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**TCL ELECTRONICS HOLDINGS LIMITED**

**TCL 電子控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

**CONTINUING CONNECTED TRANSACTIONS**

**MASTER SALE AND PURCHASE (2019-2021) AGREEMENT**

**MASTER SERVICES (2019-2021) AGREEMENT**

**MASTER BRAND PROMOTION (2019-2021) AGREEMENT**

**AND**

**MASTER RENTAL (2019-2021) AGREEMENT**

**INTRODUCTION**

On 14 June 2019 (after trading hours), the Company entered into the following agreements with TCL Holdings and the transactions contemplated thereunder constitute continuing connected transactions of the Company:

1. Master Sale and Purchase (2019-2021) Agreement;
2. Master Services (2019-2021) Agreement;
3. Master Brand Promotion (2019-2021) Agreement; and
4. Master Rental (2019-2021) Agreement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 1,235,272,639 Shares of the Company, representing approximately 52.33% of the total number of issued Shares of the Company, are held by TCL Industries, which in turn is held as to 100% by TCL Holdings. As such, TCL Industries is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Holdings is the holding company of TCL Industries, it is an associate of TCL Industries and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the Master Sale and Purchase (2019-2021) Agreement, Master Services (2019-2021) Agreement, Master Brand Promotion (2019-2021) Agreement and Master Rental (2019-2021) Agreement therefore 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 annual caps of the Master Rental (2019-2021) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempted from the 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 the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement and the Master Brand Promotion (2019-2021) Agreement (i.e. agreements for the Non-exempt Transactions) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Shareholders on the terms and the proposed caps of the Non-exempt Transactions. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the 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 June 2019.

In view of Mr. LI Dongsheng's indirect interests in TCL Holdings, he did not participate in nor vote in the board meeting during which the Board approved the Non-exempt Transactions and the Master Rental (2019-2021) Agreement to avoid any potential conflict of interests, and that he will abstain from voting in the EGM.

Out of the other Directors, Mr. WANG Cheng is also the chief executive officer of TCL Holdings, whereas Mr. WANG Yi is also a vice-president of TCL Holdings. Nevertheless, notwithstanding their offices held in TCL Associates, none of them or the other Directors are considered as having a material interest in the Non-exempt Transactions or the Master Rental (2019-2021) Agreement, therefore all the other Directors are entitled to vote on the relevant board resolution pursuant to the Company's articles of association.

TCL Holdings, TCL Associates and Mr. LI Dongsheng, an executive Director and the Chairman of the Company, will abstain from voting in respect of the Non-exempt Transactions to be put forward at the EGM.

## **INTRODUCTION**

On 14 June 2019 (after trading hours), the Company entered into the following agreements with TCL Holdings and the transactions contemplated thereunder constitute continuing connected transactions of the Company:

1. Master Sale and Purchase (2019-2021) Agreement;
2. Master Services (2019-2021) Agreement;
3. Master Brand Promotion (2019-2021) Agreement; and
4. Master Rental (2019-2021) Agreement.

## **CHANGES TO THE FORMER AGREEMENTS**

### **1. The Former Agreements**

Prior to April 2019, the Group had from time to time been conducting continuing connected transactions with various entities which by that time were associates of TCL Corporation, the then controlling shareholder of the Company (through TCL Industries) and the Company had entered into various continuing connected transactions agreements with TCL Corporation to govern such transactions. In particular, the Company entered into the following Former Agreements with TCL Corporation which remain in effect as at the date of this announcement:

- (A) On 21 March 2017, the Company entered into the Master Financial Services (2017 Renewal) Agreement with TCL Corporation, TCL Finance (Hong Kong) Co., Limited and TCL Finance Co., Ltd. for a duration covering the three financial years ending 31 December 2017, 2018 and 2019. For details of the Master Financial Services (2017 Renewal) Agreement, please refer to the announcement of the Company dated 21 March 2017 and circular of the Company dated 19 April 2017;

- (B) On 29 September 2017, the Company entered into the 2017 Renewal Agreements with TCL Corporation and/or its then associates with a duration covering the three financial years ending 31 December 2018, 2019 and 2020. For details of each of the 2017 Renewal Agreements, please refer to the announcement of the Company dated 29 September 2017 and the announcement and the circular of the Company dated 27 November 2017; and
- (C) Further, on 31 October 2018, the Company entered into the 2018 Master Services Agreement with TCL Corporation for a duration of three financial years ending 31 December 2018, 2019 and 2020. For details of the 2018 Master Services Agreement, please refer to the announcements of the Company dated 31 October 2018 and 6 November 2018.

## 2. The Temporary Agreements

In the first quarter of 2019, a restructuring (the “**Restructuring**”) involving certain then subsidiaries and associates of TCL Corporation occurred, whereby TCL Corporation spun off, among others, all its equity interests in TCL Industries, together with its equity interests in various of its associates (including those with which the Group had been conducting continuing connected transactions) to TCL Holdings.

As the spin-off by TCL Corporation of all its ownership interest in, among others, TCL Industries to TCL Holdings had been completed by 31 March 2019, TCL Corporation ceased to be a connected person of the Company since then. Accordingly, the transactions between the Group and TCL Corporation Group ceased to be continuing connected transactions since then.

As disclosed in the 2019 April Announcement, in view of a change in certain connected persons (due to the Restructuring), as a short-term arrangement, the Company entered into the Temporary Agreements with various TCL Associates so as to meet the Company’s business needs in its daily operation. As all of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of each of the Temporary Agreements were less than 5%, the continuing connected transactions contemplated thereunder were exempted from the Shareholders’ approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules. For details of the Temporary Agreements, please refer to the 2019 April Announcement.

Following the completion of the Restructuring and the entering into of the Temporary Agreements and as at the date of this announcement:

- (i) no transaction with members of TCL Holdings Group had been or would be carried under the Former Agreements regarding the then continuing connected transactions between the Group and the TCL Corporation Group;

- (ii) the Former Agreements have neither been terminated, replaced or renewed by the Temporary Agreements but would remain in force, yet the transactions contemplated thereunder would cease to be connected transactions; and
- (iii) no allocation would be made to the annual caps of the Former Agreements to cover transactions carried out between the Group and TCL Holdings Group as no transactions would be conducted between the Group and the TCL Holdings Group pursuant to the Former Agreements.

### **3. The Agreements**

Whilst the Temporary Agreements are going to expire on 30 September 2019, on 14 June 2019, the Company entered into the Agreements with TCL Holdings and the transactions contemplated thereunder constitute continuing connected transactions.

The Master Brand Promotion (2019-2021) Agreement is not in the form of renewal of existing agreements, but the terms of the Master Sale and Purchase (2019-2021) Agreement and the Master Services (2019-2021) Agreement are in substance incorporated from or similar to that of the respective Temporary Agreements, which are in turn substantially similar to the Master Sale and Purchase (2017) Agreement and the 2018 Master Services Agreement.

The major differences between the Agreements and the Former Agreements are as follows:

- (i) the Agreements were entered into directly between the Company and TCL Holdings, instead of with TCL Corporation, as in the continuing connected transactions under the Former Agreements;
- (ii) in respect of the Master Sale and Purchase (2019-2021) Agreement, the Goods to be sourced by the Group from TCL Associates include Goods which are manufactured both inside and outside of the PRC, as compared to under the Master Sale and Purchase (2017) Agreement, where the Group would only source Goods manufactured in the PRC from the TCL Corporation Group;
- (iii) the Master Services (2019-2021) Agreement consolidates and integrates the scope of services under the previous Master After Sale Service (2017) Agreement, Master Logistics Service Supply (2017 Renewal) Agreement, Master Subcontracting (2017 Renewal) Agreement and 2018 Master Service Agreement; and
- (iv) in respect of the Master Rental (2019-2021) Agreement, its scope is made clear to cover licensing and making available/sharing the right to use properties and vehicles in addition to renting and leasing properties and vehicles under the previous Master Rental (2017) Agreement.

The following entities were previously counterparties to the transactions contemplated under Master Rental (2017) Agreement, and following the spin-off by TCL Corporation of all its ownership interest in, among others, TCL Industries to TCL Holdings and the entering into of the Agreements, such transactions have ceased to be covered by Master Rental (2017) Agreement but would be covered by Master Rental (2019-2021) Agreement instead:

1. TCL Industries
2. Huizhou Kuyu Network and Technology Co. Ltd. \*(惠州酷友網絡科技有限公司)
3. TCL Intelligence Industry (Huizhou) Co. Ltd. \* (TCL智慧工業(惠州)有限公司)
4. TCL Technology Industrial Park Co., Ltd. \* (TCL科技產業園有限公司)
5. Huizhou Keyin Business Service Co., Ltd. \* (惠州客音商務服務有限公司)
6. Other subsidiaries and associates of TCL Holdings from time to time

The entities which were counterparties to the transactions contemplated under Master Rental (2017) Agreement but not to that under Master Rental (2019-2021) Agreement are summarised as follows:

1. TCL Corporation
2. TCL Technology Industrial Park (Huizhou) Co. Ltd\* (TCL科技產業園(惠州)有限公司)
3. Huizhou TCL Environmental Resources Co., Ltd.\* (惠州TCL環保資源有限公司)
4. CSOT

*Note: As a large number of entities are involved in the Master Rental (2017) Agreement and the Master Rental (2019-2021) Agreement, the list of parties listed above are major entities (including their subsidiaries and associates) of the TCL Corporation Group and TCL Associates for the purpose of this summary. Accordingly, reference to an entity identified above shall be construed as a reference to itself and/or its subsidiaries.*

Please refer to the circular of the Company to be despatched for similar information relating to Master Sale and Purchase (2019-2021) Agreement and Master Services (2019-2021) Agreement (and the respective Former Agreements). No comparison between the Master TCL Trademark License (2017 Renewal) Agreement and the Master Brand Promotion (2019-2021) Agreement is included due to the difference in nature of the two agreements.

## CONTINUING CONNECTED TRANSACTIONS

Set out below are details of the continuing connected transactions:

### 1. Master Sale and Purchase (2019-2021) Agreement

On 10 April 2019, the Company entered into the Master Sale and Purchase (2019) Agreement which, being a short-term temporary arrangement, will expire on 30 September 2019. As the Company wishes to continue and consolidate continuing connected transactions contemplated thereunder, the Company entered into the Master Sale and Purchase (2019-2021) Agreement.

The terms of the Master Sale and Purchase (2019-2021) Agreement are substantially incorporated from the Master Sale and Purchase (2019) Agreement, save for (i) the change of counterparty from TCL Industries and various other TCL Associates to TCL Holdings (for itself and on behalf of its associates); and (ii) the change of the duration of the agreement.

The Company has entered into a termination agreement with TCL Industries and all other counterparties to the Master Sale and Purchase (2019) Agreement, pursuant to which the Master Sale and Purchase (2019) Agreement shall be automatically terminated upon the coming into effect of the Master Sale and Purchase (2019-2021) Agreement.

Set out below are the major terms of the Master Sale and Purchase (2019-2021) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions thereunder:

Date:	14 June 2019
Parties:	(i) the Company (for itself and on behalf of its Subsidiaries)  (ii) TCL Holdings (for itself and on behalf of its associates)
Duration:	From the Shareholders' Approval Date to 31 December 2021 (both dates inclusive)

Major terms:

The relevant TCL Associates may from time to time sell and the Company may from time to time purchase and procure members of the Group to purchase the TCL Associates Products.

The relevant TCL Associates may from time to time purchase and the Company may from time to time sell and procure members of the Group to sell the Electronics Products.

Such sale and purchase shall be in accordance with individual sale and purchase contracts to be entered into with the relevant member of TCL Associates on the one hand, and the relevant member of the Group on the other hand, provided that the terms of such sale and purchase contracts are consistent with the Master Sale and Purchase (2019-2021) Agreement.

#### **Sourcing of TCL Associates Products**

The Company may purchase part of the Group's required TCL Associates Products from the relevant TCL Associates provided that they can offer terms (including price and payment 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.

The relevant TCL Associates shall sell to the relevant members of the Group the requested TCL Associates Products.

#### **Sale of Electronics Products**

If the relevant TCL Associates requests or makes a written offer to any member of the Group to purchase from the Group any Electronics Products for its business including distribution, resale or otherwise, the member of the Group is entitled to offer to supply to or accept such offer to purchase made by relevant TCL Associates provided that the terms (including price and payment terms) of the offer by the relevant TCL Associates are no less favourable than terms available to the Group from Independent Third Parties.



Pricing policy and  
price determination:

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 Electronics Products and TCL Associates Products (as the case may be) offered in the market as at the time when the relevant sale and purchase are performed.
2. The prices charged for the Electronics Products and TCL Associates Products (as the case may be) are under regular review and may be adjusted from time to time on mutual agreement. In determining if the prices charged by TCL Associates and the fees received by the Group are on no less favourable than normal commercial terms, the Group shall obtain quotations from the relevant TCL Associates and Independent Third Parties of the Company for comparable goods 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 at any time during the term of the Master Sale and Purchase (2019-2021) Agreement, the relevant TCL Associate provides TCL Associates Products to other Independent Third Parties at more favourable terms, the relevant TCL Associate shall immediately offer to provide TCL Associates Products to the Group at equivalent terms accorded to such other Independent Third Parties starting from the next applicable period.

4. If no comparable transactions are available for references, the Group shall obtain quotations from Independent Third Parties of the Company for provision of products similar to the Electronics Products and TCL Associates Products (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 of the Company for provision of products similar to the Electronics Products and TCL Associates Products (as the case may be).
5. The relevant member of the Group has the absolute discretion to decide whether to accept an offer from the relevant TCL Associate.
6. The relevant member of the Group has the right to sell or resell the TCL Associates Products which it has acquired from the relevant TCL Associate at such price as it may in its absolute discretion determine.
7. The relevant member of the Group may demand the relevant TCL Associate to purchase back the TCL Associates Products at the original selling price offered to the Group if they remain unsold to third parties for six months.

Payment terms:

1. The payment terms of each and every transaction contemplated under the Master Sale and Purchase (2019-2021) Agreement shall be separately determined on an order-by-order basis by the parties thereto based on normal commercial terms after arm's length negotiations and with reference to general market practice for sale and purchase of comparable goods.
2. The common payment terms of historical transactions contemplated under the Master Sale and Purchase (2019) Agreement include a credit period ranging from 0-90 days, depending on the nature and quality of the goods concerned.

## 2. Master Services (2019-2021) Agreement

On 10 April 2019, the Company has entered into the Master Services (2019) Agreement which, being a short-term temporary arrangement, will expire on 30 September 2019. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Services (2019-2021) Agreement.

The terms of the Master Services (2019-2021) Agreement are substantially incorporated from the Master Services (2019) Agreement, save for (i) the change of counterparty from TCL Industries and various other TCL Associates to TCL Holdings (for itself and on behalf of its associates); and (ii) the change of the duration of the agreement.

The Company has entered into a termination agreement with TCL Industries and all other counterparties to the Master Services (2019) Agreement, pursuant to which the Master Services (2019) Agreement shall be automatically terminated upon the coming into effect of the Master Services (2019-2021) Agreement.

Set out below are the major terms of the Master Services (2019-2021) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

Date:	14 June 2019
Parties:	(i) the Company (for itself and on behalf of its Subsidiaries)  (ii) TCL Holdings (for itself and on behalf of its associates)
Duration:	From the Shareholders' Approval Date to 31 December 2021 (both dates inclusive)
Major terms:	Relevant member(s) of the TCL Associates may from time to time engage relevant member(s) of the Group for the provision of Electronics Services according to its business needs.  Relevant member(s) of the Group may from time to time engage TCL Associates for the provision of TCL Associates Services according to its business needs.

The terms of such engagement would be based on the Master Services (2019-2021) Agreement and subject to the individual agreement(s) to be entered into by the relevant parties.

Pricing policy and price determination:

In respect of TCL Associates Services provided by TCL Associates to the Group, the Services Fees together with the payment terms under any individual agreement must be determined with reference to the prevailing market rate and in any event be no less favourable than those market rates offered to the Group by Independent Third Parties of the Company for the provision of similar Services.

In respect of Electronics Services provided by the Group to TCL Associates, the relevant Services Fees together with the payment terms under any individual agreement must be determined with reference to the prevailing market rate and in any event be not less than the rate that may be charged by the Group to Independent Third Parties of the Company for the provision of similar services.

The relevant Services Fees may be adjusted from time to time by agreement of the relevant parties in writing subject to compliance with the Listing Rules.

Payment terms:

1. The payment terms of each and every transaction contemplated under the Master Services (2019-2021) Agreement shall be separately determined on an order-by-order basis by the parties thereto based on normal commercial terms after arm's length negotiations and with reference to general market practice for provision of similar service.
2. The payment of service fees for historical transactions contemplated under the Master Service (2019) Agreement was usually made once per month.

Whilst the Platform Services to be provided by the Group and TCL Holdings Group are of a similar nature, the Platform Services offered by the Group and TCL Holdings Group differ in terms of geographical locations and sales channels, and hence complement each other's edge in sales and marketing network in separate geographical location and sales channels.

Similar to other electronic products manufacturers and sellers in the market, the Group distributes its products globally via its own sales and marketing network as well as sales and distribution channels provided by third party service providers. When TCL Holdings Group plans to launch products in areas or through channels where it does not have its own sales and marketing network, it will be more cost effective to make use of the Platform Services provided by competent service providers, particularly when the sales volume in such areas is insufficient to justify establishment of its own sales and marketing network. Engaging Platform Services provided by others enables TCL Holdings Group to on one hand make use of the sales and marketing support from the service provider who has the relevant expertise and local connections, and on the other hand save resources on setting up and managing its own business in such region and hence eliminate business risks associated therewith, thereby it could concentrate its resources on developing its own key business regions.

Reciprocally, the Group also provides Platform Services to parties requiring such services which can generate revenue and better utilise the business capacity of the Group. TCL Holdings Group has well-established sales network and expertise in different parts of the world. With the Master Services (2019-2021) Agreement, the Group could engage the Platform Services offered by TCL Holdings Group in areas or channels where the Group has yet to establish its own sales and marketing network, if the terms offered by TCL Holdings Group are no less favourable than terms available from Independent Third Parties. Similarly, the Group could provide Platform Services to TCL Holdings Group if it requires provided that the terms offered by TCL Holdings Group are no less favourable than terms available from Independent Third Parties.

### **3. Master Brand Promotion (2019-2021) Agreement**

As part of the Restructuring of the TCL Corporation Group, TCL Corporation and TCL Holdings have entered into a material assets restructuring agreement ("**Restructuring Agreement**"), pursuant to which, among others, TCL Holdings and its subsidiaries from time to time (therefore including the Company as of the date hereof) would be entitled to share the rights of use of certain of TCL Corporation's registered trademarks including the "TCL" trademark with TCL Corporation, provided that TCL Holdings shall have the duty to maintain and promote the brand image of the "TCL" trademark used by members of TCL Holdings Group (for this purpose includes the Company and its Subsidiaries). The Group's right to use TCL Corporation's registered trademarks including the "TCL" trademark is therefore derived from Restructuring Agreement. As the Restructuring

Agreement already covers the use of TCL registered trademarks by the Group, it is not necessary for any separate agreement to be entered into between TCL Corporation and the Company for such use, nor any sublicensing agreement be entered into between TCL Holdings and the Company for such use, and no royalty fee is payable by the Company to TCL Holdings for the use of TCL Corporation's registered trademarks but the Company will pay the brand promotion fee pursuant to the Master Brand Promotion (2019-2021) Agreement for advertisement, promotion and maintenance of the "TCL" trademark as discussed below.

On 14 June 2019, the Company entered into the Master Brand Promotion (2019-2021) Agreement with TCL Holdings, pursuant to which the Company shall pay a promotion fee to TCL Holdings periodically, and that TCL Holdings, being a promoter of the "TCL" trademark, will use the brand promotion fee for advertisement, promotion and maintenance of the "TCL" trademark so as to satisfy the obligation of the Company, being a user of "TCL" trademark, towards TCL Corporation, being the owner of the "TCL" trademark, under the said material assets restructuring agreement.

As a result of the above agreements, the Group would be entitled to use certain TCL Corporation's registered trademarks by paying the brand promotion fee to TCL Holdings pursuant to the Master Brand Promotion (2019-2021) Agreement, and that the Company need not pay any license fee to TCL Corporation or TCL Holdings for the Group's rights of use of the said trademarks.

Set out below are major terms of the Master Brand Promotion (2019-2021) Agreement and the price determination thereunder:

Date:	14 June 2019
Parties:	(i) TCL Holdings (for itself and on behalf of its associates)  (ii) the Company (for itself and on behalf of certain of its Subsidiaries)
Duration:	From the Shareholders' Approval Date to 31 December 2021 (both days inclusive)
Major terms:	The Company shall pay a brand promotion fee to TCL Holdings on a monthly basis during the term of the Master Brand Promotion (2019-2021) Agreement, which shall be determined with reference to the price determination as stated below, and that TCL Holdings shall use the brand promotion fee to set up a promotion fund for advertisement, promotion and maintenance of the "TCL" trademark.

The promotion fund solely belongs to TCL Holdings and TCL Brand Management Centre is authorised to conduct planning, implementation and consulting work in relation to the collection of brand promotion fees, the use of the fund and promotion activities.

Details of the pricing mechanism of the Master Brand Promotion (2019-2021) Agreement are as follows:

Price determination:

Under the Master Brand Promotion (2019-2021) Agreement, the annual amount of the brand promotion fee payable by the Group to TCL Holdings during each financial year shall range from 0.25% to 2.25% of the projected annual sales revenue of the Group for that financial year depending on the types of products as set out below:

Type of products	Brand promotion fee payable (% of projected annual revenue of the Group in respect of the particular type of products)
TCL branded products within the PRC (including sub-brand)	2.25%
TCL branded products outside of the PRC (including sub-brand)	0.75%
ODM and OEM products	0.25%

The said projected sales revenue of each financial year shall be determined by the Company prior to the commencement of that financial year.

In case there is any brand promotion fee received by TCL Holdings that remains unused during any financial year, such amount of brand promotion fee paid will be carried forward to the next financial year during the term of the Master Brand Promotion (2019-2021) Agreement. The usage of the brand promotion fee in the financial year shall be reviewed by the Company and TCL Holdings mutually within the last month of each financial year and that the price determination for the brand promotion fee (i.e. the respective % of projected annual revenue of the Group from each particular type of products) in the next financial year shall be adjusted accordingly with reference to the usage of the brand promotion fee within the financial year and the amount of brand promotion fee paid to be carried forward to the upcoming financial year, if any. The aforesaid adjustment has to be mutually agreed by both the Company and TCL Holdings and hence should any proposed adjustment have an effect that would render the promotion fee payable exceeding the proposed annual caps, the Company has the right to reject such proposed adjustment. In case the Company agrees to any proposed adjustment that would render the promotion fee payable exceeding the proposed annual caps, the Company would comply with all necessary requirements under the Listing Rules for the revision of annual caps.

#### **4. Master Rental (2019-2021) Agreement**

On 10 April 2019, the Company has entered into the Master Rental (2019) Agreement which, being a short-term temporary arrangement, will expire on 30 September 2019. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Rental (2019-2021) Agreement.

The terms of the Master Rental (2019-2021) Agreement are substantially incorporated from the Master Rental (2019) Agreement, save for (i) the change of counterparty from TCL Industries and various other TCL Associates to TCL Holdings (for itself and on behalf of its Associates); and (ii) the change of the duration of the agreement.

The Company has entered into a termination agreement with TCL Industries and all other counterparties to the Master Rental (2019) Agreement, pursuant to which the Master Rental (2019) Agreement shall be automatically terminated upon the coming into effect of the Master Rental (2019-2021) Agreement.



Set out below are the major terms of the Master Rental (2019-2021) Agreement and the pricing policy and price determination thereunder or otherwise adopted by the Group in respect of the transactions contemplated thereunder:

- Date: 14 June 2019
- Parties:
- (i) the Company (for itself and on behalf of its subsidiaries)
  - (ii) TCL Holdings (for itself and on behalf of its associates)
- Duration: From 14 June 2019 to 31 December 2021 (both dates inclusive)
- Major terms:
- Member(s) of each Rental Group may from time to time rent, lease and/or license, share and/or make available the use of certain properties and vehicles which the lessor owns or otherwise has the right to rent, lease and/or license sharing and/or making available the use to the other party at a monthly rent/license fee to member(s) of another Rental Group.
- In addition to the monthly rent, unless otherwise agreed, the relevant lessor/licensor shall pay all the (i) taxes, (ii) management fees, (iii) other charges payable to the central and local government of the PRC or the government of Hong Kong and (iv) the routine repair and maintenance fees.
- The usage of the leased/licensed properties and vehicles shall be limited to those stipulated in rental/license agreements to be entered into between the parties in conformity with the Master Rental (2019-2021) Agreement.
- Further, the parties may in writing add, delete, revise and/or adjust the location and size of the area leased/licensed provided that it is agreed with the relevant lessor/licensor(s) and lessee/licensee(s) and such variation(s) complies with the Master Rental (2019-2021) Agreement and the Listing Rules.

Pricing policy and price determination:

In respect of such fees to be paid or received by members of the Group:

- (i) the rental, license fee, and/or management fee and maintenance fee to be paid shall be determined with reference to the prevailing market rate which (i) in the case where members of the Group are the lessors/licensors, shall be no less than the rental/license fee payable by an Independent Third Party of the Company to the Group for comparable tenancies/licenses, and (ii) in the case where members of the Group are the lessees/licensees, shall be no higher than the rental/license fee charged on the Group by an Independent Third Party of the Company for comparable tenancies/licenses; and
- (ii) to ensure the rental/license fee receivables to be received are on normal commercial terms, the relevant lessor/licensor shall compare the market data for rental/license fee receivables from Independent Third Parties of the Company for comparable tenancies/licenses.

## **PRICING POLICY OF THE GROUP**

Other than disclosed above, the Group will follow the following pricing policies when conducting the above transactions:

### **1. Master Sale and Purchase (2019-2021) Agreement**

#### *Sourcing of TCL Associates Products*

- (1) Depending on the nature of TCL Associates Products to be purchased by the Group, the selling price of the TCL Associates Products offered by the relevant TCL Associate to the Group is generally determined with reference to the market price of relevant TCL Associates Products. For TCL Associates Products with comparable products in the market, the Group will obtain a quote for the relevant products from at least two Independent Third Party suppliers before making each purchase to ensure the price offered by the relevant TCL Associate represents the market price.

- (2) The procurement department of the Group will also from time to time obtain a quote for the relevant TCL Associates Products from at least two Independent Third Party suppliers and enter such market information in its internal database. Before each purchase of TCL Associates Products is to be made with the relevant TCL Associate, the Group will obtain quotation from the relevant TCL Associate and compare the price offered by the relevant TCL Associate for the relevant TCL Associates Products with the its internal database for such market data to ensure the price charged by TCL Associates and the terms of supply are on normal commercial terms and no less favourable to the Group than those offered by Independent Third Party suppliers.

#### *Sale of Electronics Products*

- (1) Under the Company's pricing model, the per unit price of the Electronics Products is determined with reference to the target price offered by individual customers together with the raw material cost, direct labour cost, manufacturing overhead and the gross profit margin for the Company, and the weight of each factor will vary from order to order based on negotiations with its customers. The margin that the Company charges varies depending on factors such as market circumstances, customer relationship, credit granted, product specifications, transportation and mode of delivery, production cost, licensing cost.
- (2) Upon receiving proposed orders and pricing from customers, the sales and marketing team reviews the orders, and checks with relevant teams (including production, research and development, product plan control, procurement) for production capacity, production cost, pricing, production lead time and confirms or negotiates the terms with customers. The price will then be submitted to management for approval in accordance with the following procedures: if the margin between the proposed price and the production costs (the "Gross Profit Margin") is larger than 15%, the sales and marketing director of the relevant member of the Group is authorised to approve the quotation; if the gross profit margin is between 10 to 15%, the quotations needs approval from the finance director; if the gross profit margin is less than 10%, the quotation needs approval from the general manager. In general, the selling price quoted by the Group to TCL Associates is based on cost plus a percentage of profit margin, which is in the range of 5 to 10% (which is not lower than the profit margin of those sold by the Group to independent third parties).

- (3) This pricing policy, including the percentage of profit margin as mentioned in the paragraph above is applicable to all sales of Electronics Products by the Group regardless of whether the purchasers are Independent Third Parties or connected persons of the Company. Therefore, the Directors (other than the independent non-executive Directors whose view will be set out in the circular) consider that the pricing policy could ensure that the transactions to be conducted under the Master Sale and Purchase (2019-2021) Agreement are on normal commercial terms and on terms no less favourable than those offered by the Independent Third Parties and thus are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

There is no minimum commitment of purchases or sales by either each of the TCL Associates or the Company, and the Group is free to sell its products to other customers and to source from any Independent Third Parties.

## **2. Master Services (2019-2021) Agreement**

Please refer to the “price determination” section above in major terms.

## **3. Master Brand Promotion (2019-2021) Agreement**

Before the entering of the Master Brand Promotion (2019-2021) Agreement, the internal control unit of the Group has assessed the rate of brand promotion fee based on a basket of factors, including:

- (i) the proportion of the revenue of the Group to that of TCL Holdings from the sales of products covered by the Master Brand Promotion (2019-2021) Agreement;
- (ii) the anticipated amount of branding expenses to be incurred by TCL Holdings; and
- (iii) the expected growth in sales of the Group derived from the brand promotion activities carried out by TCL Holdings Group.

In respect of the above considerations, the Group would assess the proportion of the revenue of the Group to that of TCL Holdings Group from the sales of products covered by the Master Brand Promotion (2019-2021) Agreement and determine the rate of brand promotion fee with reference to the said proportion. The Group would also assess the anticipated amount of brand promotion fee to be incurred by the TCL Holdings Group for the Group and the expected growth in sales of the Group derived from the brand promotion activities carried out by the TCL Holdings Group to determine whether the rate of brand promotion fee is reasonable (i) as a reimbursement of the brand expenses of TCL Holdings Group and (ii) as an investments of the Group with reference to the value and benefits brought by such promotion activities.

The rate of promotion fee was determined with reference to the significance of the “TCL” brand to the particular type of products, together with the difference in terms of promotion scale within and outside the PRC.

The Directors (other than the independent non-executive Directors whose view will be set out in the circular) considered that the rate of brand promotion fee is determined after arms’ length negotiation and is fair and reasonable.

Please also refer to the “price determination” section above in major terms.

#### **4. Master Rental (2019-2021) Agreement**

Please refer to the “price determination” section above in major terms.

Before conducting any transactions contemplated under, or enter into any sub-contract pursuant to, an agreement for continuing connected transactions, the internal control department, legal department and finance department of the Group would review the terms of the proposed transactions and the draft sub-contract to ensure that the transactions would be conducted in accordance with the terms of the agreement and in accordance with the Company’s pricing policy.

For transactions contemplated under the Master Rental (2019-2021) Agreement, to ensure that the said transactions with connected persons are on normal commercial terms and terms no less favourable from the perspective of the Group than those available to Independent Third Parties, every time before conducting any such transactions, the member of the Group would first prepare the relevant contract for renting, leasing and/or licensing, sharing and/or making available the use of certain properties and vehicles and submit it to the internal control department and legal department of the Group for review and approval. The internal control department and the legal department of the Group would review the terms of the proposed transaction and the draft contract to be entered into (if any) to make sure that the terms are in compliance with the pricing policy of the Company and the overall terms (including payment terms, product warranty) are no more favourable to the connected persons than those which have been offered or to be offered by the Group to Independent Third Parties. When evaluating the terms of a draft contract for renting, leasing and/or licensing, sharing and/or making available the use of certain properties and vehicles which the relevant lessor/licensor owns, the internal control unit will endeavour to obtain rental and relevant fees payable/rental and relevant fees receivable to/from Independent Third Parties for comparable tenancies and make comparisons. The transactions could only be carried out after the internal control department and the legal department of the Group have separately given their approval therefor.

## HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the respective historical figures of the continuing connected transactions as described above for the two years ended 31 December 2018 and the three months ended 31 March 2019, and the respective proposed annual caps for the three years ending 31 December 2021:

	For the year ended 31 December 2017 (audited) (for actual amount only) HK\$'000 (Note 2)	For the year ended 31 December 2018 (audited) (for actual amount only) HK\$'000	For the 3 months ended 31 March 2019 (unaudited) (for actual amount only)/ For the year ending 31 December 2019 (for original annual cap only) HK\$'000 (Note 3)	For the year ending 31 December 2019 HK\$'000 (Note 2)	For the year ending 31 December 2020 HK\$'000	For the year ending 31 December 2021 HK\$'000
<b>Continuing Connected Transactions (Note 1)</b>						
<i>Master Sale and Purchase (2019-2021) Agreement</i>						
Sourcing of Goods						
– Actual	12,497,141	12,892,395	2,344,476			
– TCL Holdings Group % (Note 4)	0.8%	5.0%	2.5%			
– Original annual cap	25,714,019	13,153,107	15,021,622			
Sale of Goods						
– Actual	4,501,508	5,566,381	1,075,998			
– TCL Holdings Group % (Note 4)	87.6%	99.4%	99.3%			
– Original annual cap	18,201,831	5,739,212	7,148,383			
Proposed annual caps						
– Sourcing of TCL Associates Products				5,795,689	12,216,442	13,130,786
– Sale of Electronics Products				10,251,464	11,404,054	12,542,273
<i>Master Services (2019-2021) Agreement</i>						
<i>Master After Sale Service (2017) Agreement</i>						
– Actual	298,550	311,034	86,394			
– TCL Holdings Group % (Note 4)	98.1%	82.5%	85.5%			
– Original annual cap	499,622	425,035	563,141			

			For the 3 months ended 31 March 2019 (unaudited) (for actual amount only)/			
	For the year ended 31 December 2017 (audited) (for actual amount only) HK\$'000 (Note 2)	For the year ended 31 December 2018 (audited) (for actual amount only) HK\$'000	For the year ending 31 December 2019 (for original annual cap only) HK\$'000 (Note 3)	For the year ending 31 December 2019 HK\$'000 (Note 2)	For the year ending 31 December 2020 HK\$'000	For the year ending 31 December 2021 HK\$'000
<b>Continuing Connected Transactions (Note 1)</b>						
<i>Master Subcontracting (2017 Renewal) Agreement</i>						
Subcontracting by the TCL Corporation Group						
– Actual	4,960	0	0			
– TCL Holdings Group % (Note 4)	0.0%	0.0%	0.0%			
– Original annual cap	27,390	95,829	94,809			
Subcontracting by the Group						
– Actual	651	3,874	6			
– TCL Holdings Group % (Note 4)	100.0%	41.9%	100.0%			
– Original annual cap	2,933	6,895 (Note 5)	7,661 (Note 5)			
<i>Master Logistics Service Supply (2017 Renewal) Agreement</i>						
– Actual	352,789	404,708	130,119			
– TCL Holdings Group % (Note 4)	100.0%	100.0%	100.0%			
– Original annual cap	733,229	514,484	611,722			
<i>2018 Master Services Agreement</i>						
Services fee to be paid by the Group						
Platform services						
– Actual	N/A	5,358	336			
– TCL Holdings Group % (Note 4)	N/A	100.0%	100.0%			
– Original annual cap	N/A	11,237	16,559			
IT and other services						
– Actual	N/A	2,430	6,809			
– TCL Holdings Group % (Note 4)	N/A	100.0%	100.0%			
– Original annual cap	N/A	11,363	270,377			
Services fee to be paid by the TCL Corporation Group						
Platform services						
– Actual	N/A	8,047	1,824			
– TCL Holdings Group % (Note 4)	N/A	100.0%	100.0%			
– Original annual cap	N/A	12,500	18,750			

	For the year ended 31 December 2017 (audited) (for actual amount only) <i>HK\$'000</i> (Note 2)	For the year ended 31 December 2018 (audited) (for actual amount only) <i>HK\$'000</i>	For the 3 months ended 31 March 2019 (unaudited) (for actual amount only)/ For the year ending 31 December 2019 (for original annual cap only) <i>HK\$'000</i> (Note 3)	For the year ending 31 December 2019 <i>HK\$'000</i> (Note 2)	For the year ending 31 December 2020 <i>HK\$'000</i>	For the year ending 31 December 2021 <i>HK\$'000</i>
<b>Continuing Connected Transactions (Note 1)</b>						
Other services						
– Actual	N/A	28,050	15,919			
– TCL Holdings Group % (Note 4)	N/A	0.0%	0.0%			
– Original annual cap	N/A	119,572	179,843			
Proposed annual cap						
– Service Fees to be paid by the Group				1,726,012	1,944,358	2,139,688
– Service Fees to be received by the Group				260,586	360,637	475,473
<b>Master Brand Promotion (2019-2021) Agreement (Note 6)</b>						
Brand Promotion Fee						
– Proposed annual caps				637,014	930,074	992,555
<b>Master Rental (2019-2021) Agreement</b>						
– Actual	21,397	38,209	13,602			
– TCL Holdings Group % (Note 4)	69.1%	89.4%	80.3%			
– Original annual cap	42,829	159,272	164,092			
Proposed annual caps				228,926	174,869	346,523

**Note 1:** For easy comparison of the historical figures and the proposed annual caps, names of the new master agreements are used herein.

**Note 2:** Certain historical figures for the year ended 31 December 2017 were from the corresponding predecessor agreements or the aggregation of the relevant predecessor annual caps of the same agreement.

**Note 3:** The respective proposed annual caps for the year ending 31 December 2019 in relation to the Master Sale and Purchase (2019-2021) Agreement and the Master Services (2019-2021) Agreement represent the aggregate of (i) the actual transaction amounts under the respective Temporary Agreements from 10 April 2019 to the termination of the respective Temporary Agreements upon the Master Sale and Purchase (2019-2021) Agreement and the Master Services (2019-2021) Agreement taking effect and (ii) the proposed annual caps for the year ending 31 December 2019 under the Master Sale and Purchase (2019-2021) Agreement and the Master Services (2019-2021) Agreement.



*Note 4:* The “TCL Holdings Group %” denotes the approximate % of historical transaction amount which arose from the Group’s transactions with those entities which were previously members of the TCL Corporation Group but have become members of the TCL Holdings Group following the spin-off by TCL Corporation of all its ownership interest in, among others, TCL Industries to TCL Holdings. For the avoidance of doubt, the Group’s transactions with those entities which had been connected persons of the Company by reason of being members of the TCL Corporation Group at any point of time from 2017 to March 2019 yet had ceased to be so prior to March 2019 for reasons other than the aforesaid spin-off by TCL Corporation were not counted towards the “TCL Holdings Group %”.

*Note 5:* The original annual cap for the year ended 31 December 2018 for subcontracting fee received from TCL Corporation Group under the Master Subcontracting (2017 Renewal) Agreement was HK\$0, while the Company subsequently on 31 January 2018 revised such annual cap to HK\$6,895,000 for the year ended 31 December 2018 and HK\$7,661,000 for the year ending 31 December 2019. Under the Listing Rules, the Company has to re-comply with all the relevant disclosure requirements in relation to such revised annual cap, however, since all the applicable percentage ratios of such revised annual cap is less than 0.1%, the transaction contemplated under Master Subcontracting (2017 Renewal) Agreement remains fully exempt after revision of annual cap pursuant to Rule 14A.76(1)(a) of the Listing Rules.

*Note 6:* There is no historical transaction figures for the Master Brand Promotion (2019-2021) Agreement since it is not a renewal of existing agreement and hence there is no predecessor agreements. In particular, the nature of the Master Brand Promotion (2019-2021) Agreement is different from that of Master TCL Trademark License (2017 Renewal) Agreement since the former agreement concerns provision of promotion service, while the latter concerns licensing of trademarks. As such, no “TCL Holdings Group %” is available.

## **BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS**

The major bases and assumptions for determining the proposed annual caps for the various continuing connected transactions are set out below:

### **1. Proposed annual caps for the Master Sale and Purchase (2019-2021) Agreement**

The annual caps for the aggregated transactions under the Master Sale and Purchase (2019-2021) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Sale and Purchase (2017) Agreement; (*Note 1*)

- (ii) in respect of Sourcing of TCL Associates Products, the possible requirement of raw materials, semi-finished materials and finished goods with respect to the projected business volumes and the estimated growth rates of the relevant business lines of the Group (which in turn are estimated by reference to, among other things, the relevant industry demand and the target market share of the Group), together with the prevailing market rate for similar raw materials, semi-finished materials and finished goods; and
- (iii) in respect of Sale of Electronics Products, the relevant TCL Associates' projected requirement of raw materials, semi-finished materials and finished goods for its operations, which is expected to increase substantially, together with the prevailing market rate for similar raw materials, semi-finished materials and finished goods.

## **2. Proposed annual caps for the Master Services (2019-2021) Agreement**

The annual caps for the aggregated transactions under the Master Services (2019-2021) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master After Sale Service (2017) Agreement, the Master Subcontracting (2017 Renewal) Agreement, the Master Logistics Service Supply (2017 Renewal) Agreement and the 2018 Master Services Agreement; (*Note 1*)
- (ii) in terms of TCL Associates Services to be provided to the Group, the Group's plan on current and future information transformation and capacity enhancement, which specifically, includes the projected number of relevant projects (including but not limited to IT projects) in the upcoming 3 years;
- (iii) in terms of Electronics Services to be provided by the Group, the projection of the number and scale of relevant projects which TCL Associates may require Electronics Services to be provided by the Group in the upcoming 3 years, with reference to the Group's projected capability in providing the relevant Electronics Services;
- (iv) where applicable, the tender price offered by members of the Group in bidding projects for Services of similar nature to TCL Associates in previous years; and
- (v) the prevailing market rate of relevant Services of similar nature.

### **3. Proposed annual caps for the Master Brand Promotion (2019-2021) Agreement**

The annual caps in respect of the aggregate branding fee reimbursement for the transaction under the Master Brand Promotion (2019-2021) Agreement are estimated based on (i) the historical sales amount together with the expected growth in sales amount in the next three years based on the expected growth in market shares of the Group's Electronic Products and certain market estimates of the expected growth in the sales of televisions, especially the substantial growth in LCD TVs market consumption, in the PRC and other regions around the world; and (ii) the estimated advertising and promotion expenses of the promotion projects intended to be launched during the coming 3 years. More potential cooperation opportunities relating to certain open world sports events such as the 2019 FIBA Basketball World Cup are expected to be continued in the future.

### **4. Proposed annual caps for the Master Rental (2019-2021) Agreement**

As HKFRSs applicable to the Group include HKFRS 16 "Leases" ("HKFRS 16") which has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions contemplated under the Master Rental (2019-2021) Agreement in 2019, 2020 and 2021 under which the Group as the lessee, the Group will be required to set annual cap on the total value of right-of-use assets relating to the leases which it was entered into in accordance with the requirements of the Stock Exchange.

Taking into account the coming into effect of HKFRS 16, the proposed annual caps on the leases/licenses as contemplated under the Master Rental (2019-2021) Agreement have been calculated with reference to (i) the historical amount of relevant transactions under the Master Rental (2017) Agreement (*Note 1*); and (ii) the estimated aggregate annual rental/license fee payable by the Group to TCL Associates or by TCL Associates to the Group (as the case maybe) under the existing leases/licenses and potential new leases/licenses; (iii) the estimated demand of the Group for leasing/licensing of certain properties from TCL Associates; (iv) the possible increase in the area of the properties to be leased/licensed and potential new leases/licenses and the potential increase in market rentals/license fees during the term of the said Master Rental (2019-2021) Agreement; and (v) the value of right-of-use assets calculated by discounting the estimated total annual rental of the 3 years ending 31 December 2021 using the incremental borrowing rate of the Group as the discount rate.

*Note 1:* Whilst the counterparties covered by the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement and the Master Rental (2019-2021) Agreement) and those by the corresponding Former Agreement may not be identical, historical figures of Former Agreements are still of reference value in determining the proposed annual caps as the Company could make reference to the historical figures as a starting point and then make necessary adjustments by taking into account of the entities which do not fall within the scope of the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement and the Master Rental (2019-2021) Agreement), together with other factors as mentioned above.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

(i) The Directors (other than the independent non-executive Directors whose view will be set out in the circular to be dispatched by the Company) consider that the terms of the Non-exempt Transactions are fair and reasonable, on normal commercial terms or better, and it is in the interests of the Company and the Shareholders as a whole to enter the aforesaid continuing connected transactions, and (ii) the Directors (including the independent non-executive Directors) consider that the terms of the Master Rental (2019-2021) Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, and it is in the interests of the Company and the Shareholders as a whole to enter the aforesaid continuing connected transactions, for the following reasons:

### **1. Master Sale and Purchase (2019-2021) Agreement**

The market of electronic consumer products is dynamic and ever-changing. A holistic customer experience is of growing importance and that there is an increasing number of customers who may look for multiple types of electronic products at the same time. Meanwhile, the products produced or manufactured by the Group and TCL Holdings Group are of different types (with the former focusing on TVs while the latter focusing on home appliances). Thus, in order to swiftly cope with market changes, to strengthen the synergy within TCL Holdings Group and the operating capability of the Group both in terms of overseas and PRC products, and to share the operation and sales channels within TCL Holdings Group, the Group has together with certain TCL Associates established a PRC sales centre and an overseas sales centre so that customers may be able to purchase products produced or manufactured by the Group and TCL Holdings Group at the same time. As a result, the products of TCL Holdings and its associates would first be sold to the Group, and subsequently the Group would re-sell such products to third party customers, while at the same time the Group would first sell its products to members of the TCL Holdings Group for them to re-sell such products to third party customers. Such arrangement under the Master Sale and Purchase (2019-2021) Agreement would consolidate the whole product business of TCL Holdings Group, enhance customer experience, provide smart health related products and services to customers and thus enhance the overall profitability of the Group.

Following the change of Company name of the Company in May 2018, the Group has diversified its business. The Group has conducted R&D in smart home system with smart TV as the terminal to build an open smart platform. Recently, the Company has entered into memorandum of understanding with various PRC property developers to launch smart home business, including but not limited to having strategic cooperation with Sunshine 100 China Holdings Ltd to launch a leading smart apartment project in PRC. In this regard, the Company would consolidate the products within the TCL Holdings Group and to realize all-round experience for customers through a combination of hardware and software.

## **2. Master Services (2019-2021) Agreement**

After the change of the Company name, the Company has accelerated the implementation of a diversified development strategy. Apart from consolidating and enhancing its existing TV business, the Group also focuses on developing smart AV, commercial displays and smart home businesses in order to lay down a strong foundation for the new image and new businesses of the Group.

In respect of Services to be provided by the Group to TCL Associates, following the acquisition of CI Tech which was completed on 31 July 2018, CI Tech became a wholly-owned subsidiary of the Company and thus the Group could share and integrate CI Tech's various achievements in, among others, intelligent commercial information technology and industry solutions. As disclosed in the Company's announcement dated 1 June 2018 and circular dated 25 June 2018, CI Tech is a leading provider of smart commercial information technology products and industry solutions in the PRC and its business includes provision of one-stop services covering software, content, integral solutions and intelligent products for public sector and commercial customers. In addition, some other Subsidiaries of the Group provide similar services on smart home and community system and/or software. In this regard, the Group is able to leverage on the installation expertise and the rich experience in providing one-stop services encompassing overall business solutions and smart products of CI Tech and the professional technology and business network of other Subsidiaries of the Company to the relevant TCL Associates. Services offered by CI Tech and/or other Subsidiaries of the Company engaging in the aforesaid intelligence solutions services are, by nature, mainly proceeded on a project basis via tender for hotels, offices, financial institutions, real estates, houses or apartments, etc.. Moreover, Shenzhen Falcon Network Technology Co., Ltd. which specializes in the Internet TV business would from time to time sell to certain TCL Associates membership cards (for paid content of Internet TV users) to promote its business to a larger customer base. The Group will benefit from the sale of certain TCL Associates membership cards as the enrichment of content arising thereof would enhance the overall competitiveness of the Group's Internet TV business in terms of content, number of active users and customer adhesiveness. Hence, the relevant transactions are beneficial to expanding the business scope of the Group, increasing sources of revenue and enhancing the competitiveness and profitability of the Group through providing tailor-made services to clients.

On the other hand, in respect of Services to be provided by relevant TCL Associates to the Group, as relevant TCL Associates have experience in the provision of, among others, technology services covering computer hardware and software, cloud platform facility service and information technology consultancy services, and IT and platform services. In particular, TCL Associates would provide basic hardware and software and related support services, network and Internet services, IDC leasing and cloud services, construction of IT service rooms and maintenance services and IT consultation services to relevant member(s) of the

Group and the Group can reduce costs and enhance efficiency in various business units through centralising IT platforms and application systems, professionalising basic services and smart management so that the Group can focus and centralise its resources in developing its own core business. In addition, the Group through the business network of the relevant TCL Associates can avoid the unnecessary risk and cost arising from the establishment of new sales network and also can develop new markets and make profit thereof.

### **3. Master Brand Promotion (2019-2021) Agreement**

The Company has been using the “TCL” trademarks for the marketing and distribution of Electronics Products. The continuous development of the goodwill and brand image of such trademarks are considered to be important to the successful long-term operation of the business of the Group. The Master Brand Promotion (2019-2021) Agreement allows the Group to enjoy the benefits brought by the developing goodwill and brand image associated with the promotion of such trademarks at attractive rates.

### **4. Master Rental (2019-2021) Agreement**

The Group has been leasing/licencing certain properties from the relevant TCL Associates as its offices, factory, warehouse and dormitory in respect of the Group’s various business segments as well as renting/licensing out certain premises to the relevant TCL Associates so as to better utilize its unused assets. The Company considers it is the interests of the Company and the Shareholders as a whole to enter into the Master Rental (2019-2021) Agreement in order to regulate the existing and new leases/licenses entered into between the Group and the relevant TCL Associates.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 1,235,272,639 Shares of the Company, representing approximately 52.33% of the total number of issued Shares of the Company, are held by TCL Industries, which in turn is held as to 100% by TCL Holdings. As such, TCL Industries is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Holdings is the holding company of TCL Industries, it is an associate of TCL Industries and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement, the Master Brand Promotion (2019-2021) Agreement and the Master Rental (2019-2021) Agreement therefore 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 annual caps of the Master Rental (2019-2021) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempted from the 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 the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement and the Master Brand Promotion (2019-2021) Agreement (i.e. agreements for the Non-exempt Transactions) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Shareholders on the terms and the proposed caps of the Non-exempt Transactions. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the 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 June 2019.

In view of Mr. LI Dongsheng's indirect interests in TCL Holdings, he did not participate in nor vote in the board meeting during which the Board approved the Non-exempt Transactions and the Master Rental (2019-2021) Agreement to avoid any potential conflict of interests, and that he will abstain from voting in respect of the Non-exempt Transactions to be put forward the EGM.

Out of the other Directors, Mr. WANG Cheng is also the chief executive officer of TCL Holdings, whereas Mr. WANG Yi is also a vice-president of TCL Holdings. Nevertheless, notwithstanding their offices held in TCL Associates, as their respective direct or indirect interests in TCL Holdings are insignificant and that none of the TCL Associates are associates of any of the Directors (other than Mr. LI Dongsheng), none of the other Directors is considered as having a material interest in the Non-exempt Transactions or the Master Rental (2019-2021) Agreement, therefore all the other Directors are entitled to vote on the relevant board resolution pursuant to the Company's articles of association.

TCL Holdings, TCL Associates will abstain from voting in respect of the Non-exempt Transactions to be put forward at the EGM.

As at the date of this announcement, TCL Holdings is an associate of Mr. LI Dongsheng under Chapter 14A of the Listing Rules. Mr. LI Dongsheng has 33.3331% indirect equity interest in TCL Holdings held via:

- (a) Lida Tiancheng Investment Company Limited\* (惠州礪達天成股權投資有限公司), which has a 3.1005% shareholding in TCL Holdings. Mr. LI Dongsheng owns more than 50% of equity interest in Lida Tiancheng Investment Company Limited\* (惠州礪達天成股權投資有限公司); and
- (b) Lida Zhihui Corporation Management Limited Partnership\* (寧波礪達致輝企業管理合夥企業(有限合夥)), which has a 30.2326% shareholding in TCL Holdings. Lida Zhihui Corporation Management Limited Partnership\* (寧波礪達致輝企業管理合夥企業(有限合夥)) is a limited partnership and Mr. LI Dongsheng owns more than 50% economic interest in Lida Zhihui Corporation Management Limited Partnership\*(寧波礪達致輝企業管理合夥企業(有限合夥)) as a limited partner. The general partner of Lida Zhihui Corporation Management Limited Partnership\*(寧波礪達致輝企業管理合夥企業(有限合夥)) is Lida Tiancheng Investment Company Limited\* (惠州礪達天成股權投資有限公司), in which Mr. LI Dongsheng owns more than 50% equity interest as set out in (a) above.

Mr. LI Dongsheng will also abstain from voting in respect of the Non-exempt Transactions to be put forward at the EGM.

As at the date of this announcement: (i) 1,235,272,639 Shares are held by TCL Industries, which in turn is held as to 100% by TCL Holdings; (ii) a total of 58,075,494 Shares are held directly by Mr. LI Dongsheng and his spouse. Hence, as at the date of this announcement, holders of a total number of 1,293,348,133 Shares, representing approximately 54.79% of the total number of issued Shares, will abstain from voting in respect of the Non-exempt Transactions to be put forward at the EGM.

## **GENERAL INFORMATION OF THE PARTIES**

The Group is principally engaged in the manufacture and sale of a wide range of consumer electronics products including television sets. The Group has factories in the PRC, Poland, Mexico and Vietnam and distributes its products in all major markets globally. For more information on the Group, please visit its official website at <http://electronics.tcl.com> (the information that appears in this website does not form part of this announcement).

TCL Holdings is principally engaged in equity investment, real estate leasing, conference services, software development, developing, manufacturing and distributing home appliances including communication devices, audio/video products, LCD TVs, air-conditioners, washing machines, etc..



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“2017 Renewal Agreements”	the Master Sale and Purchase (2017) Agreement, the Master After Sale Service (2017) Agreement, the Master Rental (2017) Agreement, the Master TCL Trademark License (2017 Renewal) Agreement, the Master Logistics Service Supply (2017 Renewal) Agreement, the Master Sourcing (2017 Renewal) Agreement, the Master Qianhai Sailing Cooperation (2017 Renewal) Agreement, the Master Strategic Cooperation (2017 Renewal) Agreement, the Master Subcontracting (2017 Renewal) Agreement, and the Master Service (2017 Renewal) Agreement entered into by the Company with TCL Corporation and/or its then associates on 29 September 2017, and each an “2017 Renewal Agreement” separately;
“2018 Master Services Agreement”	the 2018 master services agreement dated 31 October 2018 entered into between the Group and TCL Corporation;
“2019 April Announcement”	the announcement of the Company dated 10 April 2019;
“Agreements”	collectively the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement, the Master Brand Promotion (2019-2021) Agreement, and the Master Rental (2019-2021) Agreement, and each an “Agreement” separately;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;

“CI Tech”	TCL Commercial Information Technology (Huizhou) Limited* (TCL商用信息科技(惠州)有限公司), a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of the Company;
“CSOT”	Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司), a company established in the PRC with limited liability and a subsidiary of TCL Corporation
“Company”	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);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“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;
“Electronics Products”	(i) any electronic consumer products including but not limited to TVs, audio-visual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group; (ii) any articles, things, components or raw materials required for the manufacture or production of TCL Associates Products; and (iii) any waste products arising from manufacturing or production of electronic consumer goods by the Group;
“Electronic Services”	services which may be provided by the Group, including but not limited to Platform Services for consumer and electronic products (including but not limited to those manufactured and sold by the Group), subcontracting services, after sale services, logistics services, human resources services and IT and Other Services;

“Former Agreements”	collectively the 2017 Renewal Agreements, the Master Financial Services (2017 Renewal) Agreement and the 2018 Master Services Agreement;
“Goods”	the Electronics Products or the TCL Associates Products (as the case may be);
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the terms of and the proposed annual caps for the Non-exempt Transactions;
“Independent Financial Advisor or Pelican Financial Limited”	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 Shareholders in respect of the terms of the Non-exempt Transactions;
“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;
“IT”	information technology;

“IT and Other Services”	services on sourcing of IT assets, investment and development of IT projects, IT procurement services, investment and development of smart production projects (including but not limited to IT investment and investment in optimizing smart production of the above items) for consumer and electronic products (excluding TVs) and such other relating services;
“LCD”	liquid crystal display;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Master After Sale Service (2017) Agreement”	the master after sale service (2017) agreement dated 29 September 2017 entered into between the Company and TCL Corporation;
“Master Brand Promotion (2019-2021) Agreement”	the master brand promotion (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;
“Master Financial Services (2017 Renewal) Agreement”	the master financial services (2017 renewal) agreement dated 21 March 2017 entered into among the Company, TCL Corporation, TCL Finance (Hong Kong) Co., Limited and TCL Finance Co., Ltd.;
“Master Logistics Service Supply (2017 Renewal) Agreement”	the master logistics service supply (2017 renewal) agreement dated 29 September 2017 entered into between the Company and Speedex Logistics Co. Ltd.;
“Master Qianhai Sailing Cooperation (2017 Renewal) Agreement”	the master Qianhai sailing cooperation (2017 Renewal) agreement dated 29 September 2017 entered into between the Company and Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd.* (深圳前海啟航供應鏈管理有限公司);
“Master Rental (2017) Agreement”	the master rental (2017) agreement dated 29 September 2017 entered into between the Group and TCL Corporation;
“Master Rental (2019) Agreement”	the master rental (2019) agreement dated 10 April 2019 entered into among the Company, TCL Industries and various other TCL Associates;

“Master Rental (2019-2021) Agreement”	the master rental (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;
“Master Sale and Purchase (2017) Agreement”	the master sale and purchase (2017) agreement dated 29 September 2017 entered into between the Company and TCL Corporation;
“Master Sale and Purchase (2019) Agreement”	the master sale and purchase (2019) agreement dated 10 April 2019 entered into among the Company, TCL Industries and various other TCL Associates;
“Master Sale and Purchase (2019-2021) Agreement”	the master sale and purchase (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;
“Master Service (2017 Renewal) Agreement”	the master service agreement dated 29 September 2017 entered into between the Company and TCL Corporation;
“Master Services (2019) Agreement”	the master services (2019) agreement dated 10 April 2019 entered into among the Company, TCL Industries and various other TCL Associates;
“Master Services (2019-2021) Agreement”	the master services (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;
“Master Sourcing (2017 Renewal) Agreement”	the master sourcing agreement dated 29 September 2017 entered into between the Company and TCL Corporation;
“Master Strategic Cooperation (2017 Renewal) Agreement”	the master strategic cooperation (2017 Renewal) agreement dated 29 September 2017 entered into between the Company and TCL Corporation;
“Master Subcontracting (2017 Renewal) Agreement”	the master subcontracting (2017 renewal) agreement dated 29 September 2017 entered into between the Company and TCL Corporation;
“Master TCL Trademark License (2017 Renewal) Agreement”	the master TCL trademark license (2017 renewal) agreement dated 29 September 2017 entered into between the Company and TCL Corporation;

“Non-exempt Transactions”	the transactions under the Master Sale and Purchase (2019-2021) Agreement, the Master Services (2019-2021) Agreement and Master Brand Promotion (2019-2021) Agreement, together with their respective proposed annual caps;
“ODM”	original design manufacturing;
“OEM”	original equipment manufacturing;
“Platform Services”	services for optimization of operation, sales and marketing of goods or products and/or other relevant supporting services;
“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;
“Sale of Electronic Products”	the sale of the Electronics Products by the Group to TCL Associates pursuant to the Master Sale and Purchase (2019-2021) Agreement;
“Services”	the Electronics Services or the TCL Associates Services, as the case may be;
“Service Fees”	the fees to be paid by relevant member(s) of the Group or TCL Associates for the provision of the relevant Services pursuant to the Master Services (2019-2021) Agreement;
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Shareholders’ Approval Date”	the date on which the Shareholders of the Company approve the Non-exempt Transactions, the transactions contemplated thereunder and the proposed annual caps;
“Sourcing of TCL Associates Products”	the purchase by the Group from the relevant TCL Associates of the TCL Associates Products pursuant to the Master Sale and Purchase (2019-2021) Agreement;

“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 Associates”	the associate(s) of TCL Holdings;
“TCL Associates Products”	(i) any goods or appliances including but not limited to electronic, telecommunications, IT or electrical and audio-visual products (including but not limited to refrigerators, dishwashers, air conditioners, home use telephones, electrical accessories and their components) designed, developed, manufactured, produced or otherwise sold, marketed or supplied by TCL Associates pursuant to the Master Sale and Purchase (2019-2021) Agreement; (ii) any articles, things, components or raw materials required for manufacturing or production of any Electronics Products; and (iii) any waste products arising from manufacturing or production of any goods or appliances by TCL Associates;
“TCL Associates Services”	certain operational services which may be provided by TCL Associates, including but not limited to Platform Services for consumer and electronic products, IT services and internet TV services;
“TCL Brand Management Centre”	a department specialised in maintaining, promoting and upholding the image of “TCL” brand;
“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 shares of which are listed on Shenzhen Stock Exchange (stock code: 000100);
“TCL Corporation Group”	TCL Corporation and its Subsidiaries and any entity that may become Subsidiary of TCL Corporation from time to time;

“TCL Holdings”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), formerly known as TCL Industries Holdings (Guangdong) Inc.* (TCL實業控股(廣東)股份有限公司), a company established under the laws of the PRC with limited liability;
“TCL Holdings Group”	TCL Holdings and its Subsidiaries and any entity that may become Subsidiary of TCL Holdings from time to time, and for the purpose of this announcement excludes the Group and for the purpose of the Agreements and the transactions contemplated thereunder include TCL Associates;
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong; an immediate controlling shareholder of the Company; and a wholly-owned Subsidiary of TCL Holdings;
“Temporary Agreements”	collectively the Master Sale and Purchase (2019) Agreement, the Master Services (2019) Agreement and the Master Rental (2019) Agreement, and each a “Temporary Agreement”;
“TV(s)”	television(s); and
“%”	per cent.

On behalf of the Board  
**LI Dongsheng**  
*Chairman*

Hong Kong, 14 June 2019

*The English translation of Chinese names or words in this announcement, where indicated by “\*”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*As at the date of this announcement, the Board comprises Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. WANG Yi Michael as executive Directors, Mr. Albert Thomas DA ROSA, Junior, Mr. YANG Anming, and Mr. LI Yuhao as non-executive Directors and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.*