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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold** all your Shares in TCL International Holdings Limited, you should at once hand this circular and proxy form enclosed herein to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is not an offer for, nor is it calculated to invite offers for, securities of TCL International Holdings Limited or TCL Communication Technology Holdings Limited or any other body and is provided to the shareholders of TCL International Holdings Limited only. Recipients of this circular are requested not to make available for distribution of this circular to any person other than a shareholder of TCL International Holdings Limited.

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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)*

(Stock Code: 1070)

**CIRCULAR ON  
THE DISTRIBUTION OF SHARES OF  
TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED  
TO SHAREHOLDERS OF  
TCL INTERNATIONAL HOLDINGS LIMITED**

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A notice convening the Extraordinary General Meeting and a form of proxy for use at the Extraordinary General Meeting is enclosed herein. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to TCL International Holdings Limited's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

18 August 2004

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## EXPECTED TIMETABLE

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Last day of dealings in the Shares cum-entitlements to voting at the EGM . . .	3 September 2004
First day of dealings in the Shares ex-entitlements to voting at the EGM . . . .	6 September 2004
Latest time for return of forms of proxy in respect of EGM . . . .	3:30 p.m. on 7 September 2004
Latest time for lodging transfers of the Shares for registration for entitlements to voting at the EGM . . . . .	4:00 p.m. on 7 September 2004
Register of members of the Company closes . . . . .	from 8 September 2004 to 9 September 2004
Record Date for entitlement to voting at the EGM . . . . .	9 September 2004
EGM . . . . .	3:30 p.m. on 9 September 2004
Register of members of the Company opens on . . . . .	10 September 2004

*Notes:*

1. All times refer to Hong Kong local time.
2. The above timetable is indicative only and is subject to change depending on, inter alia, prevailing market conditions.
3. Further announcement(s) will be made on major changes to the above timetable. The Company will in due course inform the Shareholders of the timetable relating to the Distribution and/or the Proposed Listing (including the Distribution Record Date, the date on which share certificates of Communication Shares will be despatched and dealings in Communication Shares on the Stock Exchange will commence).

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## DEFINITIONS

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

“Alpha Alliance”	Alpha Alliance Enterprises Limited, a company incorporated in the British Virgin Islands and will become a wholly-owned subsidiary of TCL Communication after completion of the Reorganization
“Articles”	the articles of association of the Company as amended and adopted by the Shareholders on 18 May 2004
“Board”	the board of Directors
“Capital Reserve Deduction”	the deduction of an amount of about HK\$235,234,000 from the capital reserve of the Company as at the Latest Practicable Date as set out in the section headed “Share Premium and Capital Reserve Deduction” of the Circular
“Cheerful Asset”	Cheerful Asset Investments Limited, a company incorporated in the British Virgin Islands
“Circular”	this circular issued by the Company dated 18 August 2004 in respect of the Distribution
“Combination”	the combination of the respective TV businesses and assets of Thomson and its subsidiaries and the Group to be held and managed by TTE pursuant to the Combination Agreement
“Combination Agreement”	the combination agreement dated 28 January 2004 (together with subsequent amendments) entered into by the Company, Thomson S.A. and TCL Corporation in respect of the establishment of TTE, details of which are set out in the Combination Circular
“Combination Circular”	the circular issued by the Company dated 31 May 2004 in respect of, among other things, the Combination Agreement
“Communication BVI”	TCL Communication (BVI) Limited, a company incorporated in the British Virgin Islands and will become a wholly-owned subsidiary of TCL Communication after completion of the Reorganization
“Communication Distribution Shares”	the Communication Shares to be distributed to the Qualifying Shareholders pursuant to the Distribution
“Communication Group”	TCL Communication and its subsidiaries, or where the context refers to any time prior to TCL Communication becoming the holding company of its present subsidiaries, TCL Communication’s present subsidiaries or the businesses currently operated by such subsidiaries
“Communication Retained Shares”	such Communication Shares, if any, which the Non-Qualifying Shareholders would have otherwise been entitled to receive under the Distribution and will be retained by the Company for sale

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## DEFINITIONS

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“Communication Share(s)”	share(s) of HK\$0.10 each in the capital of the TCL Communication
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Distribution Conditions”	the conditions of the Distribution as set out in the section headed “Distribution Conditions” of the Circular
“Distribution”	the conditional payment of a special dividend by the Company to the Shareholders whose names appear in the register of members of the Company at the close of business on the Distribution Record Date which is to be satisfied wholly by way of a distribution in specie of all Communication Shares then in issue and held by the Company on the terms and conditions contained herein
“Distribution Record Date”	the record date as determined by the Board for ascertaining the entitlement of Shareholders to the Distribution, being a date as soon as practicable after the Distribution Conditions have been satisfied and which currently is expected to be 5 business days after the Listing Document
“EGM”	the extraordinary general meeting of the Company to be held at 3:30 p.m. on 9 September 2004 at Hennessy Room, Level 7, Conrad Hong Kong, 88 Queensway, Hong Kong to consider and, if thought fit, to approve the resolutions set out in the EGM Notice
“EGM Notice”	the notice of EGM set out on pages 16 to 17 in the Circular
“Global Note”	global note representing up to HK\$350,000,000, 3% convertible notes due 2005 issued by the Company on 22 August 2003
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jasper Ace”	Jasper Ace Limited, a company incorporated in the British Virgin Islands

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## DEFINITIONS

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“Latest Practicable Date”	11 August 2004, being the latest practicable date for the purposes of ascertaining certain information contained herein prior to the printing of the Circular
“Listing Date”	the date on which dealings in Communication Shares is expected to commence on the main board of the Stock Exchange, details of which will be announced by the Company in due course
“Listing Document”	the listing document to be issued by TCL Communication in connection with the Proposed Listing
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mate Fair”	Mate Fair Group Limited, a company incorporated in the British Virgin Islands
“Mobile Business”	the business engaged by the Communication Group
“Mobile Communication”	TCL Mobile Communication Holdings Limited, a company incorporated in the British Virgin Islands and will become a wholly-owned subsidiary of TCL Communication after completion of the Reorganization
“Mobile HK”	TCL Mobile Communication (HK) Company Limited, a company incorporated in Hong Kong and will become a wholly-owned subsidiary of TCL Communication after completion of the Reorganization
“Mobile Hohhot”	TCL Mobile Communication (Hohhot) Co., Ltd (TCL 移动通信(呼和浩特)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of TCL Mobile
“Mobile Interest”	the Group’s 40.8% interest in the Communication Group and all rights, entitlement and interest in relation thereto
“Non-Qualifying Shareholders”	Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Distribution Record Date and/or in relation to whom either applicable laws, rules or regulations require additional registrations or compliance with other procedures to effect the Distribution and/or to whom the Company decides in its sole discretion that there are other difficulties or it will be unduly burdensome or onerous on the Company in effecting the Distribution
“Noteholder”	holder of the Global Note
“Option Holders”	grantees of share options granted by the Company pursuant to the Share Option Schemes
“PRC” or “China”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of the Circular

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## DEFINITIONS

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“Proposed Listing”	the proposed listing of Communication Shares in issue on the main board of the Stock Exchange by way of introduction pursuant to the Listing Rules
“Qualifying Shareholders”	Shareholders (other than Non-Qualifying Shareholders) whose names appear on the register of members of the Company as at the close of business on the Distribution Record Date
“Registrar”	Tengis Limited, branch share registrar and transfer office of the Company in Hong Kong at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Reorganization”	the reorganization of Communication Group in preparation for the Proposed Listing
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Option Schemes”	the share option scheme adopted by the Company and approved by the Shareholders on 15 November 1999 and terminated on 12 May 2003, and the existing share option scheme adopted by the Company and approved by Shareholders on 12 May 2003
“Share Premium Deduction”	the deduction of an amount of about HK\$1,389,347,000 from the share premium account of the Company as at the Latest Practicable Date as set out in the section headed “Share Premium and Capital Reserve Deduction” of the Circular
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCL BVI”	TCL Holdings (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“TCL Communication”	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands which has made an application for the listing of its shares on the main board of the 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 shares of which are listed on the Shenzhen Stock Exchange and the ultimate controlling shareholder of the Company
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong, a direct wholly-owned subsidiary of TCL Corporation and the immediate holding company of the Company

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## DEFINITIONS

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“TCL Mobile”	Huizhou TCL Mobile Communication Co., Ltd. (惠州 TCL 移动通信有限公司), a company incorporated in the PRC and will become a wholly-owned subsidiary of TCL Communication after completion of the Reorganization
“Thomson”	Thomson S.A., a company incorporated under the laws of France, whose shares are listed on the <i>Premier Marché</i> of Euronext Paris S.A. and on the New York Stock Exchange in the form of American depository shares
“TTE”	TTE Corporation, the joint venture company established pursuant to the Combination Agreement





**TCL**

**TCL INTERNATIONAL HOLDINGS LIMITED**

**TCL 國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1070)

*Executive Directors:*

Li Dong Sheng, Tomson (*Chairman*)  
Lu Zhong Li  
Hu Qiu Sheng  
Zhao Zhong Yao  
Yan Yong (*Managing Director*)  
Suen Hay Wai

*Registered office:*

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

*Independent Non-executive Directors:*

Hon Fong Ming  
Albert Thomas da Rosa, Junior

*Head Office and Principal Place of  
Business in Hong Kong*

13/F., TCL Tower  
8 Tai Chung Road  
Tsuen Wan  
New Territories

18 August 2004

*To: the Shareholders and for information only, to  
the Noteholders and Option Holders*

Dear Sir or Madam,

**THE DISTRIBUTION OF SHARES OF  
TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED  
TO SHAREHOLDERS OF  
TCL INTERNATIONAL HOLDINGS LIMITED**

**1. INTRODUCTION**

Reference is made to announcements of the Company dated 30 March 2004, 6 April 2004 and 2 August 2004 relating to the possible listing of the shares of TCL Communication on the main board of the Stock Exchange and the related proposed restructuring of the Group, including a possible distribution in specie of the Group's interests in the Communication Group. The purpose of the Circular is to give the Shareholders details of the information on the Distribution and a notice to convene the EGM for considering and, if thought fit, passing the resolutions necessary to effect the Distribution.

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## LETTER FROM THE CHAIRMAN

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### **2. BACKGROUND**

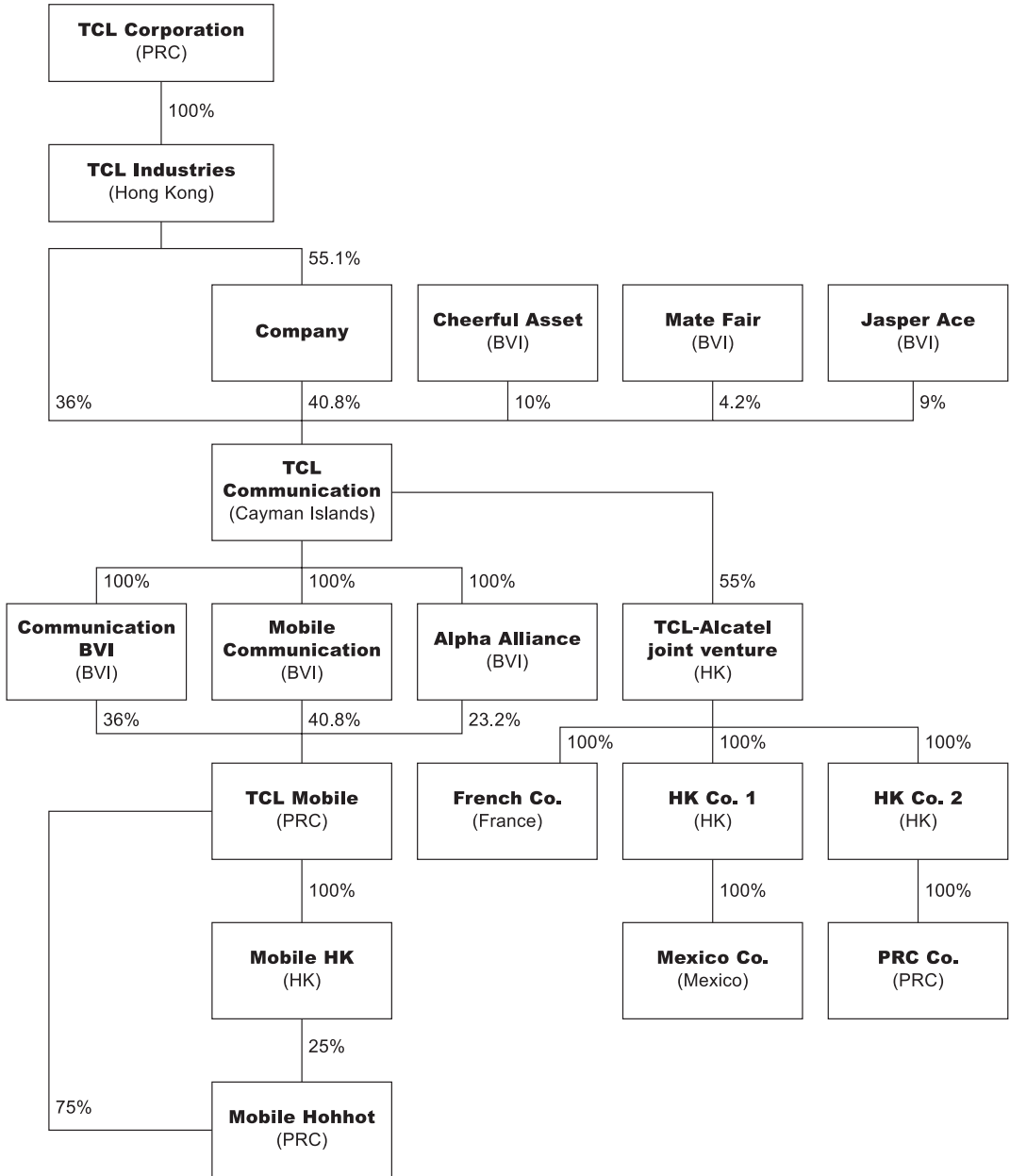
As noted in the Combination Circular, the Company has strived to restructure its portfolio of businesses to focus primarily on multi-media electronic products (including televisions and computers). Accordingly, the Company has been considering various options for restructuring its interests in businesses other than its multi-media businesses. The Distribution will provide the Company with an excellent opportunity to restructure its business.

### **3. MOBILE INTEREST**

TCL Communication was incorporated in the Cayman Islands on 26 February 2004 as an exempted company with limited liability. After completion of the Reorganization, TCL Communication will become the holding company of the Communication Group which is engaged in the design, development, manufacture, sales and marketing of a broad range of mobile handsets with various levels of value-added features. TCL Mobile is the principal operating company of the Communication Group. After completion of the Reorganization, TCL Communication will have a total of 2,827,500,000 shares in issue, of which 1,153,620,000 Communication Shares will be held by the Company representing about 40.8% of the then entire issued share capital of TCL Communication. As noted in the Company's announcement dated 18 June 2004, TCL Communication on that day entered into a subscription agreement with Alcatel in connection with the establishment of a joint venture company engaging in the business of research and development, subcontracting of manufacturing, sale and distribution of mobile handsets and the peripheral devices therefor. The

# LETTER FROM THE CHAIRMAN

joint venture company will be owned by TCL Communication and Alcatel as to 55% and 45% respectively. On completion of the transactions contemplated under the subscription agreement and the Reorganization, the simplified shareholding and corporate structure of the Communication Group will be as follows:



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## LETTER FROM THE CHAIRMAN

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As disclosed in the audited and unaudited financial statements of the Company for the year ended 31 December 2003 and three months ended 31 March 2004, the Mobile Interest contributed to about 26% and 22% respectively of the consolidated net tangible assets of the Group and, taking into account the amortization of goodwill on acquisition, about 37% and 25% respectively of the consolidated net profit of the Group. For details of the financial information of the Communication Group, please refer to the annual report of the Company for the year ended 31 December 2003.

#### 4. PROPOSED LISTING

The board of directors and the shareholders of TCL Mobile consider the Proposed Listing to be commercially viable and financially beneficial to the Communication Group. Upon the listing of Communication Shares on the Stock Exchange, the Communication Group will have direct access to the equity capital markets and will be in a better position to expand its business. As noted in the Company's announcement dated 6 April 2004, an advance booking form has been submitted by TCL Communication to the Stock Exchange in connection with the Proposed Listing. As TCL Communication is not a subsidiary of the Company, and will not become a subsidiary of the Company pursuant to the Reorganization, no approval from the Shareholders is required pursuant to the Practice Note 15 to the Listing Rules for the Proposed Listing.

A formal application will be made by TCL Communication to the listing committee of the Stock Exchange for the listing of, and permission to deal in, Communication Shares in issue and any Communication Shares which may be issued as set out in the Listing Document.

**Shareholders should note that there is no guarantee that approval for such application will be granted by the listing committee of the Stock Exchange.**

Subject to the granting of the listing of, and permission to deal in, Communication Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, Communication Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC.

Definitive certificates for Communication Shares which are the subject of the Distribution are expected to be dispatched by mail to, or available for collection by, the Qualifying Shareholders pursuant to the Distribution on or around one business day after the Distribution Record Date. The Company will in due course issue an announcement regarding the date of dispatch of definitive certificates for Communication Shares.

**Shareholders are reminded that the Proposed Listing may or may not proceed. In this connection, Shareholders are reminded to exercise caution when dealing in the Shares.**

Upon completion of the Proposed Listing, the Company and TCL Communication will become two separately listed companies independent of each other, although under the control of the same ultimate controlling shareholder, TCL Corporation. TCL Corporation, through TCL Industries, as at the Latest Practicable Date held 1,508,551,289 Shares, representing about 55.1% of the entire issued share capital of the Company.

### 5. PROPOSED DISTRIBUTION

#### (a) Reasons for the Proposed Distribution

As noted above, the Company has strived to restructure its portfolio of business to focus primarily on multi-media electronic products (including television and computers). The Directors believe that the Distribution is a significant step in achieving the above goal. The Directors consider the Distribution at the time of the Proposed Listing as an excellent opportunity to divest the Mobile Interest. The Distribution, if implemented, will pave the way for the restructuring contemplated under the Combination Agreement. Under the Exchange Option Agreement dated 30 July 2004 which was entered into between Thomson and the Company pursuant to the terms of the Combination Agreement, the Company has granted to Thomson an irrevocable option exercisable within 18 months from the date of the agreement to exchange its shares in TTE for new Shares to be issued by the Company. The number of Shares to be issued on exercise of the exchange option will largely depend on whether the Group will by that time still retain the Mobile Interest. As noted in the Combination Circular, the 1,149,140,810 Shares, subject to adjustments as provided in the Exchange Option Agreement, to be issued to Thomson in exchange for its 33% stake in TTE, is determined basing on the valuation of the Company assuming that the divesture of the Mobile Interest would have been completed prior to the exercise of the exchange option.

#### (b) Distribution of Communication Shares

Accordingly, the Directors proposed on 18 August 2004 to declare and pay to the Shareholders a conditional special dividend of HK\$0.5934 per Share, which is to be satisfied wholly by a distribution in specie of Communication Shares held by it, representing 40.8% of the issued share capital of TCL Communication. As TCL Communication is not a company listed on any stock exchange and whose shares are not traded in any market, it is not possible to value accurately the Company's investment in the Communication Group. Accordingly, the value of HK\$0.5934 per Share has been determined by dividing the book value of the Mobile Interest recorded in the books of the Company as at the Latest Practicable Date (assuming the Reorganization has been completed) by the aggregate number of Shares outstanding on the Latest Practicable Date. For indicative purpose only, on the basis of a total of 2,737,768,993 Shares in issue as at the Latest Practicable Date, the Directors propose that 42 Communication Shares be distributed for every 100 Shares (rounded down to the nearest whole number) held by Shareholders whose names appear on the register of members of the Company at the close of business on the Distribution Record Date, being a date as soon as practicable after the Distribution Conditions have been satisfied and which currently is expected to be 5 business days after the date of the Listing Document. Please note that the number of Shares in issue as at the Latest Practicable Date and as at the Distribution Record Date may be different, and as a result Shareholders' entitlement to Communication Shares may be different from that proposed herein. If any change is to be made in connection with the number of Shares to be distributed to Shareholders under the Distribution, the Company will issue a further announcement. The Shareholders (including TCL Industries) will receive such number of Communication Shares pro rata to their respective shareholdings in the Company. The Communication Shares to be distributed under the Distribution will be credited as fully paid and will rank pari passu in all respects with Communication Shares in issue at the time of the Distribution. Fractional entitlements to the Communication Distribution Shares of approximately 3,757,024 Communication Shares will not be transferred under the Distribution but will be retained by the Company for sale in the market upon commencement of dealings in Communication Shares on the main board of the Stock Exchange. The net proceeds derived therefrom after deduction of expenses will be retained for the benefit of the

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## LETTER FROM THE CHAIRMAN

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Company. Moreover, it is anticipated that the Company will not engage an odd lot agent to deal with odd lots of Communication Shares arising from the Distribution. Pursuant to Article 152 of the Articles, the Distribution requires Shareholders' approval.

No distribution of the Communication Shares will be made to the Non-Qualifying Shareholders under the Distribution. Arrangements will be made for the Communication Shares which would otherwise have been distributed to the Non-Qualifying Shareholders (i.e. the Communication Retained Shares), if any, to be offered by the Company for sale in the market upon commencement of dealings in Communication Shares on the main board of the Stock Exchange. The net proceeds of sale, after deduction of the applicable transaction levy and taxes, if any, will be distributed in Hong Kong dollars to such persons pro rata to their entitlements except that proceeds which amount to less than HK\$100 will be retained for the benefit of the Company.

### 6. DISTRIBUTION CONDITIONS

The proposed Distribution shall be conditional upon each of the Distribution Conditions set out below being fulfilled on or before 31 December 2005:

- (a) the passing by the Shareholders of a special resolution to approve the Share Premium Deduction and the Capital Reserve Deduction, details of which are set out in the section headed "Share Premium and Capital Reserve Deduction" below;
- (b) the passing by the Shareholders of an ordinary resolution to approve the Distribution;
- (c) the issue of the Listing Document and the delivery of the Listing Document to the Stock Exchange pursuant to Rule 9.14 of the Listing Rules.

The Distribution is conditional upon each of the Distribution Conditions being fulfilled on or before 31 December 2005. The Company will issue an announcement once all the Distribution Conditions have been satisfied. In the event that any of the Distribution Conditions is not satisfied, the Distribution will not proceed and the Company will continue to hold its 40.8% interest in TCL Communication. The Company will issue a further announcement in the event that the Distribution Conditions fail to be satisfied or the Distribution is not implemented as proposed. Upon completion of the Distribution, the Company will cease to own any Communication Share.

**Shareholders should note that the implementation of the Distribution shall be conditional upon each of the Distribution Conditions being fulfilled on or before 31 December 2005. If any of the Distribution Conditions is not fulfilled by that time, the Distribution will lapse absolutely and unconditionally.**

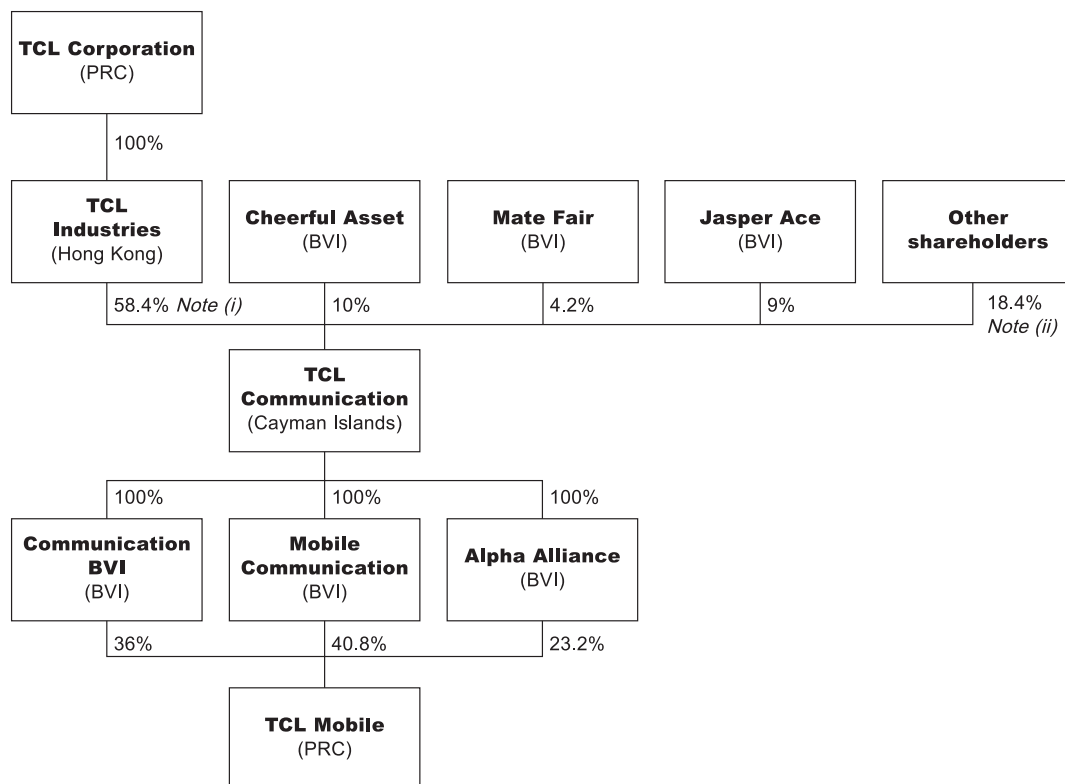
**Qualifying Shareholders should be aware that, in the unlikely event that the Distribution has been effected, and the Communication Shares are not or cease to be listed on the main board of the Stock Exchange, they will be holding shares of a company which are not listed or traded on any stock exchange.**

The Company will in due course inform the Shareholders of the timetable relating to the Distribution and/or the Proposed Listing (including the Distribution Record Date, the date on which share certificates of Communication Shares will be despatched and dealings in Communication Shares on the Stock Exchange will commence).

# LETTER FROM THE CHAIRMAN

## 7. SHAREHOLDING STRUCTURE OF THE COMMUNICATION GROUP AFTER COMPLETION OF THE DISTRIBUTION

The following is the simplified shareholding structure of the Communication Group after completion of the Distribution and upon the listing of Communication Shares.



Notes:

- (i) This interest includes the Communication Shares received by TCL Industries pursuant to the Distribution.
- (ii) Other shareholders include Shareholders (other than TCL Industries) who have received Communication Shares pursuant to the Distribution. Approximately 11,878,440 Communication Shares representing 0.4% of the entire issued share capital are expected to be held by certain Directors. Approximately 508,150,019 Communication Shares representing 18% of the entire issued share capital will be held by the public Shareholders, of which approximately 504,392,995 Communication Shares representing 17.8% of the entire issued share capital are expected to be held by public Shareholders pursuant to the Distribution whereas the balance of approximately 3,757,024 Communication Shares are expected to be retained for sale by the Company in the market upon commencement of dealings in Communication Shares.

## 8. BENEFITS AND EFFECTS OF THE DISTRIBUTION

The Distribution will give rise to the following principal effects which the Directors believe are beneficial to the Group and the Shareholders:

### (a) Benefits to the Group

- (i) The Group will as planned focus on the development of its multi-media business concerning principally televisions and computers and other electronic products.

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## LETTER FROM THE CHAIRMAN

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- (ii) The Company would have passed on the results of its investment in the Communication Group to the Shareholders instead of locking up such substantial resources in passive investment over which the Company has no control.
- (iii) Historically, the business of the Communication Group has contributed significantly to the earnings of the Group, but the Group had no control over the operations of the Communication Group. The Distribution will free the Company from its obligations to make disclosures in respect of the Communication Group including its change in business.
- (iv) The Group will not be burdened with decisions on TCL Communication's proposals to implement financing and business development plans such as mergers and acquisitions and joint ventures according to TCL Communication's specific needs which require approvals from TCL Communication's shareholders.

### **(b) Benefits to Shareholders**

- (i) The Distribution will enable the Shareholders to hold a direct investment in the Communication Group, thereby allowing them to directly participate in the future development of the Communication Group.
- (ii) Following the implementation of the Distribution, the Board believes that the Group will be able to focus on the development of its multi-media business and will continue to be an attractive investment opportunity to the investors having regard to a stable increase of revenue from its multi-media business and the potential future growth from TTE.

### **(c) Other Effect**

The Distribution will also give rise to adjustment to the conversion price of the Global Note. Such adjustment will be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank. The Company will issue an announcement once the revised conversion price is determined.

## **9. SHARE PREMIUM AND CAPITAL RESERVE DEDUCTION**

The Company's investments in the Communication Group as recorded in the accounts of the Company made up to 31 December 2003 amounted to HK\$1,063,119,000. As shown in note 30 of the financial statements of the Company made up to 31 December 2003, the reserves of the Company amounted to HK\$2,186,464,000 comprising (a) share premium account of HK\$1,273,754,000; (b) capital reserve of HK\$903,105,000; and (c) retained profits of HK\$9,605,000.

After completion of the Reorganization, the book value of the 1,153,620,000 Communication Shares representing 40.8% of the entire issued share capital of TCL Communication will be HK\$1,624,581,000 and as at the Latest Practicable Date, the share premium account and the capital reserve of the Company were HK\$1,389,347,000 and HK\$903,105,000 respectively. To enable the Distribution to take place, the Board proposes to utilize an amount of about HK\$1,389,347,000 from the share premium account of the Company to fund the Distribution, and accordingly the share premium account will be deducted by such amount (the "Share Premium Deduction"). The balance of HK\$235,234,000 will be funded by the capital reserve of the Company and accordingly the capital



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## LETTER FROM THE CHAIRMAN

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reserve will be deducted by such amount (the "Capital Reserve Deduction"). Following the Share Premium Deduction, the Capital Reserve Deduction and the Distribution, the share premium account will be reduced to zero and the capital reserve will have a balance of about HK\$667,871,000.

Section 34(2) of the Companies Law provides that the share premium account of the Company may be applied for the purpose of paying dividends to the Shareholders provided that no such dividend may be paid to the Shareholders out of the share premium account unless, immediately following the date on which the Distribution is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business. Save for the related expenses of the Share Premium Deduction, which are not expected to be material, the implementation of the Share Premium Deduction will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders. The Directors do not expect the Share Premium Deduction to have any material adverse effect on the financial position of the Group. The Directors confirm that the Share Premium Deduction will be in compliance with section 34(2) of the Companies Law.

Pursuant to Article 63(b) of the Articles, the Share Premium Deduction and the Capital Reserve Deduction require the approval of the Shareholders by special resolution. Therefore, the Board proposes for passing by the Shareholders of a special resolution to approve the Share Premium Deduction and the Capital Reserve Deduction. The Board confirms that the Distribution, including the proposed Share Premium Deduction, will not give rise to any breach to section 34(2) of the Companies Law.

### **10. ABOUT THE COMPANY**

The Company is a leading multimedia consumer product manufacturer in the PRC and is principally engaged in the production of TVs, mobile handsets and PCs. With its renowned TCL brand, it is one of the largest TV and handset manufacturers in the PRC. Aiming at further extending its business to the global market, the Company formed a joint venture with Thomson in August 2004 to establish a new global TV leader. Headquartered in China, the Company operates highly efficient manufacturing bases across China, Asia and Europe. For further information on the Company, please visit the Company's website at [www.tclhk.com](http://www.tclhk.com).

### **11. CLOSURE OF REGISTER OF MEMBERS**

Based on the expected timetable, the register of members of the Company will be closed from 8 September 2004 to 9 September 2004 for the purpose of determining the entitlements of the Shareholders to attend and vote in the EGM. No transfer of the Shares may be registered during this period. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by no later than 4:00 p.m. on 7 September 2004.

### **12. EGM**

The Company will convene an extraordinary meeting at which resolutions will be proposed for the purpose of considering and if thought fit, approving the Share Premium Deduction, the Capital Reserve Deduction and Distribution. The EGM Notice is set out on pages 16 to 17 of the Circular. 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

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## LETTER FROM THE CHAIRMAN

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business of the Company in Hong Kong at 13th Floor, 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.

### 13. RECOMMENDATION

The Directors consider that the Share Premium Deduction, the Capital Reserve Deduction and the Distribution set out in the Circular are in the best interests of the Company and Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolutions set out in the EGM Notice.

### 14. GENERAL INFORMATION

#### (a) Responsibility Statement

The 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 the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this document misleading.

#### (b) Documents available for Inspection

Copies of the Memorandum of Association and Articles of Association of the Company are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 13th Floor, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong up to and including EGM Date.

Yours faithfully,  
For and on behalf of  
**TCL International Holdings Limited**  
**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)*

(Stock Code: 1070)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of TCL International Holdings Limited (“Company”) will be held at 3:30 p.m. on 9 September 2004 at Hennessy Room, Level 7, Conrad Hong Kong, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions (with or without modification) (capitalized items in this notice shall have the same meanings as defined in the circular of the Company dated 18 August 2004 (the “Circular”) unless the context otherwise requires):

**AS SPECIAL RESOLUTION**

1. **“THAT** subject to compliance with section 34(2) of the Companies Law of the Cayman Islands, the deduction of an amount up to HK\$1,389,347,000 from the share premium account of the Company and **THAT** the deduction of an amount up to HK\$235,234,000 from the capital reserve of the Company be and are hereby approved.”

**AS ORDINARY RESOLUTIONS**

1. **“THAT** a special dividend of HK\$0.5934 per share of HK\$0.10 in the capital of the Company by way of a distribution in specie (“Distribution”) of shares (“Communication Shares”) of HK\$0.10 each in the capital of TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands, to the members of the Company whose names appear in the register of members of the Company at the close of business on such date as determined by the directors of the Company to be the record date for ascertaining the entitlements of shareholders to the Distribution and on the terms and conditions described in a circular issued by the Company dated 18 August 2004 (including, without limitation, subject to satisfaction of the conditions to the Distribution set out therein), such payment to be partly made out of the Company’s share premium account and the capital reserve of the Company, be and is hereby approved”. (Note 1)

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## NOTICE OF EGM

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2. “**THAT** the directors of the Company be and are hereby authorised to do all other things and take all other steps as might in the opinion desirable or necessary in connection with giving effect to the Share Premium Deduction, the Capital Reserve Deduction (as defined in a circular issued by the Company dated 18 August 2004) and the Distribution (as defined in a circular issued by the Company dated 18 August 2004) (including without limitation, settling and approving any public or other announcements or documents) and generally to exercise all the powers of the board of directors of the Company pursuant to the articles of association of the Company and the Companies Law of the Cayman Islands as they deem necessary or expedient for the foregoing purposes.” (Note 2)

By order of the Board  
**Li Dong Sheng, Tomson**  
*Chairman*

Hong Kong, 18 August 2004

As at the date of this notice, the board of Directors is composed of Mr. Li Dong Sheng, Ms. Lu Zhong Li, Mr. Hu Qiu Sheng, Mr Zhao Zhong Yao, Mr. Yan Yong, Mr. Suen Hay Wai as executive Directors and Mr. Albert Thomas da Rosa, Jr. and Mr. Hon Fong Ming as independent non-executive Directors.

### Notes:

1. This resolution will be proposed to Shareholders for approval provided that Special Resolution No. 1 is passed by the Shareholders.
2. This resolution will be proposed to Shareholders for approval provided that Special Resolution No. 1 and Ordinary Resolution No. 1 are passed by the Shareholders.
3. The register of members of the Company will be closed from 8 September 2004 to 9 September 2004, which means no share transfers will be registered during this period. In order to be eligible to attend and vote at the Extraordinary General Meeting, all transfers of Shares (with the relevant share certificates) must be lodged with the branch share registrar of the Company in Hong Kong, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on 7 September 2004.
4. A member of the Company who is a holder of two or more Shares and who is entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint more than one proxy or a duly authorised corporate representative 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 of the Company from attending the Extraordinary General Meeting and vote in person. In such event, his form of proxy will be deemed to have been revoked.
5. A form of proxy for the Extraordinary General Meeting is enclosed. In order for the appointment of proxy to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the Extraordinary General Meeting or any adjournment thereof.