500)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Products”	the television with CRT (Cathode Ray Tubes), plasma television, DVD players, VCD players, CD-related audio products and other audio products manufactured by TCL Group or Great Wall Group
“Purchaser”	TCL Holdings (BVI) Limited, a company incorporated in the British Virgin Islands which is a wholly owned subsidiary of the Company

“Restrictive Covenants”	The restrictive covenants referred to under the section headed “Outstanding Terms of the Joint Venture Agreement”
“Team Way”	Team Way Limited, a company incorporated in Hong Kong
“Territory”	any territory in the world except PRC
“Vendor”	Great Wall Industrial Limited, a company incorporated in the British Virgin Islands, is a wholly owned subsidiary of Great Wall

On behalf of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 4 March 2003

** for identification only*

*Please also refer to the published version of this announcement in the (**The Standard**)*