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TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國際 控 股 有 限 公 司)

(incorporated in the Cayman Islands with limited liability)

Memorandum of Understanding in Connection with the Establishment of a Joint Venture Company Possible Notifiable Transaction

The Directors are pleased to announce that on 3 November 2003 the Company entered into a MOU with Thomson and TCL Corporation in connection with the possible establishment of the JVCo which will combine and manage the respective television and DVD devices businesses and assets of the Group and the Thomson Group.

The MOU only sets forth legally binding obligations of the Company to negotiate the Definitive Agreements in accordance with the principles set forth in the MOU. The Definitive Agreements and the completion of the transactions contemplated thereby will be subject to completion of due diligence, the receipt of all required governmental approvals and Shareholders approvals, if required.

It is currently anticipated that if the Definitive Agreements are entered into and the transactions contemplated thereunder are completed as proposed, the combined total asset value of the JVCo will be in excess of approximately €450 million (equivalent to approximately HK\$4 billion). Such combination will make the JVCo a major global company with long-term competitiveness in the businesses of television and DVD devices R&D, manufacture, distribution and sales.

The principal terms of the MOU are described in this announcement. The MOU contemplates the Parties entering into a number of binding Definitive Agreements in accordance with the principles set forth in the MOU.

The entry by the Company into the Definitive Agreements (to some of which TCL Corporation is also proposed to be a party) will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. At that time, a further announcement will be issued and, if necessary, a circular will be sent to the Shareholders and the approval of Shareholders will be sought.

TCL Corporation is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 54.92% of the existing issued share capital of the Company. The Company's entering into the MOU constitutes a connected transaction of the Company under Chapter 14 of the Listing Rules. As no cash consideration is involved, the Company's entering into the MOU is not subject to any disclosure or shareholders approval requirement under Rule 14.24 (5) of the Listing Rules. This announcement is made pursuant to paragraph 2 of the Listing Agreement for information purposes only.

The Directors believe that the MOU was made on normal commercial terms, that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the transaction contemplated under the MOU is in the best interest of the Company and the Shareholders as a whole.

The Directors wish to emphasize that although the MOU sets forth legally binding obligations of the Company to negotiate the Definitive Agreements in accordance with the principles set forth in the MOU, any proposed transactions mentioned therein may or may not proceed and Definitive Agreements may or may not be executed. The Company will make further announcements as and when required under the Listing Rules.

Shareholders and investors are advised to exercise caution when dealing with the Shares.

At the request of the Company, trading in its Shares was suspended with effect from 9:30 am, 3 November 2003, pending the issuance of this Announcement.

Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am, 4 November 2003.

THE MEMORANDUM OF UNDERSTANDING DATED 3 NOVEMBER 2003

Parties

1. The Company;
2. Thomson, an independent third party not connected with any of the Directors, chief executives, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates;
3. TCL Corporation, the ultimate controlling shareholder of the Company, holding 54.92% of the issued share capital of the Company.

The Purpose of the JVCo

The MOU sets out the general commercial principles agreed by the Parties in connection with the establishment of the JVCo that will combine and manage the respective television and DVD devices businesses and assets of the Group (located in PRC, Germany and South East Asia), TCL Corporation (located in PRC) and Thomson Group (located in U.S., Mexico, France, Poland and Thailand). It is currently anticipated that if the Definitive Agreements are entered into and the transactions contemplated thereunder are completed as proposed, the combined total asset value of the JVCo will be in excess of approximately €450 million (equivalent to approximately HK\$4 billion). Such combination will make the JVCo a major global company with long-term competitiveness in the businesses of television and DVD devices R&D, manufacture, distribution and sales.

Main Terms of the MOU

Proposed Equity Structure of the JVCo

The MOU contemplates that the Company and Thomson will own respectively, 67% and 33% equity interest in the JVCo.

It is contemplated that the Company and Thomson will be entitled to appoint directors of the JVCo in accordance with their respective shareholding in the JVCo.

The transaction contemplated under the MOU will be carried out in the following manner: (i) the Group will transfer its businesses and assets related to television and DVD devices (other than those already held by the JVCo) to the JVCo; (ii) the JVCo will acquire certain businesses and assets related to television and DVD devices from Thomson and issue shares of the JVCo to Thomson, which will represent 33% of the enlarged issued share capital of the JVCo; (iii) Thomson has an irrevocable option to exchange its shares in the JVCo for the Shares, which will become exercisable under certain circumstances to be defined in the Definitive Agreements, but no later than 18 months from the completion of the contemplated combination of television and DVD devices businesses and assets by the Parties. The number of Shares to be issued to Thomson on exercise of the option will depend on the value of Thomson's stake in the JVCo and the valuation of the Company at the time of exchange, based on parameters to be defined in the Definitive Agreements. Thomson does not intend to become the single largest Shareholder of the Company but it is expected to become a substantial Shareholder of the Company upon the share exchange.

Potential Notifiable Transaction

It is contemplated that TCL Corporation Group will also transfer certain television related assets to the JVCo. Such transfer will constitute a connected transaction of the Company under Chapter 14 of the Listing Rules. It is also anticipated that upon establishment of the JVCo, the JVCo (or its subsidiaries) will enter into a number of transactions, as part of the Definitive Agreements, with members of the TCL Corporation Group and the Thomson Group, such as exclusive sale agency agreements for certain territories, trademark license agreements and intellectual property licensing agreements. **It is not certain whether the transactions contemplated under the MOU will be completed or not.** A further announcement will be made by the Company in compliance with the requirements of the Listing Rules, where applicable, upon execution of such agreements by the Group.

Due Diligence and Signing of Definitive Agreements

The MOU provides that the Parties shall use commercial best efforts in good faith to complete due diligence and to use all reasonable efforts to enter into the Definitive Agreements on or before 28 February 2004, and to satisfy all conditions precedent to the performance of the Definitive Agreements on or before 15 June 2004 (or such other dates as may be agreed by the Parties). The Definitive Agreements will, if necessary, be conditional on the approval of the Shareholders for the transaction being obtained. Performance or completion of the transactions as contemplated under the MOU will be subject to all required consents and approvals having been obtained from the Shareholders and the relevant regulatory authorities in Hong Kong and elsewhere.

Exclusivity

The Parties agree that during the term of the MOU they will not negotiate directly or indirectly with any other third party with respect to any transaction similar to the transactions contemplated in the MOU.

Termination of the MOU

The MOU became effective upon signing of the MOU and continues in force until the execution of the Definitive Agreements or termination in accordance with the terms of the MOU. A Party (“Terminating Party”) is entitled to terminate the MOU upon the occurrence of any of the following events in relation to any other Party (“Defaulting Party”) (but in no event shall the Company be a Terminating Party if TCL Corporation is the Defaulting Party and vice versa):

- (a) the Defaulting Party is in material breach of any of its obligations under the MOU;
- (b) material new information (which is materially inconsistent with the information that has been disclosed to the Terminating Party or is a material omission and is reasonably expected to have a material adverse effect on the JVCo or the completion of the transaction contemplated under the MOU) is received by the Terminating Party and the Parties fail to agree on any adjustment(s) to be made to the proposed terms of the transaction in accordance with the mechanism as set out in the MOU; and
- (c) the Parties otherwise fail to enter into the Definitive Agreements within 9 months after the date of the MOU.

The termination right as stated above is subject to a dispute resolution procedure which requires the Terminating Party to notify the Defaulting Party of the default event in question, and the Parties must attempt to resolve the dispute pursuant to the timeframe and mechanism as set out in the MOU.

TCL Corporation is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 54.92% of the existing issued share capital of the Company. The Company’s entering into the MOU constitutes a connected transaction of the Company under Chapter 14 of the Listing Rules. As no cash consideration is involved, the Company’s entering into the MOU is not subject to any disclosure or shareholders approval requirement under Rule 14.24 (5) of the Listing Rules. This announcement is made pursuant to paragraph 2 of the Listing Agreement for information purposes only.

The Directors including the independent non-executive Directors believe that the MOU was made on normal commercial terms, that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the proposed transaction contemplated under the MOU is in the best interest of the Company and the Shareholders as a whole.

Information on the Group

The Group is a major industry player in the design, manufacture and sales of a wide range of multimedia consumer electronic products in PRC and overseas markets. Riding on the success of its mainstream businesses in multimedia consumer electronic products which include colour television sets, the Company is expanding into the arenas of information technology and communication products, including PCs, mobile handsets, distance learning software and a range of value-added services. With an extensive nationwide sales network, top quality products, comprehensive after-sales services and strong R&D capabilities, the Group is regarded as one of the most reputable and valuable brand names in the PRC. For more information regarding TCL Corporation and the Company, please visit their respective websites at www.tcl.com and www.tclhk.com.

Information on Thomson Group

Thomson Group provides a wide range of video (and enabling) technologies, systems, finished products and services to consumers and professionals in the entertainment and media industries. To advance and enable the digital media transition, Thomson has four principal divisions: Content and Networks, Consumer Products, Components, and Licensing. Thomson Group distributes its products under the THOMSON, RCA, Technicolor and Grass Valley brand names. Thomson's television manufacturing plants mainly locate in Mexico, Poland, France, Thailand with television products mainly distributed to the U.S. and Europe. For more information regarding Thomson, please visit its website at www.thomson.net.

Reasons and Benefits for the Proposed Joint Venture

Through the establishment of the JVCo, the Company intends to utilize the combined resources of the Group and the Thomson Group to achieve its objectives of becoming a major global company in the television industry, thereby enhancing its growth potential and long-term profitability. It will also enable the Company to strengthen its competitiveness in light of the intensifying domestic competition and expand into the emerging digital television market.

Upon formation, the proposed JVCo will become a major global player in the businesses of television and DVD devices R&D, manufacture, sales and distribution. The two groups' geographical footprints are highly complementary, which will reduce the Group's costs of expansion into overseas markets. Domestically, the Group operates one of the most extensive and efficient distribution networks for consumer electronic products and the TCL brand is one of the most well-recognized among Chinese consumers. Outside China, the Group will gain access to the U.S. and Europe with well-known brands through the JVCo.

The JVCo's key assets and strengths will include, among others, (i) solid market position and strong brands in all main regions, such as the TCL brand in Asia, the Thomson in Europe and the RCA in the U.S.; (ii) extensive sales network offering broad coverage in China, the U.S. and Europe; (iii) cost-efficient manufacturing platform base with facilities near each major consumer market; (iv) strong technological capabilities with full coverage of analog and digital technologies; and (v) comprehensive range of high-quality television products and DVD devices and related services. The Parties currently expect the JVCo to achieve significant operational synergies, particularly with revenue synergies driven by global presence, comprehensive product range and

increased R&D resources for innovation, sourcing and materials synergies due to volume pooling and vendor consolidation, and manufacturing synergies driven by economies-of-scale and optimization of global footprint.

Thomson has one of the most extensive R&D capabilities in relation to televisions and DVD devices. With the enhanced R&D capabilities contributed by the Thomson Group, the JVCo aims to further strengthen its competitiveness, and to position itself for the rapid growth in global demand for digital television. It is expected that the JVCo will enable the Group to improve its product variety and increase contributions from advanced TV models.

The Board believes that the transaction, if entered into on terms similar to those contemplated by the MOU, will increase the resources available to the Company and will create significant value for shareholders in the long-term.

Implications under the Listing Rules

TCL Corporation is a connected person of the Company by virtue of its 54.92% interest in the Company and may be a party to some of the Definitive Agreements. Thomson will become a substantial shareholder but not the single largest Shareholder of the Company upon the exercise of the irrevocable option granted to Thomson. If the Definitive Agreements are ultimately concluded between the Parties, they will constitute notifiable transactions for the Company under Listing Rules. Upon the signing of any such agreements, the Company will make an appropriate announcement in compliance with the Listing Rules and, if necessary, send a circular to the Shareholders and seek the approval of Shareholders.

Resumption of Trading

At the request of the Company, trading in the Shares was suspended with effect from 9:30 am, 3 November 2003 pending the issuance of this Announcement.

Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am, 4 November 2003.

The Directors wish to emphasize that although the MOU sets forth legally binding obligations of the Company to negotiate the Definitive Agreements in accordance with the principles set forth in the MOU, any proposed transactions mentioned therein may or may not proceed and Definitive Agreements may or may not be executed. Shareholders and investors are advised to exercise caution when dealing with the shares of the Company.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	TCL International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules

“Definitive Agreements”	the definitive agreements in respect of the joint venture contemplated under the MOU to be entered into by the relevant member of the Group, Thomson Group and TCL Corporation (as the case may be)
“Director(s)”	the director(s) of the Company
“DVD”	digital versatile disk
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JVCo”	the joint venture company formed to combine and manage the respective television and DVD devices businesses and assets of the Group and the Thomson Group pursuant to the MOU
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOU”	the binding memorandum of understanding dated 3 November 2003 and made among the Company, Thomson and TCL Corporation in relation to the establishment of the JVCo
“Parties”	the parties to the MOU, namely, the Company, TCL Corporation and Thomson, and a “Party” shall mean any one of the Parties
“PRC” or “China”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this Announcement
“R&D”	research and development
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder”	holder of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, which is principally engaged in investment holding and is the ultimate controlling shareholder of the Company
“TCL Corporation Group”	TCL Corporation and its subsidiaries (excluding members comprising the Group)
“Thomson”	Thomson S.A., a company incorporated under the laws of France, whose shares are listed on the <i>Premier Marché</i> of Euronext Paris S.A. and on the New York Stock Exchange in the form of American depository receipt shares

“Thomson Group” Thomson and its subsidiaries

“€” Euro, the single currency of the participating member states from time to time of the European Union that adopt such currency in accordance with the Treaty on European Union signed on 7 February 1992 as amended

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 3 November 2003

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