
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in TCL International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**TCL****TCL INTERNATIONAL HOLDINGS LIMITED****TCL 國際控股有限公司****(Incorporated in the Cayman Islands with limited liability)***CONNECTED TRANSACTION —
PROPOSED ENTERING INTO OF THE VARIATION DEED****Financial Adviser****CAZENOVE**

Cazenove Asia Limited

Independent financial adviser to the Independent Board Committee**ANGLO CHINESE**
CORPORATE FINANCE, LIMITED

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on page 10 of this circular. A letter from Anglo Chinese Corporate Finance, Limited, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 11 to 14 of this circular.

A notice dated 14 May 2002 convening the extraordinary general meeting of TCL International Holdings Limited to be held at 2:30 p.m. on 10 June 2002 at Caine Room, Level 7, Conrad International, 88 Queensway, Hong Kong, which was published in Hong Kong iMail in English and in Hong Kong Economic Times in Chinese on 14 May 2002, is reproduced on pages 20 and 21 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* For identification only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which licensed banks in the PRC and Hong Kong are normally open for business
“Cazenove”	Cazenove Asia Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Company”	TCL International Holdings Limited, the shares of which are listed and traded on the Stock Exchange
“controlling shareholders”	has the meaning ascribed thereto under the Listing Rules
“Deed of Non-Competition”	a deed executed by TCL Holdings, TCL Electronics Corporation (deregistered on 29 January 2002) and TCL Industries on 15 November 1999 in favour of the Company whereby each of TCL Holdings, TCL Electronics Corporation and TCL Industries has undertaken not to directly or indirectly, carry on or be engaged or interested in the Restricted Activity, which was disclosed in the Company’s prospectus dated 17 November 1999
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“EGM”	an extraordinary general meeting of the Company convened to be held on 10 June 2002 at 2:30 p.m. at Caine Room, Level 7, Conrad International, 88 Queensway, Hong Kong to approve the Variation Deed
“Group”	the Company together with its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Messrs. Hon Fong Ming and Albert Thomas da Rosa, Junior, the independent non-executive Directors, appointed to advise the Independent Shareholders in respect of the Variation Deed
“Independent Shareholders”	Shareholders other than TCL Holdings and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“R&D”	research and development
“Relevant Interest”	any interest in any company or entity which is engaged or to be engaged in the manufacture, assembly, distribution and maintenance of television and other audio-visual products and which TCL Holdings or TCL Industries (directly or indirectly) acquires or otherwise becomes interested in and hold after the execution of the Variation Deed
“Restricted Activity”	means activities restricted from carrying on by TCL Holdings and TCL Industries and their respective associates (as defined under the Listing Rules) pursuant to the Deed of Non-Competition which, at present are the manufacture, assembly, distribution and maintenance of audio-visual products, White Goods and products relating to internet related information technology
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the conditional sales and purchase agreement dated 9 May 2002 entered into between the Company and TCL Holdings relating to disposal by the Company of certain of its White Goods manufacturing business to TCL Holdings (or its designated wholly-owned subsidiary(ies))
“Shanghai TCL”	上海 TCL 雙菱空調製造有限公司, a company established in the PRC and, at present, TCL Huizhou is its registered owner holding 20% of its equity interest and such interest has been conditionally agreed to be sold pursuant to the S&P Agreement
“Shares”	Share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	Holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“TCL BVI”	TCL Holdings (BVI) Limited, a wholly-owned subsidiary of the Company
“TCL Holdings”	TCL Corporation (formerly known as Guangdong TCL Group Co. Ltd.), the Company’s ultimate controlling shareholder (as defined in the Listing Rules), which currently holds approximately indirect 55.32% interest in the Company
“TCL Huizhou”	TCL King Electrical Appliances (Huizhou) Co. Ltd., a wholly-owned subsidiary of the Company

DEFINITIONS

“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the immediate holding company of the Company and a wholly-owned subsidiary of TCL Holdings
“TCL Rechi”	TCL Rechi (Huizhou) Refrigeration Equipment Ltd, a company established in the PRC and, at present, TCL BVI is its registered owner holding 50% of its equity interest and such interest has been conditionally agreed to be sold pursuant to the S&P Agreement
“TCL Shaanxi”	TCL Electric Appliances (Shaanxi) Co., Ltd., a company established in the PRC and, at present, TCL BVI is its registered owner holding 70% of its equity interest and such interest has been conditionally agreed to be sold pursuant to the S&P Agreement
“TCL Zhongshan Air Conditioner”	TCL Air Conditioner (Zhongshan) Co., Ltd., a company established in the PRC and, at present, TCL BVI is its registered owner holding 75% of its equity interest and such interest has been conditionally agreed to be sold pursuant to the S&P Agreement
“Territory”	means any territory in the world except PRC
“White Goods”	means home electrical appliances traditionally designed in light colour, including but not limited to refrigerators, washing machines and air conditioners
“Variation Deed”	the variation deed to be entered into among TCL Holdings, TCL Industries and the Company for the purpose of amending certain terms of the Deed of Non-Competition

For the purposes of illustration only and unless otherwise stated, the translation of Renminbi into Hong Kong dollars is based on the Agreed Exchange Rate of HK\$1.00 = RMB1.06. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.



TCL INTERNATIONAL HOLDINGS LIMITED

TCL 國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Li Dong Sheng, Tomson (*Chairman*)
Yuan Xin Cheng (*Vice Chairman*)
Lu Zhong Li
Hu Qiu Sheng
Wu Shi Hong
Yan Yong

Registered Office:

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Non-Executive Director:

Wong Toe Yueng

Independent Non-Executive Directors:

Hon Fong Ming
Albert Thomas da Rosa, Junior

24 May 2002

To the Shareholders

Dear Sirs or Madams,

**CONNECTED TRANSACTION —
PROPOSED ENTERING INTO OF THE VARIATION DEED**

1. INTRODUCTION

On 9 May 2002, the Company announced, among other things, that it, TCL Holdings and TCL Industries proposed to enter into the Variation Deed whereby, the manufacture, assembly, distribution and maintenance of White Goods and, in compliance with certain conditions, audio-visual products (including but not limited to colour television products) will be excluded from the scope of the Restricted Activity under the Deed of Non-competition.

As TCL Holdings is the ultimate controlling shareholder of the Company, the entering into of the Variation Deed will constitute a connected transaction of the Company under the Listing Rules and will require Independent Shareholders' approval.

The purpose of this circular is to provide you with further information in relation to the Variation Deed and seek your approval of the resolution set out in the notice of EGM. The recommendations of the Independent Board Committee to the Independent Shareholders regarding the Variation Deed

* For identification only

LETTER FROM THE BOARD

are set out on page 10 of this circular. A copy of the letter from Anglo Chinese to the Independent Board Committee containing its advice in relation to the terms of the Variation Deed is set out on pages 11 to 14 of this circular.

2. BACKGROUND — PROPOSED DISPOSAL OF CERTAIN WHITE GOODS MANUFACTURING BUSINESS TO TCL HOLDINGS

2.1 Interests to be disposed

As also announced by the Company on 9 May 2002, the Company and TCL Holdings entered into the S&P Agreement whereby the Company has conditionally agreed, among other things, to dispose of its interest (held through TCL BVI or TCL Huizhou, as the case may be) in a number of companies engaging in White Goods manufacturing business, namely its 20% equity interest in Shanghai TCL, its 75% equity interest in TCL Zhongshan Air Conditioner; its 50% equity interest in TCL Rechi and its 70% equity interest in TCL Shaanxi to TCL Holdings or its designated wholly-owned subsidiary(ies). As mentioned in the announcement of the Company dated 9 May 2002, it is the intention of the Company to terminate its remaining White Goods manufacturing business (in addition to those as mentioned as aforesaid) in due course.

2.2 Consideration for the disposal

The Proforma unaudited consolidated figures for the Company's White Goods manufacturing business under disposal for the year ended 31 December 2001 and three months ended 31 March 2002 respectively are extracted as follows:

	Three months ended 31 March 2002 <i>(Unaudited, based on HKGAAAP) RMB million</i>	Year ended 31 December 2001 <i>(Unaudited, based on HKGAAP) RMB million</i>
Sales	54	414
Net Loss	(30)	(3)
Net Assets	57	87

The above figures are calculated according to the Company's 75% interest in TCL Zhongshan Air Conditioner, 70% interest in TCL Shaanxi, 50% interest in TCL Rechi and 20% interest in Shanghai TCL. Since all the above companies commenced their operations in 2001, therefore no previous financial information prior to 2001 is available.

The total consideration for the Company's White Goods manufacturing business under disposal is approximately RMB57 million (approximately HK\$53.8 million) which is payable on completion. Such proceeds will be used as general working capital of the Company. The consideration was negotiated on an arm's length basis and on normal commercial terms and was determined on the basis of the net assets value of the Company's White Goods manufacturing business as at 31 March 2002. The Directors (including the independent non-executive Directors) consider that such consideration is on normal commercial terms and is fair and reasonable so far as the Shareholders as a whole are concerned.

LETTER FROM THE BOARD

2.3 Reasons for the disposal

As disclosed in the Company's 2001 results announcement dated 13 March 2002, the White Goods manufacturing business in the PRC at the moment is highly competitive as there is an increased market supply of White Goods in the PRC and hence creates strong pressure on the pricing on White Goods. As shown in the proforma unaudited consolidated figures above, the White Goods manufacturing business under disposal was operated at a loss. In order to turn around the said White Goods manufacturing business into profit, the Group will need to inject a substantial amount of capital and other resources. Since the White Goods manufacturing business does not fit into the Company's existing 3C strategy (i.e. 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, and accordingly decided, to terminate its White Goods manufacturing business.

Furthermore, the Group would like to put more resources and/or capital into other business units which can generate higher return, such as television and mobile phone business.

Therefore, the Directors (including independent non-executive Directors) consider that the proposed disposal is in the best interest of the Company and Shareholders as a whole.

2.4 Shareholders' approval

On 15 November 1999, TCL Holdings and TCL Industries executed the Deed of Non-competition in favour of the Company pursuant to which they have undertaken, among other things, not to, directly or indirectly, carry on or engage in or otherwise be interested in the manufacture, assembly, distribution and maintenance of audio-visual products and White Goods.

As the transaction contemplated under the S&P Agreement will result in TCL Holdings and its subsidiaries being engaged/interested in Restricted Activities under the current terms of the Deed of Non-competition, it is a condition for the sale and purchase under the S&P Agreement to become effective that the resolution approving the execution of the Variation Deed to permit TCL Holdings and its subsidiaries to engage in the manufacture, assembly, distribution and maintenance of White Goods is passed by the Independent Shareholders at the EGM on or before 30 June 2002.

3. PROPOSED ENTERING INTO OF THE VARIATION DEED

3.1 Parties to the Variation Deed

- (i) TCL Holdings;
- (ii) TCL Industries; and
- (iii) the Company.

LETTER FROM THE BOARD

3.2 Variations:

Pursuant to the Deed of Non-Competition, TCL Holdings and TCL Industries have undertaken not to directly or indirectly, carry on or be engaged or interested in the Restricted Activity, which at present are the manufacture, assembly, distribution and maintenance of audio-visual products, White Goods and products relating to internet related information technology from time to time. Pursuant to the Variation Deed:

- (i) the manufacture, assembly, distribution and maintenance of White Goods will be excluded from the scope of the Restricted Activity; and
- (ii) TCL Holdings will be deemed not to have engaged in the Restricted Activity notwithstanding that they have acquired or otherwise becoming interested in and thereafter hold (whether directly or indirectly) the Relevant Interest, provided the conditions set out below are fulfilled.

3.3 Conditions

If any of TCL Holdings or TCL Industries (each “Acquiring Covenantor” and collectively the “Acquiring Covenantors”) is to acquire or otherwise become interested in and thereafter hold (whether directly or indirectly) any Relevant Interest, the Company shall have a right (which has binding effect) to make an offer (whether for itself or any member of the Group) for acquisition of such interest and the Acquiring Covenantor shall be obliged to make an offer to the Company (whether for itself or any member of the Group nominated by the Company) to dispose of the Relevant Interest, all such offers to be made within 5 years from the date on which TCL Holdings or TCL Industries (as the case may be) has acquired or become interested in the Relevant Interest. The offer made by the Acquiring Covenantor must be one which is capable of acceptance by the Company (a) without legal impediments by reason of the status of the Group; and (b) without legal impediments resulting from acceptance and completion of such offer which materially adversely affects the tax or other status of the subject matter of the offer.

The price payable by the Group for the Relevant Interest shall be agreed by the parties provided that it is not more than the value of the Relevant Interest as at one month prior to the offer as determined by:

- (i) an independent valuer appointed by agreement between the Company and TCL Holdings or TCL Industries (as the case may be) or, failing such agreement, by the Chairman for the time being of Hong Kong Institute of Surveyors;
- (ii) an independent firm of auditors appointed by agreement between the Company and TCL Holdings or TCL Industries (as the case may be) or, failing such agreement, by the Chairman for the time being of The Hong Kong Society of Accountants; or
- (iii) an independent financial advisor registered with the Securities and Futures Commission appointed by agreement between the Company and TCL Holdings or TCL Industries (as the case may be) or, failing such agreement, by the Chairman for the time being of The Hong Kong Securities Institute.

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In case that no agreement has been reached in respect of the offer made by the Acquiring Covenantor for the acquisition of the Relevant Interest by the Group within three months after the offer, the Acquiring Covenantor will be entitled to continue to be interested in such Relevant Interest thereafter.

In case that no agreement has been reached in respect of the offer made by the Company within three months after the offer, the Acquiring Covenantor will be deemed to have accepted the offer so made by the Company on expiry of three month period open for acceptance.

In case that no offer has been made by the Acquiring Covenantors nor the Company in respect of the Relevant Interest, the Acquiring Covenantor must cease to be interested in the Relevant Interest after 5 years from date of acquisition of the Relevant Interest.

3.4 Reasons for entering into of the Variation Deed

(A) White Goods manufacturing business

As mentioned in section 2.3 above, it is the Company's corporate mission to become a leader of infotainment/multimedia device provider and hence it has adopted a 3C strategy as mentioned above as its long-term strategy and that is one of the reasons for the disposal of the White Goods manufacturing business under the S&P Agreement. In order for TCL Holdings (and/or its subsidiaries) to acquire the White Goods manufacturing business from the Group, it is necessary to vary the Deed of Non-Competition to allow TCL Holdings to engage in such business.

(B) Audio-visual products

Furthermore, to vary the scope of the Restricted Activity by allowing TCL Holdings and TCL Industries to acquire (whether directly or indirectly) interest in a company or enterprise which is engaged or to be engaged in the manufacture, assembly, distribution and maintenance of audio-visual products is beneficial to the Group. As at today, no target company has been identified by TCL Holdings. The reasons for proposing such a change are as follows:

- (i) the existing PRC relevant laws and regulations restrict foreign-owned entity (including the Company) from acquiring interest in certain PRC enterprises. As the PRC audio-visual market is currently in a stage of consolidation, there are a lot of acquisition opportunities exist at the moment and some of which may not be able to be captured by the Group. By allowing TCL Holdings to enter into the domestic audio-visual market at this critical stage coupled with a right for the Company to acquire the relevant interest from them in the future, the Directors consider that it is to the benefit of the Company's long term strategy;
- (ii) the existing audio-visual operators in the PRC are generally perceived to be in a turn-around stage. It is anticipated that after the acquisition of such operators, they need to undergo a restructuring before they can contribute reasonable profits to their shareholders, so return is unlikely to be generated shortly after acquisition. With the strong financial background and market position of TCL Holdings, it is therefore proposed to allow TCL Holdings to

LETTER FROM THE BOARD

acquire interest in audio-visual operators in the PRC and to secure from them a right for the Group to acquire such interest which the Group may exercise at a later stage when it considers the acquisition of such interest is in line with the Company's long term strategy and can benefit the Company and Shareholders; and

- (iii) since the companies which TCL Holdings or TCL Industries may acquire (directly or indirectly) are either already or (whether or not TCL Holdings or TCL Industries acquires interest in them) will be in competition with the Group, the interest of the Group will not be prejudiced merely by allowing TCL Holdings and TCL Industries to acquire or hold interest in such company.

Therefore, the Directors consider that the entering into of the Variation Deed is in the best interest of the Company and the Shareholders as a whole.

3.5 Approval by Independent Shareholders

TCL Holdings is the ultimate controlling shareholder of the Company, entering into of the Variation Deed constitutes a connected transaction of the Company under the Listing Rules and is subject to Independent Shareholders' approval.

4. EXTRAORDINARY GENERAL MEETING

An EGM has been convened to be held at 2:30 p.m. on 10 June 2002 at Caine Room, Level 7, Conrad International, 88 Queensway, Hong Kong at which an ordinary resolution will be proposed to approve the Variation Deed. Please see the notice convening the EGM published separately on 14 May 2002 in Hong Kong iMail in English and in Hong Kong Economic Times in Chinese. In view of the interests of TCL Holdings and TCL Industries in the Variation Deed, they and their respective associates will abstain from voting at the EGM in respect of such resolution.

5. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 10 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Variation Deed and (ii) the letter from Anglo Chinese set out on pages 11 to 14 of this circular which contains its recommendations to the Independent Board Committee in respect of the Variation Deed and the principal factors and reasons considered by Anglo Chinese in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of Anglo Chinese, considers that the terms of the Variation Deed are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Variation Deed.

Yours faithfully,
By order of the Board
Li Dong Sheng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TCL INTERNATIONAL HOLDINGS LIMITED

TCL 國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

24 May 2002

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
PROPOSED ENTERING INTO OF THE VARIATION DEED**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Variation Deed, details of which are set out in the letter from the Chairman in the circular dated 24 May 2002 to the Shareholders. Unless the context otherwise requires, terms defined in this circular shall have meaning when used in this letter.

Having taken into account the advice of Anglo Chinese, we consider the terms of the Variation Deed to be fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Variation Deed.

Yours faithfully,

Hon Fong Ming

Albert Thomas da Rosa, Junior

Independent Board Committee

* For identification only

LETTER FROM ANGLO CHINESE

The following is the text of the letter from Anglo Chinese, prepared for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee in relation to the Variation Deed.

ANGLO CHINESE CORPORATE FINANCE, LIMITED

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

財務顧問有限公司
美高

The Independent Board Committee
TCL International Holdings Limited
13th Floor, TCL Tower
8 Tai Chung Road
Tsuen Wan
New Territories
Hong Kong

24 May 2002

Dear Sir or Madam,

CONNECTED TRANSACTION — PROPOSED ENTERING INTO OF THE VARIATION DEED

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the proposed entering into of the Variation Deed, details of which are contained in the circular (“the Circular”) dated 24 May 2002, of which this letter forms part. Expressions used in this letter have the same meaning as defined in the Circular.

The Independent Board Committee comprising the two independent non-executive Directors, namely Messrs. Hon Fong Ming and Albert Thomas da Rosa, Junior, has been formed to consider the proposed entering into of the Variation Deed, and to advise the Independent Shareholders.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group.

LETTER FROM ANGLO CHINESE

Apart from normal professional fees for our services to the Company in respect of this engagement described above, no arrangement exists whereby Anglo Chinese will receive any fees or benefits from the Company, TCL Holdings, TCL Industries and their respective Associates.

Background

The Company, TCL Holdings and TCL Industries had on 15 November 1999 entered into the Deed of Non-Competition at the request of The Stock Exchange of Hong Kong Limited for the benefit and protection of the Company, its subsidiaries and the Shareholders following its listing of, and permission to deal in, its Shares on the Stock Exchange.

The Deed of Non-Competition restricts TCL Holdings and TCL Industries from directly or indirectly, carrying on or being engaged or interested in the Restricted Activity, and the Company now proposes that TCL Holdings, TCL Industries and the Company to enter into the Variation Deed to vary certain restrictions imposed by the Deed of Non-Competition.

The exclusion of manufacture, assembly, distribution and maintenance of White Goods from the scope of the Restricted Activity

On 9 May 2002, the Company and TCL Holdings entered into the S&P Agreement, pursuant to which, TCL Holdings conditionally agreed, among other things, to acquire certain of the Company's White Goods manufacturing business. As the Company proposed to dispose of certain of its White Goods manufacturing business to TCL Holdings, it would no longer be appropriate to include the activities of the White Goods business as part of the Restricted Activities. The S&P Agreement will become effective upon passing of resolution approving the execution of the Variation Deed to amend the Deed of Non-Competition so that TCL Holdings and its subsidiaries can engage in the manufacture, assembly, distribution and maintenance of White Goods.

We have not been engaged to give our opinion on the terms of the S&P Agreement, completion of which is conditional on the approval of the Independent Shareholders of the Variation Deed. Although the Variation Deed leads logically from the entering into of the S&P Agreement, Independent Shareholders could effectively prevent the disposal of the White Goods manufacturing business, being the subject matter of the S&P Agreement, from taking place by voting down the resolution to approve the Variation Deed. The board of Directors has decided that the terms of the S&P Agreement are in the interest of the Company and its shareholders, after taking into account, among other things, the increased losses of the White Goods manufacturing business to be disposed of pursuant to the S&P Agreement from RMB3 million for the year ended 31 December 2001 to RMB30 million for the 3 months ended 31 March 2002. Furthermore, due to the highly competitive White Goods market in China, the Directors are of the opinion that significant capital investment will be required to attain economies of scale and to achieve higher profit margins at more competitive pricing. Accordingly, the Directors consider that the Company should dispose of the White Goods manufacturing business and concentrate on businesses that generate a higher return, such as its television and mobile phone businesses.

The total consideration for the disposal is approximately RMB57 million, equivalent to the proforma unaudited consolidated net assets value for the Company's White Goods manufacturing business under the disposal as at 31 March 2002.

LETTER FROM ANGLO CHINESE

Based on the view of the Board in respect of the terms of the S&P Agreement, and as the Deed of Non-Competition must be modified to remove restrictions related to the White Goods manufacturing, we concur with the Directors that the entering into of the Variation Deed to exclude of manufacture, assembly, distribution and maintenance of White Goods from the scope of the Restricted Activity to be fair and reasonable.

The relaxation of the restrictions to allow acquisition of interests in a company or enterprise engaged in the manufacture, assemble, distribution and maintenance of audio-visual products

Under the terms of the Deed of Non-Competition, the Restricted Activity also includes the manufacture, assembly, distribution and maintenance of audio-visual products. It is proposed to vary this restriction under the Variation Deed so that TCL Holdings will be deemed not to have engaged in the Restricted Activity notwithstanding that they have acquired or otherwise become interested in the Relevant Interests, provided certain conditions are fulfilled which are set out in the letter from the Board on pages 4 to 9 of this Circular.

The reasons for proposing this further variation to the Deed of Non-Competition relate to the possible acquisition of existing businesses in the PRC which are engaged in the manufacture and distribution of audio-visual products. The reasons set out in section 3.4 on page 8 of this Circular can be summarised as follows:

- as a PRC registered entity, TCL Holdings is subject to less stringent restrictions under the laws and regulations of the PRC with respect to the acquisitions of PRC companies and will therefore, be able to make certain acquisitions which the Group is unable to make;
- it is expected that the target companies for acquisition will require restructuring before they can return to profitability; and
- such target companies are already competing with the Company and therefore allowing TCL Holdings to acquire such companies will not result in an increased number of the Group's competitors.

Under the proposed terms of the variation, if either TCL Holdings or TCL Industries should acquire any Relevant Interests, the Company has the right to acquire such Relevant Interests within 5 years of the acquisition by TCL Holdings or TCL Industries. The description of the terms of this right is set out in greater detail in sections 3.2 and 3.3 on pages 7 and 8 of this Circular.

In light of the reasons for this variation given and conditions attaching thereto which gives the Company the right to acquire the Relevant Interests, we consider that the entering into of the Variation Deed to relax the restriction under the Deed of Non-Competition so as to allow TCL Holdings and TCL Industries to acquire interests in a company or enterprise engaged or to be engaged in the manufacture, assemble, distribution and maintenance of audio-visual products to be fair and reasonable.

LETTER FROM ANGLO CHINESE

Opinion and recommendation

Having regard to the factors discussed above, we consider that the terms and conditions of the Variation Deed to be fair and reasonable in so far as the Independent Shareholders are concerned and the proposed entering into the Variation Deed is in the interests of the Company and the Independent Shareholders. We, therefore, recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM of the Company to approve the proposed entering into of the Variation Deed to enable the amendments to the Deed of Non-Competition to be made.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited
Dennis Cassidy
Director

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorized share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each, of which 2,531,933,789 Shares were issued and fully paid up.

All the Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital.

Save as disclosed herein, no part of the share capital of the Company is listed or dealt in on stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed in or on any other stock exchange.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company or any associated corporation (within the meaning of the SDI Ordinance) notifiable to the Company and the Stock Exchange under Section 28 of the SDI Ordinance and including interests in which a Director has taken under Section 31 or Part I of the Schedule to the SDI Ordinance or required to be entered into the register under Section 29 of the SDI Ordinance or required pursuant to the Model Code for Securities Transaction by Directors of Listed Companies under the Listing Rules are as follows:

Interests in the Company

Name of Director	No. of Shares	Outstanding Options	
	Personal interests	No. of Options (Note 1)	Exercise Price (HK\$)
Li Dong Sheng	20,006,000	12,000,000	2.236
		1,350,000	0.928
Yuan Xin Cheng	—	6,000,000	2.236
		600,000	0.928
Lu Zhong Li	500,000	5,000,000	2.236
		500,000	0.928
		10,000,000	1.042
Hu Qiu Sheng	—	5,000,000	2.236
		1,000,000	0.928
Wu Shi Hong	500,000	3,000,000	2.236
		500,000	0.928
Yan Yong	—	300,000	2.508
		200,000	0.928

GENERAL INFORMATION

Name of Director	No. of Shares	Outstanding Options	
	Personal interests	No. of Options (Note 1)	Exercise Price (HK\$)
Wong Toe Yeung	—	3,000,000 150,000	2.236 0.928
Hon Fong Ming	—	—	—
Albert Thomas da Rosa, Junior	—	—	—

Interests in associated corporation

Name of associated corporation	Name of director	Nature of interest	Percentage of interest in associated corporation
TCL Holdings (Note 2)	Li Dong Sheng	Personal	9.08%
	Yuan Xin Cheng	Personal	1.56%
	Lu Zhong Li	Personal	1.48%
	Hu Qiu Sheng	Personal	1.19%
	Wu Shi Hong	Personal	0.63%

Notes:

- The options holders are entitled to subscribe for shares in the Company from the date as specified in the relevant offer letters (ranging from 30 December 1999 to 1 December 2002) to 14 May 2003.
- TCL Holdings is the owner of the entire issued capital of TCL Industries (a company incorporated in Hong Kong) which is the owner of 1,399,079,289 Shares (some of them are held through HKSCC Nominees Limited).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has for the purposes of section 28 of SDI Ordinance, nor are they taken to or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance, any interests in the equity or debt securities of the Company or any associated corporations within the meaning of the SDI Ordinance or any interests which are required to be entered in the register kept by the Company pursuant to section 29 of the SDI Ordinance or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies under the Listing Rules.

Albert Thomas da Rosa, Junior, an independent non-executive Director, is a partner of Cheung, Tong & Rosa, legal advisers to the Company on Hong Kong Law. Cheung, Tong & Rosa will receive usual professional fees in connection with their services provided in relation to the Variation Deed and the preparation of this circular and other documents relating the Proposed Acquisition and the Ongoing Connected Transactions.

GENERAL INFORMATION

Since 31 December 2001 (being the date of the Company's latest published audited accounts) and up to the Latest Practicable Date, the Group entered into or completed the following transactions in which Directors were/are material interested:

- (a) acquisition by TCL BVI of a 10% equity interest in Huizhou TCL Mobile Communication Co., Ltd. ("Huizhou TCL Mobile") from Jasper Ace for a total consideration of RMB300 million pursuant to an agreement dated 20 December 2001 between TCL BVI, Jasper Ace Limited and Mr. Wong Toe Yeung, such acquisition was completed on 21 January 2002 and details of which are contained in the circular to the Shareholders dated 11 January 2002;
- (b) a supply agreement dated 20 December 2001 between TCL Overseas Holdings Ltd. and Huizhou TCL Mobile relating to the purchase by TCL Overseas Holdings Ltd. and its subsidiaries of goods manufactured, produced or sold by Huizhou TCL Mobile and its subsidiaries in the Territory, details of which are contained in the circular to the Shareholders dated 11 January 2002;
- (c) on 9 May 2002, Shenzhen TCL New Technology Co. Ltd., a wholly owned subsidiary of the Company, and TCL Holdings entered into the Investment Agreement, pursuant to which the parties have agreed to set up a joint venture company;
- (d) on 9 May 2002, the Company and TCL Holdings entered into the conditional sale and purchase agreement, pursuant to which the Group has agreed to dispose of its interest in a number of companies which engage in White Goods manufacturing business;
- (e) on 9 May 2002, TCL Overseas Holdings Limited and, among others, TCL Holdings entered into the Overseas Distribution Agreement in connection with distribution of White Goods in territories other than PRC; and
- (f) on 9 May 2002, TCL Electrical Appliance Sales Co., Ltd. and, among others, TCL Holdings entered into the PRC Distribution Agreement, in connection with distribution of White Goods in the PRC.

Save as disclosed herein, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2001 (being the date of the Company's latest published audited accounts) and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, each of Cazenove and Anglo Chinese has no shareholding in any member of the Group and does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Save as disclosed herein:

- (a) none of the Directors nor any of Cazenove and Anglo Chinese is interested, directly or indirectly, in any assets which had since 31 December 2001 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) none of the Directors is materially interested in any contract or arrangement which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

GENERAL INFORMATION

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (not being a Director or the chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Interest in the Company

Name of substantial shareholders	Number of Shares	Percentage of holding
TCL Industries (<i>Note 1</i>)	1,399,079,289	55.32%
TCL Holdings (<i>Note 1</i>)	1,399,079,289	55.32%
Huizhou Investment Holdings Co., Ltd. (<i>Note 2</i>)	1,399,079,289	55.32%

Notes:

1. TCL Industries is a direct wholly-owned subsidiary of TCL Holdings and accordingly, TCL Holdings is taken to be interested in the Shares in which TCL Industries is shown to be interested.
2. As Huizhou Investment Holdings Co., Ltd. has a 40.97% interest in TCL Holdings, which in turn wholly-owns TCL Industries, accordingly Huizhou Investment Holdings Co., Ltd. is taken to be interested in the Shares in which TCL Industries is shown to be interested.

Interest in the Subsidiaries

Name of subsidiary	Name of substantial holder	Percentage of holding
TCL TDRJ Internet Technology Co., Ltd. (北京天地人家網絡技術有限公司)	TCL Holdings	51%
TCL Air Conditioner (Zhongshan) Co., Ltd. (TCL 空調器(中山)有限公司)	中山市南頭鎮集體資產經營有限公司	25%
TCL Electronics (Singapore) Pte Ltd.	Dragoncom Shenzhen Investment Ltd. (深圳市浩龍投資有限公司)	15%
Henan TCL — Melody Electronics Co., Ltd.	Liaoyuan Radio Factory (國營燎原無線電廠)	48%
TCL Baron India Limited	Baron International Ltd.	49%
TCL King Electrical Appliances (Wuxi) Co., Ltd. (TCL 王牌電器(無錫)有限公司)	無錫市場儀資產經營有限公司	30%
TCL Electrical Appliance (Shaanxi) Co., Ltd. (TCL 電器(陝西)有限公司)	中國陝西雙鷗集團	30%

GENERAL INFORMATION

Name of subsidiary	Name of substantial holder	Percentage of holding
TCL Electrical Appliance Sales Co, Ltd. (惠州 TCL 電器銷售有限公司)	惠州市天倫實業有限公司	49%
Shenzhen TCL Industrial Institute Limited (深圳市 TCL 工業研究院有限公司)	TCL Holdings TCL Communication Equipment Share Co. Ltd.	10% 25%

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2001 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. CONSENT

Anglo Chinese is an investment adviser and securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong). Anglo Chinese has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 24 May 2002 and references to its name in the form and context in which they appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong from 27 May 2002 to 10 June 2002 (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) Deed of Non-Competition entered into between TCL Holdings and TCL Industries on 15 November 1999 in favour of the Company;
- (c) draft Variation Deed;
- (d) the letter from Anglo Chinese dated 24 May 2002, the text of which is set out on pages 11 to 14 of this circular;
- (e) the written consent of Anglo Chinese as referred to in paragraph 7 of this appendix; and
- (f) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice of the EGM was published in Hong Kong iMail in English and in Hong Kong Economic Times in Chinese on 14 May 2002 and is reproduced below for your information:



TCL INTERNATIONAL HOLDINGS LIMITED

TCL 國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Caine Room, Level 7, Conrad International, 88 Queensway, Hong Kong on 10 June 2002 (Monday) at 2:30 p.m. (the "Meeting") for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

"THAT:

- (a) the variation deed (the "Variation Deed", the draft of which has been produced to the Meeting marked "A" and signed by the Chairman of the Meeting for the purpose of identification and the details of which are set out in the announcement of the Company dated 9 May 2002) to be entered into between Guangdong TCL Group Co. Ltd. ("TCL Holdings"), T.C.L. Industries Holdings (H.K.) Limited ("TCL Industries") and the Company pursuant to which, and subject to the terms and conditions set out therein, the terms of the deed of non-competition executed by TCL Holdings and TCL Industries in favour of the Company on 15 November 1999 ("Non-competition Deed") will be varied such that TCL Holdings and TCL Industries may engage in certain activities which were originally restricted under the Non-competition Deed be and is hereby approved;
- (b) the directors of the Company be and are hereby authorized for and on behalf of the Company to execute, deliver and perfect the Variation Deed and to take all such actions, do all such things and execute all such further documents or deeds as they may, in their opinion, deem necessary or desirable to give effect the Variation Deed; and
- (c) the directors of the Company be and are hereby authorised to make and agree to such variations of a non-material nature in the terms of the draft Variation Deed as produced to the Meeting as they may in their discretion consider to be desirable and in the interest of the Company."

By Order of the Board
Li Dong Sheng
Chairman

Hong Kong, 14 May 2002

* For identification only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member who is holder of two or more shares, and who is entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the Meeting and voting in person. In such event, his form of proxy will be deemed to have been revoked.
- (2) In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at the principal place of business of the Company in Hong Kong at 13/F., TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
- (3) A form of proxy for use at the Meeting will be sent to shareholders together with the circular to be issued by the Company in connection with the aforesaid agreements as soon as possible.
- (4) In accordance with Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Guangdong TCL Group Co. Ltd. and T.C.L. Industries Holdings (H.K.) Limited and their respective associates (as defined in the Listing Rules) will, if they hold shares in the Company, abstain from voting on the above resolution.
- (5) Documents including, among others, copy of the draft Variation Deed and Non-competition Deed will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong from 27 May 2002 to 10 June 2002 (both days inclusive).



TCL INTERNATIONAL HOLDINGS LIMITED

TCL 國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

PROXY FORM for the Extraordinary General Meeting of 10 June 2002

I/We⁽¹⁾ _____ of _____

being the registered holder(s) of⁽²⁾ _____ shares of HK\$0.10 each in the capital of TCL International Holdings Limited (the "Company") hereby appoint the Chairman of the Meeting, or⁽³⁾ _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company (and at any adjournment thereof) to be held at Caine Room, Level 7, Conrad International, 88 Queensway, Hong Kong on Monday, 10 June 2002 at 2:30 p.m. and to vote in respect of the following resolutions as indicated:

ORDINARY RESOLUTION	FOR ⁽⁴⁾	AGAINST ⁽⁴⁾
(a) to approve the variation deed (as produced at the Meeting) (the "Deed") to be entered into between TCL Corporation (formerly known as Guangdong TCL Group Co. Ltd.), T.C.L. Industries Holdings (H.K.) Limited and the Company, (b) to authorise the directors to execute the Deed and (c) to authorise the directors to make such variations of a non-material nature to the Deed		

Dated _____

Signature⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ _____
(Full name in block capitals)

Notes:

- Full name(s) and address(es) to be inserted in block capitals.
- Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- If you wish to appoint a proxy other than the Chairman of the Meeting, please strike out "the Chairman of the Meeting" and insert the name and address of the person you wish to appoint in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT. A proxy need not be a member of the Company.**
- IMPORTANT:** If you wish to vote for any resolution, please indicate with an "x" in the appropriate space marked "For" beside the resolution. If you wish to vote against any resolution, please indicate with an "x" in the appropriate space marked "Against" beside the resolution. In the absence of any such indication, the proxy will vote for or against the resolution or will abstain at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than those referred to in the Notice convening the Meeting.
- In the case of joint Shareholders, the vote of the senior who renders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- The form of proxy must be signed by you or your attorney duly authorised in writing. In the case of a corporation, this form must be executed under seal or under the hand of an officer or attorney duly authorised.
- To be valid, this form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at principal office of the Company in Hong Kong at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof.
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.

* For identification only