TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國 際 控 股 有 限 公 司)*

(incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

FINANCIAL HIGHLIGHTS
Audited Financial Figures for the Year Ended 31 December 2002

	2002 *HK$M*	2001 *HK$M*	**growth** *(%)*
Turnover	**12,188**	9,610	+27
Profit before tax	**654**	317	+106
Net profit attributable to shareholders	**570**	292	+95
Basic earnings per share (HK cents)	**22.32**	11.70	+91
Dividend per share (HK cents)	**7.0**	3.0	+133

KEY OPERATIONAL HIGHLIGHTS
For the Year Ended 31 December 2002

- **R**egained growth momentum in 2002 with continuous growth in turnover and earnings throughout the year. Turnover surged 27% to HK$12 billion, while profit attributable to shareholders increased by 95% to HK$570 million.
- **M**aintained its leading position as the best selling television brand in the PRC. Domestic sales increased by 22% to 6.8 million sets.
- **A**ctively developed overseas markets. Television exports surged considerably by 75% to 1.3 million sets.
- **S**ales of handsets recorded exponential growth of more than 4 times, reaching 6.2 million sets. Became one of the top 5 best selling brand among players in the PRC. Optimizing the benefits of the high growth mobile communication market, the Group increased its equity stake in TCL Mobile from 20% to 40.8%.
- **P**C business turned around in the third quarter and started contributing to the bottom line.

The Board of Directors of TCL International Holdings Limited (the "Company") is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the "Group") for the year ended 31 December 2002 with comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	**Year ended 31 Dec 2002 *(audited)* *HK$'000***	Year ended 31 Dec 2001 *(audited)* *HK$'000*	**3 months ended 31 Dec 2002 *(unaudited)* *HK$'000***	3 months ended 31 Dec 2001 *(unaudited)* *HK$'000*
TURNOVER	2	**12,187,549**	9,609,735	**3,654,685**	2,655,987
Cost of sales		**(9,997,175)**	(7,891,035)	**(2,964,021)**	(2,070,117)
Gross profit		**2,190,374**	1,718,700	**690,664**	585,870
Other revenue and gains		**96,733**	135,888	**19,133**	87,314
Selling and distribution costs		**(1,294,356)**	(1,123,776)	**(420,332)**	(394,977)
Administrative expenses		**(565,614)**	(386,322)	**(170,710)**	(174,465)
Other operating expenses		**(73,925)**	(60,216)	**(186)**	(44,222)
Gain on disposal of discontinued operations of a subsidiary	3	**4,062**	—	**4,062**	—
PROFIT FROM OPERATING ACTIVITIES	2	**357,274**	284,274	**122,631**	59,520
Finance costs		**(12,159)**	(24,185)	**(4,128)**	(12,106)
Share of profits and losses of:					
Jointly-controlled entities	4	**373,325**	65,237	**120,306**	51,583
Associate		**(53)**	—	**22**	(2,018)
Amortisation/impairment of goodwill on acquisition of jointly-controlled entities		**(29,642)**	—	**(12,760)**	—
Loss on deemed disposal of interest in a jointly-controlled entities		**(38,825)**	—	**—**	—
Gain on disposal of discontinued operations of jointly-controlled entities and an associate	3	**3,985**	—	**3,985**	—

Provision for impairment of a jointly-controlled entity		**—**	(8,614)	**—**	(8,614)
PROFIT BEFORE TAX		**653,905**	316,712	**230,056**	88,365
Tax	6	**(64,737)**	(25,780)	**(19,128)**	(14,890)
PROFIT BEFORE MINORITY INTERESTS		**589,168**	290,932	**210,928**	73,475
Minority interests		**(19,041)**	898	**(28,971)**	5,293
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**570,127**	291,830	**181,957**	78,768
DIVIDEND	7	**184,555**	75,455		
EARNINGS PER SHARE	8				
— Basic		**22.32 cents**	11.70 cents	**N/A**	N/A
— Diluted		**21.73 cents**	11.64 cents	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	2002 HK$'000 (audited)	2001 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		**734,262**	853,364
Trademarks		**25,910**	—
Goodwill		**277,949**	306,046
Interest in an associate		**—**	14,953
Interests in jointly-controlled entities		**1,543,143**	237,048
Long term investments		**1,682**	1,682
		2,582,946	1,413,093
CURRENT ASSETS			
Inventories		**2,579,118**	2,039,045
Trade and bills receivable		**1,029,005**	937,463
Other receivables		**408,413**	301,563
Pledged bank deposits		**89,340**	63,112

	Note	2002	2001
Cash and bank balances		**1,093,187**	1,021,009
		5,199,063	4,362,192
CURRENT LIABILITIES			
Trade and bills payable		**2,769,271**	2,151,096
Tax payable		**23,056**	20,895
Other payables and accruals		**612,751**	600,638
Bank borrowings	9	**23,845**	23,667
		3,428,923	2,796,296
NET CURRENT ASSETS		**1,770,140**	1,565,896
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,353,086**	2,978,989
NON-CURRENT LIABILITIES			
Bank borrowings	9	**382,785**	6,628
Convertible notes		**350,000**	—
Deferred tax		**1,915**	1,915
		734,700	8,543
MINORITY INTERESTS		**60,378**	36,508
		3,558,008	2,933,938
CAPITAL AND RESERVES			
Issued capital		**263,100**	251,122
Reserves		**3,110,353**	2,607,361
Proposed final dividend		**184,555**	75,455
		3,558,008	2,933,938

Notes:

1. Basis of Preparation and Principal Accounting Policies

The Directors are responsible for the preparation of the Group's audited financial statements. These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The principal accounting policies used in the preparation of these financial statements are consistent with those in the annual financial statements for the year ended 31 December 2001 except that the Group has adopted the following new/ revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements

SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no material effect on the Group's prior year financial statements.

2. Segment Information

An analysis of the Group's turnover and profit from operating activities by principal activities for the year ended 31 December 2002 is as follows:

	Turnover		Profit from operating activities	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations:				
Televisions	**9,393,956**	7,476,257	**582,724**	387,935
Computers	**1,388,554**	864,720	**17,244**	(17,552)
Other audio visual products	**350,221**	241,954	**(46,165)**	(14,799)
Others	**260,865**	91,198	**(51,401)**	(38,959)
	11,393,596	8,674,129	**502,402**	316,625
Discontinued operations: *(Note 3)*				
White goods	**793,953**	935,606	**(72,217)**	28,953
	12,187,549	9,609,735	**430,185**	345,578
Less: Amortization of goodwill			**(33,409)**	(25,312)
Corporate expenses			**(43,564)**	(35,992)
Gain on disposal of discontinued operations of a subsidiary			**4,062**	—
			357,274	284,274

More than 90% of the Group's turnover and contribution to trading results was derived from activities in the People's Republic of China mainland.

3. Discontinuation of White Goods Manufacturing Business

In view of the highly competitive nature of the white goods business, and the fact that the business does not fit into the Company's existing 3C strategy (convergence of consumer electronics, communication and computers) and its long term goal of becoming a leader of infotainment/multi-media device provider, the Directors consider that it is in the interest of the Company to terminate its white goods manufacturing business.

On 9 May 2002, the Company entered into an agreement with TCL Corporation (formerly Guangdong TCL Group Co., Ltd), the Company's ultimate controlling shareholder, for the disposal of its interests in a number of companies which engage in the white goods manufacturing business operating in the PRC. The total cash consideration for the disposal was approximately HK$54 million, calculated based on the unaudited net asset values of these companies as at 31 March 2002 attributable to the Company. The transaction was completed on 3 December 2002 and gain on disposal of HK$8,047,000 was resulted. Details of the transaction are included in an announcement of the Company dated 9 May 2002.

The remaining white goods manufacturing business of the Group was also terminated at the same time.

The results from the ordinary operations of the white goods division included in the consolidated profit and loss account for the year ended 31 December 2002 are as follows:

	2002	2001
	HK$'000	*HK$'000*
TURNOVER	**793,953**	941,640

Cost of sales	**(698,478)**	(768,299)
Gross profit	**95,475**	173,341
Other revenue and gains	**673**	3,313
Selling and distribution costs	**(149,728)**	(129,466)
Administrative expenses	**(17,962)**	(15,678)
Other operating expenses	**(675)**	(2,557)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(72,217)**	28,953
Finance costs	**(7,136)**	(11,177)
Share of losses of:		
Jointly-controlled entities	**(5,133)**	(1,232)
Associate	**(53)**	—
PROFIT/(LOSS) BEFORE TAX	**(84,539)**	16,544
Tax	**3,266**	(372)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	**(81,273)**	16,172
Minority interests	**10,421**	394
NET PROFIT/(LOSS)	**(70,852)**	16,566

4. Share of Profits and Losses of Jointly-controlled Entities

More than 90% of the Group's share of the results of its jointly-controlled entities was derived from Huizhou TCL Mobile Communication Co., Ltd ("TCL Mobile") and its subsidiaries, a group mainly engaged in the manufacturing and selling of mobile phones. The condensed summary of certain additional financial information of TCL Mobile is as follows:

Results for the year:

	2002	2001
	HK$'000	*HK$'000*
TURNOVER	**7,875,762**	2,024,929
Cost of sales	**(5,724,279)**	(1,330,264)
Gross profit	**2,151,483**	694,665
Other revenue and gains	**26,099**	10,099
Selling and distribution costs	**(655,267)**	(289,416)
Administrative and other operating expenses	**(254,156)**	(101,889)
PROFIT FROM OPERATING ACTIVITIES	**1,268,159**	313,459
Finance costs	**(17,053)**	(6,421)
PROFIT BEFORE TAX	**1,251,106**	307,038
Tax	**(52,733)**	—
NET PROFIT	**1,198,373**	307,038

Financial position:

	2002	2001
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
	194,020	112,932
CURRENT ASSETS		

Inventories*	**1,409,987**	329,962
Trade receivables	**76,058**	66,418
Bills receivable	**1,272,208**	334,545
Cash and bank balances	**629,003**	338,875
Other current assets	**840,584**	40,885
	4,227,840	1,110,685
CURRENT LIABILITIES		
Bank borrowings	**67,643**	8,095
Trade and bills payable	**1,409,207**	469,179
Other payables and accruals	**1,260,498**	331,849
Other current liabilities	**73,944**	23,438
	2,811,292	832,561
NET CURRENT ASSETS	**1,416,548**	278,124
NON-CURRENT LIABILITIES	**2,456**	7,968
	1,608,112	383,088
CAPITAL AND RESERVES		
Paid-up capital	**232,215**	77,196
Reserves	**1,375,897**	305,892
	1,608,112	383,088

* Included in the inventories are raw materials of HK$847,466,000 (2001: HK$133,017,000), work in progress of HK$120,616,000 (2001: HK$60,616,000) and finished goods of HK$441,905,000 (2001: HK$136,329,000).

On 21 January 2002, the Group's interest in TCL Mobile was increased from 20% to 30% by an acquisition of an additional 10% equity interest in TCL Mobile at a cash consideration of approximately HK$282.7 million. Goodwill on acquisition in the amount of HK$238.3 million was resulted. Details of the transaction are set out in the circular to shareholders dated 11 January 2002.

On 29 May 2002, the registered capital of TCL Mobile was increased from US$10 million to US$29.8 million, of which US$2.98 million was contributed by Cheerful Asset Investment Limited ("Cheerful Asset") in return for a 10% equity interest in TCL Mobile. Cheerful Asset is a company controlled by the management of TCL Mobile. The remaining amount was contributed by the existing shareholders of TCL Mobile through the capitalization of a dividend from TCL Mobile. As a result of the transaction, the interest in TCL Mobile held by the Group was diluted from 30% to 27% and a loss on deemed disposal in the amount of approximately HK$38.8 million was charged to the profit and loss account.

On 8 November 2002, the Group acquired a further 13.8% interest in TCL Mobile for a cash consideration of approximately HK$764.9 million, making its stake in TCL Mobile increased to 40.8%. Goodwill on acquisition in the amount of HK$569.8 million was resulted. The consideration was funded partly by the net proceeds from the issue of convertible notes in the amount of approximately HK$350 million, and partly from bank borrowing of HK$400 million and the remaining balance by internal resources. Details of the transaction are set out in the circular to shareholder dated 16 October 2002.

5. Depreciation and Amortization

During the year, depreciation of HK$181,290,000 (2001: HK$112,272,000) was charged to the profit and loss account in respect of the Group's property, plant and equipment; and amortization of HK$61,981,000 (2001: HK$25,312,000) was charged to the profit and loss account in respect of the Group's goodwill arising on consolidation.

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries and jointly-controlled entities enjoy income tax exemptions and reductions. Certain PRC subsidiaries and jointly-controlled entities are subject to income taxes at tax rates ranging from 7.5% to 33%.

Taxes on profits assessable elsewhere than Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**10,000**	5,401
Elsewhere	**38,697**	22,204
Overprovision in prior years	**—**	(2,574)
	48,697	25,031
Share of tax attributable to:		
Jointly-controlled entities	**16,040**	749
Tax charge for the year	**64,737**	25,780

7. Dividend

	2002	**2001**
	HK$'000	*HK$'000*
Proposed final — 7.0 (2001: 3.0) HK cents per share	184,555	75,455

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$570,127,000 (2001: HK$291,830,000) and the weighted average of 2,554,562,270 (2001: 2,494,435,950) shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$570,127,000 (2001: HK$291,830,000), adjusted by the reduction of interest expense of HK$1,525,000 (2001: Nil) relating to the convertible notes. The weighted average number of shares used in the calculation is the 2,554,562,270 (2001: 2,494,435,950) shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 55,356,614 (2001: 13,086,174) shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year; and the weighted average of 20,258,538 (2001: Nil) shares on the deemed conversion of all convertible notes during the year.

9. Bank Borrowings

	2002	2001
	HK$'000	*HK$'000*
Bank loans:		
Secured	**6,630**	6,931
Unsecured	**400,000**	23,364
	406,630	30,295
Bank loans repayable:		
Within one year	**23,845**	23,667
In the second year	**94,443**	312
In the third to fifth years, inclusive	**283,389**	998
After five years	**4,953**	5,318
	406,630	30,295
Portion classified as current liabilities	**(23,845)**	(23,667)
Long term portion	**382,785**	6,628

The secured bank loans were secured by the Group's land and buildings with a net book value of HK$10,309,000 (2001: 10,529,000). All secured bank loans were fully repaid after the year end.

BUSINESS REVIEW

Television

TCL maintained its leading position in the PRC TV industry. Sales increased 28% to 8.1 million units in 2002, of which 6.8 million units (2001: 5.6 million units) were sold in the PRC, while the remaining 1.3 million units (2001: 0.7 million units) were exported overseas under the TCL brand or on an OEM basis.

The operating environment of the TV industry in the PRC improved as a result of the increasing demand from export markets. As local manufacturers utilized their spare capacity to manufacture TV sets for export, the supply-demand position in the PRC moved closer to equilibrium. This greatly eased the domestic competition among major players.

Benefiting from this favourable market change, the overall profitability was improved. Thus gross margin for the TV business increased from 19% in 2001 to 21% in 2002. In 2003, on the back of the acquisition of Schneider and certain newly secured strategic OEM customers, export sales will be the major growth driver. Overall prices and margins are expected to remain stable.

PC

The Group's PC business turned around to profit in the third quarter of 2002. During the year under review, in addition to targeting home PC users, the Group took active steps to promote TCL brand PCs to the commercial sector as well as to users in the education field. Additional resources and attention were allocated to promotion in second tier cities in China. This strategy has proven to be highly successful. Shipments increased 87% to 376,000 units. Despite a decrease in average sales prices, with the completion of operational reforms on ERP systems and adjusted channel policies on supply, manufacture and sales management process, operation costs were reduced. As a result, the gross margin remained at the stable level of 8% and the PC operation also turned profitable.

Mobile Phones

2002 has been a year of excitement for TCL Mobile which is engaged in the manufacture and sales of the mobile phone. While television remains the Group's backbone product, mobile handsets business was the key growth driver in 2002. Sales surged by 400% to 6.2 million units. The contribution from the mobile phone business represented approximately half of the Group's total net profit.

To further expand market share, the Group actively broadened product lines from high-end products to mid-range products. As expected, the gross margin for mobile phones decreased from 34% in 2001 to 27% this year. With the proper corporate strategies in place, the effects of the gross margin reduction were mitigated by improved economies of scale. In addition, as a pioneering mobile handset manufacturer, TCL successfully developed chip-set based manufacture technology. In return, the Group is able to lower production cost by sourcing chipsets, which are less expensive than modules.

Despite the increasingly competitive environment, the Board is confident that this business will continue to stay ahead of the competition through continuous improvements in the product mix to secure further market share. Better economies of scales and the maintenance of cost competitiveness will also be achieved, through an increase in internal production of key components which will cut production and logistic costs and help to control the supply and quality of such components.

White Goods

The Group entered into a disposal agreement with its parent company for the disposal of the loss making white goods division. Disposal was completed in December 2002. On completion, a gain on disposal in the amount of HK$8 million was recognized.

Stock provisions were made to write down the goods to its net realizable value. The gross margin, therefore, decreased from 19% in 2001 to 12% in 2002.

Significant Investments and Acquisitions/Disposals

The Group implemented a series of strategic moves for its long-term benefit to broaden the revenue base, enhance earnings and increase shareholder value. Major investments and acquisitions or disposals during the year are listed out as follows:

(a) Increased its interest in TCL Mobile from 20% to 40.8%, details of which are set out in note 4 above.

(b) Disposed of the white goods manufacturing business to the Group's parent company, details of which are set out in note 3 above.

(c) Established a joint venture company, Team Way Limited ("Team Way") with Great Wall Cybertech Limited ("Great Wall") in September 2002 to take over Great Wall's entire export business in audio visual products. The joint venture was owned as to 70% by the Group and 30% by Great Wall. The Group's total investment amounted to HK$7 million. Subsequent to the year end, the Group further acquired the 30% equity interest of Team Way from Great Wall at a cash consideration of HK$3 million.

(d) To accelerate access to the European market, in September 2002, the Group acquired assets, mainly production facilities, inventories, and trademark rights for a series of brands including SCHNEIDER and DUAL, from the Insolvency Administrator of Schneider Electronics AG for a consideration of EURO 8.2 million.

FUTURE OUTLOOK

Looking at the macro operating environment for the domestic electronic products industry, the pace of the in-flow of foreign investment is accelerating, while the steps of Chinese enterprises reaching out to overseas markets are also increasing. Well positioned to face this new market challenge, we will strengthen our strategic planning and execution capability, and actively leverage opportunities arising from the international division of labor and the restructuring of the value-chain to fully utilize our own advantages and potential.

In fostering cooperations with international manufacturers, the Group will keep an eye on new opportunities, consolidate internal and external affiliated resources, straighten out business structures, further expand business scope and enhance corporate strengths.

The Group anticipated that the growing sales trend of TVs in the PRC last year will continue. As we expect that the demand for high-end products to rise even further, the Group will increase its investment in R&D to enhance its long-term growth. Catering to customer needs, the Group will launch new products continually. We have every confidence that the TV business will continue to stay well ahead of other players in terms of profitability.

As to the overseas business, through proper planning and strategic OEM cooperations established last year, we believe that our overseas business will continue to grow rapidly. We will step up overseas marketing, paying equal emphasis to TCL brand as well as OEM business.

Looking at the information technology business, the Group believes that this business will improve through the consolidation of the product range, concentration of resources on businesses with clear business models and good profitability, and focus on TCL's advantageous area of hardware business. Speeding up the development of the commercial PC market, the Group will also focus on the development of education and government information technology projects to build up competitive advantages in the industry.

The Group holds 40.8% interest in the mobile phone business. This business has experienced strong growth in the past few years. As it has already established a stable and relatively larger earning base, the pace of growth is expected to slow down slightly. With intensifying market competition, the profit margin will be lowered. Hence, we will launch more new products to further improve our abilities to keep up with the market pulse.

The Group has placed strong emphasis on the R&D of mobile phones. With this in mind, we have strengthened our ties with leading international technology companies. In addition, the Group started producing self-designed new handsets with chipset-base technology. This shortened the lead time for product development and contributed to a relatively higher profit margin. We are confident that TCL will strengthen and maintain its leadership position and earnings capabilities, despite the fierce market competition. While the Group will continue to explore the domestic mobile phone market, it is also planning ahead for overseas expansion. We expect the overseas sales of mobile handsets to be a key growth driver in the years ahead.

The Group is dedicated to optimizing shareholder value. We are confident that our long-term shareholders who grow with us will enjoy an appreciation of their investments with better returns.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

BOOK CLOSURE

The Register of Members will be closed from 6 May 2003 to 12 May 2003 both days inclusive. In order to qualify for the proposed final dividends, all transfers, accompanied by the relevant share certificates, should be lodged with the Registrar by 4:30p.m. on 5 May 2003, Monday.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited during the year.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere gratitude to our shareholders for their support and to our staff for their commitment and hard work during the year.

On behalf of the Board
LI Dong Sheng, Tomson
Chairman

Hong Kong, 18 March 2003

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on both the Company's website (www.tclhk.com) and the Stock Exchange's website (www.hkex.com.hk) in due course.

* *For identification purposes only*

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