



TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國際控股有限公司)*

(incorporated in Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2001

FINANCIAL HIGHLIGHTS			
	2001	2000	change
	HK\$M	HK\$M	(%)
Turnover	6,954	6,065	15
EBITDA	302	417	(27)
Profit before tax	228	338	(33)
Net profit attributable to shareholders	213	316	(33)
Basic earnings per share (HK cents)	8.56	13.16	(35)

To effectively convey the Group's business, financial and operation information to our investors and business partners, the Board of Directors of TCL International Holdings Limited is pleased to announce that it will release quarterly results commencing the third quarter of the year 2001.

The unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2001 with comparative figures for the previous year are as follows:

TCL INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Nine months ended	
		30 September	
		2001	2000
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	6,953,748	6,065,188
Cost of sales		(5,820,918)	(4,946,849)
Gross profit		1,132,830	1,118,339
Other revenue		48,574	40,208
Selling expenses		(728,799)	(632,261)
Administrative expenses		(227,598)	(153,150)
Other operating expenses		(253)	(1,396)
Profit from operating activities	2	224,754	371,740
Finance costs		(12,079)	(29,553)
Share of result of an associated company		2,018	43
Share of results of jointly controlled entities		13,654	(3,935)
Profit before tax		228,347	338,295
Tax	4	(10,890)	(21,629)
Profit before minority interests		217,457	316,666
Minority interests		(4,395)	(286)
Net profit from ordinary activities attributable to shareholders		213,062	316,380
Transfer to reserve funds		(282)	(60,398)
Retained profit for the period		212,780	255,982
Dividends	5	Nil	Nil
Earnings per share:	6		
--- Basic		8.56 cents	13.16 cents
--- Diluted		8.53 cents	13.06 cents

CONDENSED CONSOLIDATED BALANCE SHEET

Unaudited	Unaudited
30 September	30 June

TCL INTERNATIONAL HOLDINGS LIMITED

	<i>Notes</i>	2001 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current Assets			
Fixed assets	7	855,142	663,094
Intangible assets		345,982	260,850
Interest in an associate		2,801	1,454
Interests in jointly-controlled entities		186,155	181,763
Long term investment		1,682	1,682
		1,391,762	1,108,843
Current Assets			
Inventories		2,073,381	2,127,712
Trade and bills receivable	8	963,448	1,045,164
Other receivables		338,712	153,953
Pledged bank deposits		120,400	89,429
Cash and bank balances		873,737	849,299
		4,369,678	4,265,557
Current Liabilities			
Trade and bills payable	9	2,235,814	2,040,647
Tax payable		46,836	32,511
Other payables and accruals		439,227	230,402
Bank loans	10	128,027	210,305
		2,849,904	2,513,865
Net Current Assets		1,519,774	1,751,692
Total Assets Less Current Liabilities		2,911,536	2,860,535
Non-current Liabilities			
Bank loans	10	6,724	6,571
Deferred tax		1,915	1,915
		8,639	8,486
Minority Interests		24,331	24,890
		32,970	33,376
		2,878,566	2,827,159
Capital and Reserves			
Issued capital		251,122	251,122
Reserves		2,627,444	2,576,037
		2,878,566	2,827,159

TCL INTERNATIONAL HOLDINGS LIMITED

Notes:

1. Principal Accounting Policies

The Directors are responsible for the preparation of the Group's unaudited quarterly financial statements. The accounting policies used in the preparation of these financial statements are consistent with those in the annual financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the Statement of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 30	:	Business combination
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

TCL INTERNATIONAL HOLDINGS LIMITED

2. Segmented Information

An analysis of the Group's turnover and profit from operating activities by principal activities for the nine months ended 30 September 2001 is as follows:

	Turnover		Profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Colour television sets	4,983,971	4,722,624	221,720	293,641
White goods & air-conditioners	735,991	936,185	60,661	103,019
Computers related products	648,764	---	6,840	---
Other audio visual products	175,497	253,803	(9,067)	8,622
Raw material & components	348,734	151,835	15,465	628
Others	60,791	741	(28,733)	(13,266)
	6,953,748	6,065,188	266,886	392,644
Less: Amortisation of goodwill			(16,513)	---
Corporate expenses			(25,619)	(20,904)
			224,754	371,740

More than 90% of the Group's turnover and contribution to trading results was derived from activities in the People's Republic of China Mainland.

3. Depreciation and Amortization

During the period, depreciation of HK\$61,195,000 (2000: HK\$45,405,000) was charged to the profit and loss account in respect of the Group's property, plant and equipment; and amortisation of HK\$16,513,000 (2000: Nil) was charged to the profit and loss account in respect of the Group's goodwill arising on consolidation.

4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

**Unaudited
Nine months ended**

TCL INTERNATIONAL HOLDINGS LIMITED

	30 September	
	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	2,234	4,190
Elsewhere	7,923	17,439
Deferred Tax	---	---
	10,157	21,629
Share of tax attributable to Jointly controlled entities	733	---
	10,890	21,629

5. Dividends

The directors of the Company do not recommend the payment of any interim dividend for the nine months ended 30 September 2001 (2000: Nil).

6. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$213,062,000 (2000: HK\$316,380,000) and the weighted average of 2,488,780,026 (2000: 2,403,539,416) shares in issue during the period.

The calculation of diluted earnings per share is also based on the net profit from ordinary activities attributable to shareholders for the period of HK\$213,062,000 (2000: HK\$316,380,000). The weighted average number of shares used in the calculation is 2,488,780,026 (2000: 2,403,539,416) shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 8,958,246 (2000: 18,411,138) shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

TCL INTERNATIONAL HOLDINGS LIMITED

7. Fixed Assets

As a result of the acquisition by the Group of a 51% stake in TCL Electrical Appliances Sales Co., Ltd. ("TCL Appliances"), details of which are set out in the section "Business Review" below, fixed assets of TCL Appliances with net book value of HK\$198 million were consolidated and included into the fixed assets of the Group. Among the HK\$198 million of assets, net book value of approximately HK\$69 million represent land & building and related improvements. The rest refers to office and transportation equipment.

8. Trade and Bills Receivable

The Group generally grants a credit period of 60--120 days to its trade debtors. The aging analysis of the period end trade and bills receivable is as follows:

	Unaudited 30 September 2001 HK\$'000	Unaudited 30 June 2001 HK\$'000
Current to 90 days	604,127	711,479
91 days to 180 days	336,443	287,509
181 days to 365 days	22,771	33,201
Over 365 days	107	12,975
	963,448	1,045,164

9. Trade and Bills Payable

The aging analysis of the period end trade and bills payable is as follows:

	Unaudited 30 September 2001 HK\$'000	Unaudited 30 June 2001 HK\$'000
Current to 90 days	1,793,831	1,679,938
91 days to 180 days	410,868	334,703
181 days to 365 days	13,558	13,456
Over 365 days	17,557	12,550
	2,235,814	2,040,647

10. Bank Loans

TCL INTERNATIONAL HOLDINGS LIMITED

	Unaudited 30 September 2001 <i>HK\$'000</i>	Unaudited 30 June 2001 <i>HK\$'000</i>
Secured	45,966	104,727
Unsecured	88,785	112,149
	134,751	216,876
Bank loans repayable:		
Within one year	128,027	210,305
In the second year	289	504
In the third to fifth year, inclusive	944	1,595
Beyond five years	5,491	4,472
	134,751	216,876
Portion classified as current liabilities	(128,027)	(210,305)
	6,724	6,571

(a) Certain of the bank loans were secured by:

- Certain of the Group's land and building and plant and machinery with the total net book value of HK\$114,645,000 (30 June 2001: HK\$118,150,000)
- The Group's inventories in the amount of HK\$21,953,000 (30 June 2001: HK\$21,448,000)
- The Group's bank deposits in the amount of HK\$25,000,000 (30 June 2001: HK\$40,000,000)

(b) The unsecured bank loans were guaranteed by the Company's ultimate holding company.

BUSINESS REVIEW

The operating results for the third quarter ended 30 September 2001 of TCL International Holdings Limited ("TCL" or the "Group") were within expectations. This was primarily attributed to the satisfactory sales in Colour Television, the absence of massive price wars in the market as well as the return to profitability of the PC Business.

1. Colour Television Business

In the third quarter, the overall performance of Colour Television Business achieved a moderate growth over the previous quarter. Price adjustments were categorized to a small number of geographic locations and models.

During the third quarter of 2001, TCL has launched more than 10 new models of Colour Television. Sales of the quarter amount to 1,202,000 units, representing a growth of 29% over the corresponding period of last year. Market share was estimated to stay at approximately 19% with stable price.

In the fourth quarter, the Group will conduct a series of effective marketing campaigns of new products as to give impetus to sales. With continuous growth in sales, it is hoped that TCL will amass the edges in brand awareness and maximize the profitability.

2. White Goods Business

Sales of TCL air conditioners during the third quarter were 62,000 units, up 29 % over the corresponding period of last year. Deviating from the sales strategies formulated at the beginning of the year has resulted in unsatisfactory sales volume during the peak seasons. It is anticipated that sales of air conditioners will decline in the fourth quarter which is not a peak season, for the industry. Learning from the current year's experience, the Air-conditioning Division has already started to formulate its sales strategies and product planning for next year. It will develop its sales channels and entice customers to purchase air conditioners during the slack seasons. All these will laid down a good a foundation for the coming year's business.

Sales of refrigerators and washing machines in the third quarter were 58,000 and 66,000 units respectively, down approximately 10% over the corresponding period of last year. Although sales have been improved since the beginning of this year, it was still far from satisfactory. This was attributed to the postponement of most new product introduction to the third quarter. Besides,

TCL INTERNATIONAL HOLDINGS LIMITED

participating in the nationwide exhibitions of new washing machines in the third quarter incurred promotion expenses that adversely affected the operating profit. In general, product prices remained steady during the third quarter with price cuts on some of the old models. Presently, TCL is taking positive measures to accelerate new product launches, realign sales strategies and increase the proportion of high-end products. It is believed that the White Goods Business will achieve better result in the following year.

3. AV Business

Turnover of AV products in the third quarter of 2001 was HK\$71 million. In general, the third quarter reflected the transition from low to high season with gradual increases in the months' sales. The most significant change was the increase in sales of DVD, 1.1 times of that in the first half of this year. According to a survey by 中怡康, DVD sales ranked amongst the top ten in the PRC market. Although there is a trend for further downward adjustment in prices of AV products, the pace has somewhat slowed down. In preparation for next year's business, TCL will focus on realigning its sales strategies and accelerating its new product launches in the fourth quarter. TCL will focus on DVD products which has been increasingly popular in the PRC market. In this connection, it will adjust its product mix, enhance market share and capitalize fully on enormous opportunities brought by the mature DVD market.

4. Overseas Business

In the movement towards globalization of the world economy, the Group is actively making progress in overseas markets. It has expanded the export business and its support teams as to vie for more overseas orders. Apart from Colour Television, export sales on AV have been kindled. The Group will also explore potential overseas business and markets. During the third quarter, the Group has established its business infrastructure with delightful results. Overseas sales during the third quarter of 2001 amounted to approximately HK\$169 millions, up 34% over the corresponding period of last year. The Group has also captured satisfactory market share in a number of overseas markets within a short period of time. We are optimistic about the long-term development of the international business.

Comparing with the corresponding period of last year, the overall business in India during the first half of this year was bleak. The joint venture was slow in responding to market changes and could not hold the products' advantages in this highly competitive market. As the joint venture failed to achieve an economy of scale in its sales, the Group's share of year-to-date loss in this investment was approximately HK\$12 millions.

5. PC Business

With strong product development strength and effective marketing activities, TCL has run forefront in the Pentium 4 computer market since Intel found TCL as its strategic partner in Pentium 4 in the PRC market. Capitalizing on the success of Pentium 4 PC, TCL has built a superior brand image and further fortified its prominence in the industry.

Traditionally, the third quarter is the peak season of home PC sales. PC prices, however, fell as a consequence of the acute price drop in Intel Pentium 4 CPU and the transition to the Pentium 4 platform. Market was in an on-looking sentiment. As a result, sales were relatively low in August and September. Only in second half of September, the market gradually improved as prices became stable.

In the third quarter, TCL sold 72,000 sets of computers, a decrease of 15% over the corresponding period of last year. In home PC, the Group has launched its new innovative computer with Pentium 4 as its core, featuring a peculiar concept of home information center (Hic). Sales were over 30,000 sets in the third quarter. It was rated as the hot pick of this summer holiday and one of the most popular consumer products. Having penetrated the educational and commercial sectors, TCL's commercial PC has already been established in the market. During the third quarter, the PC Business returned to profitability in the wake of its steady growth.

It is expected that the PC market will be stable in the fourth quarter as there will not be any significant price fluctuations in major PC components. The launch of the Windows XP operating system by Microsoft in November will impinge on the compatibles market and stimulate demand and buy. It is anticipated that the market will further improve in the fourth quarter. The Group will continue its competitiveness in Pentium 4 and capitalize on opportunities emerging from Microsoft's Chinese Windows XP. It will simultaneously introduce new products to fulfill the needs of consumers.

6. Internet Business

During the period, the Internet Business has actively strived for a new business model, consolidated its internal resources and put forward the "TCL Internet Education" development plan. Through cooperating with various educational institutions both local and overseas, TCL will be able to provide families and individuals in the PRC with life-long educational service system through internet and information technology.

The Group has achieved remarkable progress in its Internet Business during the third quarter. Its

TCL INTERNATIONAL HOLDINGS LIMITED

networking equipment business saw continual new product launches and fast turnover growth. The Internet Business has successfully entered the telecommunications, education, finance and securities industries. In respect of distant education, the focus is to acquire quality educational resources and to set up a networked operating system that integrates educational resources, services, marketing and sales activities. It has recorded sales. Business opportunities and development potential in distant education are enormous.

7. Mobile Phone Business

As predicted in the Group's Interim Report, the Mobile Phone Business (in which TCL International holds a 20% stake) recorded robust growth during the quarter surpassing the growth rate of the first half of 2001. Sales amounted to 350,000 sets in the third quarter with sales amount of HK\$509 million, which is 9 times of the corresponding period of last year. Its market share was approximately 1.7%.

The Mobile Phone Business will conform to its business strategy of "vertical and horizontal integrations and deepening into distribution spectra" and enhance its competitive edges through innovative products. The Mobile Phone Business is expected to sustain its growth in the fourth quarter of 2001.

8. Acquisition of Distribution Network

The Group announced the acquisition of a 51% stake in TCL Electrical Appliances Sales Co., Ltd. ("TCL Appliances") from its parents company for a consideration of RMB\$28 million (approximately HK\$26 million) in August 2001. The transaction was completed in September 2001.

Established since 1996, TCL Appliances has principally engaged in managing sales distribution network and after-sales services. The network comprises 34 branches, 182 sales office, 87 representative offices, over 10,000 agents, 3,000 services centers and more than 20,000 distributors and retailers. It has been accredited as the most comprehensive and efficient electronic consumer goods distribution network.

TCL's acquisition of the distribution network of TCL Appliances will bring significant advantages to the Group. In contrast to the contractual rights under the previous distribution agreement, the Group now moves closer to the end-consumer market. This opens up more business opportunities and market information. The Group's position in the market is more secured and has more room for expansion. The acquisition further reduces operating costs, upgrades quality of service, accelerates product flows and enhances operating efficiency. All these will eventually help raising the overall

TCL INTERNATIONAL HOLDINGS LIMITED

competitiveness and profitability of the Group.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited during the period.

FURTHER DETAILS

A detail quarter result announcement containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") will be published on both the Company's website (www.tclhk.com) and the Exchange's website (www.hkex.com.hk) in due course.

On behalf of the Board
LI Dong Sheng
Chairman

Hong Kong, 14 November 2001

** for identification only*

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