



TCL INTERNATIONAL HOLDINGS LIMITED

(TCL 國際控股有限公司)

(incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

FINANCIAL HIGHLIGHTS

	2003	2002	change
	<i>HK\$M</i>	<i>HK\$M</i>	(%)
Turnover	6,248	5,385	+16
Profit before tax	312	279	+12
Net profit attributable to shareholders	265	253	+5
Basic earnings per share (HK cents)	10.05	10.03	+0.2

The Board of Directors of TCL International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 with comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		6 months ended	6 months ended	3 months ended	3 months ended
		30 June 2003	30 June 2002	30 June 2003	30 June 2002
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	6,247,682	5,385,234	2,770,741	2,396,091
Cost of sales		(5,244,230)	(4,375,472)	(2,323,878)	(1,966,844)
Gross profit		1,003,452	1,009,762	446,863	429,247
Other revenue and gains		59,633	62,923	39,690	23,175
Selling and distribution costs		(592,386)	(601,007)	(268,434)	(254,266)
Administrative expenses		(266,319)	(247,490)	(127,551)	(139,096)
Other operating expenses		(30,175)	(33,626)	(18,575)	(19,364)
PROFIT FROM OPERATING					
ACTIVITIES	2	174,205	190,562	71,993	39,696
Finance costs		(17,399)	(8,002)	(9,157)	(3,776)
Share of profits and losses of:					
Jointly-controlled entities	3	194,816	122,669	82,409	58,389

Associate		—	(66)	—	(11)
Others		<u>(39,216)</u>	<u>(26,590)</u>	<u>(19,608)</u>	<u>(20,473)</u>
PROFIT BEFORE TAX		312,406	278,573	125,637	73,825
Tax	5	<u>(36,577)</u>	<u>(33,595)</u>	<u>(19,880)</u>	<u>(7,379)</u>
PROFIT BEFORE MINORITY INTERESTS		275,829	244,978	105,757	66,446
Minority interests		<u>(10,460)</u>	<u>8,015</u>	<u>(3,324)</u>	<u>2,419</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>265,369</u>	<u>252,993</u>	<u>102,433</u>	<u>68,865</u>
DIVIDEND	6	<u>Nil</u>	<u>Nil</u>		
EARNINGS PER SHARE	7				
— Basic		<u>10.05 cents</u>	<u>10.03 cents</u>		
— Diluted		<u>9.70 cents</u>	<u>9.77 cents</u>		

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
NON CURRENT ASSETS		
Fixed assets	814,732	734,262
Trademarks	26,794	25,910
Goodwill	261,244	277,949
Interests in jointly-controlled entities	1,537,452	1,543,143
Long term investments	<u>2,298</u>	<u>1,682</u>
	<u>2,642,520</u>	<u>2,582,946</u>
CURRENT ASSETS		
Inventories	2,159,463	2,579,118
Trade and bills receivable	1,037,361	1,029,005
Other receivables	396,740	408,413
Pledged bank deposits	47,506	89,340
Cash and bank balances	<u>681,740</u>	<u>1,093,187</u>
	<u>4,322,810</u>	<u>5,199,063</u>
CURRENT LIABILITIES		
Trade and bills payable	1,812,736	2,769,271
Tax payable	26,934	23,056

Other payables and accruals	634,859	612,751
Bank borrowings	<u>80,022</u>	<u>23,845</u>
	<u>2,554,551</u>	<u>3,428,923</u>
NET CURRENT ASSETS	<u>1,768,259</u>	<u>1,770,140</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,410,779</u>	<u>4,353,086</u>
NON-CURRENT LIABILITIES		
Bank borrowings	329,412	382,785
Convertible notes	350,000	350,000
Deferred tax	<u>1,915</u>	<u>1,915</u>
	681,327	734,700
MINORITY INTERESTS	<u>67,602</u>	<u>60,378</u>
	<u>3,661,850</u>	<u>3,558,008</u>
CAPITAL AND RESERVES		
Issued capital	265,002	263,100
Reserves	3,396,848	3,110,353
Proposed final dividend	<u>—</u>	<u>184,555</u>
	<u>3,661,850</u>	<u>3,558,008</u>

Notes:

1. Principal Accounting Policies

The Directors are responsible for the preparation of the Group's unaudited interim financial statements. These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

2. Segment Information

An analysis of the Group's turnover and profit from operating activities by principal activities for the six months ended 30 June 2003 is as follows:

	Turnover		Profit from operating activities	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Television	5,179,358	4,259,989	218,593	291,261
Computers	728,320	391,368	12,864	(3,915)
Other audio-visual products	159,354	95,500	(7,791)	(15,473)
Others	180,650	125,883	(16,364)	(14,911)
	<u>6,247,682</u>	<u>4,872,740</u>	<u>207,302</u>	<u>256,962</u>
Discontinued operations:				
White goods	—	512,494	—	(29,740)
	<u>6,247,682</u>	<u>5,385,234</u>	<u>207,302</u>	<u>227,222</u>
Less: Amortisation of goodwill			(16,705)	(16,568)
Corporate expenses			(16,392)	(20,092)
			<u>174,205</u>	<u>190,562</u>

3. Share of Profits and Losses of Jointly-controlled Entities

More than 90% of the Group's share of results of its jointly-controlled entities was derived from Huizhou TCL Mobile Communication Co., Ltd ("TCL Mobile") and its subsidiaries, a group mainly engaged in the manufacturing and selling of mobile phones. The condensed summary of certain additional financial information of TCL Mobile is as follows:

Results for the six months ended 30 June 2003:

	6 months ended 30 June 2003 (unaudited) HK\$'000	6 months ended 30 June 2002 (unaudited) HK\$'000	3 months ended 30 June 2003 (unaudited) HK\$'000	3 months ended 30 June 2002 (unaudited) HK\$'000
TURNOVER	4,879,799	3,064,271	2,216,107	1,512,752
Cost of sales	<u>(3,904,409)</u>	<u>(2,268,118)</u>	<u>(1,745,528)</u>	<u>(1,162,803)</u>
Gross profit	975,390	796,153	470,579	349,949
Other revenue and gains	8,202	19,441	873	16,734
Selling and distribution costs	(419,168)	(240,090)	(239,952)	(87,801)
Administrative and other operating expenses	<u>(87,766)</u>	<u>(121,634)</u>	<u>(30,278)</u>	<u>(47,561)</u>
PROFIT FROM OPERATING ACTIVITIES	476,658	453,870	201,222	231,321
Finance costs	<u>(9,258)</u>	<u>(1,456)</u>	<u>(6,936)</u>	<u>(128)</u>
PROFIT BEFORE TAX	467,400	452,414	194,286	231,193
Tax	<u>(19,255)</u>	<u>(31,546)</u>	<u>(13,527)</u>	<u>(13,466)</u>
NET PROFIT	<u>448,145</u>	<u>420,868</u>	<u>180,759</u>	<u>217,727</u>

Financial position:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
NON CURRENT ASSETS	<u>240,627</u>	<u>194,020</u>
CURRENT ASSETS		
Inventories*	1,363,420	1,409,987
Trade receivables	123,100	76,058
Bills receivable	1,877,630	1,272,208
Cash and bank balances	702,948	629,003
Other current assets	<u>698,604</u>	<u>840,584</u>
	<u>4,765,702</u>	<u>4,227,840</u>
CURRENT LIABILITIES		
Bank borrowings	81,062	67,643
Trade and bills payable	1,666,626	1,409,207
Other payables and accruals	1,523,901	1,260,498
Other current liabilities	<u>53,432</u>	<u>73,944</u>
	<u>3,325,021</u>	<u>2,811,292</u>
NET CURRENT ASSETS	<u>1,440,681</u>	<u>1,416,548</u>
NON-CURRENT LIABILITIES	<u>684</u>	<u>2,456</u>
	<u>1,680,624</u>	<u>1,608,112</u>
CAPITAL AND RESERVES		
Paid-up capital	232,215	232,215
Reserves	<u>1,448,409</u>	<u>1,375,897</u>
	<u>1,680,624</u>	<u>1,608,112</u>

* Included in the inventories are raw materials of HK\$493,182,000 (31 December 2002: HK\$847,466,000), work in progress of HK\$167,689,000 (31 December 2002: HK\$120,616,000) and finished goods of HK\$702,549,000 (31 December 2002: HK\$441,905,000).

4. Depreciation and Amortization

During the period, depreciation of HK\$69,577,000 (2002: HK\$68,250,000) was charged to the profit and loss account in respect of the Group's property, plant and equipment; and amortization of HK\$57,369,000 (2002: HK\$27,491,000) was charged to the profit and loss account in respect of the Group's intangible assets and goodwill arising on consolidation.

5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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:

	Six months ended 30 June	
	2003	2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Group:		
Hong Kong	7,270	2,614
Elsewhere	<u>21,274</u>	<u>21,740</u>
	28,544	24,354
Share of tax attributable to:		
Jointly-controlled entities	<u>8,033</u>	<u>9,241</u>
	<u>36,577</u>	<u>33,595</u>

6. Dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

7. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$265,369,000 (2002: HK\$252,993,000) and the weighted average of 2,640,504,430 (2002: 2,521,147,479) shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$265,369,000 (2002: HK\$252,993,000), adjusted by the reduction of interest expenses of HK\$5,250,000 (2002: Nil) relating to the convertible notes. The weighted average number of shares used in the calculation is 2,640,504,430 (2002: 2,521,147,479) shares in issue during the period, as used in the basic earnings per share calculation; the weighted average of 12,673,692 (2002: 67,436,463) shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period; and the weighted average of 136,932,707 (2002: Nil) shares on the deemed conversion of all convertible notes during the period.

REVIEW AND OUTLOOK

Operational Highlights

For the six months ended 30 June 2003

	Sales volume (Thousand)		% Change
	2003	2002	
TVs — PRC market	3,251	3,054	+6%
— Overseas	1,472	512	+188%
Mobile Handsets	4,725	2,212	+114%
PCs	209	88	+138%

- The Group maintained an 18% market share in the domestic TV market.
 - Enhanced product mix with rapid rollout of high-end products increased its share in the high-end segment.
- Continued to record strong growth in overseas TV sales with a surge of 188%.
- Ranked as the top three best selling handset brands with a 12% market share in the domestic handset market.
 - The colour display handsets increased rapidly in the sales mix which helped maintain gross margin and average selling price.
- Ranked as the 3rd best selling consumer desktop PC brand in China, with a 6% market share, and the 4th best selling PC brand in China.

The TV Business

Sales of TVs in the China market saw a slight decline in the first half of 2003. Nevertheless, as the proportion of high-end models in the total sales mix increased, sales turnover was up marginally. At the same time, the market saw a further consolidation towards major brands. Competition in high-end models intensified, with the battlefield shifting to rear projection and pure flat screen TVs.

During the period under review, the Group adjusted its product mix through the launch of new products. The widened product offering strengthened the Group's competitive edge in the different market segments. Domestic TV sales in China amounted to 3.25 million sets, representing a year-on-year growth of 6%. According to the Ministry of Information Industry, TCL's market share in the domestic TV market was 18% in the first half of 2003, staying on a similar level as last year.

A total of 43 new models were launched during the period under review. Among the new products, 17 were high-end TV models which include Plasma, HID rear projection, LCOS rear projection, LCD TVs etc. The remaining 26 were CRT TVs with enhanced progressive scanning functions.

Statistics from the China Economy Consultancy indicate that TCL's share in rear projection TVs increased to 7%, ranking as the 7th in the PRC market, while TCL's plasma TVs accounted for 14% of the share to rank 3rd in the PRC market place.

Increased sales of high-end products in the first half of 2003 enabled TCL to maintain a stable average selling price. Unfortunately, since sales and marketing activities were delayed due to the outbreak of SARS in the second quarter, sales turnover in the first half of the year was lower than expected. Owing to ferocious market competition and the increase in CRT price which was exceptionally low in the first half of 2002, the earnings of this business were lower than the corresponding period last year, with the gross margin narrowing from 22% to 19% this year.

The Handset Business

The demand for mobile handsets remained strong during the period under review. In an effort to increase market share, handset manufacturers speeded up product rollout to stimulate consumption sentiment, intensifying market competition.

With an acclaimed brand name and superb product design, sales of TCL handsets continued to grow strongly by 114% to 4.72 million handsets during the period under review. According to CCID's June 2003 report, TCL enjoyed a 12% market share, ranked as the third best selling handset brand in the PRC.

In line with the Group's expectation, the average selling price in the first half of 2003 decreased while inventory increased — a result of the rigorous competition and the adverse impact of SARS. In spite of these factors, riding on its cost advantage, economies of scale, product differentiation and effective marketing strategies, the Group met its preset sales target and penetrated into the high-end colour display and low end markets.

In response to market changes, the Group increased the scale of its chipset-based production and its ratio in total manufacturing output to lower production costs. A total of 15 new handset products were launched during the period under review, including colour display models as well as handsets with camera functions. Receiving overwhelming market response, the Group believes that sales of colour display models will rise continuously, stabilizing the overall gross market and the average selling price.

The PC Business

The PC industry in China recorded double-digit growth in the first half of 2003. With respect to product prices, the price line continued to move down as no technological breakthrough in terms of CPUs or related parts were developed. While the application of PCs as a domestic electrical appliance is still in an infancy stage, the Group expects this application to enjoy higher popularity within a year or two.

PC business was not hurt by the SARS outbreak. Following its operational restructure and enhancement, the PC business showed a solid and stable growth trend. The Group is pleased to see that sales increased during peak seasons, remained stable during low tides, and resulted in record growth.

Sales of PCs in the first half of 2003 increased by 138% to 209,000 sets. According to an IDC report released in the first quarter this year, TCL was ranked number 3 in the home desktop PC market, with a share of 6%, while the ranking in the overall PC industry was number 4, with a share of 3%. These satisfactory performances have reduced the distance between TCL and other major players.

Cost control is regarded as a major task during the period under review. Launching a “Customised PCs” initiative, the Group is focused on optimizing R&D, procurement, logistics, etc. Gross margin increased from 8% to 9%. Addressing the gradual decline in product prices, the Group improved its earnings by expanding the sales network, strengthening the supply chain, streamlining its retail shop fronts as well as maintaining product competitiveness. Meeting the trend of applying PCs as a general domestic electrical appliance, the “Ruixiang 7000” series PC, the Group’s key high end product that carries standalone TV viewing functions, recorded satisfactory sales during the period under review.

The Overseas Business

In addition to its customer-driven and market-oriented focus, the Group is also committed to developing its business globally. Overseas TV sales, having grown significantly in 2002, experienced further high growth in the first half of 2003. Sales achieved in the first half of this year exceeded full year sales of 2002. Overseas TV exports increased 1.9 times during the period, with sales of both TCL branded and OEM products reaping fruitful results. However, as the percentage of sales in the OEM business increased slightly, the overall gross margin decreased marginally.

TCL branded TVs are primarily sold in Southeast Asian markets and are widely accepted in these regions. Sales recorded a year-on-year increase of over 20%. As these markets become more mature and are ready for large display TVs and high end products, the Group is exposed to ample growth opportunities. The Group will continue to develop both TCL branded and OEM products. With existing markets forming the solid basis for business expansion, it will continue to explore nearby markets and new emerging markets.

During the period under review, the anti-dumping lawsuit against the import of CRT TVs of over 21” in size to the US market was submitted to the US Department of Commerce (DOC) and US International Trade Committee (ITC). Results of the ruling will not be available until the first half of 2004. Although the Group did not adopt a low pricing strategy to acquire market share, in face of the uncertainty, the Group is prepared to take necessary steps to adjust its US business strategy.

Schneider in Germany was still in its investment stage during the period under review, incurring a loss of about HK\$23 million. Despite the loss, the Group made considerable progress in developing its business network in Europe. It has also developed and realized new product series to be launched at the IFA consumer electronic products Expo in Berlin by the end of August. It is anticipated that the new products launched at the IFA will be the key products for the second half of 2003. As such, the Group expected Schneider’s business to be in full operation after the IFA Expo.

The AV Business

Markets in the urban area grew rapidly during the period under review. Prices of DVDs declined despite the increase in market size. No major change was seen in the market for VCDs, whereas the demand for Super VCDs decreased substantially.

As in the case with other businesses, the AV business was adversely affected by SARS. Sales revenues from the AV business were therefore lower than expected. However, with improved operational efficiencies, losses were narrowed.

The Group launched a mini audio system 5.1 compact set during the first half of the year. The light-weight product with good sound quality was welcomed by customers. It stands a good chance of becoming a popular mainstream consumer product in the near future.

In response to market changes, the Group underwent an internal management restructure in research and development, procurement and sales in order to generate synergies and to strike a balance between domestic and overseas markets so that the two arms complement each other. The Group also adopted an adjusted strategy — penetrating the market with low end products while building a quality image with high-end products. The rollout of low end products was expedited to meet this goal. A handful of new products will be released in the second half of the year.

The IT Business

The Group strategically adjusted the focus of its distance learning business during the period under review, moving from offering network education service for the China Central Radio Television University (CCRTU), to a self-developed open distance-learning educational platform for the community as a part of the public services. In addition, the Group also launched an examination software, a search engine for the CCRTU, and a distance training and educational management system. In terms of R&D development, the Group expanded from a single formal academic software product to include the provision of both academic and non-academic educational software products on a diversified range of topics.

To consolidate its resources for the development of distance education, the Group has entered into an agreement for the disposal of its networking equipment business. An accounting profit of about HK\$2 million will be realized upon the completion of the transaction. The market for distance education is emerging. Though in a premature stage, it is rapidly gaining ground in terms of acceptance and understanding in the community. The Group believes that it will soon become a major focal point for consumer spending.

Future Outlook

Having experienced the difficulties brought about by SARS, we are pleased to see that SARS is now under successful control, and business in general is returning to normal. For the domestic TV business, the Group will increase its sales and distribution capabilities in the first and second-tier markets in the second half of the year. It will also strengthen its high-end product range to enhance earnings and reinforce its market leadership.

As the inventory for handsets started to pile up in the market, in parallel with keener market competition, manufacturers are facing higher uncertainties. The average selling price is expected to decrease even further under the current fragmented, complicated, and unstable market environment. It is expected that the market will experience a consolidation phase, and inevitably only the strong players will survive. The Group will be devoting resources to build its brand and introduce new market-driven products, strengthening product differentiation and speeding up the pace of new product launches. To bolster its presence further and increase market share, the Group will further penetrate the market with both low-end products as well as high-end colour display models.

In the PC business, TCL will concentrate on raising its competitiveness. Looking in the second half of the year, the Group's strategy will be focused on the provision of "Customised TCL PCs". The Group will keep an eye on opportunities for the establishment of new sales points. The aim is to achieve a sales breakthrough during the high season through a highly flexible product combination. New products to be launched will offer a comprehensive solution for the set up of a "personal AV centre", while PCs for commercial use will, building on the foundation of TCL's advantages in the educational sector, extend to government units and related projects to pursue volume growth.

Manufacturers in China are playing an increasingly important role in the international arena after China's entry into WTO. Competition on a global basis, in conjunction with the adjustments within the industry, have brought about both opportunities and challenges. Under this backdrop, the Group is formulating a global strategy that will optimize its position, attend to market changes, and encourage innovation. In anticipation of continued growth in the second half of the year, the Group will stiffen its competitive edge by exploring win-win opportunities with strategic alliance partners to deepen relationships. These initiatives will all drive towards one goal — to boost TCL's competitiveness in the international marketplace.

Financial Review

Results

The Group achieved a turnover of approximately HK\$6,248 million for the first half of 2003, representing an increase of 16% compared to the same period last year. Profit attributable to shareholders was HK\$265 million, compared to the corresponding period last year of HK\$253 million. Televisions and mobile handsets business continued to be the Group's major profit contributors. Profit from TV and mobile handsets represented 54% and 50%, respectively, of the Group's net profit in the current year.

Turnover and gross margin of televisions was HK\$5,179 million and 17.4% respectively, an increase of 21.6% and a decrease of 3.4% as compared to the same period last year. The major growth in turnover came from export sales. Export sales represented 20% of the total TV sales in 2003 (2002: 10%). The generally lower margin of the exports sales resulted in the decline in overall gross margin from 20.8% in 2002 to 17.4% in the current year. Operating profit is further affected by the initial set-up and investment cost of Schneider, our new sales and manufacturing arm in Europe.

Mobile handsets business continued to maintain its leading position in the PRC. Turnover increased more than 59% to HK\$4,880 million. As expected, as a result of severe competition and the Group's strategy to broaden its product mix to mid-end product lines, overall gross margin of handsets reduced by 6% to 20%.

With the gradual recovery of the PC industry in China and the Group's effective cost-control policies, turnover of PCs surged by 86% to HK\$728 million with gross margin of 9%, a slight improvement as compared with last year.

The unexpected outbreak of the SARS in China and other parts of the world during the second quarter of 2003 had a widespread effect on both the domestic and international economy. Under this backdrop, consumer consumption weakened, and the May 1st national holidays, which is usually associated with strong spending sprees, passed without much sales stimulation this year. Sales of TVs and handsets slowed down during the second quarter as a result. Despite all these challenges, being a leading consumer electronic brand in the PRC, and with the Group's successful

experience in beating other competitors during the TV price war in the previous years, we have full confidence of meeting our sales target, maintaining a reasonable level of margin and continue to provide satisfactory return to shareholders.

Significant Acquisitions and Disposals

On 18 June 2003, the Group entered into an agreement with subsidiaries of TCL Corporation, its ultimate holding company, for the disposal of the entire equity interest in TCL 網絡設備(深圳)有限公司 (“TCL Network”) at a consideration of approximately HK\$12.5 million. The principal activity of TCL Network is the development and sale of computer network equipment. Details of the transaction are set out in the Company’s announcement dated 18 June 2003.

Apart from the disposal as set out above and certain additions to the Group’s plant and equipment, there was no major investment or disposals during the period. Total capital expenditure amounted to approximately HK\$159 million.

Liquidity and Financial Resources

The Group consistently maintained a strong liquidity position throughout the period. Through its centralized treasury function, the Group was able to make efficient allocation of its financial resources and reduced any unnecessary financial expenses. The cash and bank balances as at 30 June 2003 amounted to HK\$729 million, of which 24% was maintained in Hong Kong Dollars, 40% in US Dollars, 33% in Renminbi and 3% was held in other currencies for the overseas operations. At the period end, all the bank loans were clean loans without any charges or securities required. All of them were subject to floating interest rates. The Group’s gearing ratio at the period end was 0.2 which is calculated based on the Group’s total interest-bearing borrowings at approximately HK\$759 million and the shareholders’ funds of approximately HK\$3,662 million.

There was no material change in available credit facilities when compared with the year ended 31 December 2002 and there was no asset held under finance lease at the period end. Convertible notes were subject to fixed interest rate at 3% per annum. No convertible notes were converted or redeemed during the period.

Capital Commitments and Contingent Liabilities

At 30 June 2003, bills receivable endorsed to suppliers and bills discounted with recourse amounted to HK\$78 million (31 December 2002: HK\$139 million) and HK\$429 million (31 December 2002: HK\$1,087 million) respectively. In addition, the Group’s share of the jointly-controlled entities’ own contingent liabilities, i.e. bills discounted with recourse, at the balance sheet date was HK\$875 million (31 December 2002: HK\$341 million).

There was no significant change in capital commitments of the Group compared to the position outlined in the annual report for 2002.

Foreign Exchange Exposure

Since most business transactions conducted by the Group and payments made to suppliers are made in either Hong Kong Dollars, US Dollars or Renminbi, no use of financial instruments for hedging purposes is considered necessary.

Employees and Remuneration Policy

The Group had a total of 18,000 dynamic and talented employees, of which approximately 3% was management level, 18% was technical staff, 9% was clerical staff, 30% was sales & marketing staff, and 40% was workers. They were all dedicated to advancing the quality and reliability of our operations. Total staff costs for the period was HK\$221 million. Remuneration policy was

reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Share options granted to directors and employees and remained outstanding at the period end totaled 103,481,838 units.

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.

On behalf of the Board
LI Dong Sheng, Tomson
Chairman

Hong Kong, 20 August 2003

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

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