

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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 13.8% EQUITY INTEREST IN
HUIZHOU TCL MOBILE
AND
CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE NOTES**

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 5 to 17 of this circular. A letter from the Independent Board Committee is set out on page 18 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 19 to 28 of this circular.

A notice convening the extraordinary general meeting of TCL International Holdings Limited to be held at 2:30 p.m. on 31 October 2002 at Level 7, Hennessy Room, Conrad International, Pacific Place, 88 Queensway, Hong Kong is set out on pages 35 and 36 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:

“2002 Audited Profit”	the proforma consolidated audited profit after taxation and excluding extraordinary items of Huizhou TCL Mobile for the year ending 31 December 2002
“2002 Consolidated Accounts”	the proforma consolidated audited accounts of Huizhou TCL Mobile for the year ending 31 December 2002 prepared by an international accounting firm in accordance with HK GAAP
“Acquisition Completion”	completion of the S&P Agreement in accordance with its terms and conditions
“Agreed Exchange Rate”	the rate of exchange as agreed between the Vendor and TCL BVI for converting RMB into HK\$ for the purpose of the S&P Agreement, being the average rate of exchange of RMB into HK\$ for the five Business Days ended on 25 September 2002 (i.e. HK\$1 = RMB1.0609)
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“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)
“CCID”	China Center for Information Industry Development (賽迪顧問股份有限公司), an independent market research company on information industry in the PRC
“CDMA”	code division multiple access
“Cheerful Asset”	Cheerful Asset Investments Limited, a company incorporated in the British Virgin Islands, which is controlled by the management of Huizhou TCL Mobile
“Company”	TCL International Holdings Limited, the shares of which are listed and traded on the Stock Exchange
“Consideration”	the consideration for the Proposed Acquisition, being RMB811,440,000 (equivalent to HK\$764,860,025)

DEFINITIONS

“controlling shareholders”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the 3% guaranteed Convertible Notes due 2005 with an aggregate principal amount of HK\$350,000,000 to be issued by the Company pursuant to the terms and conditions of the Subscription Agreement
“Conversion Period”	the period commencing on the Issue Date and ending on the Maturity Date
“Conversion Price”	HK\$2.556 per Share, subject to adjustment
“Conversion Shares”	Shares (or shares in the share capital of the Company of such other denomination in the event of any alteration of the capital structure of the Company)
“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 approve the Proposed Acquisition and the Notes Issue
“GPRS”	general packet radio service
“Go-Win”	Go-Win Limited, a company incorporated in British Virgin Islands with limited liability, which is 100% owned by the Guarantor
“Group”	the Company together with its subsidiaries from time to time prior to the Acquisition Completion and the Notes Issue Completion
“GSM”	global system for mobile communications standard
“Guaranteed Profit”	the proforma consolidated audited profit after taxation excluding extraordinary items of Huizhou TCL Mobile and its subsidiaries for the year ending 31 December 2002 as shown in the 2002 Consolidated Accounts of not less than RMB840,000,000 (equivalent to HK\$791,780,564) guaranteed by the Vendor
“Guarantor”	Mr Wong Toe Yeung, a non-executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK GAAP”	the generally accepted accounting principles in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou TCL Mobile”	Huizhou TCL Mobile Communication Co., Ltd., a sino-foreign equity joint venture established in March 1999 in the PRC and is currently held as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication

DEFINITIONS

“Independent Board Committee”	a board committee 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 Proposed Acquisition and the Notes Issue
“Independent Shareholders”	(i) in relation to the Proposed Acquisition, Shareholders other than TCL Corporation and the Guarantor and their respective Associates; and (ii) in relation to the Notes Issue, Shareholders other than the Guarantor and his Associates
“Issue Date”	the date on which the Convertible Notes are issued in accordance with the terms of the Subscription Agreement
“Jasper Ace”	Jasper Ace Limited, a company incorporated in the British Virgin Islands, which is 100% owned by the Guarantor
“Latest Practicable Date”	11 October 2002
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the third anniversary of the Issue Date
“MII”	Ministry of Information Industry of the PRC
“Nam Tai”	Nam Tai Electronics, Inc, a company incorporated in the British Virgin Islands and its shares are listed on Nasdaq National Market in the United States
“Notes Issue”	the issue of the Convertible Notes pursuant to the terms and conditions of the Subscription Agreement
“Notes Issue Completion”	completion of the Convertible Notes in accordance with the terms and conditions of the Subscription Agreement
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Proposed Acquisition”	the proposed acquisition of a 13.8% equity interest in Huizhou TCL Mobile by TCL BVI from the Vendor pursuant to the S&P Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the conditional sale and purchase agreement dated 26 September 2002 entered into between the Vendor as vendor, TCL BVI as the purchaser and Guarantor as the guarantor in relation to the Proposed Acquisition
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company

DEFINITIONS

“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Go-Win, United Asset and Nam Tai
“Subscription Agreement”	the conditional subscription agreement dated 26 September 2002 entered into between the Company and the Subscribers in connection with the Notes Issue
“subsidiary”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“TCL BVI”	TCL Holdings (BVI) Limited, a wholly-owned subsidiary of the Company
“TCL Communication”	TCL Communication Equipment Share Co. Ltd. (TCL 通訊設備股份有限公司), a company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange
“TCL Corporation”	TCL Corporation (TCL 集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling shareholder of the Company
“United Asset”	United Asset Investments Limited, a company incorporated in the British Virgin Islands, which is 100% owned by the Guarantor
“Vendor”	Mate Fair Group Limited, a company incorporated in the British Virgin Islands, which is owned as to 75% by the Guarantor and as to 25% by Nam Tai

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 = RMB1.0609. 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
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

16 October 2002

To the Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 13.8% EQUITY INTEREST IN
HUIZHOU TCL MOBILE
AND
CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE NOTES**

1. INTRODUCTION

On 26 September 2002, TCL BVI, a wholly-owned subsidiary of the Company, and the Company respectively entered into the following conditional agreements:

- (1) the S&P Agreement between TCL BVI, the Vendor and the Guarantor, pursuant to which TCL BVI has agreed, among other things, to acquire a 13.8% equity interest in Huizhou TCL Mobile from the Vendor for a cash consideration of RMB811,440,000 (equivalent to HK\$764,860,025); and

* For identification only

LETTER FROM THE BOARD

- (2) the Subscription Agreement between the Company, Go-Win, United Asset and Nam Tai, pursuant to which the Company has agreed to issue the Convertible Notes in the principal amounts of HK\$100,000,000, HK\$210,000,000 and HK\$40,000,000 to Go-Win, United Asset and Nam Tai respectively.

The terms and conditions of each of the S&P Agreement and the Subscription Agreement have been negotiated between the parties thereto on an arm's length basis and are on normal commercial terms.

Under the S&P Agreement, the Vendor has guaranteed that the 2002 Audited Profit will be no less than RMB840,000,000 (equivalent to HK\$791,780,564) and the Consideration is determined on the basis of such guaranteed profit and an implied price/earnings multiple of approximately 7 times. The Proposed Acquisition is not conditional upon the Notes Issue Completion. The Company intends to fund the Proposed Acquisition (HK\$764,860,025) partly by the net proceeds from the Notes Issue (approximately HK\$347.5 million) and partly from the bank borrowings (approximately HK\$400 million) and the remaining balance of HK\$17,360,025 from the internal resources of the Group. If for whatever reason, the Notes Issue does not proceed, the Company will fund the Proposed Acquisition by the Group's internal resources and bank borrowings. As at 31 August 2002, the Group had cash on hand of approximately HK\$874.4 million and bank borrowings of approximately HK\$6.7 million. After the Acquisition Completion, the interest of the Vendor in Huizhou TCL Mobile will be decreased from the present 18% to 4.2% and TCL BVI's equity interest in Huizhou TCL Mobile will be increased from the present 27% to 40.8%.

The Convertible Notes to be issued pursuant to the Subscription Agreement will be convertible into Shares at the option of the Subscribers at any time during the Conversion Period at the Conversion Price. The initial Conversion Price is HK\$2.556 which represents a premium of approximately 20% over the average of the closing prices of the Shares on the Stock Exchange for the last 10 trading days ended on, and including, the date of signing of the Subscription Agreement and is subject to adjustment. Assuming that there will be no adjustment to the initial Conversion Price, a total of 136,932,707 new Shares will be issuable on full conversion of the Convertible Notes, representing approximately 5.28% of the existing issued share capital of the Company and approximately 5.01% of the issued share capital of the Company as enlarged by the issue of such Shares. No application will be made for the listing of the Convertible Notes on any stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The sole purpose of the Notes Issue is to finance part of consideration for the Proposed Acquisition. Accordingly, the Notes Issue is conditional upon the Acquisition Completion. The net proceeds of the issue of the Convertible Notes are estimated to be approximately HK\$347.5 million and the entire amount is intended to be used towards paying part of the Consideration.

At present, Huizhou TCL Mobile is owned as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication. TCL Communication is owned as to 41.43% by TCL Corporation and is listed on the Shenzhen Stock Exchange in the PRC. TCL Corporation is the controlling shareholder of the Company and is indirectly holding approximately 54.9% interest in the Company. The Guarantor is a non-executive Director and also an executive director of Huizhou TCL Mobile. He also controls Jasper Ace, the Vendor, Go-Win and United Asset. Accordingly, both the Proposed Acquisition and the Notes Issue constitute connected transactions for the Company under chapter 14 of the Listing Rules and are subject to, among other things, the approval of the Independent Shareholders at the EGM. As the Consideration exceeds 15% of the consolidated net tangible asset value of the Company as disclosed in its latest published annual

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report, the Proposed Acquisition also constitutes a discloseable transaction for the Company for the purpose of the Listing Rules. So far as the Directors are aware, apart from the Guarantor, the only other shareholder of the Vendor is not connected with any director, chief executive or substantial shareholder of any member of the Group or their respective associates.

The purpose of this circular is to provide you with further information on the Proposed Acquisition and the Notes Issue and seek your approval of the resolutions set out in the notice of EGM on pages 35 and 36 of this circular. The recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Acquisition and the Notes Issue are set out on page 18 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 Proposed Acquisition and the Notes Issue is set out on pages 19 to 28 of this circular.

2. PROPOSED ACQUISITION

2A. The S&P Agreement

Date: 26 September 2002

Parties:

- (i) Vendor, as the vendor
- (ii) TCL BVI, as the purchaser
- (iii) Guarantor, as the guarantor

Transaction

Pursuant to the S&P Agreement, TCL BVI, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire a 13.8% equity interest in Huizhou TCL Mobile from the Vendor for a consideration of RMB811,440,000 (equivalent to HK\$764,860,025).

Consideration

Pursuant to the S&P Agreement, the Vendor has guaranteed that the 2002 Audited Profit as shown in the 2002 Consolidated Accounts will be no less than RMB840,000,000 (equivalent to HK\$791,780,564) and have agreed and undertaken to indemnify TCL BVI in case that the 2002 Audited Profit as so shown falls short of RMB840,000,000 (equivalent to HK\$791,780,564) by paying TCL BVI an amount equivalent to 13.8% of the product of the amount of shortfall multiplied by the implied price/earnings multiple of 7 times. The Guarantor has agreed to give a personal guarantee in favour of TCL BVI in order to secure the Vendor's obligations in respect of the Guaranteed Profit. There will be no adjustment to the Consideration in the event that the 2002 Audited Profit exceeds the Guaranteed Profit.

The Consideration was determined on the basis of the Guaranteed Profit (in accordance with HK GAAP) of RMB840,000,000 (equivalent to HK\$791,780,564) and an implied price/earnings multiple of 7 times. The Consideration also represents approximately 397% premium over the unaudited consolidated net asset value of Huizhou TCL Mobile as at 31 August 2002 attributable to the 13.8% equity interest to be

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acquired. However, the Directors believe that net asset backing is less relevant for valuing Huizhou TCL Mobile and the consolidated net asset value of Huizhou TCL Mobile does not reflect the true and fair value of the business of Huizhou TCL Mobile.

The terms and conditions of the S&P Agreement have been negotiated on an arm's length basis and are on normal commercial terms. The Directors consider that after taking into account of the business growth and the future earning potential of Huizhou TCL Mobile, such consideration is fair and reasonable so far as the Shareholders as a whole are concerned.

As at 31 August 2002, the Group has cash on hand of approximately HK\$874.4 million and bank borrowing of approximately HK\$6.7 million. The Company intends to fund the Proposed Acquisition (equivalent to HK\$764,860,025) partly by the net proceeds from the Notes Issue (approximately HK\$347.5 million) and partly from the bank borrowings (approximately HK\$400 million) and the remaining balance of HK\$17,360,025 from the internal resources of the Group. The Proposed Acquisition is not conditional upon the Notes Issue Completion whereas the Notes Issue is conditional upon the Acquisition Completion. If for whatever reason, the Notes Issue does not proceed, it is the current intention of the Company to fund the Consideration from proposed bank borrowings of approximately HK\$400 million and the balance from internal resources of the Group.

Conditions

The S&P Agreement provides that Acquisition Completion is conditional upon the followings occurring on or before 31 January 2003 (or such other date as the Vendor and TCL BVI may agree in writing):

- (i) the signing of the S&P Agreement by the authorised signatories of the Vendor, TCL BVI and the Guarantor;
- (ii) the receipt by the Company of a PRC legal opinion issued by a law firm having the right to practise securities laws in the PRC in such form and substance satisfactory to the Company regarding, among other things, the validity and enforceability of the S&P Agreement and the transactions contemplated thereunder;
- (iii) resolutions approving the transfer of the equity interest in Huizhou TCL Mobile to be purchased and sold pursuant to the S&P Agreement having been passed by the board of directors of Huizhou TCL Mobile;
- (iv) the issue by all the existing shareholders of Huizhou TCL Mobile (other than TCL BVI and the Vendor) of letters consenting to the Proposed Acquisition and waiving each of their respective rights of pre-emption over the interest to be transferred pursuant to the S&P Agreement;
- (v) the execution by the Vendor, TCL BVI and all other shareholders of Huizhou TCL Mobile of the supplemental agreement to the joint venture contract, and the amendments to articles of association, of Huizhou TCL Mobile;

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- (vi) all approvals from the relevant PRC authorities in order to give effect to the transactions contemplated under the S&P Agreement, including but not limited to, the transfer of equity interest in Huizhou TCL Mobile from the Vendor to TCL BVI and the supplemental agreement to the joint venture contract, and the amendments to articles of association, of Huizhou TCL Mobile having been obtained and the issue of the relevant revised foreign investment enterprise approval certificate; and
- (vii) an ordinary resolution approving the S&P Agreement and the transactions contemplated thereunder having been passed by the Independent Shareholders at the EGM.

If all of the above-mentioned conditions are not fulfilled on or before 31 January 2003 (or such other date as the parties to the S&P Agreement may agree), the S&P Agreement will automatically terminate and all the obligations and liabilities of the parties thereunder will lapse, save in respect of antecedent breaches.

Completion date

If all the above conditions of the S&P Agreement have been fulfilled within the deadline set out above, the Acquisition Completion will take place on the third Business Day (or such other date as TCL BVI and the Vendor may agree) after all such conditions are so fulfilled. It is expected that the date of the Acquisition Completion will be on or before 5 February 2003 unless TCL BVI and the Vendor agree to extend the deadline for fulfilment of the conditions.

2B. Information on Huizhou TCL Mobile

Huizhou TCL Mobile is a sino-foreign equity joint venture established in the PRC and is currently engaged in the design, manufacturing, sales and marketing of mobile telephones. Its production facilities are located in the PRC and its products are sold both within and outside the PRC. Huizhou TCL Mobile is one of the key mobile telephone manufacturers in the PRC. In addition to mobile telephones, Huizhou TCL Mobile is also planning to provide a wide range of value-added services that are based on mobile technologies for the mobile telephone and personal digital assistant users.

Currently, Huizhou TCL Mobile is owned as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication. Immediately after the Acquisition Completion (assuming that there will be no change in the equity interest of its shareholders other than pursuant to the S&P Agreement), Huizhou TCL Mobile will be owned as to 40.8% by TCL BVI, 4.2% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication. See section 2E below for details.

The table below summarises the proforma consolidated unaudited results of Huizhou TCL Mobile for the two years ended 31 December 2001 and the eight months ended 31 August 2002. The results were prepared on the basis that Huizhou TCL Mobile has been treated as the holding company of its subsidiaries (the results of each of the holding company and subsidiaries were individually audited for the financial years ended 2000 and 2001) for the whole financial year presented, rather than from the date of their acquisition.

LETTER FROM THE BOARD

Proforma consolidated unaudited results of Huizhou TCL Mobile (based on HK GAAP)

	2000	2001	2002
	<i>(financial year ended 31 December)</i>	<i>(financial year ended 31 December)</i>	<i>(for the 8 months ended 31 August)</i>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Turnover	271.8	2,166.7	4,699.0
Profit before tax	11.8	328.5	781.6
Profit after tax	11.8	328.5	735.8
Net Assets	93.4	409.9	1,182.3
No. of units sold	215,987	1,289,883	3,289,829

Huizhou TCL Mobile is one of the existing 27 authorised GSM handset manufacturers and one of the existing 20 authorised CDMA handset manufacturers in the PRC. As at end of August 2002, it has developed and launched more than 21 and 3 types of design of GSM and CDMA mobile telephones respectively.

Since its establishment in March 1999, Huizhou TCL Mobile has experienced rapid growth and has successfully established itself as a leading mobile telephone manufacturer in the PRC. According to CCID, for the six months ended 30 June 2002, Huizhou TCL Mobile had approximately 7% market share in the PRC mobile telephone manufacturing market and was among the top five players in the PRC and ranked number one among domestic players.

Huizhou TCL Mobile is currently employing advanced technologies to enhance its competitiveness and to meet the growing demand for innovative, advanced, yet cost effective wireless devices in the PRC, including: (1) to enhance the development of CDMA subscriber unit equipment with QUALCOMM's technology; (2) to develop the next generation of the "open platform multi-media internet terminal" products based on Microsoft's software platform; and (3) to equip with GPRS technology features in the future mobile telephone handsets based on Ericsson's 2.5G mobile telephone technologies platform.

The existing business operation of Huizhou TCL Mobile will remain unchanged after the Acquisition Completion.

2C. Board of Directors of Huizhou TCL Mobile

The existing board of directors of Huizhou TCL Mobile consists of three members, being appointed by TCL BVI, the Vendor and TCL Communication respectively. After the Acquisition Completion, each of TCL BVI and TCL Communication will be entitled to appoint three directors, and each of Cheerful Asset, the Vendor and Jasper Ace will be entitled to appoint one director, to the board of Huizhou TCL Mobile.

2D. Reasons for the Proposed Acquisition

In the PRC, the demand for mobile telephones has been very strong since 1996 and is expected to remain so for the coming years. According to CCID, by the end of 2002, the number of mobile telephone users in the PRC amounted to approximately 147 million and was

LETTER FROM THE BOARD

the world's largest mobile telephone market in terms of the number of mobile telephone users. According to MII, the PRC's handset shipment grew from 6.9 million units in 1996 to 48.8 million units in 2001; and is estimated to reach 83 million units in 2005. The penetration rate of mobile telephone holders in the PRC was less than 11% at the end of 2001 but is estimated to reach approximately 22% by the end of 2005. It is also forecasted that by 2005, the number of mobile telephone users in the PRC will reach 350 million and PRC domestic players will have an approximately 50% share of the mobile telephone manufacturing market in the PRC. The Directors expect that the number of mobile handsets sold in the PRC will increase very rapidly in the coming years.

In view of the development in PRC mobile telephone market and the market position of Huizhou TCL Mobile, the Directors believe that there is a huge potential for Huizhou TCL Mobile to further increase its market share in the mobile telephone manufacturing market in the PRC in the coming years.

The Group acquired its initial 20% interest in Huizhou TCL Mobile in July 2000 and increased its interest in Huizhou TCL Mobile to 30% in January 2002. In June 2002, Huizhou TCL Mobile issued 10% equity capital to Cheerful Asset, resulting in the Group's interest in Huizhou TCL Mobile being diluted to the present level of 27%. After the Acquisition Completion, the Group's interest in Huizhou TCL Mobile will be increased to 40.8% and the results of Huizhou TCL Mobile will continue to be equity accounted for in the Group's financial statements.

The Board believes that the Proposed Acquisition will bring the following benefits:

- (i) as reflected in the results detailed in section 2B above, the acquisition of a further interest in Huizhou TCL Mobile at its continued development stage should provide a promising return in the foreseeable future, enhancing the future earnings and earnings per share of the Company;
- (ii) the Group's existing investment in Huizhou TCL Mobile has enabled Huizhou TCL Mobile's mobile telephone business to benefit from the well established network of the Group through which Huizhou TCL Mobile's mobile telephone business in markets in the PRC and worldwide is being promoted and marketed;
- (iii) increase product penetration and further capitalise on the benefits of a strong brandname of "TCL" in the PRC and worldwide;
- (iv) capture the synergy in marketing and promotion activities among TCL products, including its mobile handsets; and
- (v) enhance further co-operation opportunities among TCL Group, Huizhou TCL Mobile and the technical partners including those mentioned above.

Therefore, the Board considers that the Proposed Acquisition is in the best interest of the Company and its Shareholders as a whole.

As at 31 August 2002, the unaudited cash on hand, bank borrowings, consolidated net tangible assets and debt to equity ratio of the Group are approximately HK\$874.4 million, HK\$6.7 million, HK\$2,781 million and 0.2% respectively. Assuming that the Proposed Acquisition is funded by the proceeds from the Notes Issue, the proposed bank borrowings

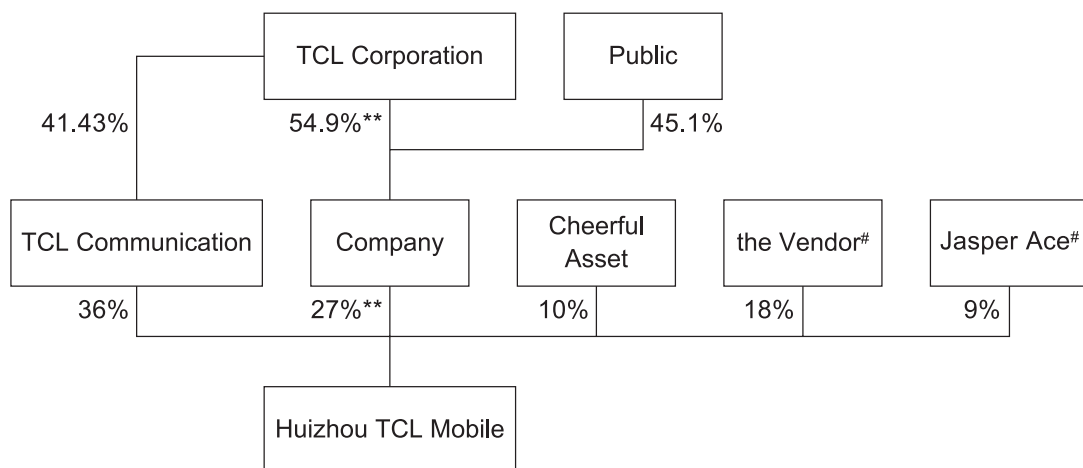
LETTER FROM THE BOARD

and internal resources of the Group as mentioned above, the consolidated net tangible assets and debt to equity ratio of the Group immediately after the Acquisition Completion will be approximately HK\$2,170 million and 23% respectively.

2E. Changes in Huizhou TCL Mobile's Shareholding Structure

Set out below are the simplified shareholding structures of Huizhou TCL Mobile at the Latest Practicable Date and immediately after the Acquisition Completion (assuming that there will be no change in the equity interest of its shareholders other than pursuant to the S&P Agreement) respectively:

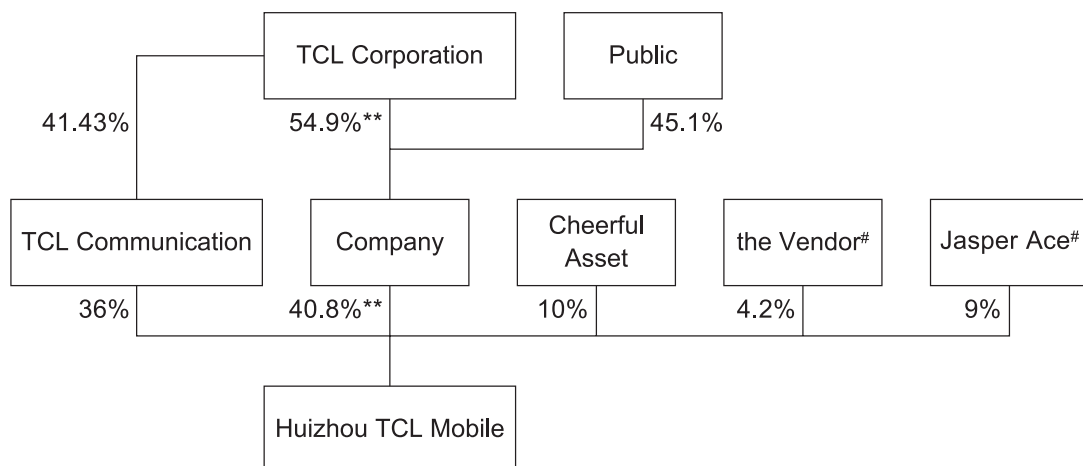
Before the Completion



** through a wholly-owned subsidiary

the Vendor is owned as to 75%, and Jasper Ace is wholly-owned, by the Guarantor

After the Completion[^]



** through a wholly-owned subsidiary

the Vendor is owned as to 75%, and Jasper Ace is wholly-owned, by the Guarantor

[^] no account has been taken in respect of the possible effect of the Notes Issue

3. NOTES ISSUE

3A. The Subscription Agreement

Date: 26 September 2002

Issuer: the Company

Subscribers: (a) Go-Win, for the subscription of the Convertible Notes in the principal amount of HK\$100,000,000
(b) United Asset, for the subscription of the Convertible Notes in the principal amount of HK\$210,000,000
(c) Nam Tai, for the subscription of the Convertible Notes in the principal amount of HK\$40,000,000

3B. Principal Terms of the Convertible Notes

The principal terms of the Convertible Notes are as follows:

Issue Size

The aggregate principal amount of the Convertible Notes is HK\$350,000,000.

Issue Price

The Convertible Notes will be issued at par.

Term and Maturity Date

Unless previously redeemed, converted or purchased and cancelled, the Convertible Notes will be redeemed in HK dollars at 100% of their principal amount, plus accrued interest on the third anniversary of the Issue Date, being the Maturity Date.

Interest

The Convertible Notes will bear interest from the Issue Date at the rate of 3% per annum, payable semi-annually in arrears.

Conversion Period

The Conversion Period commences on the Issue Date and ending on the Maturity Date.

Conversion Rights

The Subscribers will have the right at any time during the Conversion Period to convert the Convertible Notes in whole or in part in the principal amount of HK\$10 million or an integral multiple thereof into new Shares at the Conversion Price. The Subscribers may exercise their Conversion Rights during the Conversion Period only. However, the

LETTER FROM THE BOARD

Subscribers are not entitled to exercise any Conversion Rights if immediately after such conversion there shall be less than the prescribed minimum percentage of Shares in the hands of the public within the meaning of Rule 8.08 of the Listing Rules.

Conversion Price

The Convertible Notes will be convertible into Shares at an initial Conversion Price of HK\$2.556 at the option of the Subscribers at any time during the Conversion Period. The initial Conversion Price of HK\$2.556 represents a premium of approximately 20% over the average of the closing prices of the Shares on the Stock Exchange for the last 10 trading days ended on, and including, the date of signing the Subscription Agreement. It also represents a premium of approximately 23.2% over the closing price of the Shares of HK\$2.075 on 25 September 2002, being the date before signing the Subscription Agreement. The initial Conversion Price will be subject to adjustment in certain circumstances (including, among other things, consolidation or sub-division of the Shares, capitalisation of profits or reserves, capital distribution and rights issue).

Conversion Shares

Shares to be issued by the Company upon the exercise of the Conversion Rights under the Convertible Notes will rank pari passu in all respects with the Shares in issue as at the relevant conversion date. Assuming full conversion of the Convertible Notes at the initial Conversion Price, the number of Shares to be issued will be 136,932,707, representing approximately 5.28% of the existing issued share capital of the Company and approximately 5.01% of the issued share capital of the Company as enlarged by the issue of such Shares.

Redemption at the option of the Issuer

The Company has an option to redeem, in whole or any part, the Convertible Notes (being HK\$10 million in principal amount or an integral multiple thereof) at 100% of their principal amount plus interest accrued to but excluding the date of redemption after 18 months from the Issue Date if the closing price of the Shares on the Stock Exchange for at least 20 dealing days in a period of 30 consecutive dealing dates on the Stock Exchange is at least 130% of the Conversion Price in effect of such dealing day.

A holder of the Convertible Notes has no option to require the Company to redeem the Convertible Notes before the Maturity Date.

Transferability

The Subscribers are not permitted to sell, transfer or otherwise dispose of any of the Convertible Notes or any Conversion Shares at any time within 6 months from the Issue Date without the prior written consent of the Company.

Notification to the Stock Exchange will need to be made if the Convertible Notes are sold, assigned or otherwise transferred to any connected person of the Company (as defined in the Listing Rules).

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Voting

A holder of the Convertible Notes will not be entitled to attend or vote at general meetings of the Company by reason only of its being a holder of any of the Convertible Notes.

3C. Conditions

Completion of the subscription and issue of the Convertible Notes will be conditional upon:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any new Shares arising on conversion of the Convertible Notes;
- (b) the approval by the Independent Shareholders at the EGM of the Subscription Agreement, the creation and issue of the Convertible Notes pursuant thereto and the issue of Shares which may fall to be issued upon conversion of such Convertible Notes; and
- (c) all the conditions precedent set out in the S&P Agreement having been fulfilled in accordance with the terms of that agreement.

Completion of the subscription of all (but not part only) of the Convertible Notes shall take place simultaneously with, and will not be earlier than, the Acquisition Completion.

3D. Completion of the Notes Issue

The Subscription Agreement provides that the Notes Issue Completion pursuant thereto will take place on the third Business Day following the date on which all of the conditions precedent set out therein have been fulfilled or, where relevant, waived.

The Subscription Agreement further provides that if any of the conditions precedent set out therein is not fulfilled on or before 31 January 2003 or such later date as the Subscribers and the Company may agree, it will lapse.

The Directors expected that completion of the issue of the Convertible Notes will take place by 5 February 2003.

3E. Use of Proceeds

It is estimated that the net proceeds from the Notes Issue (after deducting all costs, expenses and commissions) will amount to approximately HK\$347.5 million in aggregate. The entire amount of the net proceeds from the issue of the Convertible Notes are intended to be used towards paying part of the consideration for the Proposed Acquisition.

3F. Reasons for the Notes Issue

The sole purpose of the Notes Issue is to finance part of the consideration for the Proposed Acquisition. Accordingly, the Note Issue is conditional upon the Acquisition Completion. The terms and conditions of the Subscription Agreement have been negotiated between the Company and the Subscribers on an arm's length basis and are on normal

LETTER FROM THE BOARD

commercial terms. The Board considers that the issue of the Convertible Notes on the principal terms set out above will increase the Group's financial resources and enable the Group to fund the Proposed Acquisition and is therefore in the best interests of the Company.

3G. Application for Listing

No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued upon the conversion of the Convertible Notes.

3H. Relationship between the Company, the Vendor and the Subscribers

At present, Huizhou TCL Mobile is owned as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication. TCL Communication is owned as to 41.43% by TCL Corporation and is listed on the Shenzhen Stock Exchange in the PRC. TCL Corporation is the controlling shareholder of the Company and is indirectly holding an approximately 54.9% interest in the Company. The Guarantor is a non-executive Director and also an executive director of Huizhou TCL Mobile. The Guarantor currently owns 75% interest of the Vendor (an investment holding company established for the purpose of holding the interest in Huizhou TCL Mobile) and 100% interest in each of United Asset and Go-Win respectively. Both United Asset and Go-Win are investment holding companies established for the purpose of subscribing for and holding the Convertible Notes. As the Guarantor owns 100% interest in each of United Asset and Go-Win, both of them are Associates of the Guarantor and are connected persons of the Company. Nam Tai is an electronics design and manufacturing service provider and its shares are listed on Nasdaq National Market in the United States. As at the Latest Practicable Date, Nam Tai held (i) a 25% interest in the Vendor which in turn held a 18% equity interest in Huizhou TCL Mobile, a company in which the Company currently held a 27% equity interest and (ii) a 6% indirect equity interest in TCL Corporation through its wholly-owned subsidiary. The Guarantor held the remaining 75% interest in the Vendor. Mr Ming Kown Koo, a major shareholder and a director of Nam Tai, is a director of TCL Corporation. So far as the Directors are aware, save as aforesaid, Nam Tai is an independent third party not connected with any director, chief executive or substantial shareholder of any member of the Group or their respective associates.

4. APPROVAL BY THE INDEPENDENT SHAREHOLDERS

In view of the interests of TCL Corporation and the Guarantor in the Proposed Acquisition and the Guarantor's interest in the Notes Issue, both the Proposed Acquisition and the Notes Issue constitute connected transactions for the Company under Rule 14.26 of the Listing Rules. In accordance with the requirements of the Listing Rules, both agreements are subject to the approval of the Independent Shareholders. As the Consideration exceeds 15% of the consolidated net tangible asset value of the Company as disclosed in its latest published annual report, the Proposed Acquisition also constitutes a discloseable transaction for the Company for the purpose of the Listing Rules.

LETTER FROM THE BOARD

5. EXTRAORDINARY GENERAL MEETING

An EGM has been convened to be held at 2:30 p.m. on 31 October 2002 at Level 7, Hennessy Room, Conrad International, Pacific Place, 88 Queensway, Hong Kong at which ordinary resolutions will be proposed to approve the Proposed Acquisition and the Notes Issue. In view of the interests of TCL Corporation and the Guarantor in the Proposed Acquisition, TCL Corporation and the Guarantor and their respective Associates will abstain from voting at the EGM in respect of the resolution to approve the Proposed Acquisition. In view of the interest of the Guarantor in the Notes Issue, the Guarantor and his Associates will abstain from voting at the EGM in respect of the resolution to approve the Notes Issue. As at the Latest Practicable Date, none of the Vendor, Jasper Ace, Cheerful Asset and Nam Tai held any Share. However, as the Vendor and Jasper Ace are Associates of the Guarantor, if they become holding Shares on the date of the EGM, they will abstain from voting at the EGM in respect of the resolutions to approve the Proposed Acquisition and the Notes Issue. Furthermore, Cheerful Assets and Nam Tai are also required by the Stock Exchange to abstain from voting at the EGM in respect of the resolutions to approve the Proposed Acquisition and the Notes Issue if they become holding any Share on the date of the EGM.

6. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 18 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Proposed Acquisition and the Notes Issue and (ii) the letter from Anglo Chinese set out on pages 19 to 28 of this circular which contains its recommendations to the Independent Board Committee in respect of the Proposed Acquisition and the Notes Issue 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 Proposed Acquisition and the Notes Issue are fair and reasonable so far as the Independent Shareholders are concerned and that the Proposed Acquisition and the Notes Issue 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 resolutions to be proposed at the EGM to approve Proposed Acquisition and the Notes Issue.

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



TCL
TCL INTERNATIONAL HOLDINGS LIMITED

TCL 國際控股有限公司*
(Incorporated in the Cayman Islands with limited liability)

16 October 2002

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 13.8% EQUITY INTEREST IN
HUIZHOU TCL MOBILE
AND
CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE NOTES**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Proposed Acquisition and the Notes Issue, details of which are set out in the letter from the Chairman in the circular dated 16 October 2002 (the "Circular") to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Having taken into account the advice of Anglo Chinese, we consider the terms of the Proposed Acquisition and the Notes Issue 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 resolutions which will be proposed at the EGM to approve the Proposed Acquisition and the Notes Issue respectively.

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 Proposed Acquisition and the Notes Issue.

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

16th October, 2002

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

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 13.8% EQUITY INTERESTS IN
HUIZHOU TCL MOBILE
AND
CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE NOTES**

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the Proposed Acquisition and the Notes Issue, details of which are contained in the circular dated 16th October, 2002 ("the Circular"), of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular.

The Independent Board Committee, comprising the two independent non-executive Directors, namely Dr. Hon Fong Ming and Mr. Albert Thomas da Rosa, Junior, has been formed to consider the Proposed Acquisition and the issue of the Convertible Notes, 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.

LETTER FROM ANGLO CHINESE

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 and Huizhou TCL Mobile or any of their respective subsidiaries and Associates.

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

PRINCIPAL FACTORS

We have set out below the principal factors that we have taken into account in arriving at our advice to the Independent Board Committee.

Proposed Acquisition

Background and reasons for the Proposed Acquisition

The Group is principally engaged in the design, manufacture, assembly and sale of a wide range of electrical consumer products which includes colour television sets, audio and visual products, computer related products and other products that include internet-related information technology products. Below is an analysis of the profit from the ordinary activities of the Group and its contributable interests of Huizhou TCL Mobile for the two years ended 31st December, 2001 and for the six months ended 30th June, 2002:

	Year ended 31 December 2000		Year ended 31 December 2001		Six months ended 30 June 2002	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
Segment results						
Televisions	442.4	79.6	387.9	112.3	291.3	128.2
Audio & visual products	7.1	1.3	(14.8)	(4.3)	(15.5)	(6.8)
Computer related products	—	—	(17.5)	(5.1)	(7.9)	(3.5)
Others	(19.0)	(3.4)	(39.0)	(11.3)	(11.0)	(4.8)
White goods ⁽¹⁾	125.1	22.5	29.0	8.4	(29.7)	(13.1)
	555.6	100	345.6	100	227.2	100
Profit from operating activities	526.8		284.3		190.6	
Share of profits of:						
Huizhou TCL Mobile	1.6		63.8		115.1	
Net profit	427.8		291.8		253.0	

Source: Annual audited and interim unaudited results of the Company

Note 1: In May 2002, the Group announced the disposal of white goods business to its parent company. Procedures related to the transaction are now in progress and the transaction is expected to be completed on or before 31st December, 2002.

LETTER FROM ANGLO CHINESE

The colour television, computer related products and audio and visual products market in the PRC has become highly competitive as a result of increasing production capacity. Although the colour television business was the Group's major profit contributor for the two years ended 31st December, 2001 and the six months ended 30th June, 2002, contribution from the mobile telephones business are increasing rapidly. Accordingly, the increase in the Group's interest in Huizhou TCL Mobile will provide further diversification of its activities and will reduce the reliance on the television market in the PRC.

The mobile telephone industry in the PRC has been experiencing significant growth, believed to be a result of, amongst other things, the increase in household income and the growth in the use of personal communication products. According to the International Telecommunication Union, an international organisation within the United Nations System where governments and private sector coordinate global telecom networks and services, the mobile telephone market in the PRC had a compound annual growth rate of about 84.9% during 1995 to 2001 and up to the end of 2001, there were approximately 145 million mobile telephone users in the PRC, equivalent to a penetration rate of over 11.2%. With a relatively low penetration rate of mobile telephone usage in the PRC compared with developed countries, such as the United Kingdom, United States and Japan, the management of the Group anticipates that the growth in the demand of mobile telephones in the PRC will continue to increase. Set out below is a comparison of the penetration rate in selective locations at the end of 2001:

Locations	Population	Mobile Telephone Users	CAGR* (1995-2001)	Penetration Rate
United States	286 million	127 million	24.7%	44.4%
United Kingdom	60 million	47 million	42.0%	78.3%
Japan	127 million	75 million	36.2%	58.8%
Hong Kong	7 million	6 million	39.1%	85.5%
PRC	1,296 million	145 million	84.9%	11.2%

* CAGR—Compound Annual Growth Rate

Source: International Telecommunication Union, 2002

According to the report from China Center for Information Industry Development, up to the first half of 2002, TCL enjoyed a market share of 7% and was ranked the top five best selling handset brands in the PRC and the best selling domestic handset brand in the PRC. The Group anticipates that domestic handset manufacturers will take up more market shares from foreign brands and we were advised by the management of Huizhou TCL Mobile that Huizhou TCL Mobile aims to continue to capture additional market share by implementing policies that include launching new mobile telephone models and adjusting the pricing of all TCL mobile telephone products at a monthly intervals. The management has informed us that such policies proved to be successful in the past, as evidenced by the encouraging financial performance of Huizhou TCL Mobile. The Group will also seek new distribution channels in addition to its own sales and distribution network to maintain its competitive edge.

The Directors believe that based on the track record of Huizhou TCL Mobile, its experienced management team and its existing strong research and development capacity, there is potential for Huizhou TCL Mobile to increase further its market share in the mobile telephone manufacturing

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market in the PRC in the coming years. We refer also to the benefits that the Directors believe that the increase in the Group's interest in Huizhou TCL Mobile will bring to the Group set out on page 10 under the section headed "Reasons for the Proposed Acquisition" of the Circular.

Financial performance of Huizhou TCL Mobile

The table below summarises the proforma consolidated unaudited results of Huizhou TCL Mobile (based on HK GAAP):

	2000	2001	2002
	<i>(financial year ended 31 December)</i>	<i>(financial year ended 31 December)</i>	<i>(for the 8 months ended 31 August)</i>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Turnover	271.8	2,166.7	4,699.0
Profit before tax	11.8	328.5	781.6
Profit after tax	11.8	328.5	735.8
Net Assets	93.4	409.9	1,182.3
No. of units sold	215,987	1,289,883	3,289,829

For the year ended 31st December, 2001 and the eight months ended 31st August, 2002, Huizhou TCL Mobile recorded an unaudited turnover of approximately RMB2,166.7 million and an unaudited turnover of RMB4,699.0 million respectively (equivalent to approximately HK\$2,042.3 million and HK\$4,429.3 million respectively). The unaudited turnover for the year ended 31st December, 2001 represented an increase in turnover of approximately 7.0 times the turnover for the year ended 31st December, 2000 and the annualised unaudited turnover based on the eight months ended 31st August, 2002 represented approximately 3.3 times the unaudited turnover for the year ended 31st December, 2001. The unaudited profit after tax for the year ended 31st December, 2001 and the unaudited profit after tax for the eight months ended 31st August, 2002 was approximately RMB328.5 million and RMB735.8 million respectively (equivalent to approximately HK\$309.6 million and HK\$693.6 million respectively). The unaudited profit after tax for the year ended 31st December, 2001 represented an increase in profit after tax of over 26.8 times the unaudited profit after tax for the year ended 31st December, 2000 and the annualised unaudited profit after tax based on the eight months ended 31st August, 2002 represented approximately 3.4 times the unaudited profit after tax for the year ended 31st December, 2001.

The Vendor has guaranteed that the proforma consolidated audited profit after taxation excluding extraordinary items of Huizhou TCL Mobile for the year ending 31st December, 2002 will be no less than RMB840,000,000 (equivalent to approximately HK\$791,780,564). Accordingly, we concur with the Directors that, after taking into account of the business growth and the future earning potential of Huizhou TCL Mobile, the Company is indirectly acquiring further interests in a business at its continued development stage which should continue to enhance the Company's future earnings.

Consideration

As stated in the letter from the Board, the total purchase price for the 13.8% equity interests in Huizhou TCL Mobile is RMB811,440,000 (equivalent to approximately HK\$764,860,025), which was negotiated on an arm's length basis and on normal commercial terms. The consideration has been

LETTER FROM ANGLO CHINESE

determined on the basis of the Guaranteed Profit (in accordance with HK GAAP) representing an implied price/earnings multiple of 7 times. The Consideration values Huizhou TCL Mobile at a multiple of approximately 5 times its net asset value based on the unaudited accounts of Huizhou TCL Mobile as at 31st August, 2002.

In assessing the fairness of the implied price/earnings multiple of 7 times, based on the available information on Bloomberg, we are only aware of five comparable mobile telephones manufacturers namely Eastern Communication Company Limited, Senao International Company Limited, Tecom Limited, Sewon Telecom Limited and Telson Electronics Company Limited. The major market of these comparables is in their respective country of domicile and their shares are listed on the stock exchanges in Shanghai, Taipei and KOSDAQ (as the case may be). Set out below is a comparison of historic price/earnings multiples of these listed companies:

Company	Stock Exchange	Stock Code	Share Price (as of 25 September 2002, being the last trading day prior to the announcement) <i>(Note 1)</i>	Earnings/(loss) (for the year ended 31 December 2001) <i>(Note 1)</i>	Price/ Earnings Ratio
Eastern Communications Co., Ltd.	Shanghai, China (B Shares)	900941 CH	USD1.011 RMB8.37	RMB211.5 million	24.8
Senao International Co., Ltd.	Taipei, Taiwan	2450 TT	TWD30.5	TWD475.2 million (RMB112.9 million)	11.8
Tecom Ltd.	Taipei, Taiwan	2321 TT	TWD15.7	TWD60.9 million (RMB14.5 million)	74.9
Sewon Telecom Ltd.	KOSDAQ, Korea	3691 KS	KRW1780	KRW4.3 billion (RMB29.0 million)	11.2
Telson Electronics Co., Ltd.	KOSDAQ, Korea	2735 KS	KRW3470	KRW(26.7) billion (RMB180.0 million)	NA
Huizhou TCL Mobile	NA	NA	NA	RMB328.5 million	7 <i>(Note 2)</i>

Notes:

- For illustration purposes only, the figures have been translated at the following the exchange rates.

RMB8.28 = USD1.00
RMB1.00 = TWD4.21
RMB1.00 = KRW148.50

- Price/earnings multiple implied by the Consideration.

Source: Bloomberg

The average historical price/earnings ratio of all the above comparables and excluding Tecom as an outlier was around 30.7 and 15.9 respectively, which compared favourably to the price/earnings multiple of 7 times that was implied by the Consideration. We would therefore, consider that the price/earnings multiple that was implied by the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM ANGLO CHINESE

Price adjustment term

In the event that the 2002 Audited Profit is less than the Guaranteed Profit, the amount equivalent to 13.8% (representing the 13.8% equity interests in Huizhou TCL Mobile to be acquired) of the product of the amount of shortfall will be multiplied by the implied price/earning multiple of 7 times. The resulting sum will be repaid to TCL BVI by the Vendor, and in case the Vendor fails to repay TCL BVI the Guarantor has agreed to give a personal guarantee in favour of TCL BVI in order to secure the Vendor's obligations in respect of the Guaranteed Profit. Repayment, if any, will be made in cash within 1 month after the delivery of the 2002 Consolidated Accounts to the Company. The auditing of the 2002 Consolidated Accounts is required to be completed within three months from the year-end date, being 31st December, 2002, and to be delivered to TCL BVI within 14 business days thereafter. There will be no adjustment to the Consideration in the event that the 2002 Audited Profit exceeds the Guaranteed Profit. We consider such price adjustment terms appropriate and are in the interests of the Company.

Appointment of Directors

Upon completion of the Proposed Acquisition, each of TCL BVI and TCL Communication will be entitled to appoint three directors, and each of Cheerful Asset, the Vendor and Jasper Ace will be entitled to appoint one director, to the board of Huizhou TCL Mobile. As a result, TCL BVI will be entitled to appoint 3 out of a maximum of 9 directors (i.e. one-third of the board of directors) in Huizhou TCL Mobile's board of directors pursuant to its amended joint venture contract and articles of association. We concur with the Company's view that its right to nominate representatives for one-third of the board should give the Company sufficient influence over the board of Huizhou TCL Mobile.

Financial effects

Effect on earnings

According to the Letter from the Board, the cash consideration of RMB811,440,000 (equivalent to approximately HK\$764,860,025) will be funded partly by the net proceeds from the Notes Issue (approximately HK\$347.5 million) and partly from bank borrowings (approximately HK\$400 million) and the remaining balance of some HK\$17.4 million from internal resources of the Group. Had the Proposed Acquisition been completed on 1st January, 2002, based on the Guaranteed Profit of approximately HK\$791,780,564 for the year ending 31st December, 2002, the profit attributable to the 13.8% additional shareholding interests of Huizhou TCL Mobile would have been approximately HK\$109,265,718, before taking into account of the interest payable on the Convertible Note and bank borrowings, and opportunity cost of the interest to be earned on the internal resources used for cash consideration payable under the Proposed Acquisition for the year ending 31st December, 2002, and the amount to be charged in respect of amortisation of goodwill arising as a result of the acquisition over a period of 10 years. Given this, we concur with the Directors' view that the acquisition of further interests in Huizhou TCL Mobile may provide a promising return in the foreseeable future and hence enhance the Company's future earnings. The effects of interest expense are discussed below in the paragraph headed "Financial Effects of the Convertible Notes issue and Bank Borrowings".

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Effect on net asset value

As stated in the Letter from the Board, as at 31st December, 2001, the unaudited net asset value of Huizhou TCL Mobile was approximately RMB409.9 million (equivalent to approximately HK\$386.4 million) and as at 31st August, 2002 the unaudited net tangible asset value of Huizhou TCL Mobile, after deducting intangible assets of RMB20.3 million (equivalent to approximately HK\$19.1 million), was approximately RMB1,162.0 million (equivalent to approximately HK\$1,095.3 million). These amounts do not take into account the retained profits of Huizhou TCL Mobile for the period since 31st August, 2002. The net tangible asset value attributable to the 13.8% interest in Huizhou TCL Mobile, on the basis of its unaudited accounts as at 31st August, 2002 amounts to approximately HK\$151.2 million. **The purchase price represents a multiple of approximately 5 times the net tangible asset of Huizhou TCL Mobile based on the unaudited accounts of Huizhou TCL Mobile on 31st August, 2002 and would have given rise to goodwill of approximately RMB651.1 million (equivalent to approximately HK\$613.7 million).** The exact amount of goodwill, which will only be determined following completion of the Proposed Acquisition, will be amortised over a period of 10 years, giving rise to an annual charge to the consolidated profit and loss account of the Company.

Although the Consideration represents a large premium to the underlying net tangible asset value of Huizhou TCL Mobile and will result in a dilution in the net tangible asset value of the Company, we do not consider it to be a principal consideration for arriving at the Consideration to be paid for the interest in Huizhou TCL Mobile, which should be principally valued on its earnings capacity.

Issue of Convertible Notes

Principal terms of the Convertible Notes

The principal terms of the Convertible Notes and the conditions of the Subscription Agreement are set out in the letter from the Board in this Circular. The terms of the Notes Issue were negotiated between the Company, Go-Win, United Asset Investment and Nam Tai on an arm's length basis and were based on their assessment of an appropriate conversion premium, interest rate and yield to redemption. The Convertible Notes are unsecured and guaranteed by the Company and will not be listed on any stock exchange. The aggregate principal amount of the 3-year Convertible Notes is HK\$350 million to be issued at par and bearing interest at 3% per annum, payable semi-annually in arrears. The Convertible Notes may be converted in whole or in part into the Shares at any time within three years from the date of issue of the Convertible Notes in the principal amount of HK\$10 million or an integral multiple thereof on each conversion. Full conversion of the Convertible Notes, at the initial Conversion Price, will result in the issue of 136,932,707 Shares, representing approximately 5.28% of the existing issued share capital of the Company and approximately 5.01% of the issued share capital of the Company as enlarged by the Shares to be issued under the Convertible Notes. After 18 months from the Issue Date, the Company has the option to redeem, in whole or any part, the Convertible Notes in principal amount of HK\$10 million, or an integral multiple thereof, plus interest accrued to but excluding the date of redemption if the closing price of the Shares on the Stock Exchange for at least 20 dealing days in a period of 30 consecutive dealing dates on the Stock Exchange is at least 130% of the Conversion Price in effect of such dealing day.

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Comparable convertible notes issues

In order to assess the terms of the Convertible Notes, we have reviewed a number of convertible notes issued by other listed companies in Hong Kong within the past six months with term lengths similar to that of the Convertible Notes and which to our knowledge have been publicly announced.

Name of issuer	Date of issue/Term	Principal amount (HK\$ in million)	Coupon rate per annum	Premium/ (Discount) between the conversion price and the closing price per share before announcement
Dailywin Group Limited	June 2002 (3 years)	84.0	3.8%	(93.9%) (Note 1)
Softbank Investment International (Strategic) Limited	June 2002 (3 years)	250	5%	3.3%
Goldwiz Holdings Limited	July 2002 (2 years)	155	2%	(23.2%)
Rexcapital International Holdings Limited	August 2002 (2 years)	80	2%	38.5%
ITC Corporation Limited	September 2002 (3 years)	580.0	prime rate (Note 2)	20.0%
Company	October 2002 (3 years)	350	3%	23.2%

Notes:

1. The conversion price is equal to the nominal value of the share.
2. Hong Kong prime rate being the interest rate banks quote as an indication of the rate being charged on loans to its best commercial customers.

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Market price

The initial conversion price of HK\$2.556 per Share, being 20% over the average of the closing prices of the Shares on the Stock Exchange for the 10 trading days ended on, and including, the date of signing of the Subscription Agreement represents:

- a premium of about 23.2% over HK\$2.075 per Share, being the closing price of Shares on the date immediately before the publication of the announcement;
- a premium of about 20.0% over HK\$2.130 per Share, being the average closing price of Shares for the ten trading days immediately preceding the date of the publication of the announcement;
- a premium of about 19.4% over HK\$2.141 per Share, being the average closing price of Shares for the six months preceding the date of the publication of the announcement; and
- a premium of about 9.9% over HK\$2.325 per Share, being the closing price of Shares on the Latest Practicable Date.

In our opinion, the conversion price for the Convertible Notes, when compared with convertible notes issues of similar size and the historic closing price of the Shares, as quoted on the Stock Exchange, represents an acceptable premium to the price of the Shares.

Interest rate

The interest rate of the Convertible Notes is set at 3% per annum with interest payable semi-annually. On the maturity date of the convertible notes, 100% of the then outstanding principal amount together with all interest accrued shall be payable by the Company to the holders of the Convertible Notes. As at the date of the announcement, the Company's current cost of debt, consisting of two mortgages, was approximately 3.1%, and the cost of the proposed HK\$400 million bank borrowing is approximately HIBOR plus 1%, which, as at the Latest Practicable Date, was approximately 3.1%. With reference to the cost of the bank borrowing to be used to partly finance the Proposed Acquisition, we consider the interest rate of the Convertible Notes is acceptable.

Use of Proceeds

The net proceeds of the issue of the Convertible Notes is estimated to amount to HK\$347.5 million, the sole purpose of which is to finance part of the consideration for the Proposed Acquisition.

Financial effects of the Convertible Notes issue and Bank Borrowings

As at 31st August, 2002, the Group had cash on hand of approximately HK\$874.4 million and bank borrowings of approximately HK\$6.7 million. The annual interest expense payable by the Company to service the Convertible Notes issue and the Bank Borrowings will be approximately HK\$10.5 million and HK\$12.4 million respectively. After the completion of the Proposed Acquisition and the Notes Issue the Group will carry a total debt of approximately HK\$756.7 million, and the total annual interest expense payable by the Group will be approximately HK\$22.9 million, representing an interest coverage of approximately 12.4 times and 16.6 times based on the operating profit of the Group for the year ended 31st December, 2001 and the annualised operating profit of the Group for

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the six months ended 30th June, 2002, respectively. The Group will, on the basis of cash balances held on 31st August, 2002, still have cash balances in excess of 1.1 times the total debt upon completion of the Proposed Acquisition and Notes Issue.

The Independent Shareholders should note that the Proposed Acquisition is not conditional upon the completion of the Notes Issue whereas the Notes Issue is conditional upon the completion of the Proposed Acquisition. In the event that the Notes Issue does not proceed to completion the shortfall will instead be financed by a combination of additional bank borrowings and the Group's internal resources. The Company is confident that, should such event occur, sufficient bank facilities will be available to cover the shortfall and hence the risk of the Group's cash balances being materially reduced is minimal.

We consider that the issue of the Convertible Notes to be an appropriate method to raise medium term funds to finance the Proposed Acquisition. We also consider the terms to be appropriate in the current market.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Proposed Acquisition and the Notes Issue are fair and reasonable as far as the Company and the Independent Shareholders are concerned and the entering into of each of the S&P Agreement and the Subscription Agreement is in the best interest of the Group. Accordingly, we recommend that the Independent Board Committee advises the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the S&P Agreement and the issue of the Convertible Notes pursuant to the Subscription Agreement respectively.

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 2,595,083,102 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 right and capital.

Pursuant to the Subscription Agreement, the Company has agreed to issue the Convertible Notes in principal amounts of HK\$100,000,000, HK\$210,000,000 and HK\$40,000,000 to Go-Win, United Asset and Nam Tai respectively.

The Convertible Notes to be issued pursuant to the Subscription Agreement will be convertible into Shares at the option of the Subscribers at any time during the Conversion Period at the Conversion Price. Assuming that there will be no adjustment to the initial Conversion Price, a total of 136,932,707 new Shares will be issuable on full conversion of the Convertible Notes, representing approximately 5.28% of the existing issued share capital of the Company and approximately 5.01% of the issued share capital of the Company as enlarged by the issue of such Shares. No application will be made for the listing of the Convertible Notes on any stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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.

GENERAL INFORMATION

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:

Name of Director	No. of Shares		Outstanding Options	
	Personal interests	Other interests	No. of Options	Exercise Price HK\$
Li Dong Sheng, Tomson	20,006,000	1,424,605,289 <i>(Note 1)</i>	12,000,000 1,350,000 <i>(Note 2)</i>	2.236 0.928
Yuan Xin Cheng	—	1,424,605,289 <i>(Note 1)</i>	6,000,000 600,000 <i>(Note 2)</i>	2.236 0.928
Lu Zhong Li	500,000	1,424,605,289 <i>(Note 1)</i>	5,000,000 500,000 10,000,000 <i>(Note 2)</i>	2.236 0.928 1.042
Hu Qiu Sheng	—	1,424,605,289 <i>(Note 1)</i>	5,000,000 500,000 <i>(Note 2)</i>	2.236 0.928
Wu Shi Hong	—	1,424,605,289 <i>(Note 1)</i>	3,000,000 500,000 <i>(Note 2)</i>	2.236 0.928
Yan Yong	—	—	300,000 200,000 <i>(Note 2)</i>	2.508 0.928
Wong Toe Yeung	—	—	3,000,000 150,000 <i>(Note 2)</i>	2.236 0.928
Hon Fong Ming	—	—	—	—
Albert Thomas da Rosa, Junior	—	—	—	—

GENERAL INFORMATION

Notes:

1. T.C.L. Industries Holdings (H.K.) Ltd. (“TCL Industries”) (a company incorporated in Hong Kong) is the registered owner of 1,424,605,289 ordinary shares of HK\$0.10 each of the Company. TCL Industries is a direct wholly-owned subsidiary of TCL Corporation. The following Directors have the following interests in TCL Corporation:

Name of Directors	Percentage of interest in TCL Corporation
Li Dong Sheng, Tomson	9.08%
Yuan Xin Cheng	1.56%
Lu Zhong Li	1.48%
Hu Qiu Sheng	1.19%
Wu Shi Hong	0.63%

2. The options holders are entitled to subscribe for shares of the Company from the dates as specified in the relevant offer letter (ranging from 30 December 1999 to 1 December 2002) to 14 May 2003.

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, independent 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 Proposed Acquisition and the Notes Issue and the preparation of this circular and other documents relating the Proposed Acquisition and the Notes Issue.

In addition to the Subscription Agreement and the S&P Agreement, 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:

- (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;

GENERAL INFORMATION

- (c) on 9 May 2002, Shenzhen TCL New Technology Co. Ltd., a wholly-owned subsidiary of the Company, and TCL Corporation 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 Corporation 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 Ltd. and, among others, TCL Corporation entered into the Overseas Distribution Agreement in connection with distribution of white goods in territories other than the PRC;
- (f) on 9 May 2002, TCL Electrical Appliance Sales Co., Ltd. and, among others, TCL Corporation entered into the PRC Distribution Agreement, in connection with distribution of white goods in the PRC;
- (g) on 10 June 2002, the Company, TCL Industries and TCL Corporation entered into the variation deed to vary the deed of non-competition being executed by TCL Corporation and TCL Industries in favour of the Company on 15 November 1999 (“Non-competition Deed”) such that TCL Corporation and TCL Industries may engage in certain activities which are originally restricted under the Non-competition Deed.

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, 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.

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	Number of Shares	Percentage of holding
TCL Corporation	1,424,605,289	54.9%
TCL Industries	1,424,605,289	54.9%

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Note: TCL Industries is a direct wholly-owned subsidiary of TCL Corporation and accordingly, the Shares in which TCL Industries is shown to be interested are also included in the Shares in which TCL Corporation are 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 Corporation	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.	深圳市浩龍投資有限公司	15%
Henan TCL-Melody Electronics Co., Ltd. (河南 TCL — 美樂電子有限公司)	河南安彩集團美樂電子有限責任公司 (formerly 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)	無錫市電儀資產經營有限公司	30%
TCL Electrical Appliances (Shaanxi) Co., Ltd. (TCL 電器(陝西)有限公司)	陝西雙鷗集團	30%
TCL Electrical Appliance Sales Co, Ltd. (惠州 TCL 電器銷售有限公司)	TCL Corporation	49%
Shenzhen TCL Industrial Institute Limited (深圳市 TCL 工業研究院有限公司)	TCL Corporation TCL Communication	10% 25%

Save as disclosed above, there was no person known to the Directors who at the Latest Practicable Date was 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.

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).

GENERAL INFORMATION

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 16 October 2002 and references to its name in the form and context in which they appear.

8. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. MISCELLANEOUS

The registered office of the Company in Hong Kong is at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.

The Share registrar of the Company is Tengis Limited, 4/F, Hutchison House, Central, Hong Kong.

The Company Secretary of the Company is Ms. Pang Siu Yin who is a practising solicitor in Hong Kong.

10. 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 in Hong Kong of the Company at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong from 16 October 2002 to 31 October 2002 (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the S&P Agreement;
- (c) the Subscription Agreement;
- (d) the letter from Anglo Chinese dated 16 October 2002, the text of which is set out on pages 19 to 28 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 18 of this circular.



TCL

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 Level 7, Hennessy Room, Conrad International, Pacific Place, 88 Queensway, Hong Kong on 31 October 2002 (Thursday) at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the conditional sale and purchase agreement (the “S&P Agreement”) dated 26 September 2002 entered into between Mate Fair Group Limited as the vendor, TCL Holdings (BVI) Limited, a wholly-owned subsidiary of the Company, as the purchaser and Mr. Wong Toe Yeung as the guarantor in connection with the acquisition by TCL Holdings (BVI) Limited of a 13.8% equity interest in 惠州TCL移动通信有限公司 (Huizhou TCL Mobile Communication Company Limited) at a total cash consideration of RMB811,440,000 million (equivalent to HK\$764,860,025), a copy of the S&P Agreement has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification and the details of which are set out in the circular of the Company dated 16 October 2002, and the transactions contemplated under the S&P Agreement, be and they are hereby approved, ratified, and confirmed and any director of the Company be and is hereby authorized to take such action, do such things and execute such further documents or deeds as such director may, in his opinion, deem necessary or desirable for the purpose of implementing the S&P Agreement.”
2. **“THAT** conditional upon Ordinary Resolution no.1 set out in the notice of the extraordinary general meeting of the Company dated 16 October 2002, of which this Resolution forms part, being passed, the subscription agreement (the “Agreement”) dated 26 September 2002 in respect of the issue by TCL International Holdings Limited (the “Company”) of the Notes (as defined in the Agreement), a copy of the Agreement has been produced to this meeting marked “B” and signed by the Chairman of this meeting for the purpose of identification and the details of which are set out in the circular of the Company dated 16 October 2002, and the transactions contemplated under the Agreement, be and they are hereby approved, ratified, and confirmed and any director of the Company be and is hereby authorized to take such action, do such things and execute such further documents or deeds as such director may, in his opinion, deem necessary or desirable for the purpose of implementing the Agreement including but not limited to exercise of any power of the Company to issue the Notes and to allot and issue any share of the Company which may fall to be issued upon conversion of the Notes.”

By Order of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 16 October 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) In accordance with Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), TCL Corporation, Mr. Wong Toe Yeung and their respective associates (as defined in the Listing Rules) will abstain from voting on resolution 1.
- (4) In accordance with Chapter 14 of the Listing Rules, Mr. Wong Toe Yeung and his associate (as defined in the Listing Rules) will abstain from voting on resolution 2.
- (5) A form of proxy for 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.