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TCL INTERNATIONAL HOLDINGS LIMITED

TCL 國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

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

AND

**CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE NOTES**

Financial Adviser

CAZENOVE

Cazenove Asia Limited

The Board is pleased to announce that on 26 September 2002, the Company and its wholly-owned subsidiary, TCL BVI, respectively entered into the following conditional agreements:

1. the S&P Agreement between TCL BVI, the Vendor and the Guarantor, pursuant to which TCL BVI has agreed, among other things, to acquire a 13.8% equity interest in Huizhou TCL Mobile from the Vendor for a cash consideration of RMB811,440,000 (equivalent to approximately HK\$764,860,025); and
2. the Subscription Agreement between the Company, Go-Win, United Asset and Nam Tai, pursuant to which the Company has agreed to issue the Convertible Notes in principal amounts of HK\$100,000,000, HK\$210,000,000 and HK\$40,000,000 to Go-Win, United Asset and Nam Tai respectively.

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

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

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

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

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

So far as the Directors are aware, apart from the Guarantor, the remaining shareholder of the Vendor is not a connected person (within the meaning of the Listing Rules) of the Company.

In view of the interests of TCL Corporation and the Guarantor in the Proposed Acquisition, TCL Corporation and the Guarantor and each of their respective Associates will abstain from voting at the EGM in respect of the resolution to be proposed at the EGM to approve the S&P Agreement. In view of the interests of the Guarantor in the Notes Issue, the Guarantor and his Associates will abstain from voting at the EGM in respect of the resolution to be proposed at the EGM to approve the Notes Issue. A circular containing, among other things, further information on the Proposed Acquisition and the Notes Issue and the letter from the independent financial adviser, and the recommendation of the Independent Board Committee in relation to Proposed Acquisition and the Notes Issue will be dispatched to the Shareholders as soon as possible.

1. PROPOSED ACQUISITION

1A. THE S&P AGREEMENT

Date: 26 September 2002

Parties

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

Transaction

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

Consideration

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

The Consideration was determined on the basis of the Guaranteed Profit (in accordance with HK GAAP) of no less than RMB840,000,000 (approximately HK\$791,780,564) and an implied price/earnings multiple of approximately 7 times. The Consideration also represents approximately 397% premium over the unaudited attributable consolidated net asset value of Huizhou TCL Mobile as at 31 August 2002. However, the Directors believe that net asset backing is less relevant for valuing Huizhou TCL Mobile and the consolidated net asset value of Huizhou TCL Mobile does not reflect the true and fair value of the business of Huizhou TCL Mobile.

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

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

Conditions

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

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

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

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

Completion date

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

1B. INFORMATION ON HUIZHOU TCL MOBILE

Huizhou TCL Mobile is a sino-foreign equity joint venture established in the PRC and is currently engaged in the design, manufacturing, sales and marketing of mobile telephones. Its production facilities are located in the PRC and its products are sold both within and outside the PRC. Huizhou TCL Mobile is one of the key mobile telephone manufacturers in the PRC. In addition to mobile telephones, Huizhou TCL Mobile is also planning to provide a wide range of value-added services that are based on mobile technologies for the mobile telephone and personal digital assistant users. Currently, Huizhou TCL Mobile is owned as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication. Immediately after the Acquisition Completion, Huizhou TCL Mobile will be owned as to 40.8% by TCL BVI, 4.2% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication.

The table below summarises the proforma consolidated unaudited results of Huizhou TCL Mobile for the two years ended 31 December 2001 and the eight months ended 31 August 2002. The results were prepared on the basis that Huizhou TCL Mobile has been treated as holding company of its subsidiaries (the results of each of the holding company and

subsidiaries were individually audited for the financial years ended 2000 and 2001) for the whole financial year presented, rather than from the date of its acquisition.

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

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

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

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

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

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

1C. BOARD OF DIRECTORS OF HUIZHOU TCL MOBILE

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

1D. REASONS FOR THE PROPOSED ACQUISITION

In the PRC, the demand for mobile telephones has been very strong since 1996 and is expected to remain so for the coming years. According to CCID, by the end of 2002, the number of mobile telephone users in the PRC amounted to approximately 147 million and was the world's largest mobile phone market in terms of the number of mobile telephone users. According to MII, the PRC's handset shipment grew from 6.9 million units in 1996 to 48.8 million units in 2001; and is estimated to reach 83 million units in 2005. The penetration rate of mobile telephone holders in the PRC was less than 11% at the end of 2001 but is estimated to reach approximately 22% by the end of 2005. It is also forecasted that by 2005, the number of mobile telephone users in the PRC will reach 350 million and PRC domestic players will have an approximately 50% share of the mobile telephone manufacturing market in the PRC. The Directors expect that the number of mobile handsets sold in the PRC will increase very rapidly in the coming years.

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

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

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

- (i) as reflected in the results detailed in section 1B above, the acquisition of a further interest in Huizhou TCL Mobile at its continued development stage should provide a

promising return in the foreseeable future, enhancing the future earnings and earnings per share of the Company;

- (ii) the Group's existing investment in Huizhou TCL Mobile has enabled Huizhou TCL Mobile's mobile telephone business to benefit from the well established network of the Group through which Huizhou TCL Mobile's mobile telephone business in markets in the PRC and worldwide is being promoted and marketed;
- (iii) increase product penetration and further capitalise on the benefits of a strong brandname of "TCL" in the PRC and worldwide;
- (iv) capture the synergy in marketing and promotion activities among TCL products, including its mobile handsets; and
- (v) enhance further co-operation opportunities among TCL Group, Huizhou TCL Mobile and the technical partners including those mentioned above.

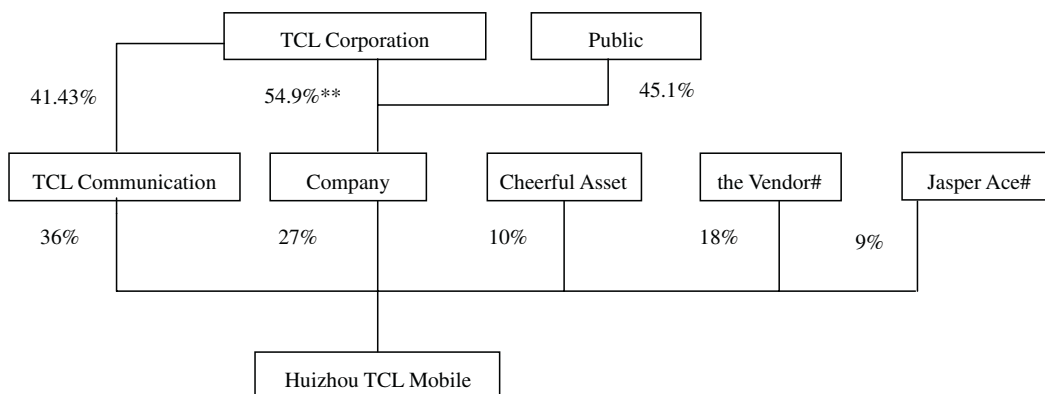
Therefore, the Board considers that the Proposed Acquisition is in the best interest of the Company and its Shareholders as a whole.

As at 31 August 2002, the unaudited cash on hand, bank borrowings, consolidated net tangible assets and debt to equity ratio of the Group are approximately HK\$874.4 million, HK\$6.7 million, HK\$2,781 million and 0.2% respectively. Assuming that the Notes Issue proceeds and the Proposed Acquisition is funded by the proceeds from the Notes Issue, the proposed bank borrowings and internal resources of the Group, the consolidated net tangible assets and debt to equity ratio of the Group immediately after the Acquisition Completion will be approximately HK\$2,170 million and 23% respectively.

1E. CHANGES IN HUIZHOU TCL MOBILE'S SHAREHOLDING STRUCTURE

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

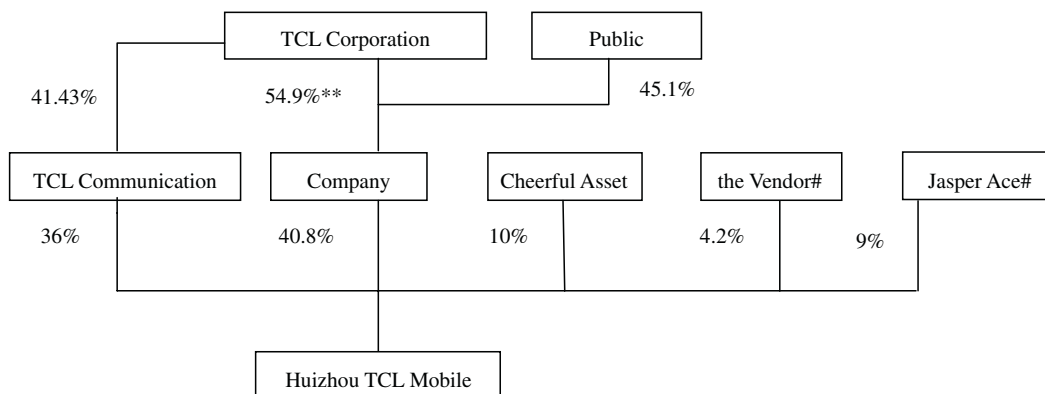
Before the Completion



** through a wholly-owned subsidiary

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

After the Completion^



** through a wholly-owned subsidiary

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

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

2. NOTES ISSUE

2A. THE SUBSCRIPTION AGREEMENT

Date: 26 September 2002

Issuer: the Company

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

2B. PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are as follows:

Issue Size

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

Issue Price

The Convertible Notes will be issued at par.

Term and Maturity Date

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

Interest

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

Conversion Period

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

Conversion Rights

The Subscribers will have the right at any time during the Conversion Period to convert the Convertible Notes in whole or in part in the principal amount of HK\$10 million or an integral multiple thereof into new Shares at the Conversion Price. The Subscribers may exercise their Conversion Rights during the Conversion Period only. However, the Subscribers are not entitled to exercise any Conversion Rights if immediately after such conversion there shall be less than the prescribed minimum percentage of Shares in the hands of the public within the meaning of Rule 8.08 of the Listing Rules.

Conversion Price

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

Conversion Shares

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

Redemption at the option of the Issuer

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

A holder of the Convertible Notes has no option to ask the issuer to redeem the Convertible Notes before the Maturity Date.

Transferability

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

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

Voting

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

2C. CONDITIONS

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

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

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

2D. COMPLETION OF THE NOTES ISSUE

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

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

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

2E. USE OF PROCEEDS

It is estimated that the net proceeds from the Notes Issue (after deducting all costs, expenses and commissions) will amount to approximately HK\$347.5 million in aggregate.

The entire amount of the net proceeds from the issue of the Convertible Notes are intended to be used towards paying part of the consideration for the Proposed Acquisition.

2F. REASONS FOR THE NOTES ISSUE

The sole purpose of the Notes Issue is to finance part of the consideration for the Proposed Acquisition. Accordingly, the Note Issue is conditional upon the Acquisition Completion. The terms and conditions of the Subscription Agreement have been negotiated between the Company and the Subscribers on an arm's length basis and are on normal commercial terms. The Board of Directors considers that the issue of the Convertible Notes on the principal terms set out above will increase the Group's financial resources and enable the Group to fund the Proposed Acquisition and is therefore in the best interests of the Company.

2G. APPLICATION FOR LISTING

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

2H. RELATIONSHIP BETWEEN THE COMPANY, THE VENDOR AND THE SUBSCRIBERS

At present, Huizhou TCL Mobile is owned as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication. TCL Communication is owned as to 41.43% by TCL Corporation and is listed on the Shenzhen Stock Exchange in the PRC. TCL Corporation is the controlling shareholder of the Company and is indirectly holding an approximately 54.9% interest in the Company. The Guarantor is a non-executive Director and also an executive director of Huizhou TCL Mobile. The Guarantor currently owns 75% interest of the Vendor (an investment holding company established for the purpose holding the interest in Huizhou TCL Mobile) and

100% interest in each of United Asset and Go-Win respectively. Both United Asset and Go-Win are investment holding companies established for the purpose of subscribing for and holding the Convertible Notes. As the Guarantor owns 100% interest in each of United Asset and Go-Win, both of them are associates of the Guarantor and are connected persons of the Company. Nam Tai is an electronics design and manufacturing service provider and its shares are listed on Nasdaq National Market in the United States. As at the date of this announcement, Nam Tai held (i) a 25% interest in the Vendor which in turn held a 18% equity interest in Huizhou TCL Mobile, a company in which the Company currently held a 27% equity interest and (ii) a 6% indirect equity interest in TCL Corporation through its wholly-owned subsidiary. The Guarantor held the remaining 75% interest in the Vendor. Mr. Ming Kown Koo, a major shareholder and a director of Nam Tai, is a director of TCL Corporation. So far as the Directors are aware, save as aforesaid, Nam Tai is an independent third party not connected with any director, chief executive or substantial shareholder of any member of the Group or their respective associates.

3. EGM

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

An EGM will be convened as soon as practicable at which ordinary resolutions will be proposed to approve the Proposed Acquisition and the Notes Issue. In view of the interests of TCL Corporation and the Guarantor in the Proposed Acquisition, TCL Corporation and the Guarantor and their respective Associates will abstain from voting at the EGM in respect of the resolution to approve the Proposed Acquisition. In view of the interest of the Guarantor in the Notes Issue, the Guarantor and his Associates will abstain from voting at the EGM in respect of the resolution to approve the Notes Issue. As at the date of this announcement, none of the Vendor, Jasper Ace, Cheerful Asset and Nam Tai holds any Shares. However, as the Vendor and Jasper Ace are Associates of the Guarantor, if they become holding Shares on the date of the EGM, they will abstain from voting at the EGM in respect of the resolutions to approve the Proposed Acquisition and the Notes Issue. Furthermore, Cheerful Assets and Nam Tai are also required by the Stock Exchange to abstain from voting at the EGM in respect of the resolutions to approve the Proposed Acquisition and the Notes Issue if they become holding Shares on the date of EGM.

The Independent Board Committee has been formed to advise the Independent Shareholders on whether or not the terms of the Proposed Acquisition and the Notes Issue are fair and

reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the terms and conditions of the Proposed Acquisition and the Notes Issue.

4. GENERAL

The Company is an investment holding company. The Group is principally engaged in the design, manufacture, assembly and sale of a wide range of electronic consumer products, including internet-related information technology products, colour television sets and other audio-visual products.

A circular containing, among other things, further information on the Proposed Acquisition and the Notes Issue, the letter from an independent financial adviser containing its advice to the Independent Board Committee in relation to the Proposed Acquisition and the Notes Issue, the recommendation of the Independent Board Committee in relation to the Proposed Acquisition and the Notes Issue and the notice convening the EGM referred to above will be dispatched to the Shareholders as soon as practicable.

Cazenove has been appointed as the financial adviser to advise the Company on the transactions contemplated by the Proposed Acquisition and the Notes Issue.

5. TERMS USED IN THIS ANNOUNCEMENT

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

“Acquisition Completion”	completion of the S&P Agreement in accordance with its terms and conditions
“Agreed Exchange Rate”	the rate of exchange as agreed between the Vendors and TCL BVI for converting RMB into HK\$ for the purpose of the S&P Agreement, being the average rate of exchange of RMB into HK\$ for the five Business Days ended on 25 September 2002 (i.e. HK\$1 = RMB1.0609)
“Associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which licensed banks in the PRC and Hong Kong are normally open for business

“Cazenove”	Cazenove Asia Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“CCID”	賽迪顧問股份有限公司, an independent market research company on information industry in the PRC
“CDMA”	code division multiple access
“Cheerful Asset”	Cheerful Asset Investments Limited, a company incorporated in the British Virgin Islands, which is controlled by the management of Huizhou TCL Mobile
“Company”	TCL International Holdings Limited, the shares of which are listed and traded on the Stock Exchange
“Consideration”	the consideration for the Proposed Acquisition, RMB811,440,000 (equivalent to approximately HK\$764,860,025)
“controlling shareholders”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the 3% guaranteed Convertible Notes due 2005 with an aggregate principal amount of HK\$350,000,000 to be issued by the Company pursuant to the terms and conditions of the Subscription Agreement
“Conversion Period”	the period commencing on the Issue Date and ending on the Maturity Date
“Conversion Price”	HK\$2.556 per Share, subject to adjustment
“Conversion Shares”	Shares (or shares in the share capital of the Company of such other denomination in the event of any alteration of the capital structure of the Company)
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the S&P Agreement and the Note Issue
“GPRS”	general packet radio service

“Go-Win”	Go-Win Limited, a company incorporated in British Virgin Islands with limited liability, which is 100% owned by the Guarantor
“Group”	the Company together with its subsidiaries from time to time prior to the Acquisition Completion and the Note Issue Completion
“GSM”	global system for mobile communications standard
“Guaranteed Profit”	the proforma consolidated audited profit after taxation excluding extraordinary items of Huizhou TCL Mobile Group for the year ending 31 December 2002 as shown in the 2002 Consolidated Accounts of not less than RMB840,000,000 (approximately HK\$791,780,564) guaranteed by the Vendor
“Guarantor”	Mr. Wong Toe Yeung, a non-executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK GAAP”	the generally accepted accounting principles in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou TCL Mobile”	Huizhou TCL Mobile Communication Co., Ltd., a sino-foreign equity joint venture established in March 1999 in the PRC and is currently held as to 27% by TCL BVI, 18% by the Vendor, 9% by Jasper Ace, 10% by Cheerful Asset and 36% by TCL Communication
“Independent Board Committee”	a board of committee comprising Messrs. Hon Fong Ming and Albert Thomas da Rosa, Junior, the independent non-executive Directors, appointed to advise the Independent Shareholders in respect of the Proposed Acquisition and the Notes Issue
“Independent Shareholders”	(i) in relation to the Proposed Acquisition, Shareholders other than TCL Corporation and the Guarantor and their respective Associates; and (ii) in relation to the Notes Issue, Shareholders other than the Guarantor and his Associates

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

“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Go-Win, United Asset and Nam Tai
“Subscription Agreement”	the conditional subscription agreement dated 26 September 2002 entered into between the Company, United Asset, Go-Win and Nam Tai in connection with the Notes Issue
“subsidiary”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“TCL BVI”	TCL Holdings (BVI) Limited, a wholly-owned subsidiary of the Company
“TCL Communication”	TCL Communication Equipment Share Co. Ltd. (TCL通訊設備股份有限公司), a company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling shareholder of the Company
“United Asset”	United Asset Investments Limited, a company incorporated in the British Virgin Islands, which is 100% owned by the Guarantor
“Vendor”	Mate Fair Group Limited, a company incorporated in the British Virgin Islands, which is owned as to 75% by the Guarantor and as to 25% by Nam Tai
“2002 Audited Profit”	the proforma consolidated audited profit after taxation and excluding extraordinary items of Huizhou TCL Mobile for the year ending 31 December 2002

“2002 Consolidated Accounts”

the proforma consolidated audited accounts of Huizhou TCL Mobile for the year ending 31 December 2002 prepared by an international accounting firm in accordance with HK GAAP

By order of the Board
Li Dong Sheng, Tomson
Chairman

26 September 2002

* *for identification purpose only*

For the purposes of illustration only and unless otherwise stated, the translation of Renminbi into Hong Kong dollars is based on the Agreed Exchange Rate of HK\$1.00 = RMB1.0609. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

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