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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)

CONNECTED TRANSACTION LEASING OF THE PLANT

TCL King Electrical Appliances (Huizhou) Company Limited, a wholly-owned subsidiary of TCL International Holdings Limited (the "Company"), has on 2 December 2002 entered into as the lessee the Agreement with 11 entities as the lessors, except for two, all being subsidiaries of Great Wall Cybertech Limited, for leasing of a piece of land (together with the buildings, fittings, machineries and equipments situated thereon) located in Huizhou Great Wall Industrial Village in Huizhou, the People's Republic of China. Under the Agreement, the Lessee shall pay a monthly rental of RMB840,000 (equivalent to HK\$792,500) totaling annual rental of RMB10,080,000 (equivalent to HK\$9,510,000).

The counter parties to the Agreement, except for two, are all subsidiaries of Great Wall Cybertech Limited which is a substantial shareholder of a subsidiary of the Company, therefore the Agreement constitutes a connected transaction of the Company. As the annual aggregate rental is less than the higher of HK\$10,000,000 or 3% of the net tangible asset value of the TCL Group, the Agreement falls under Rule 14.25 (1) of the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under the Listing Rules subject to conditions as set out below. Details of the Agreement will be included in the next published annual report and accounts of the Company.

The terms and conditions of the Agreement have been negotiated on an arm's length basis. The board of directors of the Company (including the independent non-executive directors) consider them to be fair and reasonable, and beneficial to the Company and its shareholders, and are on terms better than normal commercial terms.

The Agreement dated 2 December 2002

Parties:

- the Lessors:
- (1) Art-Tech Electronics (Huizhou) Limited (創藝電子(惠州)有限公司)
 - (2) Rowa Electronics (Huizhou) Limited (樂華電子(惠州)有限公司)
 - (3) Brilliant Plastic and Mould Manufacturing (Huizhou) Limited (輝煌塑料模具製造(惠州)有限公司)
 - (4) Huizhou City Hang Tung Paper Products Printing Limited (惠州市恒通紙製品印刷有限公司)

- (5) Huizhou City Hua Xing Packing Material Company Limited
(惠州市華星包裝材料有限公司)
- (6) Art-Tech Speakers Manufacturing (Huizhou City) Limited
(惠州市創藝揚聲器製品有限公司)
- (7) Great Wall Industries Company Limited (長城工業村(惠州)有限公司)
- (8) Brilliant Plastic Industrial (Huizhou) Limited
(輝煌塑料製品實業(惠州)有限公司)
- (9) Po Lai Speaker Box Limited (惠州市寶麗音響設備木器製品有限公司)
- (10) Huifeng Electronics (China) Limited (惠豐電子(惠州)有限公司)
- (11) Eltic Electronics (Huizhou) Limited (藝達電子(惠州)有限公司)

All of the above companies are established in the PRC. While companies 1 to 2 above are wholly-owned subsidiaries of Great Wall, companies 10 to 11 above are associates of Great Wall. Except for companies 1 to 2 and 10 to 11 above, all the companies are non-wholly-owned subsidiaries of Great Wall.

the Lessee: TCL King Electrical Appliances (Huizhou) Company Limited, an indirect wholly-owned subsidiary of the Company

Property Leased

The Agreement is for leasing of the Plant. The Plant (being located at Huizhou Great Wall Industrial Village on Zhong Kai Road in Huizhou (惠州市仲愷大道長城工業村), the PRC) comprises approximately 34 buildings with total floor area of approximately 290,000 sq.m. including TV and audio products production facilities, warehouse, offices, staff quarters, and canteens.

The Plant has a floor area of approximately 290,000 sq.m. Prior to the commencement of the Agreement, the Plant was used for production of audio-visual products. No modification is required to be made to its existing production lines for production of colour television sets and DVD players with an average annual production capacity of approximately 1,500,000 units of TV and 1,000,000 units of DVD player respectively. Therefore, the Group commenced production therein immediately after the commencement of the Agreement.

Term and Commencement Date

The Agreement is for a term of 2 years from 1 November 2002 to 31 October 2004 (unless and until terminated in accordance with the provisions of the Agreement). The parties to the Agreement agreed that the lease commenced from 1 November 2002. Upon expiry of the 2-year term on 31 October 2004, the Lessee has the right to require the Lessors to enter into a new lease in respect of the Plant with terms no less favourable than those of the Agreement, either with itself or with any joint venture company established by TCL Group and Great Wall Group for a term of 8 years.

The Lessee is entitled to terminate the Agreement by 14 days' prior notice in writing during the period while the Agreement is subsisting to Great Wall Industries Company Limited (for and on behalf of the Lessors) if, among others, any entity constituting the Lessors is in breach of any term, warranty and representation in the Agreement or undergoes any winding up or bankruptcy proceedings (whether voluntary or not).

Rental

Under the Agreement, the Lessee has to pay a monthly rental of RMB840,000 (equivalent to HK\$792,500) which is payable in arrears within the first 5 days of each calendar month. The monthly rental for November 2002 has already been paid to the Lessors.

No deposit is required to be paid by the Lessee to the Lessors. The annual rental of RMB10,080,000 (equivalent to HK\$9,510,000) represents 0.36% of the consolidated net tangible asset value of the Company as at 31 December 2001. The Lessee shall be liable to pay all property or land related taxes (i.e. Urban Real Estate Tax 房產稅) in relation to the Plant which is expected to be in the region of RMB500,000 (equivalent to HK\$472,000) and to be paid by the Lessee directly to the relevant regulatory authority annually. Save as aforesaid, no rate or management fee is payable in respect of the land.

Basis for Determining Rental

As no market comparables for lease of such a large piece of land with such extent of ready-to-use production facility situated thereon is available, the rental was determined by reference to the estimated borrowing cost of the TCL Group in the PRC at annual interest rate of 5% in the sum of not less than RMB1,000,000 (equivalent to HK\$943,000) per month for the estimated capital outlay which would have to be incurred should the land and production facilities similar to the Plant be acquired by the TCL Group instead of leasing. The Company has confirmed that no such market comparable is available from property valuers.

Reasons for the Agreement

The main purpose of the Agreement is to expand the production facilities of the TCL Group. The Board believes that the transactions contemplated under the Agreement would enable the TCL Group to expand its existing business and increase the size of its operation to achieve further market share both in the PRC and overseas. The Directors are of the view that the entering into the Agreement will enhance the overall competitiveness and profitability of the TCL Group. By entering into the Agreement, the TCL Group can minimize its capital outlay in its efforts of increasing production capacity.

Connected Transactions

Except for two (i.e. Huifeng Electronics (China) Limited and Eltic Electronics (Huizhou) Limited), all of the Lessors are subsidiaries of Great Wall which is a substantial shareholder of Teamway Limited (which is owned as to 30% and 70% by Great Wall Group and TCL Group respectively) and the Lessee is a wholly-owned subsidiary of the Company, therefore the Agreement constitutes a connected transaction of the Company for the purpose of the Listing Rules.

The terms and conditions of the Agreement have been negotiated on an arm's length basis. The board of directors of the Company (including the independent non-executive directors) consider them to be fair and reasonable, and beneficial to the Company and its shareholders and are on terms better than normal commercial terms.

Application for an Ongoing Connection Transaction Waiver

Given the on going nature of the Agreement, the Directors are of the view that it would be impracticable and unduly burdensome for the Company to make separate announcements on each and every occasion that such requirements arise. As the annual rental to be made by the Lessee to the Lessors is less than the higher of HK\$10,000,000 or 3% of the net tangible asset value of the TCL Group in its latest published audited consolidated accounts, an application has been made to the Stock Exchange for a waiver from strict compliance with the disclosure requirement under Rule 14.25(1) of the Listing Rules regarding the annual leasing fee payable by the Lessee to the Lessors, subject to the following conditions:

- (1) the Transaction shall be:
 - (a) entered into by the Company in the ordinary and usual course of its business;
 - (b) conducted either on normal commercial terms or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (c) entered into either (i) in accordance with the terms of the agreement governing the leasing of the Plant or (ii) (where there are no such agreement) on terms no less favourable than those available to or from independent third parties;
- (2) the aggregate annual amount of the transactions for each financial year of the Company shall not exceed the higher of HK\$10,000,000 or 3% of the net tangible asset value of the TCL Group as disclosed in its latest published audited consolidated accounts (the “Cap Amount”);
- (3) the independent non-executive Directors shall review the Transaction annually and confirm in the Company’s next annual report that the Transaction was conducted in the manner as stated in paragraphs 1 and 2 above;
- (4) the auditors of the Company shall review the Transaction annually and confirm in a letter (the “Letter”) to the Board (a copy of which shall be provided to the Stock Exchange) stating whether:
 - (a) the Transaction has received the approval of the Board;
 - (b) the Transaction has been entered into in accordance with the terms of the agreement governing the Transaction or, if there is no such agreement, on terms no less favourable than those available to or from independent third parties; and
 - (c) the Cap Amount has been exceeded.

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

- (5) details of the Transaction in each financial year shall be disclosed as required under Rule 14.25 (1)(A) to (D) of the Listing Rules shall be disclosed in the annual report of the Company for that financial year together with a statement of the opinion of the independent non-executive Directors and the auditors of the Company referred to in paragraphs 3 and 4 above.

If any terms of the Agreement as mentioned above are altered or if the Company or its subsidiaries enter into any new agreements with the Lessors in the future, the Company shall comply with the provisions of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of this letter on transactions of the kind to which the Transaction belong including, but not limited to, a requirement that such transactions be made conditional on approval by the independent shareholders of the Company, the Company must take immediate steps to ensure compliance with such requirements within reasonable time.

General

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

Definitions

“Agreement”	the lease dated 2 December 2002 entered into by the Lessee and the Lessors
“Board”	the board of Directors
“Company”	TCL International Holdings Limited, the shares of which are listed and traded on the Stock Exchange
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“Great Wall”	Great Wall Cybertech Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Great Wall Group”	Great Wall together with its subsidiaries and associates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lessee”	TCL King Electrical Appliances (Huizhou) Company Limited, a wholly-owned subsidiary of the Company
“Lessors”	the 11 different entities as mentioned herein under the heading “Lessors”, except for two, all of which are subsidiaries of Great Wall
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which for the purposes of the Agreement excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Plant”	a piece of land with floor area of approximately 290,000 sq.m. (together with the buildings, fittings, machineries and equipments situated thereon) located at Huizhou Great Wall Industrial Village on Zhong Kai Road in Huizhou, the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“TCL Group” the Company and its subsidiaries
“Transaction” transactions contemplated under the Agreement

On behalf of the Board
Li Dong Sheng, Tomson
Chairman

Hong Kong, 4 December 2002

Unless otherwise specified, conversion of Renminbi into Hong Kong dollar is based on the exchange rate of HK\$1.00 = RMB1.06

** for identification only*

*Please also refer to the published version of this announcement in the (**The Standard**)*