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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 Information Technology Industrial (Group) Company Limited, a direct wholly owned subsidiary of TCL International Holdings Limited (the "Company"), has on 18 June 2003 entered into as the vendor a sale and purchase agreement with TCL Communication Equipment Share Company Limited, an indirect non-wholly owned subsidiary of TCL Corporation and T.C.L. Communication (Int'l) Limited, a wholly owned subsidiary of TCL Communication Equipment Share Company Limited, as the purchasers, for the sale and purchase of the entire equity interest in TCL Network.

The consideration in the sum of RMB13,231,500 (equivalent to HK\$12,482,547) was determined by reference to the net asset value of TCL Network as at 30 April 2003 as disclosed in an independent PRC valuation report dated 22 May 2003. However, only the sum of RMB11,535,891 (equivalent to HK\$10,882,916) is receivable by the Vendor in cash upon completion of the Agreement as the sum of RMB1,695,609 (equivalent to HK\$1,599,631), being a debt due from the Vendor to the 1st Purchaser is to be deducted from the consideration.

As the 1st Purchaser is an indirect non-wholly owned subsidiary of the ultimate controlling shareholder of the Company and the 2nd Purchaser is a direct wholly owned subsidiary of the 1st Purchaser, the sale of 100% equity interest in TCL Network by the Vendor to the Purchasers pursuant to 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 annual report and accounts.

The terms and conditions of the Agreement have been negotiated on an arm's length basis and with reference to an independent PRC valuation report. The board of directors of the Company (including independent non-executive directors) considers the transaction is on normal commercial terms and the terms thereof are fair and reasonable, and beneficial to the Company and its shareholders as a whole.

# THE AGREEMENT DATED 18 JUNE 2003

## Parties:

- (1) TCL Information Technology Industrial (Group) Company Limited (TCL 信息產業(集團)有限公司), a direct wholly owned subsidiary of the Company (the "Vendor")
- (2) TCL Communication Equipment Share Company Limited (TCL 通訊設備股份有限公司), an indirect non-wholly owned subsidiary of TCL Corporation (the "1st Purchaser")
- (3) T.C.L. Communication (Int'l) Limited (TCL 通訊設備(國際)有限公司), a direct wholly owned subsidiary of the 1st Purchaser (the "2nd Purchaser")

## Equity Interest to be Transferred

TCL Network was set up by the Group in October 2000. The Company is to transfer its entire 100% equity interest in TCL Network held through the Vendor as to 75% to the 1st Purchaser and 25% to the 2nd Purchaser. Upon completion of the transaction, the Group will not have any interest in TCL Network.

## Consideration

The Consideration in the sum of RMB13,231,500 (equivalent to HK\$12,482,547) was determined by reference to the net asset value of TCL Network as at 30 April 2003 amounting to RMB13,231,500 (equivalent to HK\$12,482,547) as disclosed in the independent PRC valuation report on TCL Network dated 22 May 2003 prepared by 深圳市德正信資產評估有限公司 which is an independent third party not connected with any director, chief executive or substantial shareholder of the Company or any of the Purchasers or of their respective subsidiaries or their respective associates. The amount of RMB8,228,016 (equivalent to HK\$7,762,279) being 75% of the Consideration, i.e. RMB9,923,625 (equivalent to HK\$9,361,910) less the sum of RMB1,695,609 (equivalent to HK\$1,599,631), being a debt due from the Vendor to the 1st Purchaser incurred during the ordinary course of business), is payable in cash to the Vendor by the 1st Purchaser and the amount of RMB3,307,875 (equivalent to HK\$3,120,637) being 25% of the Consideration is payable in cash by the 2nd Purchaser, both payments are to be made within one month from the date of completion, which is expected to be on or around two to three weeks from the date of this Agreement.

It is intended that the total proceeds of RMB11,535,891 (equivalent to HK\$10,882,916) will be utilised by the Company as general working capital.

## Completion

Completion is conditional upon all the following conditions being fulfilled:

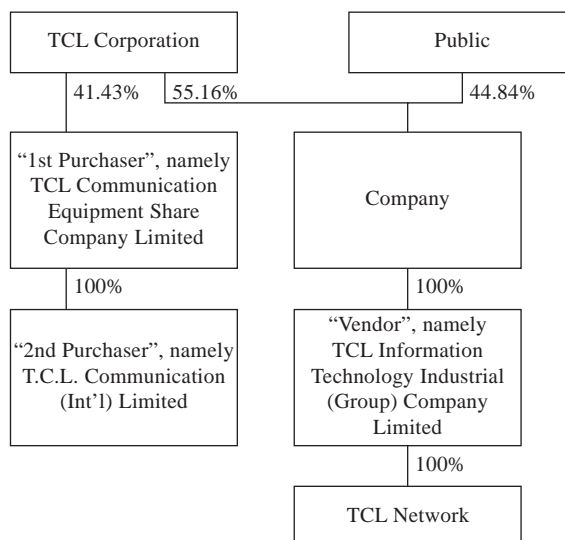
- (1) the Agreement being duly executed by all parties;
- (2) the respective board of directors of all parties approving the transaction contemplated under the Agreement; and
- (3) all necessary approvals being obtained from the relevant PRC authorities as disclosed above, which is expected to be on or around two to three weeks from the date of this Agreement.

The above Condition cannot be waived. There is no deadline by which the conditions precedent to completion must be fulfilled.

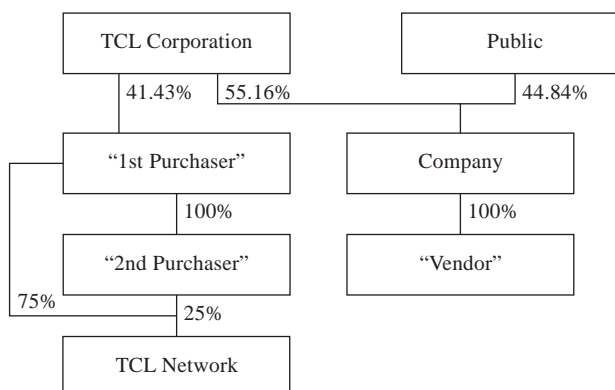
## Changes in TCL Network’s Shareholding Structure

Set out below are the simplified shareholding structures of TCL Network immediately before Completion and immediately after Completion respectively:

### Before the Completion



### After the Completion



## **Basis for Determining the Consideration**

The Consideration has been arrived at after arm's length negotiation and on normal commercial terms and was determined by reference to the net asset value of TCL Network amounting to RMB13,231,500 (equivalent to HK\$12,482,547) as disclosed in the aforesaid independent PRC valuation report as at 30 April 2003.

The audited net asset value of TCL Network as at 30 April 2003 was RMB9,726,498 (equivalent to HK\$9,175,942). The audited loss of TCL Network for the four months ended 30 April 2003 was RMB2,215,406 (equivalent to HK\$2,090,006).

The Consideration accordingly represents a profit of RMB3,505,002 (equivalent to HK\$3,306,605) on the net asset value as disclosed in the audited accounts of TCL Network as at 30 April 2003.

After considering the basis for determining the Consideration as set out above and the reasons for the Agreement as set out below, 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**

The Group has since 2002 positioned its business strategy to focus on multi-media consumer electronics, personal computers and mobile communication equipments businesses. Non-core businesses have been restructured and divested to better achieve the Company's business objectives. In May 2002, the Company disposed of its non-core white goods business to TCL Corporation (formerly Guangdong TCL Group Company Limited). TCL Network is principally engaged in the business of development and sale of computer network equipment, network integrated cabling products and related parts and computer software, and provision of related after sales service, system integration and technology consultation. As the Group is 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, mobile handsets and a range of value-added services, the Business does not fit into the current focus of the Group. The Directors therefore consider that it is in the interest of the Company and the Shareholders as a whole to dispose of its entire equity interest in TCL Network. By doing so, the Group could put more resources and/or capital into its core businesses which generate higher return.

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.

## **Connected Transactions**

As the 1st Purchaser is an indirect non-wholly owned subsidiary of the ultimate controlling shareholder of the Company and the 2nd Purchaser is a direct wholly owned subsidiary of the 1st Purchaser, the sale of 100% equity interest in TCL Network by the Vendor to the Purchasers pursuant to the Agreement constitutes a connected transaction of the Company under the Listing Rules.

The terms and conditions of the Agreement have been negotiated on an arm's length basis and with reference to the independent PRC valuation report. The Board (including the independent non-executive directors) considers the transaction is on normal commercial terms and the terms thereof are fair and reasonable, and beneficial to the Company and its shareholders as a whole.

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.

## General

The Company is an investment holding company. Its principal subsidiaries are principally engaged in the businesses as set out above.

The 1st Purchaser is principally engaged in the business of manufacture and sales of multi-functional telephone set and communication equipment related to its manufacturing equipment, and the provision of services in relation to network equipment and engineering technology consultation in the PRC market.

The 2nd Purchaser is principally engaged in the development, sales and distribution of telephone set, communication equipment and related parts to overseas markets.

## Definitions

|                 |  |
|-----------------|--|
| “1st Purchaser” | TCL Communication Equipment Share Company Limited (TCL 通訊設備股份有限公司), a company incorporated in the PRC and listed on the stock exchange of Shenzhen in the PRC, which is an indirect non-wholly owned subsidiary of TCL Corporation |
| “2nd Purchaser” | T.C.L. Communication (Int'l) Limited (TCL 通訊設備(國際)有限公司), a company incorporated in Hong Kong which is a direct wholly owned subsidiary of the 1st Purchaser  |
| “Agreement”     | the sale and purchase agreement dated 18 June 2003 entered into by the Vendor and the Purchasers   |
| “Board”         | the board of Directors   |
| “Business”      | the business principally engaged by TCL Network  |
| “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 RMB13,231,500 (equivalent to HK\$12,482,547) being the total consideration for the sale and purchase of the entire equity interest of TCL Network payable by the Purchasers to the Vendor under the Agreement           |

|                   |  |
|-------------------|--|
| “Director(s)”     | the director(s) of the Company, including the independent non-executive directors of the Company   |
| “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 PRC   |
| “Listing Rules”   | Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited   |
| “RMB”             | Renminbi, the lawful currency of PRC   |
| “PRC”             | the People’s Republic of China   |
| “Purchasers”      | the 1st Purchaser and the 2nd Purchaser  |
| “TCL Corporation” | TCL Corporation (TCL 集團股份有限公司), a company incorporated in the PRC, is the ultimate controlling shareholder of the Company  |
| “TCL Network”     | TCL 網絡設備(深圳)有限公司, a company incorporated in the PRC, whose equity interest is 100% owned by the Vendor and is therefore an indirect wholly owned subsidiary of the Company                 |
| “Vendor”          | TCL Information Technology Industrial (Group) Company Limited (TCL 信息產業(集團)有限公司), a company incorporated in the British Virgin Islands, is a direct wholly owned subsidiary of the Company |

On behalf of the Board  
**Li Dong Sheng, Tomson**  
*Chairman*

Hong Kong, 18 June 2003

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

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