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TONLY ELECTRONICS HOLDINGS LIMITED

通力電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01249)

**(1) RENEWAL OF EXISTING CONTINUING
CONNECTED TRANSACTIONS
(2) MAJOR TRANSACTIONS IN RESPECT OF
MASTER FINANCIAL SERVICES (2018 RENEWAL) AGREEMENT
AND
(3) ADVANCE TO AN ENTITY IN RESPECT OF DEPOSIT SERVICES
UNDER THE MASTER FINANCIAL SERVICES
(2018) RENEWAL AGREEMENT**

INTRODUCTION

The Board hereby announces that the Group had on 18 October 2018 entered into the following agreements with TCL Corporation and/or its associates and the transactions contemplated thereunder constitute continuing connected transactions:

1. Master Overseas Materials Sourcing (2018 Renewal) Agreement
2. Master Financial Services (2018 Renewal) Agreement
3. Master Sale and Purchase (2018 Renewal) Agreement
4. Technology Support Services and Trade Names Licence (2018 Renewal) Agreement
5. Master Lease (Tenant) (2018 Renewal) Agreement

The above agreements are in substance renewal of the existing agreements and the terms of the renewal agreements are in substance substantially the same as the previous agreements.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 48.70% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Finance Company and Finance Company (HK) being subsidiaries of TCL Corporation, are also connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of each of the agreements 4 and 5 exceed 0.1% but are all less than 5%, the continuing connected transactions contemplated thereunder are exempted from the Independent Shareholders' approval requirement under Rule 14A.76(2)(a) but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of each of the agreements 1 to 3 exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Furthermore, as the applicable percentage ratios in relation to the Deposit Services under the Master Financial Services (2018 Renewal) Agreement exceed 25%, in addition to being continuing connected transactions, the above transaction constitutes a major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Deposit Services under the Master Financial Services (2018 Renewal) Agreement exceeds 8%, the Deposit Services under the Master Financial Services (2018 Renewal) Agreement also constitutes an advance to an entity and is subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

Notwithstanding the respective interest and/or role of certain Directors in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the Agreements, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms and the proposed caps of the Non-Exempt Transactions. The Company has appointed Pelican Financial as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will despatch to the Shareholders a circular containing further details of the transactions contemplated under the Non-Exempt Transactions, letters from the Independent Board Committee and the Independent Financial Adviser, and a notice convening the EGM on or before 26 November 2018 since more time is required to finalise the circular.

TCL Corporation and TCL Associates will abstain from voting in respect of the transactions contemplated under the agreements 1, 2 and 3 to be put forward at the EGM.

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2. Master Financial Services (2018 Renewal) Agreement
3. Master Sale and Purchase (2018 Renewal) Agreement
4. Technology Support Services and Trade Names Licence (2018 Renewal) Agreement
5. Master Lease (Tenant) (2018 Renewal) Agreement

The above agreements are in substance renewal of the existing agreements and the terms of the renewal agreements are in substance substantially the same as the previous agreements.

1. MASTER OVERSEAS MATERIALS SOURCING (2018 RENEWAL) AGREEMENT

The Company has entered into the Master Overseas Materials Sourcing (2015 Renewal) Agreement on 16 November 2015 which will expire on 31 December 2018. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Overseas Materials Sourcing (2018 Renewal) Agreement, the terms of which are substantially the same as the Master Overseas Materials Sourcing (2015 Renewal) Agreement. The details of the Master Overseas Materials Sourcing (2018 Renewal) Agreement are set out below:

- Date: 18 October 2018
- Parties:
- (i) TCL Corporation (for itself and on behalf of each of the members of TCL Corporation Group and TCL Associates)
 - (ii) the Company (for itself and on behalf of its Subsidiaries)
- Duration: From 1 January 2019 to 31 December 2021 (both dates inclusive) (subject to approval by the Independent Shareholders)
- Transaction Details: Pursuant to the Master Overseas Materials Sourcing (2018 Renewal) Agreement, the relevant member of TCL Corporation Group shall:
- (a) act as the intermediary for the Group to import the required Overseas Materials. Such Overseas Materials are not manufactured or produced by TCL Corporation Group, but are purchased by the Company's overseas subsidiaries from Independent Third Parties overseas independently and TCL Corporation Group is not at all involved in such purchases. TCL Corporation Group subsequently purchases such Overseas Materials from the Company's overseas subsidiaries. The purchase price to be paid by TCL Corporation Group shall be the Import Price; and
 - (b) sell such Overseas Materials to the Company's nominated subsidiaries in the PRC.

The price determination of such sourcing fees is as follows:

- (a) in respect of the purchase of Overseas Materials by TCL Corporation Group from the Group in places other than the PRC: the relevant Company's overseas subsidiary charges TCL Corporation Group the costs of Overseas Materials; and
- (b) in respect of the sale of Overseas Materials by TCL Corporation Group to the Company's nominated subsidiaries in the PRC: TCL Corporation Group charges the relevant Company's nominated subsidiary in PRC (i) the Import Price, (ii) all import duties payable by TCL Corporation Group, and (iii) an administrative charge being 1% of the Import Price.

The administrative charges charged by TCL Corporation Group shall be no less favourable than those charged by Independent Third Parties for the purpose of importing overseas materials for the Group.

TCL Corporation Group will pay the cost of the Overseas Materials to the relevant member of the Group in places other than the PRC after the receipt of payment (cost of the Overseas Materials plus import duties and administrative charge) from the relevant member of the Group in the PRC. The payment terms completely follow the payment terms allowed by the PRC governmental authorities and Independent Third Parties to which import duties and other expenses are paid.

The Group's pricing policy and price determination in respect of the Master Overseas Materials Sourcing (2018 Renewal) Agreement:

1. Of the above administrative charge at 1% of Import Price, approximately 90% covers the actual expenses including import administrative expenses, insurance fee and all out-of-pocket expenses incurred by TCL Corporation Group relating to the importation and delivery of the relevant Overseas Materials into the PRC; and the remaining approximately 10% represents the mark-up received by TCL Corporation Group. TCL Corporation Group generally charges its other members such administrative charge at a rate of 1% of the relevant import price, out of which the proportion of actual expenses and mark-up received by TCL Corporation Group is also approximately 90% and 10%, respectively.
2. As it is the market practice for companies to engage custom clearance and import logistic services providers on a yearly basis, the Group will review its engagement with TCL Corporation Group for such services on a yearly basis. To make sure that the terms of the transactions contemplated under the Master Overseas Materials Sourcing (2018 Renewal) Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its Shareholders, the Group will regularly obtain quotations for comparable services from Independent Third Parties on a yearly basis in order to compare such quotations with the administrative charge proposed to be charged by TCL Corporation Group. The Group will only carry out such transactions with TCL Corporation Group if the overall terms, including the administrative charge to be charged by TCL Corporation Group, are better than those offered by Independent Third Parties as shown on the quotations obtained by the Group for comparable services.

2. MASTER FINANCIAL SERVICES (2018 RENEWAL) AGREEMENT

The Company has entered into the Master Financial Services (2017 Renewal) Agreement on 12 July 2017, which will expire on 31 December 2019. As the Company wishes to continue the continuing connected transactions contemplated thereunder, as well as to consolidate the renewal date of its continuing connected transactions with TCL Corporation Group for better administration, the Company entered into the Master Financial Services (2018 Renewal) Agreement to replace the Master Financial Services (2017 Renewal) Agreement, and the terms of former are substantially the same as the latter.

Upon the coming into effect of the Master Financial Services (2018 Renewal) Agreement, the Master Financial Services (2017 Renewal) Agreement would be terminated.

The details of the Master Financial Services (2018 Renewal) Agreement are set out below.

- Date: 18 October 2018
- Parties:
- (i) TCL Corporation (for itself and on behalf of TCL Financial Services Associates)
 - (ii) the Company (for itself and on behalf of its Subsidiaries)
 - (iii) Finance Company
 - (iv) Finance Company (HK)
- Duration: 1 January 2019 to 31 December 2021 (both dates inclusive) (subject to approval by the Independent Shareholders)
- Transaction details: **Deposit Services**
- Any Tonly Qualified Member may from time to time and in its absolute discretion deposit money with Finance Company and/or Finance Company (HK). If Finance Company and/or Finance Company (HK) decides to accept any amount of cash deposits from a Tonly Qualified Member (including current deposits, fixed deposits or any other form of deposits), the interest rates offered by Finance Company and/or Finance Company (HK), as the case may be, shall:
- (1) for deposits made within the PRC, not be lower than the highest of:
 - (i) the minimum interest rate promulgated by the PBOC for the same type of deposit services from time to time;
 - (ii) the interest rates for the same type of deposits offered by major commercial banks of the PRC; and

(iii) the interest rates for the same type of deposits offered by the Finance Company and/or Finance Company (HK) to any other members of the TCL Corporation Group (including the Group); and

other terms and conditions offered by Finance Company and/or Finance Company (HK) as a whole shall also not be less favourable than those offered by major commercial banks of the PRC and the Finance Company and/or Finance Company (HK) to any other members of the TCL Corporation Group (including the Group) and shall be on normal commercial terms; and

(2) for deposits made outside the PRC, not be lower than the highest of:

(i) the interest rates for the same type of deposits offered by major commercial banks located in the place where the relevant Tonly Qualified Member is located; and

(ii) the interest rates for the same type of deposits offered by the Finance Company and/or Finance Company (HK) to any other members of the TCL Corporation Group (including the Group); and

other terms and conditions offered by Finance Company and/or Finance Company (HK) as a whole shall also not be less favourable than those offered by major commercial banks located in the place where the relevant Tonly Qualified Member is located and the Finance Company and/or Finance Company (HK) to any other members of the TCL Corporation Group (including the Group) and shall be on normal commercial terms.

TCL Corporation undertakes and will procure all its TCL Financial Services Associates to jointly and severally with TCL Corporation undertake with the Group that at any time during the term of the Master Financial Services (2018 Renewal) Agreement, the maximum amount of loans, financing and guarantees available under the facility line under the Master Financial Services (2018 Renewal) Agreement provided by TCL Financial Services Associates to Tonly Qualified Members shall not be less than the total amount of deposits (including normal cash deposit and deposit of cash or bank instruments as security) placed by the Tonly Qualified Members with Finance Company and Finance Company (HK).

If any Tonly Qualified Member demands repayment of any money deposited by it with Finance Company and/or Finance Company (HK) in accordance with the relevant terms and procedure and Finance Company and/or Finance Company (HK) fails to follow the repayment demand, such Tonly Qualified Member shall then have the right to:

- (a) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it and/or any financing provided to it by TCL Financial Services Associates and/or TCL Corporation; and/or
- (b) transfer the right mentioned in (a) above to other Tonly Qualified Members, so that other Tonly Qualified Members have the right to offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by them and/or any financing provided to them by TCL Financial Services Associates and/or TCL Corporation; and/or
- (c) request TCL Corporation to repay the outstanding deposit amount on behalf of Finance Company and/or Finance Company (HK) in full.

Financing Services

Any Tonly Qualified Member may from time to time and in its absolute discretion request any Financing Services from TCL Financial Services Associates. If any of the TCL Financial Services Associates decides to provide any Financing Services to a Tonly Qualified Member within the PRC, the interest rates charged by such TCL Financial Services Associate shall not be higher than the lowest of (i) the maximum interest rates promulgated by the PBOC from time to time in respect of same type of financing services; (ii) the interest rates offered by major commercial banks of the PRC for same type of financing services; and (iii) the interest rates for same type of financing services provided by such TCL Financial Services Associate to any other members of the TCL Corporation Group (including the Group) with the same credit rating, and the other terms and conditions offered by such TCL Financial Services Associate in respect of the Financing Services as a whole shall not be less favourable than those offered by other major commercial banks and by TCL Financial Services Associates to any other members of the TCL Corporation Group (including the Group) with the same credit rating in respect of same type of financing services and shall be on normal commercial terms.

If any of the TCL Financial Services Associates decides to provide any Financing Services to a Tonly Qualified Member outside the PRC, the interest rates charged by such TCL Financial Services Associate shall not be higher than the lower of (i) the interest rates offered by major commercial banks located in the place where the relevant Tonly Qualified Member is located for same type of financing services; and (ii) the interest rates for same type of financing services provided by such TCL Financial Services Associate to any other members of the TCL Corporation Group (including the Group) with the same credit rating, and the other terms and conditions offered by such TCL Financial Services Associate in respect of the Financing Services as a whole shall be on normal commercial terms and shall not be less favourable than those offered by such TCL Financial Services Associate to any other members of the TCL Corporation Group (including the Group) with the same credit rating and major commercial banks located in the place where the relevant Tonly Qualified Member is located in respect of same type of financing services.

TCL Financial Services Associates and the relevant Tonly Qualified Members may enter into specific agreements in compliance with the Listing Rules in respect of any Financing Services to be provided with a view to setting out the detailed terms of the transactions as long as such terms comply with the requirements of the Listing Rules and the Master Financial Services (2018 Renewal) Agreement.

TCL Financial Services Associates may request Tonly Qualified Member(s) to provide security to TCL Financial Services Associates in respect of the Financing Services provided by TCL Financial Services Associates.

Other Financial Services

Any Tonly Qualified Member may from time to time and in its absolute discretion request any TCL Financial Services Associates to provide Other Financial Services, including, among other things, financial advisory services, settlement advisory services, insurance agency services, agency lending and borrowings and any other services approved by relevant regulatory authority.

The fees charged by TCL Financial Services Associates in respect of provision of Other Financial Services within the PRC shall not be higher than the lowest of (i) the fees promulgated by PBOC (if applicable) for relevant services from time to time; (ii) the fees charged by major commercial banks of the PRC in respect of relevant services; and (iii) the fees charged for the relevant services offered by TCL Financial Services Associates to any other members of the TCL Corporation Group (including the Group) with the same credit rating. Other terms and conditions of the Other Financial Services offered by TCL Financial Services Associates within the PRC shall not be less favorable than those offered by PBOC, major commercial banks of the PRC and by TCL Financial Services Associates to any other members of the TCL Corporation Group (including the Group) with the same credit rating for the relevant services and shall be on normal commercial terms.

The fees charged by TCL Financial Services Associates in respect of provision of Other Financial Services outside the PRC shall not be higher than the lower of (i) the fees promulgated by the major commercial banks located in the place where the relevant Tonly Qualified Member is located for relevant services; and (ii) the fees charged for the relevant services offered by TCL Financial Services Associates to any other members of the TCL Corporation Group (including the Group) with the same credit rating. Other terms and conditions of the Other Financial Services offered by TCL Financial Services Associates outside the PRC shall not be less favorable than those offered by the major commercial banks located in the place where the relevant Tonly Qualified Member is located and by TCL Financial Services Associates to any other members of the TCL Corporation Group (including the Group) with the same credit rating for the relevant services and shall be on normal commercial terms.

The relevant Tonly Qualified Member determine in its absolute discretion to use Other Financing Services provided by TCL Financial Services Associates or any other independent financial institutions.

The relevant Tonly Qualified Member may enter into separate written agreements with TCL Financial Services Associates in relation to the provision of the specific services under Other Financial Services with a view to setting out the detailed terms of the transactions, as long as such terms comply with the requirements of the Listing Rules and the Master Financial Services (2018 Renewal) Agreement.

Promotion Services

Any member of the Group may from time to time and in its absolute discretion provide Promotion Services to and receive Promotion Fee from TCL Financial Services Associates in accordance with the Listing Rules and the Master Financial Services (2018 Renewal) Agreement.

TCL Financial Services Associates and the relevant member of the Group may enter into specific agreements in respect of any Promotion Services to be provided and Promotion Fee to be received with a view to setting out the detailed terms of the transactions, as long as such terms comply with the requirements of the Listing Rules and the Master Financial Services (2018 Renewal) Agreement.

Promotion Fee offered by members of the Group in respect of the Promotion Services to be provided shall not be less favourable than those offered by members of the Group to any other Independent Third Party in respect of same type of services and those offered by any other members of the TCL Corporation Group to TCL Financial Services Associates in respect of same type of services and shall be on normal commercial terms.

3. MASTER SALE AND PURCHASE (2018 RENEWAL) AGREEMENT

The Company has entered into the Master Sale and Purchase (2015 Renewal) Agreement on 16 November 2015 which will expire on 31 December 2018. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Sale and Purchase (2018 Renewal) Agreement, the terms of which are substantially the same as the Master Sale and Purchase (2015 Renewal) Agreement. The details of the Master Sale and Purchase (2018 Renewal) Agreement are set out below.

Date: 18 October 2018

Parties: (i) TCL Corporation (for itself and on behalf of each of the members of TCL Corporation Group and TCL Associates)

(ii) the Company (for itself and on behalf of its Subsidiaries)

Duration: 1 January 2019 to 31 December 2021 (both dates inclusive) (subject to approval by the Independent Shareholders)

Transaction Details:

Sourcing of components and parts from TCL Corporation Group

The Company shall procure its Subsidiaries to favourably consider purchasing part of the Group's required components and parts produced or manufactured in the PRC from TCL Corporation Group provided that they can offer terms (including price, payment terms and credit terms) no less favourable than terms available from Independent Third Parties and are capable of meeting the timeline, quality and quantity of the relevant order placed. Such components and parts include mainly circuit boards, wire, tooling and mobile communication module. TCL Corporation shall procure the relevant members of TCL Corporation Group to sell to the relevant members of the Group the requested components and parts.

Sale of components and parts to TCL Corporation Group

If the relevant member of TCL Corporation Group requests or makes a written offer to any member of the Group to purchase from the Group any components and parts, the Company shall procure its Subsidiaries to favourably consider offering to supply to or accepting such offer to purchase made by relevant member of TCL Corporation Group provided that the terms (including price, payment terms and credit terms) of the offer by TCL Corporation Group are no less favourable than terms available to the Group from Independent Third Parties.

The Group's pricing policy and price determination in respect of the Master Sale and Purchase (2018 Renewal) Agreement:

1. The terms (including price and payment terms) shall be agreed between the parties based on normal commercial terms after arm's length negotiations and with reference to the fair market price ranges of products comparable to components and parts offered in the market as at the time when the relevant sale and purchase is performed.

2. The prices charged for the components and parts are under regular review and may be adjusted from time to time on mutual agreement. In determining if the prices charged are on normal commercial terms, the Group shall obtain quotations from TCL Corporation Group and Independent Third Parties for comparable components and parts on a periodic basis and make comparisons. The Group would consider, compare and take reference of the said price quotations in determining the final prices charged.
3. If no comparable transactions are available for references, the Group shall obtain quotations from Independent Third Parties for provision of relevant components and parts similar to the those offered by the Group or TCL Corporation Group as the case may be and the terms (including price and payment terms) shall be no less favourable than those available to or from the Independent Third Parties for provision of products similar to the aforesaid components and parts.
4. The relevant member of the Group has the absolute discretion to decide whether to accept an offer from the relevant member of TCL Corporation Group.

4. TECHNOLOGY SUPPORT SERVICES AND TRADE NAMES LICENCE (2018 RENEWAL) AGREEMENT

The Company has entered into the Technology Support Services and Trade Names Licence (2015 Renewal) Agreement on 16 November 2015 which will expire on 31 December 2018. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Technology Support Services and Trade Names Licence (2018 Renewal) Agreement, the terms of which are substantially the same as the Technology Support Services and Trade Names Licence (2015 Renewal) Agreement. The details of the Technology Support Services and Trade Names Licence (2018 Renewal) Agreement are set out below.

Date: 18 October 2018

Parties: (i) TCL Corporation
(ii) the Company

Duration: 1 January 2019 to 31 December 2021 (both dates inclusive)

Transaction Details: TCL Corporation granted to the Group, a non-exclusive, non-licensable and non-transferable licence to use (i) the general technology support services provided by TCL Corporation Group; and (ii) “TCL” trade name and other trade names from time to time used by TCL Corporation Group.

The Group shall pay TCL Corporation a licence fee to be calculated at a rate of 0.15% of the revenue of the Group which is subject to downward revision as shall be mutually agreed by the parties.

5. MASTER LEASE (TENANT) (2018 RENEWAL) AGREEMENT

The Company has entered into the Master Lease (Tenant) (2015 Renewal) Agreement on 16 November 2015 (as amended and supplemented by the Master Lease (Tenant) (2015 Renewal) Supplemental Agreement) which will expire on 31 December 2018. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Lease (Tenant) (2018 Renewal) Agreement, the terms of which are substantially the same as the Master Lease (Tenant) (2015 Renewal) Agreement. The details of the Master Lease (Tenant) (2018 Renewal) Agreement are set out below.

Date:	18 October 2018
Parties:	(i) TCL Corporation (for itself and on behalf of each of TCL Corporation Group and TCL Associates) (ii) the Company (for itself and on behalf of its subsidiaries)
Duration:	1 January 2019 to 31 December 2021 (both dates inclusive)
Transaction details:	<p>Pursuant to the Master Lease (Tenant) (2018 Renewal) Agreement, the Group shall lease premises from members of the TCL Corporation Group and/or TCL Associates at a monthly rent.</p> <p>The rental shall be determined with reference to the prevailing market rate which shall be no more than the rent payable by an Independent Third Party to TCL Corporation Group for comparable tenancies.</p> <p>In addition to the rental, unless otherwise agreed, TCL Corporation Group shall pay all the (i) taxes, (ii) management fees, (iii) other charges payable to the central and local governments of the PRC or the government of Hong Kong and (iv) the routine repair and maintenance fees.</p>

The Group's pricing policy and price determination in respect of the Master Lease (Tenant) (2018 Renewal) Agreement:

To ensure the rental payable by the Group are on normal commercial terms, the Group shall first obtain market data for rental and management fees payables from Independent Third Parties for comparable tenancies and make comparisons before entering into the individual tenancy agreements pursuant to the Master Lease (Tenant) (2018 Renewal) Agreement and will only enter into tenancy with the relevant member of the TCL Corporation Group if the terms offered by the relevant member of the TCL Corporation Group are no less favourable than those offered by Independent Third Parties in respect of comparable tenancies.

HISTORICAL FIGURES

Set out below are the respective historical figures for the transactions contemplated under the Agreements for the two years ended 31 December 2017 and the nine months ended 30 September 2018:

Continuing Connected Transactions		For the year ended 31 December		For the nine
		2016	2017	months ended 30
		(audited)	(audited)	September 2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	(unaudited)
				<i>HK\$'000</i>
Master Overseas Materials Sourcing (2015 Renewal) Agreement	Purchase of the Overseas Materials by TCL Corporation Group from the Company's overseas subsidiaries in places other than the PRC	129,585	255,142	277,486
	Sale of Overseas Materials by TCL Corporation Group to the Company's nominated subsidiaries in the PRC	149,771	259,692	280,226

Continuing Connected Transactions		For the year ended 31 December		For the nine
		2016 (audited) <i>HK\$'000</i>	2017 (audited) <i>HK\$'000</i>	months ended 30 September 2018 (unaudited) <i>HK\$'000</i>
Master Financial Services (2015 Renewal Agreement) and Master Financial Services (2017 Renewal Agreement)	Maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits)	597,651	782,572	779,603
	Financial service charges for Other Financial Services	51	47	7
	Promotion Fee to be received	–	–	–
Master Sale and Purchase (2015 Renewal) Agreement	Sourcing of components and parts from TCL Corporation Group	7,703	209	–
	Sale of components, parts and accessories to TCL Corporation Group	8,193	11,287	196
Technology Support Services and Trade Names Licence (2015 Renewal) Agreement	Licence fee paid to TCL Corporation	6,361	546	145
Master Lease (Tenant) (2015 Renewal) Agreement	Rental and other expenses paid to TCL Corporation Group	11,227	13,938	10,373

PROPOSED ANNUAL CAPS FOR THE AGREEMENTS

Continuing Connected Transactions		For the year ending 31 December		
		2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Master Overseas Materials Sourcing (2018 Renewal) Agreement	Purchase of the Overseas Materials by TCL Corporation Group from the Company's overseas subsidiaries in places other than the PRC	705,599	846,718	1,016,062
	Sale of Overseas Materials by TCL Corporation Group to the Company's nominated subsidiaries in the PRC	712,655	855,186	1,026,223
Master Financial Services (2018 Renewal) Agreement	Maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits)	1,100,000	1,265,000	1,454,750
	Financial service charges for Other Financial Services	1,815	1,815	1,815
	Promotion Fee to be received	2,700	2,700	2,700

Continuing Connected Transactions		For the year ending 31 December		
		2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Master Sale and Purchase (2018 Renewal) Agreement	Sourcing of components and parts from TCL Corporation Group	10,000	10,000	10,000
	Sale of components, parts and accessories to TCL Corporation Group	152,183	175,753	276,415
Technology Support Services and Trade Names Licence (2018 Renewal) Agreement	Licence fee to be paid to TCL Corporation	5,000	5,000	5,000
Master Lease (Tenant) (2018 Renewal) Agreement	Rental and other expenses to be paid to TCL Corporation Group	39,169	39,785	43,764

BASIS OF THE PROPOSED ANNUAL CAPS

Master Overseas Materials Sourcing (2018 Renewal) Agreement

In determining the proposed annual caps for the transactions under the Master Overseas Materials Sourcing (2018 Renewal) Agreement for the three years ending 31 December 2021, the Group has taken into account the expected growing demand for Overseas Materials, and the launch of new factories in Guangxi Beihai and Dongguan in line with its expected business development.

Master Financial Services (2018 Renewal) Agreement

The proposed annual caps in relation to the Master Financial Services (2018 Renewal) Agreement are determined by reference to the historical amounts of the relevant transactions and taking into account the following factors:

- (i) Having been satisfied with the services and the benefits provided by Finance Company and/or Finance Company (HK) such as better interest rates than available from other financial institutions, it is expected the balance of deposits with Finance Company and/or Finance Company (HK) will increase;
- (ii) It is expected that the business of the Company will expand in the following years and as a result, the capital available for deposit with Finance Company and/or Finance Company (HK) will also increase;

- (iii) It is expected that the Group's audio products business will progress and move away from the initial stage towards a more mature stage and will continue to grow in future. It is expected that the Group's audio products business, in particular the headphone business will continue to grow. Further, benefiting from the rapid growth of the global market for smart products, the Group expects that its smart speaker business and the components related to the smart products will expand significantly. In light of the above, it is expected that the cash flow of the Group at peak season of sales of the upcoming years will be strong and hence the Group's demand for deposit services from TCL Financial Services Associates may increase up to the proposed Annual Cap at the peak season;

Financial Services Charges for Other Financial Services

- (iv) It is expected that the TCL Financial Services Associates will assist the Group in obtaining unsecured guarantee letters from commercial banks in the PRC such as the Huizhou branch of the Bank of China at the request of the suppliers of the Group which are within the PRC in the amount of approximately HK\$100 million per annum for each of the 3 years ending 31 December 2021. The average duration of the unsecured guarantee letters is approximately 720 days. At the service charge rate of approximately 0.075% per 90 days, the service charge to be paid in respect of the unsecured guarantee letters are expected to be approximately HK\$600,000 per annum for each of the 3 years ending 31 December 2021. The service charge for other miscellaneous services under the head of Other Financial Services is expected to be approximately HK\$1.8 million, per annum for each of the 3 years ending 31 December 2021;

Deposit Services

- (v) As at 30 June 2018, the Group's cash and cash equivalents were approximately HK\$725 million. Given that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow, it is expected that the Group's cash and cash equivalents would increase to approximately HK\$818 million, HK\$977 million and HK\$945 million as at 31 December 2019, 2020 and 2021 respectively;
- (vi) The Directors of the Company (other than the independent non-executive Directors whose views will be set out in the circular) believe that the proposed Annual Caps are reasonable, particularly having regard to the following factors:
- (a) Having considered the total daily balance of deposits placed by the Group (including both within the PRC and outside the PRC) as at the date of this announcement which has already exceeded HK\$780 million, the Group expects that the maximum amount of deposits to be maintained with Finance Company and Finance Company (HK) could be up to the proposed Annual Cap for the maximum outstanding daily balance of deposits for the 3 years ending 31 December 2021;

- (b) It is in the Group's absolute discretion to decide whether to deposit money with Finance Company and/or Finance Company (HK) under the Master Financial Services (2018 Renewal) Agreement and the Group would only do so if the terms offered by Finance Company and/or Finance Company (HK) are of no less favourable than those offered by major commercial banks in the relevant jurisdiction, the Group expects that the proposed Annual Caps are reasonably set;
- (c) The Group expects that the Group's audio products business and smart products business will progress and move away from the relatively initial stage towards more mature stage and will continue to grow in future and the Group's increasing demand for deposit services arising therefrom as stated hereinabove;

Promotion Services

- (vii) The proposed Annual Cap for Promotion Fee to be received by the Group is determined by reference to the estimated need of the services of TCL Financial Services Associates to be promoted to the Group's suppliers and customers based on the Group's preliminary discussion with TCL Financial Services Associates and the estimated Promotion Fee which the Group could earn based on such estimated need.

Master Sale and Purchase (2018 Renewal) Agreement

In determining the proposed annual caps under the Master Sale and Purchase (2018 Renewal) Agreement for the three years ending 31 December 2021, the Group has taken into account the following factors:

- (i) the expected demand of Accessories in the following years; and
- (ii) the historical actual amount of sourcing of components and parts; and sale of components and parts and Accessories.

Technology Support Services and Trade Names Licence (2018 Renewal) Agreement

The proposed annual caps are determined (i) assuming the licence fee be calculated at a rate of 0.15% of the revenue of the Group, (ii) after taking into account the historic total sales of the Group's products, and (iii) the estimated steady annual growth in the sales of the Group's products.

The Group expects that the sales of AV Products (excluding TV sets) will become increasingly concentrated in certain well-known international brands, most of which are the Group's customers and have long-term relationships with us. Further, the Group has input substantial resources in developing audio products and thus we expect there will be growth in the sales of the Group's audio products in the three years ending 31 December 2021. Accordingly, although the global sales of AV Products are expected to decrease in the coming few years, the Group expects that we can maintain a steady growth in the sales of the Group's products in the three years ending 31 December 2021.

Master Lease (Tenant) (2018 Renewal) Agreement

In determining the proposed annual caps for the three years ending 31 December 2021 under the Master Lease (Tenant) (2018 Renewal) Agreement, the Group has taken into account the following factors:

- (i) current and ongoing demand for premises in light of business development of the Group;
- (ii) historical amounts paid for rentals contemplated under the Master Lease (Tenant) (2015 Renewal) Agreement;
- (iii) the estimated aggregate annual rents payable calculated based on the total area of the properties leased and properties to be leased and the average rent per sq. m.; and
- (iv) the market value of the rent to be paid for the premises contemplated by the Group if such were to be rented from independent third parties.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Master Overseas Materials Sourcing (2018 Renewal) Agreement

The Company considers that in respect of the Master Overseas Materials Sourcing (2018 Renewal) Agreement, the arrangement of sourcing Overseas Materials via TCL Corporation Group is the best alternative for the Group to source Overseas Materials for the Group's production. Instead of opting to import directly from the Company's overseas subsidiaries and/or from designated overseas Independent Third Parties, the sourcing of Overseas Materials through TCL Corporation Group will facilitate custom clearance and import logistic of sourcing Overseas Materials of the Group. Further, the Company believes that TCL Corporation being our controlling shareholder is a more reliable business partner than other Independent Third Parties in performing such custom clearance and import logistic function.

Given TCL Corporation Group is one of the largest conglomerates in Huizhou, the PRC, where our production facility is located, it maintains a sound record in the Customs. TCL Corporation is classified as a class AA enterprise whereas the Company is classified as a class A enterprise. Based on the requirements of “The Measures of the Customs of the PRC on the Classified Management of Enterprises” (《中華人民共和國海關企業分類管理辦法》) published by the Customs on 14 October 2010 and implemented since 1 January 2011, the Customs shall, in light of the enterprises’ performances in observing laws, administrative regulations, customs rules, relevant provisions on corruption and their respective business management status as well as the customs supervision and statistical records, etc., to evaluate and provide classification to consignees and consigners of import and export of goods registered with the Customs.

The consignee or consigner of import or export of goods in class AA shall meet the following requirements: (1) meeting the requirements of the management category of class A, and having been subject to the management of class A for at least one year; (2) having the error rate of import or export declaration below 3% during the previous year; (3) meeting the requirements for customs administration, enterprise business management and trading safety upon the inspection of the Customs; (4) submitting a “Evaluation Report on Enterprise Business Management Status” and the audit report for the previous year as issued by an accounting firm annually; and (5) submitting a “Form on the Import and Export Business” every semi-annually, and the enterprises are being reviewed annually.

Accordingly, TCL Corporation, as a class AA enterprise, enjoys more advantages and is in a better position than the Company to perform custom clearance in the area as it benefits from the privileged policy under “Measures of the Customs of the PRC on the Classified Management of Enterprises” (《中華人民共和國海關對企業實施分類管理辦法》). As a class AA enterprise, TCL Corporation is able to enjoy the economic benefits, convenience and efficiency brought by import duties determined based on its actual transaction price as notified by TCL Corporation to the Customs instead of estimation by the Customs.

For other non-class AA enterprises, the Customs is more sceptical about the transaction price as notified by the importers to the Customs and they may raise a lot of questions and request submission of further evidence to prove the actual transaction price. This process is time consuming and if, in the end, the Customs is not prepared to accept that the transaction price as notified to them is the actual transaction price, import duties will be determined by the Customs based on any of the followings: (i) the transaction price of same goods imported to the same country or region; (ii) the transaction price of similar goods imported to the same country or region; (iii) the cost of producing same or similar goods in the PRC; or (iv) any other reasonable pricing basis. Import duties determined on such estimation basis are generally higher than those determined based on the actual transaction price. Moreover, the time needed for custom clearance is usually longer when custom duties determined on such basis as the Customs would need more time and effort to communicate with the enterprise concerned in order to ascertain and verify the

transaction price. Therefore, the Group, by sourcing Overseas Materials from TCL Corporation Group, is able to enjoy the economic benefits, convenience and efficiency brought by import duties determined based on the actual transaction price instead of estimation by the Customs.

Furthermore, there are specific and professional departments of TCL Corporation Group responsible for the custom clearance and import logistic of sourcing various overseas materials for its other members, including the Group. Such arrangement of custom clearance and import logistic in bulk can achieve economies of scale and thus increase the flexibility and efficiency and decrease the marginal costs involved and can provide custom clearance service at a more competitive price than other service providers. The Company is free to source from any Independent Third Parties such custom clearance and import logistic services and has obtained quotations from Independent Third Parties for the provision of such services. It is noted that TCL Corporation Group has a comparative price advantage on the administrative charges over them. Further, the Company believes that TCL Corporation being our controlling shareholder is a more reliable business partner than other Independent Third Parties in performing such custom clearance and import logistic function. If the Group is to perform the entire custom clearance function on its own, including custom clearance for Overseas Materials as envisaged under the Master Overseas Materials Sourcing Agreement, the Group has to employ additional qualified staff and additional operating costs would have to be incurred.

Considering the fact that out of the administrative charge to be charged by TCL Corporation Group, 90% would represent the actual expenses to be incurred by TCL Corporation Group and that such administrative charge charged by TCL Corporation has been lower than the fee proposed to be charged by other Independent Third Parties in the past, the Directors consider that the pricing term for the Master Overseas Materials Sourcing (2018 Renewal) Agreement is fair and reasonable. Given that quotations from Independent Third Parties would be obtained by the Company on a yearly basis in order to evaluate whether the terms of the transactions to be carried out pursuant to the Master Overseas Materials Sourcing (2018 Renewal) Agreement is more favourable to the Group than those offered by the Independent Third Parties, the Directors consider that the transactions contemplated under the Master Overseas Materials Sourcing Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders and, in particular, the minority Shareholders.

The Directors (other than the independent non-executive Directors who will render their views in the circular) consider that the continuing connected transactions under the Master Overseas Materials Sourcing (2018 Renewal) Agreement and the respective proposed annual caps thereof are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Master Financial Services (2018 Renewal) Agreement

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular) consider that the terms of the Master Financial Services (2018 Renewal) Agreement and the transactions contemplated thereunder are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the Master Financial Services (2018 Renewal) Agreement and the transactions contemplated thereunder for the following reasons:

1. The Master Financial Services (2018 Renewal) Agreement allows TCL Financial Services Associates to provide cost efficient finance and treasury services to all Tonly Qualified Members. The Company believes that TCL Financial Services Associates, which are financial institutions duly established in or outside the PRC and the pricing policies and the operation of which are subject to guidelines issued by the China Banking Regulatory Commission or relevant authorities where the financial institutions duly established outside the PRC, may also facilitate the Tonly Qualified Members to obtain cheaper financing from other financial institutions in or outside the PRC by taking advantage of the inter-bank lending rates which TCL Financial Services Associates may enjoy in respect of their own borrowings from other financial institutions. Since the credit ranking of TCL Corporation is better than that of Tonly Qualified Members, TCL Financial Services Associates may obtain better financing options from the financial institutions outside through TCL Corporation by making use of its advantage in credit ranking, and in turn the TCL Financial Services Associates may offer favourable financing options to Tonly Qualified Members. It is expected that the inter-bank interest rates are usually lower than the interest rates of other corporate commercial loans.
2. Further, Finance Company has been providing financial services to the Group and has a thorough understanding of the operations and development needs of the Group. Accordingly, it is expected that TCL Financial Services Associates (including Finance Company and Finance Company (HK)) will be more efficient in terms of processing transactions for the Group than other financial institutions given their close relationships.
3. In the course of business of the Group, suppliers of the Group may request the Group to provide unsecured guarantee letters from commercial banks in the PRC such as the Huizhou branch of the Bank of China. Out of the Other Financial Services, the Group may request TCL Financial Services Associates to assist the Group in obtaining such unsecured guarantee letters. Since the credit ranking of TCL Financial Services Associates may be better than that of the Group, TCL Financial Services Associates may be able to obtain unsecured guarantee letters with better terms. The Group will be benefited from such arrangement since it allows the Group to obtain such unsecured guarantee letters to facilitate the Group's business with its suppliers.
4. By enabling members of the Group to provide the Promotion Services, the Group would be able to leverage on its relationship with its suppliers and customers to earn the Promotion Fee.

Master Sale and Purchase (2018 Renewal) Agreement

The Company considers that in respect of the Master Sale and Purchase (2018 Renewal) Agreement, insofar as transactions concerning the sourcing of components and parts, it will continue to facilitate the smooth operation of the Group's business by providing a stable and reliable source of supply of the necessary materials manufactured in the PRC for the Group's manufacture of the audio visual products and the necessary finished goods for the Group's operations. Due to geographical proximity of the production facility of the Group and that of TCL Corporation Group, the Group can also enjoy the benefit of saving transportation and storage costs from sourcing components and parts from TCL Corporation Group.

Insofar as sale of components is concerned, it allows the Group to better manage its level of components and parts by providing additional flexibility to the Group for managing its spare components and parts (if any) and insofar as sale of Accessories is concerned, the Group may generate revenue by supplying to TCL Corporation Group on normal commercial terms and explore new business opportunity in bundle sale of the Group's products and TCL Corporation Group's electronics products.

Components and parts to be supplied to TCL Corporation Group are mainly loader and integrated circuits, components. TCL Corporation Group sources Accessories from the Group which are subsequently sold to TCL Corporation Group's customers as accessory or part and parcel of TCL Corporation Group's electronics products, including television sets and mobile phones. Such sourcing and subsequent sale of Accessories by TCL Corporation would not affect its compliance with its undertakings and covenants made under the Deed of Non-Competition in favour of the Group.

There is no minimum commitment of components, parts and Accessories to be purchased by TCL Corporation Group or to be supplied by the Group under the Master Sale and Purchase (2018 Renewal) Agreement, and the Company can sell its spare components, parts and Accessories to alternative customers at similar terms offered to TCL Corporation Group.

On the other hand, the Company is in control to source from any Independent Third Parties components and parts and the Company will obtain quotations from certain Independent Third Parties for such components and parts. It is noted that TCL Corporation Group has a comparative price advantage on supplying such components and parts to the Group over them. In the event that any sale and purchase under the Master Sale and Purchase (2018 Renewal) Agreement are conducted, a purchase order setting out all the terms of the transaction will be entered into by the relevant Subsidiaries of the Group and TCL Corporation Group provided always that such terms shall be no less favourable than terms available to the Group from Independent Third Parties.

The credit period the Group offers to Independent Third Parties ranges from 15 to 180 days and the credit period offered by Independent Third Parties to the Group ranges from 15 to 120 days. The credit period the Group offers to TCL Corporation Group is 60 days whereas the credit period TCL Corporation Group offers to the Group is also 60 days. Such credit period falls within the range of credit period offered to and by Independent Third Parties and hence are comparable to those offered by Independent Third Parties.

The Directors (other than the independent non-executive Directors who will render their views in the circular) consider that the continuing connected transactions under the Master Sale and Purchase (2018 Renewal) Agreement and the respective proposed annual caps thereof are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Technology Support Services and Trade Names Licence (2018 Renewal) Agreement

TCL Corporation Group, as a major PRC conglomerate, in order to achieve cost and administrative efficiency, takes up all advertising, brand promotion and related work for all of its subsidiaries. Such centralisation of brand promotion efforts has been viewed to be of the interest to all members of TCL Corporation Group since as a result thereof much intangible value can be generated to the trade name of TCL. By entering into the Technology Support Services and Trade Names Licence (2018 Renewal) Agreement, the Group is able to continue to use the trade name of TCL for the Group's business development and client development. Further, a number of the Group members are using "TCL" as part of their company names. After years of efforts in advertising and brand promotion, the trade name of TCL enjoys considerable goodwill.

The Group has its own research and development department which is specific to the Group's products only. TCL Corporation Group has its own development centre known as Industry Research Institute which conducts forward-looking technology research, develops industries convergence technology and new product, establishment of technology management platform for TCL Corporation and its subsidiaries, integrates and coordinates the technology resource of various members of TCL Corporation Group and leads and organizes governmental technology projects.

It would be beneficial and cost effective to us if we could share such know-how, expertise, experience and research results of TCL Corporation Group and provide the Group with the know-how, research results, expertise and experience relevant to the Group's new product development, especially in view of product convergence in electronic products industry. The sharing of such technology support or know-how is particularly important since the Group's products may be required to cross over with other electronic products.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Technology Support Services and Trade Names Licence (2018 Renewal) Agreement and the proposed annual caps thereof are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Master Lease (Tenant) (2018 Renewal) Agreement

Due to geographical proximity, the Group has been leasing certain properties in Shenzhen and Huizhou from TCL Corporation Group as its offices, factory, warehouse and dormitory.

The Directors (including independent non-executive Directors) consider that it is the interests of the Company and the Shareholders as a whole to enter into the Master Lease (Tenant) (2018 Renewal) Agreement in order to regulate the existing and new leases entered into between the Group and TCL Corporation Group.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the Master Lease (Tenant) (2018 Renewal) Agreement and the proposed annual caps thereof are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling shareholder of the Company, currently holds approximately 48.70% of the issued share capital of the Company and is a connected person of the Company under the Listing Rules. Finance Company and Finance Company (HK) being subsidiaries of TCL Corporation, are also connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of agreements 4 and 5 exceed 0.1% but are all less than 5%, the continuing connected transactions contemplated thereunder are exempted from the Independent Shareholders' approval requirement under Rule 14A.76(2)(a) but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of agreements 1 to 3 exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Furthermore, as the applicable percentage ratios in relation to the Deposit Services under the Master Financial Services (2018 Renewal) Agreement exceed 25%, in addition to being continuing connected transactions, the above transaction constitutes a major transaction of the Company and is subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Deposit Services under the Master Financial Services (2018 Renewal) Agreement exceeds 8%, the Deposit Services under the Master Financial Services (2018 Renewal) Agreement also constitutes an advance to an entity and is subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

Notwithstanding the respective interest and/or role of certain Directors in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the Agreements, therefore all Directors are entitled to vote pursuant to the Company's articles of association.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms and the proposed caps of the Non-Exempt Transactions. The Company has appointed Pelican Financial as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Company will despatch to the Shareholders a circular containing further details of the transactions contemplated under the Non-Exempt Transactions, letters from the Independent Board Committee and the Independent Financial Adviser, and a notice convening the EGM on or before 26 November 2018 since more time is required to finalise the circular.

TCL Corporation and TCL Associates will abstain from voting in respect of the transactions contemplated under the agreements 1, 2 and 3 to be put forward at the EGM.

GENERAL

The Group is one of the world's leading vertically-integrated manufacturing services provider in the AV product industry, and is principally engaged in research and development, manufacturing and sale of premium AV products for internationally renowned brands on an original design manufacturing basis. For more information on the Group, please visit its official website at <http://www.tonlyele.com/> (the information that appears in this website does not form part of this announcement).

TCL Corporation and its Subsidiaries (including the Group) is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, telecommunications, information technology and electrical products. For more information on TCL Corporation, please visit TCL Corporation's official website at <http://www.tcl.com> (the information that appears in this website does not form part of this announcement).

Finance Company provides financial services including corporate finance advisory services, credit worthiness verification and related consultancy and agency services, collection and payment services, approved insurance agency services, guarantee services, agency lending and investment services, discounting bills and design of various schemes for settlement and clearing in respect of group fund transfer, and any other services approved by the China Banking Regulatory Commission for the Qualified Members.

Finance Company (HK) is principally engaged in obtaining and utilizing funds required for operation of TCL Corporation Group (including the Group), the main functions of which include but not limited to financing of funds inside TCL Corporation Group (including the Group), the management cash pool and liquidity of funds, pay vendor or supplier, assistance of TCL Corporation Group (including the Group) to procure funds, and risk management.

DEFINITIONS

“Accessories”	means products to be supplied to TCL Corp Group for its distribution which will be subsequently sold to TCL Corporation Group’s customers as accessory to or part and parcel of TCL Corporation Group’s electronics products; and such products may bear any brands as designated by any ODM customers of the Group
“Agreements”	(1) the Master Overseas Materials Sourcing (2018 Renewal) Agreement, (2) the Master Financial Services (2018 Renewal) Agreement, (3) the Master Sale and Purchase (2018 Renewal) Agreement, (4) the Technology Support Services and Trade Names Licence (2018 Renewal) Agreement, and (5) the Master Lease (Tenant) (2018 Renewal) Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AV Products”	means audio-visual products including but not limited to DVD players, blu-ray players, audio products, etc. manufactured, produced or otherwise sold or distributed by the Group
“Board”	the board of Directors

“Business Day”	a day on which banks in Hong Kong are open to conduct business generally throughout their normal business hours and the Stock Exchange is open for trading, excluding a Saturday, Sunday, public holidays and days on which a tropical cyclone warning number 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00 on weekdays
“Company”	Tonly Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01249)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Covenantors”	TCL Corporation and TCL Industries
“Deed of Non-Competition”	the deed of non-competition entered into between the Company and the Covenantors on 15 July 2013 as varied and supplemented by the deed of variation entered into between the Company and the Covenantors on 21 July 2017
“Deposit Services”	deposit of money by Tonly Qualified Members with Finance Company and Finance Company (HK) pursuant to the Master Financial Services (2018 Renewal) Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, approve the Non-Exempt Transactions and the relevant proposed annual caps
“Factoring Company”	TCL Commercial Factoring (Shenzhen) Company Limited* (TCL商業保理(深圳)有限公司), a company incorporated in the PRC with limited liability

“Finance Company”	TCL Finance Co., Ltd., a company owned as to 82% by TCL Corporation, as to 14% by TCL King Electrical Appliances (Chengdu) Company Limited (an associate of TCL Corporation and an indirect Subsidiary of TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 01070) and a TCL Associate) and as to 4% by JRD Communication (Shenzhen) Ltd. (an indirect Subsidiary of TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and a TCL Associate)
“Finance Company (HK)”	TCL Finance (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability
“Financing Services”	the services of money lending and other financing (including loans, guarantees, receivable factoring, bill acceptance and bill discounting) which may be provided by TCL Financial Services Associates to Tonly Qualified Members pursuant to the relevant Master Financial Services (2018 Renewal) Agreement
“Financial Leasing Company”	TCL Financial Leasing (Zhuhai) Company Limited* (TCL 融資租賃(珠海)有限公司), a company incorporated in the PRC with limited liability
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Import Price”	the purchase price paid or to be paid by the Company’s overseas subsidiaries to Independent Third Parties for the purchase of the Overseas Materials
“Independent Board Committee”	an independent committee of the Board to be established for the purpose of reviewing the terms of and the proposed annual caps for transactions contemplated under the Agreements
“Independent Shareholders”	Shareholders other than TCL Corporation and TCL Associates

“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, Controlling Shareholders and substantial shareholders of the Company or any of its subsidiaries and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Financial Services (2017 Renewal) Agreement”	the master financial services (2017 renewal) agreement entered into between the Company, the Finance Company, the Finance Company (HK) and TCL Corporation on 12 July 2017
“Master Financial Services (2018 Renewal) Agreement”	the master financial services (2018 renewal) agreement entered into between the Company, the Finance Company, the Finance Company (HK) and TCL Corporation on 18 October 2018
“Master Lease (Tenant) (2015 Renewal) Agreement”	the master lease (tenant) (2015 renewal) agreement entered into between the Company as tenant and TCL Corporation as landlord on 16 November 2015 as amended and supplemental by the Master Lease (Tenant) (2015 Renewal) Supplemental Agreement
“Master Lease (Tenant) (2015 Renewal) Supplemental Agreement”	the master lease (tenant) (2015 renewal) supplemental agreement entered into between the Company and TCL Corporation on 31 May 2017, which is supplemental to the Master Lease (tenant) (2015 renewal) Agreement
“Master Lease (Tenant) (2018 Renewal) Agreement”	the master lease (tenant) (2018 renewal) agreement entered into between the Company as tenant and TCL Corporation as landlord on 18 October 2018
“Master Overseas Materials Sourcing (2015 Renewal) Agreement”	the master overseas materials sourcing (2015 renewal) agreement entered into between the Company and TCL Corporation on 16 November 2015

“Master Overseas Materials Sourcing (2018 Renewal) Agreement”	the master overseas materials sourcing (2018 renewal) agreement entered into between the Company and TCL Corporation on 18 October 2018
“Master Sale and Purchase (2015 Renewal) Agreement”	the master sale and purchase (2015 renewal) agreement entered into between the Company and TCL Corporation on 16 November 2015
“Master Sale and Purchase (2018 Renewal) Agreement”	the master sale and purchase (2018 renewal) agreement entered into between the Company and TCL Corporation on 18 October 2018
“Non-Exempt Transactions”	the transactions contemplated under the Master Overseas Materials Sourcing (2018 Renewal) Agreement, the Master Financial Services (2018 Renewal) Agreement, and the Master Sale and Purchase (2018 Renewal) Agreement
“ODM”	original design manufacturing under which the manufacturer owns the design of the products which are sold under the customer’s brand
“Other Financial Services”	all financial services which may be provided by TCL Financial Services Associates for Tonly Qualified Members under the Master Financial Services (2018 Renewal) Agreement other than the Deposit Services and the Financing Services including but not limited to financial advisory services, settlement advisory services, insurance agency services, agency lending and borrowings, bills, letter of credit discounting, documentary bills services and any other services approved by the China Banking Regulatory Commission
“Overseas Materials”	the articles, things, parts or components manufactured or produced in areas other than the PRC which are required for the manufacture or production of the Company’s products

“Pelican Financial”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Board to advise the independent board committee and the Independent Shareholders in respect of the terms of the Non-Exempt Transactions
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Promotion Fee”	fee payable by TCL Financial Services Associates to the relevant members of the Group for its provision of Promotion Services pursuant to the Master Financial Services (2018 Renewal) Agreement
“Promotion Services”	services to be provided by the relevant members of the Group to procure its suppliers and/or customers to engage TCL Financial Services Associates for their provision of services pursuant to the Master Financial Services (2018 Renewal) Agreement
“Qualified Member(s)”	all companies which Finance Company will be allowed to provide services to pursuant to the Administrative Measures on Group Finance Companies (企業集團財務公司管理辦法) promulgated by the China Banking Regulatory Commission, which shall only include TCL Corporation, any Subsidiary of which TCL Corporation owns an equity interest of 51% or more, any company in which TCL Corporation or any of its subsidiaries own, individually or collectively, an equity interest of over 20% and any company in which TCL Corporation or any of its subsidiaries are, individually or collectively, the largest shareholder
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company

“Shareholders”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	any entity within the meaning of the term “Subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“TCL Associate(s)”	the associate(s) of TCL Corporation
“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
“TCL Corporation Group”	TCL Corporation and its Subsidiaries and any entity that may become Subsidiary of the TCL Corporation from time to time and for the purpose of the Agreements (other than Master Financial Services (2018 Renewal) Agreement) also include TCL Associates and any entity that may become TCL Associate (excluding the members comprising the Group unless otherwise specified)
“TCL Financial Services Associates”	the existing TCL Associates and any entity that may become TCL Associates from time to time during the term of the Master Financial Services (2018 Renewal) Agreement which carry on businesses in deposit, clearing, bill discounting and securities, factoring finance, financial leasing and guarantees and other financial services, including but not limited to Finance Company, Finance Company (HK), Factoring Company, Huizhou Zhonghai TCL Smart Technology Micro-Credit Company Limited* (惠州市仲愷TCL智融科技小額貸款股份有限公司), Guangzhou TCL Internet Micro-Credit Company Limited* (廣州TCL互聯網小額貸款有限公司), TCL Internet Financing Services (Shenzhen) Company Limited* (TCL互聯網金融服務(深圳)有限公司), and Financial Leasing Company
“TCL Industries”	TCL Industries Holdings (HK) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of TCL corporation
“Technology Support Services and Trade Names Licence (2015 Renewal) Agreement”	the technology support services and trade names licence agreement entered into between the Company and TCL Corporation on 16 November 2015

“Technology Support Services and Trade Names Licence (2018 Renewal) Agreement”	the technology support services and trade names licence (2018 renewal) agreement entered into between the Company and TCL Corporation on 18 October 2018
“Tonly Qualified Member(s)”	such member(s) of the Group which is a/are Qualified Member(s)
“USD”	United Sates dollars, the lawful currency of the United States of America
%	per cent

By order of the Board
LIAO Qian
Chairman

Hong Kong, 18 October 2018

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

As at the date of this announcement, the Board comprises Mr. YU Guanghui, Mr. SONG Yonghong and Mr. REN Xuenong as executive Directors, Mr. LIAO Qian as non-executive Director and Mr. POON Chiu Kwok, Mr. LI Qi and Mr. LEONG Yue Wing as independent non-executive Directors.