

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)

**ONGOING CONNECTED TRANSACTIONS
AND NEW WAIVER APPLICATION**

Financial Adviser

 **ERNST & YOUNG**

Ernst & Young Corporate Finance Limited

Independent financial adviser to the Independent Board Committee



DBS ASIA CAPITAL LTD

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from DBS Asia Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 15 to 21 of this circular.

A notice convening the extraordinary general meeting of TCL International Holdings Limited to be held at 2:30 p.m. on 27 December 2002 at Level 7, Caine Room, Conrad International, Pacific Place, 88 Queensway, Hong Kong is set out on pages 27 and 28 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.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	TCL International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“DBS Asia”	DBS Asia Capital Limited, an investment adviser and securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), who has been appointed as independent financial adviser to the Independent Board Committee in relation to the Ongoing Connected Transactions and the New Waiver Application
“Deed of Variation”	The deed of variation dated 11 December 2002 entered into between the Company and TCL Corporation, details of which are set out in the paragraph headed “Master Supply Agreement” in the section headed “Ongoing Connected Transactions” on pages 5 to 9 of this circular
“Director(s)”	the director(s) of the Company
“Distribution Agreement”	the distribution agreement dated 15 November 1999 entered into between the Company and Huizhou TCL Appliance for a period of 15 years in respect of the sale of the Group’s products under the TCL brand name in the PRC through the Network
“EGM”	the extraordinary general meeting of the Company to be held to approve, among other things, the Ongoing Connected Transactions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HK dollars”	Hong Kong dollars
“Huizhou TCL Appliance”	TCL Electrical Appliance Sales Co., Ltd., a company established under the laws of the PRC which is owned as to 51% by the Group and as to 49% by TCL Corporation

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 Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application
“Independent Shareholders”	Shareholders other than TCL Corporation and its associates
“Latest Practicable Date”	11 December 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 15 November 1999 entered into between the Company and TCL Corporation for a period of 5 years pursuant to which the Group and the TCL Corporation Group entered into transactions which are categorised into the Overseas Materials Sourcing Service, the PRC Materials Sourcing Service and the Sale of Materials, as amended by the Deed of Variation
“Network”	the distribution and after-sales services network in the PRC operated and controlled by Huizhou TCL Appliance
“New Waiver Application”	the application for a waiver to the Stock Exchange in respect of the Ongoing Connected Transactions, details of which are set out in the section headed “Application for new waiver” on pages 11 to 12 of this circular
“Ongoing Connected Transactions”	the ongoing connected transactions which have been and will continue to be carried out pursuant to the Distribution Agreement and the Master Supply Agreement
“Overseas Materials Sourcing Service”	the sale and purchase by the Group to and from TCL Corporation of raw materials manufactured overseas for the production of the Group’s products pursuant to the Master Supply Agreement
“PRC”	the People’s Republic of China
“PRC Materials Sourcing Service”	the purchases by the Group from the subsidiaries and associates of TCL Corporation of raw materials manufactured in the PRC for the production of the Group’s products pursuant to the Master Supply Agreement
“Prospectus”	the prospectus dated 17 November 1999 issued by the Company relating to the initial public offer and listing of the Company’s shares

DEFINITIONS

“Proposed Cap(s)”	the proposed respective annual limits for the value of the Ongoing Connected Transactions to be carried out which are set out in the section headed “Proposed Caps for the Ongoing Connected Transactions” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Sale of Materials”	the sale of raw materials by the Group to the TCL Corporation Group pursuant to the Master Supply Agreement
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL Corporation”	TCL Corporation (TCL 集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling shareholder of the Company (formerly known as TCL Holdings Corporation Ltd., a state owned limited liability company established under the laws of the PRC)
“TCL Corporation Group”	TCL Corporation and its subsidiaries and associates (as defined in the Listing Rules) (excluding members comprising the Group)

For the purpose of illustration only and unless otherwise stated, the translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.07. Such translation 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
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

12 December 2002

To the Shareholders

Dear Sirs or Madams,

**ONGOING CONNECTED TRANSACTIONS
AND NEW WAIVER APPLICATION**

BACKGROUND

At the time of listing of the Company's shares in November 1999, the Company obtained from the Stock Exchange the existing waiver from strict compliance with the relevant requirements under the Listing Rules for the three financial years ending 31 December 2002 in respect of the Ongoing Connected Transactions. This existing waiver was granted by the Stock Exchange subject to the conditions set out in the Prospectus and will expire on 31 December 2002.

It was announced in an announcement of the Company dated 11 December 2002 that the Company has applied to the Stock Exchange for a new waiver from strict compliance with the disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules for the three financial years ending 31 December 2005 in respect of the Ongoing Connected Transactions, the details and conditions of which are described in the section headed "Application for new waiver" below.

* For identification only

LETTER FROM THE BOARD

An Independent Board Committee, comprising Messrs. Hon Fong Ming and Albert Thomas da Rosa, Junior, the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Ongoing Connected Transactions, the New Waiver Application and the Deed of Variation and DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

The purpose of this circular is to provide you with further information on the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application and seek your approval of the resolutions set out in the notice of EGM on pages 27 and 28 of this circular. The recommendations of the Independent Board Committee to the Independent Shareholders in respect of the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application are set out on page 14 of this circular. A copy of the letter from DBS Asia to the Independent Board Committee containing its advice in relation to the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application is set out on pages 15 to 21 of this circular.

ONGOING CONNECTED TRANSACTIONS

Distribution Agreement

The Company and Huizhou TCL Appliance entered into the Distribution Agreement on 15 November 1999 pursuant to which Huizhou TCL Appliance was appointed as the Group's non-exclusive distribution agent for the promotion and sale of the Group's products under the TCL brand name in the PRC through the Network for a period of 15 years.

At the time of the entering into of the Distribution Agreement, Huizhou TCL Appliance was owned as to 51% by TCL Corporation. As disclosed in the Company's announcement dated 30 August 2001, the Company acquired from TCL Corporation its 51% interest in Huizhou TCL Appliance which became a non-wholly owned subsidiary of the Company. TCL Corporation subsequently acquired the remaining 49% interest in Huizhou TCL Appliance from a company established under the laws and regulations of the PRC which was owned as to 95% by the workers' union of Huizhou TCL Appliance and as to 5% by four other individuals including an executive Director. As TCL Corporation is the ultimate controlling shareholder of the Company and is also interested in 49% of Huizhou TCL Appliance, transactions contemplated under the Distribution Agreement will continue to constitute ongoing connected transactions for the Company under the Listing Rules.

The principal terms of the Distribution Agreement are summarised as follows:

Credit term in relation to the payment of sales proceeds by Huizhou TCL Appliance to the Group in respect of products sold through the Network:	30 days from the date of sale
Sales commission payable by the Group to Huizhou TCL Appliance:	10 % on the retail price of the Group's products sold through the Network

The terms of the Distribution Agreement are determined on the basis of the market consideration for provision of such a wide coverage of the Network such as the costs and efficiency rate for setting up a similar network. The sales commission rate is determined by reference to the salary, administration, advertisement and transportation charges borne by Huizhou

LETTER FROM THE BOARD

TCL Appliance in the provision of the services. Pursuant to the arrangement, the products of the Group are sold through the Network and the buyers pay the price for the products to Huizhou TCL Appliance which in turn pays the sales proceeds to the relevant member of the Group after collection of such proceeds and deduction of sales commission. Huizhou TCL Appliance is also entitled to receive from the Group reward interest if Huizhou TCL Appliance pays sales proceeds (received from customers) to the Group within the credit period. The reward interest or cash discount which is designed to encourage payment by Huizhou TCL Appliance before the payment due date, is determined by the best lending interest rate offered by the People's Bank of China on 1 January each year and is comparable to the interest rate applicable to the Group in its transactions with financial institutions in the PRC.

The following table sets out the respective amounts of the sales commission and reward interest/cash discount paid/payable by the Group to Huizhou TCL Appliance for the two years ended 31 December 2001 and the nine months ended 30 September 2002.

	Year ended 31 December	Year ended 31 December	Nine months ended
	2000	2001	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2002
			<i>HK\$'000</i>
Consolidated turnover of the Group for the year/period (<i>Note</i>)	8,569,198	9,609,735	8,532,864
Sales commission	772,100	733,477	589,670
Percentage to the consolidated turnover of the Group for the year/period	9.0%	7.6%	6.9%
Reward interest/cash discount	22,434	13,442	3,508
Percentage to the consolidated turnover of the Group for the year/period	0.26%	0.14%	0.04%

Note: The turnover of the Group for each of the two years ended 31 December 2001 has been extracted from audited financial statements whilst the turnover for the nine months ended 30 September 2002 is based upon unaudited management accounts.

Moreover, Huizhou TCL Appliance is entitled to receive from the Group a sales bonus if Huizhou TCL Appliance is able to achieve a pre-determined sales target agreed upon between the Company and Huizhou TCL Appliance at the beginning of each financial year. This sales bonus is aimed at giving an incentive to Huizhou TCL Appliance to promote sales. The sales bonus is determined at the rate of 2% per annum on the total of (a) 6.15% of the actual cash proceeds from Huizhou TCL Appliance and (b) the balance which the above cash proceeds exceeds the pre-determined sales target. The sales targets agreed with Huizhou TCL Appliance for the two years ended 31 December 2001 were both RMB9 billion (equivalent to about HK\$8.4 billion). The actual sales through Huizhou TCL Appliance for the two years ended 31 December 2001 were about RMB8.26 billion (equivalent to about HK\$7.7 billion) and RMB7.84 billion (equivalent to about HK\$7.3 billion) respectively. Accordingly, no sales bonus was paid by the Group to Huizhou TCL Appliance for the two years ended 31 December 2001. Furthermore, a late payment interest at the same interest rate as that of the reward interest/cash discount mentioned above is payable by

LETTER FROM THE BOARD

Huizhou TCL Appliance to the Group if Huizhou TCL Appliance cannot settle the sales proceeds (received from customers) within the 30-day credit period. Huizhou TCL Appliance has been able to make settlement for sales proceeds within the 30-day credit period and therefore no late payment interest was received by the Group for the two years ended 31 December 2001.

Master Supply Agreement

The Company and TCL Corporation entered into the Master Supply Agreement on 15 November 1999 for a period of 5 years with an option to renew the agreement on substantially the same terms for one or more successive periods of 5 years. The Master Supply Agreement sets out the terms for the following transactions:

1. Overseas Materials Sourcing Service

The business licences of certain members of the Group (including TCL King Electrical Appliances (Huizhou) Co., Ltd. which is a wholly-owned subsidiary of the Company and the major manufacturer of the Group's products) require that only products with raw materials purchased in the PRC can be sold in the PRC. In the production process of the Group's television sets, other audio-visual products and computer related products, the Group applied certain raw materials manufactured overseas. In view of the above and the fact that TCL Corporation has the required import licence, TCL Corporation (i) acts as the intermediary for the Group to purchase and import the required raw materials manufactured overseas from the Company's subsidiaries incorporated or established in places other than the PRC and (ii) sells such imported raw materials to the Company's nominated subsidiaries in the PRC as a local supplier. It should be noted that the second part of the Overseas Materials Sourcing Service mentioned above is different from and does not form part of the transactions under the PRC Materials Sourcing Service described below.

In respect of the purchase of the raw materials by TCL Corporation from the Group, the Group charges TCL Corporation the costs of the raw materials and a small mark-up. In respect of the sale of the imported raw materials by TCL Corporation to the Group, TCL Corporation charges the Group for the acquisition cost of the raw materials (i.e. the costs of the raw materials and the small mark-up mentioned above) plus the necessary out-of-pocket expenses incurred by TCL Corporation such as transportation and customs clearance. These imported overseas raw materials include, among other things, cathode ray tubes of screen size 29 inches and above, integrated circuits and capacitors.

2. PRC Materials Sourcing Service

The Company is required to procure its PRC subsidiaries to favourably consider purchasing and receiving part of the Group's requirement of raw materials manufactured in the PRC from the subsidiaries and associates of TCL Corporation if the terms offered by the TCL Corporation Group are the same as or more favourable than terms available from suppliers who are independent third parties and are capable of meeting the orders placed. TCL Corporation is also required to procure its subsidiaries and associates to sell to the Company's subsidiaries the requested raw materials which are necessary for the Group's production of audio-visual and computer related products. The purchase prices of such raw materials are determined by reference to the market price of the relevant materials and the purchases will only be made if the terms are not less favourable than those available from suppliers who are independent third parties.

LETTER FROM THE BOARD

3. Sale of Raw Materials

In the event that any member of the Group offers to sell raw materials to any member of the TCL Corporation Group in response to the latter's requests, TCL Corporation is required to procure its subsidiary to purchase the raw materials concerned if the terms of the offer from the Group are not less favourable than terms available from suppliers who are independent third parties. The sale prices of such raw materials are determined by reference to the market price of the relevant materials and the terms offered by the Group to the TCL Corporation Group are comparable to and not more favourable than terms offered to customers of the Group who are independent third parties. However, there is no obligation on the part of the Group to supply raw materials to the TCL Corporation Group and the above arrangement enables the Group, if necessary, to deal in raw materials which are not required by the Group.

The Company and TCL Corporation entered into the Deed of Variation on 11 December 2002 to extend the expiry date of the Master Supply Agreement from 14 November 2004 to 31 December 2005 and to amend the length of any successive period which may be renewed from 5 years to 3 years. The renewal is at the option of either party.

The following table sets out the total aggregate amounts in respect of the above transactions for the two years ended 31 December 2001 and the nine months ended 30 September 2002:

	Year ended 31 December 2000	Year ended 31 December 2001	Nine months ended 30 September 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Overseas Materials Sourcing Service</i>			
Purchases of overseas raw materials by TCL Corporation from the Group (<i>Note 1</i>)	1,184,473	569,889	951,735
Percentage to the preceding year's audited consolidated turnover of the Group	19.2%	6.7%	9.9% (<i>Note 2</i>)
<i>PRC Materials Sourcing Service</i>			
Purchases of PRC raw materials by the Group from the TCL Corporation Group	66,503	74,618	58,961
Percentage to the preceding year's audited consolidated turnover of the Group	1.1%	0.9%	0.6% (<i>Note 2</i>)
<i>Sale of Raw Materials</i>			
Sale of raw materials by the Group to the TCL Corporation Group	888	627	1,130
Percentage to the preceding year's audited consolidated turnover of the Group	0.014%	0.007%	0.012% (<i>Note 2</i>)

LETTER FROM THE BOARD

Notes:

1. *The amounts shown for the purchases of overseas raw materials by TCL Corporation from the Group do not include the necessary out-of-pocket expenses incurred by TCL Corporation such as transportation and customs clearance as described above.*
2. *These percentages are not on an annual basis and only represent the amounts for the nine months ended 30 September 2002 as compared to the preceding year's audited consolidated turnover of the Group.*

The decrease in the annual amount of the transactions under the Overseas Materials Sourcing Service for 2001 was mainly attributable to the Group's strategy to clean up inventory of raw materials carried by the Group in times of severe competition in order to reduce the burden on working capital.

Reasons for and benefits of the Ongoing Connected Transactions

The Company is an investment holding company. Its principal subsidiaries are mainly engaged in the design, manufacture, assembly and sale of a wide range of electronic consumer products. These include internet-related information technology products, colour television sets and other audio-visual products.

The Directors believe that the Network operated and controlled by Huizhou TCL Appliance is one of the most sophisticated, effective and efficient electronic consumer product distribution networks in the PRC. Moreover, following the acquisition of a controlling interest in Huizhou TCL Appliance in 2001, the Group is able to exert direct control of the Network, thereby enhancing the overall competitiveness and profitability of the Group.

The Directors consider that the arrangement under the Overseas Materials Sourcing Service is the best alternative for the Group to source overseas raw materials for the Group's production in view of the requirements of the business licences of certain members of the Group and are entered into on terms that are fair and reasonable so far as the Shareholders are concerned. Furthermore, the transactions under the PRC Materials Sourcing Service and the Sale of Raw Materials are entered into on normal commercial terms.

The Ongoing Connected Transactions are and will continue to be conducted in the ordinary and usual course of business of the Group and on normal commercial terms or terms that are fair and reasonable so far as the Shareholders are concerned. The Directors consider that it is in the interest of the Company and the Shareholders to continue the Ongoing Connected Transactions as these transactions have facilitated and will continue to facilitate the operation of the Group's business.

LETTER FROM THE BOARD

PROPOSED CAPS FOR THE ONGOING CONNECTED TRANSACTIONS

Distribution Agreement

Set out below are the Proposed Caps for the transactions under the Distribution Agreement:

Transactions	Proposed Cap (as percentage to the audited consolidated turnover of the Group for the relevant financial year)
Sales commission	10%
Reward interest	0.5%
Sales bonus	1.5%
Late payment interest	0.5%

The Proposed Caps for the transactions under the Distribution Agreement are determined by reference to, among other things, the contractual sales commission/bonus rates, the historic interest rates and the Group's preliminary sales estimate (as the case may be).

Master Supply Agreement

Set out below are the existing caps and the Proposed Caps for the transactions under the Master Supply Agreement:

Transactions	Existing cap (as percentage to the audited consolidated turnover of the Group for each relevant preceding year)	Proposed Cap (as percentage to the audited consolidated turnover of the Group for each relevant preceding year)
Overseas Materials Sourcing Service — Purchases of overseas raw materials by TCL Corporation from the Group	40% (Note 1)	30%
Overseas Materials Sourcing Service — Sale of overseas raw materials by TCL Corporation to the Group	40% (Note 1)	40% (Note 2)
PRC Materials Sourcing Service	3%	1.5%
Sale of Raw Materials	0.02%	0.02% (no change)

LETTER FROM THE BOARD

Notes

1. *These transactions were viewed as one single type of transaction under the existing waiver.*
2. *The price for the sale of overseas raw materials by TCL Corporation to the Group has included the necessary out-of-pocket expenses incurred by TCL Corporation such as transportation and customs clearance in addition to the costs of such raw materials.*

The Proposed Caps for the transactions under the Master Supply Agreement are determined by reference to, among other things, the Group's projected requirement of raw materials (whether manufactured overseas or in the PRC), the Group's strategy to focus more on high-end products, the anticipated gradual reduction in import tariffs levied on raw materials and the expected general shortage of supply in the following year in respect of the required raw materials in the PRC.

APPLICATION FOR NEW WAIVER

It is expected that the annual aggregate amount of the transactions under each of the Distribution Agreement and the Master Supply Agreement will continue to exceed the higher of HK\$10 million or 3% of the latest published net tangible asset value of the Group and will therefore be subject to disclosure and independent shareholders' approval requirements under Rule 14.26 of the Listing Rules. As the Ongoing Connected Transactions have been and will continue to be carried out in the ordinary and usual course of the Group's business and will occur on a recurring basis, the Directors consider that it will be unduly burdensome and impractical for the Group to make disclosure and seek Independent Shareholders' approval on each occasion the Ongoing Connected Transactions arise. Accordingly, the Company has applied to the Stock Exchange for a new waiver from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules for the three financial years ending 31 December 2005 in respect of the Ongoing Connected Transactions subject to the following conditions:

1. the Ongoing Connected Transactions shall be:
 - (a) entered into by the Group in the ordinary and usual course of its business;
 - (b) entered into either (i) on normal commercial terms; or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned;
 - (c) carried out in accordance with the terms of the respective agreements governing such transactions or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and
 - (d) carried out in accordance with the pricing policies of the Group (as the case which may be applicable);
2. the annual aggregate amounts of the transactions under the Distribution Agreement and the Master Supply Agreement shall not exceed the Proposed Caps as described in the section headed "Proposed Caps for the Ongoing Connected Transactions";
3. the independent non-executive Directors shall review annually the Ongoing Connection Transactions and confirm in the Company's next annual report that such transactions have been conducted in the manner as stated in paragraphs 1 and/or 2 above;

LETTER FROM THE BOARD

4. the auditors of the Company shall review annually the Ongoing Connected Transactions and confirm in a letter (the "Letter") to the board of Directors (a copy of which shall be provided to the Stock Exchange) stating whether:
 - (a) the transactions have received the approval of the Directors;
 - (b) the transactions have been carried out in accordance with the terms of the relevant agreements governing such transactions or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
 - (c) the transactions have been carried out in accordance with the pricing policies of the Group (as the case which may be applicable); and
 - (d) the Proposed Caps have been exceeded;

where, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange immediately;

5. details of the transactions in each financial year as required under Rule 14.25(1) (A) to (D) of the Listing Rules shall be disclosed in the Company's annual report for that financial year together with a statement of opinion of the independent non-executive Directors and the auditors of the Company referred to in paragraphs 3 and 4 above; and
6. the Company and its subsidiaries and the TCL Corporation Group members with whom the Company has entered into the above Ongoing Connected Transactions shall provide undertakings to the Stock Exchange that for so long as the shares of the Company are listed on the Stock Exchange, they will provide the auditors of the Company with full access to their relevant records to carry out the review of the such transactions.

Should the annual aggregate amounts of the Ongoing Connected Transactions exceed their respective Proposed Caps, the Company will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In the event that the terms of the above transactions be altered, extended or renewed or the Company enters into any new agreements with any connected persons in the future, the Company must comply with the relevant requirements of the Listing Rules governing connected transactions unless the Company applies for and obtains a separate waiver from the Stock Exchange.

EXTRAORDINARY GENERAL MEETING

The Company will convene an EGM at 2:30 p.m. on 27 December 2002 at Level 7, Caine Room, Conrad International, Pacific Place, 88 Queensway, Hong Kong at which ordinary resolutions will be proposed for the purpose of considering and if thought fit, approving the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application and all matters contemplated thereunder. The notice of the EGM is set out on pages 27 to 28 of this circular.

LETTER FROM THE BOARD

TCL Corporation indirectly owns 54.2% of the issued share capital of the Company. In view of the interests of TCL Corporation in the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application, TCL Corporation and its associates will abstain from voting in relation to the resolutions to be put forward at the EGM for the purpose of approving the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to 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 and in any event by no later than 48 hours before the time appointed for the holding of the EGM (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application and (ii) the letter from DBS Asia set out on pages 15 to 21 of this circular which contains its recommendation to the Independent Board Committee in respect of the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application.

The Independent Board Committee, having taken into account the advice of DBS Asia, considers that the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM to approve the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application.

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)

12 December 2002

To the Independent Shareholders

Dear Sir or Madam,

ONGOING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application, details of which are set out in the letter from the Board in the circular dated 12 December 2002 (the “Circular”) to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless otherwise requires.

Having taken into account the advice of DBS Asia, we consider that the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application are 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 Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application.

Yours faithfully,

Hon Fong Ming Albert Thomas da Rosa, Junior
Independent Board Committee

* For identification only



DBS ASIA CAPITAL LTD

16th Floor, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong

12 December 2002

*The Independent Board Committee
TCL International Holdings Limited*

Dear Sirs,

**ONGOING CONNECTED TRANSACTIONS
AND
NEW WAIVER APPLICATION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the Ongoing Connected Transactions, the Deed of Variation and the New Waiver Application, details of which are contained in a circular (the "Circular") to the Shareholders dated 12 December 2002, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular.

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 an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Ongoing Connected Transactions, the Deed of Variation and the New Waiver Application, we have considered the following principal factors and reasons:

Background and rationale

The Group is principally engaged in the design, manufacture, assembly and sale of electronic products in the PRC. The Group is also engaged in the trading of electronic parts and components used in the production of colour television sets.

Since the listing of the Shares in late 1999, the Group has entered into the Distribution Agreement and the Master Supply Agreement with the respective connected persons and the Ongoing Connected Transactions were conducted in the usual and ordinary course of business of the Group in accordance with the relevant terms of the two agreements. The respective waivers granted by the Stock Exchange in 1999 for the Ongoing Connected Transactions were

for a period of three years valid till 31 December 2002. For the two years ended 31 December 2001, the amount of the Ongoing Connected Transactions had fallen within the respective annual caps for each type of Ongoing Connected Transactions as set out by the Stock Exchange in the original waivers.

Given the above and the fact that the nature of the Ongoing Connected Transactions are all related to the Group's principal business and operations, we concur with the views of the Directors that the continuation of the entering into of the Ongoing Connected Transactions would facilitate the ongoing business operation of the Group, minimize any disruptions to the Group's existing business and operations and minimize the practical difficulties of the Company in the fulfillment of the relevant requirements for the Ongoing Connected Transactions under the Listing Rules every time it occurs.

Having considered the above and the fact that the Ongoing Connected Transactions have been conducted between the parties involved for a period of time, we consider that the continued entering into of the Ongoing Connected Transactions is in the interests of the Company and the Shareholders as a whole.

Basis of determination

We summarise below the basis of determination for each type of the Ongoing Connected Transactions and our views thereof:

A. *Distribution Agreement with Huizhou TCL Appliance*

The Distribution Agreement was entered into between the Company and Huizhou TCL Appliance in November 1999 for a term of 15 years, which relates to the sale of the Group's products under the TCL brand name through the Network controlled and operated by Huizhou TCL Appliance. For the two years ended 31 December 2001, the actual sales through Huizhou TCL Appliance accounted for approximately 90% and 76% respectively of the total turnover of the Group. Huizhou TCL Appliance is owned as to 51% by the Company and 49% by TCL Corporation. The Group is responsible for the overall management of Huizhou TCL Appliance.

We noted that the commission rate of 10% (the "Commission Rate") of the retail price of the Group's products has been determined with reference to the salary, administration, advertisement and transportation charges borne by Huizhou TCL Appliance in the provision of the services.

We understand from the Company that the Network is considered a sophisticated, effective and efficient electronic consumer product distribution network in the PRC covering nearly every urban city and major rural areas in the PRC. In assessing the fairness of the Commission Rate, we have reviewed the gross profit margin (which we consider is similar to the commission rate charged under the Distribution Agreement) of 14 Hong Kong listed comparables (the "Market Comparables") based on their published audited results obtained from public domain, and whose principal business are engaged in the sale and distribution of electronic consumer products in the PRC and Hong Kong. We noted that the gross profit margin of the Market Comparables range from approximately 4% to 25%, with an average of 12% to 14% in recent years (2000 to 2002). The Commission Rate falls within the range of the gross profit margin of the Market

Comparables and is also comparable with its average. Thus, we consider the Commission Rate to be fair and reasonable in terms of the above analysis so far as the Company and the Independent Shareholders are concerned.

Under the Distribution Agreement, if Huizhou TCL Appliance is able to achieve a pre-determined sales target agreed upon between the Company and Huizhou TCL Appliance at the beginning of each financial year, Huizhou TCL Appliance would be entitled to a sales bonus which is calculated at 0.123% of the actual cash proceeds received from Huizhou TCL Appliance and 2% of the balance cash proceeds exceeding the pre-determined sales target. We noted that the sales targets agreed with Huizhou TCL Appliance for the two years ended 31 December 2001 were both RMB9 billion whilst the actual sales through Huizhou TCL Appliance for the two respective years amounted to approximately RMB8.3 billion (represents approximately 90% of the Group's audited consolidated turnover for the year ended 31 December 2000) and RMB7.8 billion (represents approximately 76% of the Group's audited consolidated turnover for the year ended 31 December 2001) respectively. Accordingly, no sales bonus was paid by the Group to Huizhou TCL Appliance in the last two years ended 31 December 2001. Having taken into account that main purpose of the sales bonus is to provide an incentive to Huizhou TCL Appliance to promote sales, and that the aggregate of this sales bonus and the Commission Rate payable by the Group to Huizhou TCL Appliance is still comparable to the average gross profit margin of the Market Comparables (ranging from 12% to 14%) as set out in the above analysis, we consider that the sales bonus arrangement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We noted that the credit terms extended by the Group to Huizhou TCL Appliance under the Distribution Agreement are similar to or no less favourable than credit terms extended to other independent third parties. The reward interest and the late payment interest represents the best lending rate offered by People's Bank of China on 1 January each year, and is comparable to the interest rate applicable to the Group in its transactions with financial institutions in the PRC. Huizhou TCL Appliance has been able to make settlement within the credit period and thus, no late payment interest was paid by it to the Group.

Having considered the above and the fact that Huizhou TCL Appliance is a non-wholly owned subsidiary of the Company with management control vested with the Group and that the Company's auditors already have full access to Huizhou TCL Appliance's relevant records for the purposes of verifying the basis of these transactions, we consider the basis of determination of the terms of the Distribution Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

B. *Master Supply Agreement with TCL Corporation*

The Master Supply Agreement was entered into between the Company and TCL Corporation in November 1999 for a term of 5 years, which is principally related to the following activities:

- (i) *Overseas Materials Sourcing Service*

The handling by TCL Corporation (which holds the import license) as the import intermediary for the Group to purchase and import the raw materials manufactured overseas from the Group's overseas members at costs plus a small mark-up.

Furthermore, TCL Corporation sells onward such overseas raw materials to the Group's PRC subsidiaries at costs plus necessary out-of-pocket expenses for production purposes.

(ii) *PRC Materials Sourcing Service*

The Company is required to procure its PRC subsidiaries to favourably consider purchasing part of the Group's requirement of raw materials manufactured in the PRC from TCL Corporation's subsidiaries and associates if the terms offered by the TCL Corporation are the same as or more favourable than terms available from other independent suppliers.

(iii) *Sale of Raw Materials*

TCL Corporation is required to procure its subsidiaries to purchase the raw materials manufactured by members of the Group if the terms of such offers made by the Group are no less favourable than terms available from independent suppliers.

With regard to (i) above, given that the Company, being a foreign company, is prohibited by the PRC laws and regulations from holding an import licence and thus the Group has to rely on intermediary which holds the required import licence to facilitate the Group's normal production operations. We noted that TCL Corporation would only charge the Company's relevant PRC subsidiaries out-of-pocket expenses incurred for the necessary transportation and customs clearance of the import of the raw materials to the Company's PRC subsidiaries.

With regard to (ii) above, this will only be effected under the conditions that the latter can offer terms comparable to or no less favourable than terms available from independent third parties and can meet the particulars of the specific orders placed by the Company's PRC subsidiaries. We understand that the purchases of the raw materials are necessary for the Group's production and the Directors consider that the Group can take advantage of the geographical convenience in the sourcing of the required production materials from TCL Corporation Group.

With regard to (iii) above, we understand that the sale prices of such raw materials are determined by reference to the relevant market price and the terms offered by the Group to TCL Corporation Group are comparable to and not more favourable than those terms offered to other independent customers. However, there is no obligation on the part of the Group to supply raw materials to TCL Corporation Group.

Given the above analyses, we consider the basis of determination of the Master Supply Agreement to be fair and reasonable so far as the Company and the Shareholders are concerned.

We noted that the Company and TCL Corporation entered into the Deed of Variation to extend the expiry date of the Master Supply Agreement from 14 November 2004 to 31 December 2005 and to amend the length of any successive period which may be renewed from 5 years to 3 years.

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We consider that the Deed of Variation is to align the renewal date of the Master Supply Agreement with the expiry date of the New Waiver Application such that Independent Shareholders' approval can be sought at the same time for the renewal of the Master Supply Agreement and the future application for a waiver to the Stock Exchange in respect of the Ongoing Connected Transactions. Therefore, we consider that the terms of the Deed of Variation is reasonable.

Proposed Caps for the Ongoing Connected Transactions

As a condition for the waiver granted by the Stock Exchange, details of which are set out on page 11 to 12 of the Circular, each type of the transaction conducted under the Distribution Agreement and the Master Supply Agreement will be subject to, among other things, the relevant Proposed Cap for each financial year up to 31 December 2005. We summarise the particulars of the Proposed Cap for each type of the transaction under the Distribution Agreement and the Master Supply Agreement with their respective historic transaction value as follows:

Distribution Agreement

Type of Ongoing Connected Transactions	Year ended 31/12/2000 (HK\$'000)	% to the relevant financial year (%)	Year ended 31/12/2001 (HK\$'000)	% to the relevant financial year (%)	Nine months ended 30/9/2002 (HK\$'000)	% to the relevant financial year (%)	Existing cap (as % to the audited consolidated turnover of the Group for each relevant financial year)	Proposed Cap
								waiver (as % to the audited consolidated turnover of the Group for each relevant financial year)
i. Sales commission	772,100	(9.0)	733,477	(7.6)	589,670	(6.9)	(Note)	10%
ii. Reward interest	22,434	(0.26)	13,442	(0.14)	3,508	(0.04)	n.a.	0.5%
iii. Sales bonus	Nil	n.a.	Nil	n.a.	Nil	n.a.	n.a.	1.5%
iv. Late payment interest	Nil	n.a.	Nil	n.a.	Nil	n.a.	n.a.	0.5%

Note: No cap was set for the sales commission in the existing waiver. However, given the fact that the Commission Rate is fixed at 10% as stipulated in the Distribution Agreement, and that the sales to Huizhou TCL Appliance accounted for a substantial portion to the turnover of the Group, for sole reference purposes, it could be assumed, on these bases, that the historic annual limit of the sales commission percentage was also about 10%.

LETTER FROM DBS ASIA

Master Supply Agreement

Type of Ongoing Connected Transactions	Year ended 31/12/2000 (HK\$'000)	% to the preceding year (%)	Year ended 31/12/2001 (HK\$'000)	% to the preceding year (%)	Nine months ended 30/9/2002 (HK\$'000)	% to the preceding year (%)	Existing cap	Proposed Cap
							(as % to the audited consolidated turnover of the Group for each relevant preceding year)	under the new waiver (as % to the audited consolidated turnover of the Group for each relevant preceding year)
i. Sale of overseas raw materials to TCL Corporation	1,184,473	(19.2)	569,889	(6.7)	951,735	(9.9)	40%	30%
ii. Purchase of overseas raw materials from TCL Corporation	(Note)	—	(Note)	—	(Note)	—	40%	40% (Note)
iii. PRC Materials Sourcing Service	66,503	(1.1)	74,618	(0.9)	58,961	(0.6)	3%	1.5%
iv. Sales of Raw Materials to TCL Corporation Group	888	(0.014)	627	(0.007)	1,130	(0.012)	0.02%	0.02%

Note: The amount of this type of Ongoing Connected Transactions was similar to the transaction amount set out in (i) above with the difference attributable to the inclusion of the out-of-pocket expenses incurred by TCL Corporation under this type of Ongoing Connected Transactions.

We understand from the Directors that in determining the Proposed Caps set out above, they have made reference to the terms of the respective agreements, the historic and projected requirements of each type of raw materials, the estimated expenses involved in the import of overseas raw materials and the anticipated gradual reduction in import tariffs levied on raw materials. In addition, the Ongoing Connected Transaction shall be:

- (a) entered into by the Group in the ordinary and usual course of its business;
- (b) enter into either (i) on normal commercial terms; or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned;
- (c) carried out in accordance with the terms of the respective agreements governing such transaction or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and
- (d) carried out in accordance with the pricing policies of the Group (as the case which may be applicable);

LETTER FROM DBS ASIA

Furthermore, the annual aggregate amounts of the Ongoing Connected Transactions shall not exceed the foregoing Proposed Caps for each type of transaction, and the independent non-executive Directors shall review annually the Ongoing Connected Transactions and confirm in the Company's next report that such transactions have been conducted in the manner as stated in the above paragraph. The auditors of the Company shall review annually the Ongoing Connected Transactions and confirm in a letter to the board of Directors (a copy of which shall be provided to the Stock Exchange) stating whether:

- (a) the transaction have received the approval of the Directors;
- (b) the transactions have been carried out in accordance with the terms of the relevant agreements governing such transaction or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- (c) the transactions have been carried out in accordance with the pricing policies of the Group (as the case which may be applicable); and
- (d) the Proposed Caps have been exceeded.

Details of the transaction in each financial year as required under Rule 14.25(1) of the Listing Rules shall be disclosed in the Company's annual report together with a statement of opinion of the independent non-executive Directors and the auditors of the Company referred as above. We noted that the Group as well as the relevant members of the TCL Corporation Group involved under the Ongoing Connected Transactions shall provide undertakings to the Stock Exchange that they will provide the auditors of the Company with full access to their relevant records to carry out the review on the Ongoing Connected Transactions.

On the basis of the above, and the consideration that the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, we believe that the interests of the Independent Shareholders will be properly safeguarded and that the respective Proposed Caps as stated above are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the Deed of Variation, the Ongoing Connected Transactions and the New Waiver Application are in the interests of the Company and the terms thereof are fair and reasonable so far as Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Ongoing Connected Transactions, the Deed of Variation and the New Waiver Application.

Yours faithfully,

For and on behalf of

DBS ASIA CAPITAL LIMITED

Alex Lau
Managing Director

Flavia Hung
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. 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	20,156,000	1,424,605,289 <i>(Note 1)</i>	12,000,000 1,200,000 <i>(Note 2)</i>	2.236 0.928
Yuan Xin Cheng	600,000	1,424,605,289 <i>(Note 1)</i>	6,000,000 <i>(Note 2)</i>	2.236
Lu Zhong Li	10,500,000	1,424,605,289 <i>(Note 1)</i>	5,000,000 <i>(Note 2)</i>	2.236
Hu Qiu Sheng	—	1,424,605,289 <i>(Note 1)</i>	5,000,000 <i>(Note 2)</i>	2.236
Yan Yong	—	—	300,000 200,000 <i>(Note 2)</i>	2.508 0.928
Wong Toe Yeung	—	—	3,000,000 <i>(Note 2)</i>	2.236
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 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%

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 Ongoing Connected Transactions and the preparation of the Deed of Variation.

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 Holdings (BVI) Limited of a 10% equity interest in Huizhou TCL Mobile Communication Co., Ltd. ("Huizhou TCL Mobile") from Jasper Ace Limited for a total consideration of RMB300 million pursuant to an agreement dated 20 December 2001 between TCL Holdings (BVI) Limited, 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 any territory in the world except the PRC, 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 Corporation entered into an investment agreement, pursuant to which the parties have agreed to set up a joint venture company;

GENERAL INFORMATION

- (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 an 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 a 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;
- (h) on 26 September 2002, TCL Holdings (BVI) Limited and Mate Fair Group Limited entered into the conditional sale and purchase agreement pursuant to which TCL Holdings (BVI) Limited agreed to purchase a 13.8% equity interest in Huizhou TCL Mobile, details of which are set out in the circular to the Shareholders dated 16 October 2002; and
- (i) on 26 September 2002, the Company, Go-Win Limited, United Asset Investments Limited and Nam Tai Electronics, Inc entered into a conditional subscription agreement in connection with the issue of the 3% guaranteed convertible notes due 2005 with an aggregate principal amount of HK\$350,000,000, details of which are set out in the circular to the Shareholders dated 16 October 2002.

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, DBS Asia 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 DBS Asia 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.

3. 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.

GENERAL INFORMATION

Interest in the Company

Name	Number of Shares	Percentage of holding
TCL Corporation	1,424,605,289	54.2%
TCL Industries	1,424,605,289	54.2%

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 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 一美樂電子有限公司)	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 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 Equipment Share Co. Ltd.	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.

4. 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).

5. 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).

6. CONSENT

DBS Asia is an investment adviser and securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong). DBS Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 12 December 2002 and references to its name in the form and context in which they appear.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the 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 12 December 2002 to 27 December 2002 (both days inclusive):

- (a) the letter from DBS Asia, the text of which is set out on pages 15 to 21 of this Circular;
- (b) the written consent of DBS Asia as referred to in paragraph 6 above;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (d) a copy of the Distribution Agreement dated 15 November 1999; and
- (e) a copy of the Master Supply Agreement dated 15 November 1999 and the Deed of Variation dated 11 December 2002.



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 2:30 p.m. on 27 December 2002 (Friday) at Level 7, Caine Room, Conrad International, Pacific Place, 88 Queensway, Hong Kong 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 Deed of Variation (as defined in the circular of the Company dated 12 December 2002 (the “Circular”), a copy of which was marked “A” and has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated under the Deed of Variation, be and are hereby approved, ratified, and confirmed and any director of the Company be and is hereby authorised 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 Deed of Variation.”
2. **“THAT**
 - (a) the Ongoing Connected Transactions (as defined in the Circular, a copy of which was marked “B” and has been produced to the meeting and signed by the Chairman of the meeting for the purposes of identification) be and are hereby approved; and
 - (b) the New Waiver Application (as defined in the Circular) be and is hereby approved; AND THAT any director of the Company be and are hereby authorized to do all such acts and take all necessary actions in connection with the Ongoing Connected Transactions and the New Waiver Application.”

By order of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 11 December 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 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"), TCL Corporation and its associates (as defined in the Listing Rules) will abstain from voting on the above resolutions.