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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)

**CONTINUING CONNECTED TRANSACTIONS
(1) REVISION OF THE ANNUAL CAP OF
MASTER SALE AND PURCHASE (2019) AGREEMENT
(2) RENEWAL OF EXISTING
CONTINUING CONNECTED TRANSACTIONS
(3) MAJOR TRANSACTION
IN RESPECT OF MASTER FINANCIAL SERVICES
(2019 RENEWAL) AGREEMENT
AND
(4) ADVANCE TO AN ENTITY
IN RESPECT OF DEPOSIT SERVICES
UNDER THE MASTER FINANCIAL SERVICES
(2019 RENEWAL) AGREEMENT**

INTRODUCTION

Reference is made to the announcements of the Company dated 25 April 2019 and 14 June 2019. Due to the business expansion and increased needs of the Group, the Board proposes to revise the annual cap for the period from 25 April 2019 to 31 December 2019 under the Master Sale and Purchase (2019) Agreement. Further, on 31 October 2019, the Company entered into (i) the Master Financial Services (2019 Renewal) Agreement with TCL Holdings and Finance Company (HK); (ii) the Master Sale and Purchase (2019 Renewal) Agreement with TCL Holdings; and (iii) the Master Rental (2019 Renewal) Agreement with TCL Holdings, and the transactions contemplated thereunder constitute continuing connected transactions.

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, 130,741,170 Shares, representing approximately 48.65% of the total number of issued Shares, were held by TCL Industries, which in turn was held as to 100% by TCL Holdings. As such, TCL Industries is a substantial Shareholder 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. In addition, Finance Company (HK), being a Subsidiary of TCL Holdings, is also a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under each of the Master Sale and Purchase (2019) Agreement and the Agreements constitute continuing connected transactions of the Company.

Mr. Yu Guanghui, an executive Director, is also the senior vice president of TCL Holdings. Notwithstanding his office held in TCL Holdings, as his respective direct or indirect interests in TCL Holdings are insignificant and that none of the TCL Associates are associates of any of the Directors, none of him or the other Directors are considered as having a material interest in the Revision or the Agreements, therefore all Directors are entitled to vote on the relevant board resolutions pursuant to the Company's articles of association.

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 Renewal) Agreement exceed 0.1% but all are 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 annual caps of the Master Financial Services (2019 Renewal) Agreement and Master Sale and Purchase (2019 Renewal) Agreement and the Revision 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 (2019 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 (2019 Renewal) Agreement exceeds 8%, the Deposit Services under the Master Financial Services (2019 Renewal) Agreement also constitutes an advance to an entity and is subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the Revision and 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 Revision and 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 21 November 2019.

As at the date of this announcement, 130,741,170 Shares were held by TCL Industries, which in turn was held as to 100% by TCL Holdings, representing approximately 48.65% of the total number of issued Shares. The holder of such Shares will abstain from voting in respect of the Revision and the Non-exempt Transactions to be put forward at the EGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution in respect of the Revision and Non-Exempt Transactions to be put forward at the EGM.

INTRODUCTION

Reference is made to the announcements of the Company dated 25 April 2019 and 14 June 2019. In light of the business expansion and increased needs of the Group, the Board proposes to revise the annual cap for the period from 25 April 2019 to 31 December 2019 under the Master Sale and Purchase (2019) Agreement. Further, on 31 October 2019, the Company entered into (i) the Master Financial Services (2019 Renewal) Agreement with TCL Holdings and Finance Company (HK); (ii) the Master Sale and Purchase (2019 Renewal) Agreement with TCL Holdings; and (iii) the Master Rental (2019 Renewal) Agreement with TCL Holdings, and the transactions contemplated thereunder constitute continuing connected transactions.

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

REVISION OF THE ANNUAL CAP OF MASTER SALE AND PURCHASE (2019) AGREEMENT

Details of the Master Sale and Purchase (2019) Agreement are set out below.

- Date:** 25 April 2019
- Parties:**
- (i) the Company (for itself and on behalf of its Subsidiaries)
 - (ii) TCL Industries (for itself and on behalf of its associates)
- Duration:** From 25 April 2019 to 31 December 2019 (both dates inclusive)

Major terms:

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

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

Such sale and purchase shall be in accordance with individual sale and purchase contracts to be entered into with the relevant member of the TCL Industries Group 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) Agreement.

Sourcing of Goods

The Company may purchase part of the Group's required Goods from the relevant members of the TCL Industries Group provided that they can offer terms (including price and payment terms) no less favourable than terms available from Independent Third Parties of the Company and the relevant Supplier Group is capable of meeting the timeline, quality and quantity of the relevant order placed.

Sale of Goods

If the relevant member of the TCL Industries Group requests or makes a written offer to any member of the Group to purchase any Goods from the Group 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 member of the TCL Industries Group provided that the terms (including price and payment terms) of the offer by the relevant member of the said Supplier Group are no less favourable than terms available to the Group from Independent Third Parties of the Group.

Payment terms:

The Master Sale and Purchase (2019) Agreement does not contain specific payment terms for the sale and purchase which shall be governed by individual sale and purchase agreements to be entered into between the relevant member of the Group and the relevant member of the TCL Industries Group. The usual payment terms of the Goods provided in the individual sale and purchase agreements are within 90 days of the receipt of the relevant Goods by the relevant member of the Group or the Supplier Group (as the case may be), which is in line with the payment terms to the Group for purchases from or sale to Independent Third Parties for similar Goods.

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 Goods offered in the market as at the time when the relevant sale and purchase are performed.
2. The prices charged for the Goods 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 the relevant members of the Supplier Groups and at least two 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) Agreement, the relevant member of the TCL Industries Group provides Goods to other Independent Third Parties at more favourable terms, the relevant member of the Supplier Group shall immediately offer to provide Goods 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 Goods 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 Goods.

5. The relevant member of the Group has the absolute discretion to decide whether to accept an offer from the relevant member of the TCL Industries Group.
6. The relevant member of the Group has the right to sell or resell the Goods which it has acquired from the relevant member of the TCL Industries Group at such price as it may in its absolute discretion determine.

The relevant member of the Group may demand the relevant member of the TCL Industries Group to purchase back the Goods at the original selling price offered to the Group if they remain unsold to third parties for six months or longer.

Historical Figures and Annual Caps

Due to expansion of business and increased needs of the Group, the Board expects that the original annual cap for Sale of Goods under the Master Sale and Purchase (2019) Agreement for the period from 25 April 2019 to 31 December 2019 as disclosed in the announcement of the Company dated 25 April 2019 will not be sufficient. The Board therefore proposes the original annual cap for Sales of Goods under the Master Sale and Purchase (2019) Agreement be revised as follows:

Continuing Connected Transaction	For the period from 25 April 2019 to 30 September 2019 (unaudited) (for actual amount only)/ for the period from 25 April 2019 to 31 December 2019 (for original/ proposed revised annual cap only) HK\$'000
Master Sale and Purchase (2019) Agreement	
Actual:	
– Sourcing of Goods	54
– Sale of Goods	48,914
Original annual caps:	
– Sourcing of Goods	10,000
– Sale of Goods	80,000
Proposed revised annual caps:	
– Sourcing of Goods	10,000
	(no proposed revision)
– Sale of Goods	130,000

Reasons for and Basis of the Proposed Revised Annual Cap

As disclosed in the announcement of the Company dated 25 April 2019, the Master Sale and Purchase (2019) Agreement was entered as a short-term temporary arrangement to accommodate the Group's immediate business needs. The original annual caps for Sale of Goods under the Old Master Sale and Purchase Agreements were approximately HK\$132 million, HK\$142 million and HK\$152 million for the years ended 31 December 2017, 2018 and 2019 respectively. Nevertheless, the original proposed annual cap for Sale of Goods under the Master Sale and Purchase (2019) Agreement for the period from 25 April 2019 to 31 December 2019 was only HK\$80 million, which was far below the said annual caps for Sale of Goods for the previous financial years.

As of 30 September 2019, the actual (unaudited) amount for Sale of Goods under the Master Sale and Purchase (2019) Agreement had reached approximately HK\$48,914,000 and therefore only approximately HK\$31,086,000 in the annual cap for the period from 25 April 2019 to 31 December 2019 (representing approximately 38.86% of the annual cap for the said period) remained available for utilisation for the remaining term of the agreement. Based on past business records of the Group, the Group tends to experience a higher amount of turnover and also Sale of Goods in the last quarter of a year due to holiday season and the potential increase in demand by TCL Industries Associates for Electronic Products when compared to the second quarter of a year. In this regard, it is expected that the Sale of Goods for the three months ending 31 December 2019 would reach HK\$47,700,000 and therefore the amount of Sale of Goods for the period from 25 April 2019 to 31 December 2019 would reach HK\$96,614,000 and therefore the original cap for Sale of Goods for the said period would not be sufficient to keep up with the business growth of the Group. Considering that it would be essential for a business to have flexibility in operations and to allow a buffer in conducting transactions, the Group therefore proposed to revise the annual cap for the Sale of Goods for the period from 25 April 2019 to 31 December 2019 to HK\$130 million.

In determining the proposed revised annual cap for Sale of Goods under the Master Sale and Purchase (2019) Agreement for the period from 25 April 2019 to 31 December 2019, the Company has taken into account (i) the actual sales amount of Goods by the Group to TCL Industries Associates under the Old Master Sale and Purchase Agreements; (ii) the expected amount of Sale of Goods in the remaining term of the Master Sale and Purchase (2019) Agreement based on past business records of the Group.

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

1. MASTER FINANCIAL SERVICES (2019 RENEWAL) AGREEMENT

The Company has entered into the Master Financial Services (2018 Renewal) Agreement on 18 October 2018 which will expire on 31 December 2021. As stated in the announcement of the Company dated 14 June 2019, TCL Corporation underwent the Restructuring in April 2019. Immediately upon completion of the Restructuring, notwithstanding that TCL Corporation was no longer a holding company of TCL Industries, it remained a connected person of the Company by virtue of its interest in Guangdong Regency. TCL Corporation held over 50% equity interest in Huizhou Kaichuang, which in turn held 10% equity interest in Guangdong Regency, a Subsidiary of the Company, hence TCL Corporation was a substantial shareholder of a Subsidiary of the Company and therefore a connected person at subsidiary level of the Company. However, on 20 June 2019, Guangdong Regency entered into the Equity Transfer Agreement which provided that Guangdong Regency was to issue certain number of consideration shares to the Vendors as part of the consideration for the acquisition of equity interest in the Target Company upon completion. Completion of the said equity transfer and allotment of consideration shares took place in July 2019 and as a result the equity interest of Huizhou Kaichuang in Guangdong Regency was diluted from 10% to 7.81% and hence each of TCL Corporation and Finance Company, a Subsidiary of TCL Corporation, ceased to be a connected person of the Company. For details of the Equity Transfer Agreement, please refer to the announcements of the Company dated 20 June 2019 and 10 July 2019. On the other hand, Finance Company (HK), which became a subsidiary of TCL Holdings as a result of the Restructuring, remains to be a connected person of the Company.

As the Company wishes to continue the transactions contemplated under the Master Financial Services (2018 Renewal) Agreement with Finance Company (HK), the Company entered into the Master Financial Services (2019 Renewal) Agreement, the terms of the former are substantially the same as the Master Financial Services (2018 Renewal) Agreement, save and except (i) for the change of contracting parties and (ii) that the promotion services covered in the Master Financial Services (2018 Renewal) Agreement are no longer covered in the Master Financial Services (2019 Renewal) Agreement as the Group does not intend to provide such promotion services under the Master Financial Services (2019 Renewal) Agreement. After the entering into of the Master Financial Services (2019 Renewal) Agreement, the Master Financial Services (2018 Renewal) Agreement remains in effect, the Company will conduct all continuing connected transactions constituted under the Deposit Services, the Financing Services and Other Financial Services with Finance Company (HK) only under the Master Financial Services (2019 Renewal) Agreement but not the Master Financial Services (2018 Renewal) Agreement.

The details of the Master Financial Services (2019 Renewal) Agreement are set out below.

- Date:** 31 October 2019
- Parties:**
- (i) the Company (for itself and on behalf of its Subsidiaries)
 - (ii) TCL Holdings (for itself and on behalf of TCL Financial Services Associates)
 - (iii) Finance Company (HK)
- Duration:** From 1 January 2020 to 31 December 2022 (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 (HK) and/or other TCL Financial Services Associates. If Finance Company (HK) and/or any TCL Financial Services Associates 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 (HK) and/or the relevant TCL Financial Services Associates, 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 Finance Company (HK) and/or the relevant TCL Financial Services Associates to any other members of the TCL Holdings Group (including the Group) and/or Independent Third Parties; and

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

- (2) for deposits made outside the PRC, not be lower than the higher 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 (HK) and/or the relevant TCL Financial Services Associates to any other members of the TCL Holdings Group (including the Group) and/or Independent Third Parties; and

other terms and conditions offered by Finance Company (HK) and/or the relevant TCL Financial Services Associates 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 (HK) and/or the relevant TCL Financial Services Associates to any other members of the TCL Holdings Group (including the Group) and/or Independent Third Parties and shall be on normal commercial terms.

TCL Holdings undertakes, and will procure all its TCL Financial Services Associates to jointly and severally with TCL Holdings undertake, with the Group that at any time during the term of the Master Financial Services (2019 Renewal) Agreement, the maximum amount of loans, financing and guarantees available under the facility line under the Master Financial Services (2019 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 (HK) and/or other TCL Financial Services Associates. *(see Note 1 at page 14 of this announcement)*

If any Tonly Qualified Member demands repayment of any money deposited by it with Finance Company (HK) and/or any TCL Financial Services Associates in accordance with the relevant terms and procedure and Finance Company (HK) and/or the relevant TCL Financial Services Associates fail 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 Holdings; 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 Holdings; and/or
- c) request TCL Holdings to repay the outstanding deposit amount on behalf of Finance Company (HK) and/or the relevant TCL Financial Services Associates in full.

Financing Services

(see Note 2 at page 14 of the announcement)

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 Holdings Group (including the Group) and/or Independent Third Parties 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 Holdings Group (including the Group) and/or Independent Third Parties 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 Holdings Group (including the Group) and/or Independent Third Parties 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 Holdings Group (including the Group) and/or Independent Third Parties 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 (2019 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.

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 Holdings Group (including the Group) and/or Independent Third Parties with the same credit rating. There will be at least more than one referencing rate available regarding each of the Other Financial Services since all Other Financial Services are ordinary financial services approved by the CBRC and TCL Financial Services Associates are not the only entities which provide such financial services in the market.

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 Holdings Group (including the Group) and/or Independent Third Parties with the same credit rating for the relevant services and shall be on normal commercial terms.

The fees (*see note 3 at page 14 of this announcement*) 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 Holdings Group (including the Group) and/or Independent Third Parties 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 Holdings Group (including the Group) and/or Independent Third Parties 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 (2019 Renewal) Agreement.

Notes:

1. With this undertaking, Tonly Qualified Members could be assured that facilities available to them under the Master Financial Services (2019 Renewal) Agreement could be of at least the amount of deposits they maintain with Finance Company (HK) and other TCL Financial Services Associates.
2. Whilst it is not a term of the Master Financial Services (2019 Renewal) Agreement, the Group has no intention to obtain secured loans, financing and guarantees involving pledge of the Group's assets as security under the Master Financial Services (2019 Renewal) Agreement. In the event that the Group pledges any of its assets as security under the Master Financial Services (2019 Renewal) Agreement, the Company will comply with all the applicable requirements under the Listing Rules.
3. The pricing method of Other Financial Services may be divided into 3 main categories, namely:
 - a) fees based on quotation for a particular project/transaction;
 - b) fees charged with reference to the amount of the principal involved; and
 - c) fixed fees irrespective of the amount of the principal involved.

The pricing method to be adopted for a particular type of Other Financial Services would be negotiated among the contracting parties when individual contracts are signed. Pricing method (a) is commonly adopted for Other Financial Services.

2. MASTER SALE AND PURCHASE (2019 RENEWAL) AGREEMENT

The Company has entered into the Master Sale and Purchase (2019) Agreement on 25 April 2019 which will expire on 31 December 2019. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Sale and Purchase (2019 Renewal) Agreement, the terms of which are substantially the same as the Master Sale and Purchase (2019) Agreement, save and except that (i) the Company entered into the Master Sale and Purchase (2019 Renewal) Agreement with TCL Holdings (for itself and on behalf of its associates) instead of TCL Industries (for itself and on behalf of its associates); and (ii) the sale and sourcing of equipment and tools to and from TCL Associates are covered under the Master Sale and Purchaser (2019 Renewal) Agreement.

The Company expects that the Sale of Goods will mainly involve the sale of audio-video products, speakers, components and raw materials for television whilst the Sourcing of Goods will mainly involve the sourcing of home appliances, televisions, air-conditioners, lighting devices, LED display units. The details of the Master Sale and Purchase (2019 Renewal) Agreement are set out below.

Date: 31 October 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 1 January 2020 to 31 December 2022 (both dates inclusive) (subject to approval by the Independent Shareholders)

Major terms: The Company may from time to time sell and the Supplier may from time to time purchase and procure members of the Supplier Group to purchase the Electronic Products, whether or not the raw materials for the production of such Goods are to be supplied by the Supplier Group. The Company may from time to time purchase and the relevant Supplier may from time to time sell and procure members of the Supplier Group to sell the TCL Associates Products.

Such sale and purchase shall be in accordance with individual sale and purchase contracts to be entered into with the relevant member of Supplier Group 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 Renewal) Agreement.

Sourcing of Goods

The Company may purchase part of the Group's required Goods from the relevant members of the Supplier Group provided that they can offer terms (including price and payment terms) no less favourable than terms available from Independent Third Parties of the Company and the relevant Supplier Group is capable of meeting the timeline, quality and quantity of the relevant order placed.

Sale of Goods

If the relevant member of the Supplier Group requests or makes a written offer to any member of the Group to purchase any Goods from the Group 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 the relevant member of the Supplier Group provided that the terms (including price and payment terms) of the offer by the relevant member of the said Supplier Group are no less favourable than terms available to the Group from Independent Third Parties of the Group.

Payment terms:

The Master Sale and Purchase (2019 Renewal) Agreement does not contain specific payment terms for the sale and purchase which shall be governed by individual sale and purchase agreements to be entered into between the relevant member of the Group and the relevant member of the TCL Holdings Group. The usual payment terms of the Goods are within 90 days of the receipt of the relevant Goods by the relevant member of the Group or the Supplier Group (as the case may be), which is in line with the payment terms to the Group for purchases from or sale to Independent Third Parties for similar Goods.

Price Determination and Pricing Policy of the Group:

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 with similar terms offered in the market as at the time when the relevant sale and purchase is performed.

2. The prices charged for the Goods 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 the relevant members of the Supplier Groups 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 Renewal) Agreement, the relevant member of the Supplier Group provides Goods to other Independent Third Parties at more favourable terms, the relevant member of the Supplier Group shall immediately offer to provide Goods 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 Goods 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 Goods.
5. The relevant member of the Group has the absolute discretion to decide whether to accept an offer from the relevant member of the Supplier Group.
6. The relevant member of the Group has the right to sell or resell the Goods which it has acquired from the relevant member of the Supplier Group at such price as it may in its absolute discretion determine.

The relevant member of the Group may demand the relevant member of the Supplier Group to purchase back the Goods at the original selling price offered to the Group if they remain unsold to third parties for six months or longer.

3. MASTER RENTAL (2019 RENEWAL) AGREEMENT

The Company has entered into the Master Rental (2019) Agreement on 25 April 2019 which will expire on 31 December 2019. As the Company wishes to continue the continuing connected transactions contemplated thereunder, the Company entered into the Master Rental (2019 Renewal) Agreement, the terms of which are substantially the same as the Master Rental (2019) Agreement, save and except that the Company entered into the Master Rental (2019 Renewal) Agreement with TCL Holdings (for itself and on behalf of its associates) instead of TCL Industries (for itself and on behalf of its associates).

The details of the Master Rental (2019 Renewal) Agreement are set out below.

- Date:** 31 October 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 1 January 2020 to 31 December 2022 (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, share and/or make available the use to the other party at a monthly rent/license fee, payable 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 Renewal) Agreement.

Further, the parties may in writing add, delete, revise and/or adjust the location and 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 Renewal) 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:

- (1) 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 shall be no less than the rental/license fee payable by an Independent Third Party of the Company to the Group and/or a member of the Rental Group for comparable tenancies/licenses; and
- (2) 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.

HISTORICAL FIGURES

The following table sets out (i) the actual amounts and original annual caps for the two years ended 31 December 2017 and 31 December 2018; and (ii) the actual amounts for the nine months ended 30 September 2019 with the original annual caps for the year ending 31 December 2019, under the Old Master Financial Services Agreements.

	For the year ended		For the nine months ended
	31 December 2017	2018	30 September 2019
Old Master Financial Services Agreements (Note 1)	(audited) HK\$'000	(audited) HK\$'000	(unaudited) (for actual amount only)/ for the year ending 31 December 2019 (for original annual cap only) HK\$'000
<i>Deposit Services</i>			
– Actual	782,572	791,410	471,126
– Original annual cap	905,000	1,000,000	1,100,000
<i>Financing Services and Other Financial Services</i>			
– Actual	47	0	0
– Original annual cap	1,500	1,650	1,815

The following table sets out the (i) the actual amounts and original annual caps for the two years ended 31 December 2017 and 31 December 2018 under the Master Sale and Purchase (2015 Renewal) Agreement; (ii) the actual amounts for the 3 months ended 31 March 2019 with the original annual caps for the year ending 31 December 2019 under the Master Sale and Purchase (2018 Renewal) Agreement; and (iii) the actual amounts for the period from 25 April 2019 to 30 September 2019 with the original annual caps for the period from 25 April 2019 to 31 December 2019 under the Master Sale and Purchase (2019) Agreement.

	For the year ended		For the	For the
	31 December	31 December	3 months ended	period from
Old Master Sale and Purchase Agreements (Note 2)(Note 3)	2017	2018	31 March 2019	25 April 2019
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	(for actual amount only)/ (for actual amount only)/ for the year ending 31 December 2019 (for original annual cap only)	amount only)/ for the period from 25 April 2019 to 31 December 2019 (for original/proposed revised annual cap only)
			HK\$'000	HK\$'000
<i>Sourcing of Goods</i>				
- Actual	209	7,506	3	54
- Original annual cap	50,250	54,270	10,000	10,000
			(Note 4)	
<i>Sale of Goods</i>				
- Actual	11,287	3,905	6,566	48,914
- Original annual cap	131,760	142,301	152,183	80,000
			(Note 4)	
- Proposed revised annual cap (Note 5)	-	-	-	130,000

The following table sets out the (i) the actual amounts and original annual caps for the two years ended 31 December 2017 and 31 December 2018 under the Master Lease (Tenant) (2015 Renewal) Agreement; (ii) the actual amount for the 3 months ended 31 March 2019 with the original annual cap for the year ending 31 December 2019 under the Master Lease (Tenant) (2018 Renewal) Agreement; and (iii) the actual amount for the period from 25 April 2019 to 30 September 2019 with the original annual cap for the period from 25 April 2019 to 31 December 2019 under the Master Rental (2019) Agreement.

	For the year ended		For the	For the
	31 December	31 December	3 months ended	period from
	2017	2018	31 March 2019	25 April 2019
	(audited)	(audited)	(unaudited)	to 30 September
	HK\$'000	HK\$'000	(for actual	2019
			amount only)/	(unaudited)
			for the	(for actual
			year ending	amount only)/
			31 December	for the
			2019	year ending
			(for original	31 December
			annual cap	2019
			only)	(for original
				annual cap
				only)
				HK\$'000
Old Master Rental Agreements (Note 6)				
- Actual	13,938	20,763	5,932	5,672
- Original annual cap	21,155	27,822	39,169	30,000
			(Note 7)	

Note 1: The continuing connected transactions under the Old Master Financial Services Agreements are governed by:

- a) for the year ended 31 December 2017, the Master Financial Services (2015 Renewal) Agreement (from 1 January 2017 to 25 August 2017) and the Master Financial Services (2017 Renewal) Agreement (from 25 August 2017 to 31 December 2017);
- b) for the year ended 31 December 2018, the Master Financial Services (2017 Renewal) Agreement; and
- c) for the year ending 31 December 2019, the Master Financial Services (2018 Renewal) Agreement.

Note 2: The continuing connected transactions under the Old Master Sale and Purchase Agreements are governed by:

- a) for the year ended 31 December 2017, the Master Sale and Purchase (2015 Renewal) Agreement;
- b) for the year ended 31 December 2018, the Master Sale and Purchase (2015 Renewal) Agreement; and
- c) for the year ending 31 December 2019, the Master Sale and Purchase (2018 Renewal) Agreement (from 1 January 2019 to 31 December 2019) and the Master Sale and Purchase (2019) Agreement (from 25 April 2019 to 31 December 2019).

Note 3: The Master Sale and Purchase (2018 Renewal) Agreement was entered into between the Company and TCL Corporation whilst the Master Sale and Purchase (2019) Agreement was entered into between the Company and TCL Industries.

The Company has ceased to transact with TCL Corporation under the Master Sale and Purchase (2018 Renewal) Agreement after the Restructuring.

Note 4: As disclosed in the announcement of the Company dated 14 June 2019, upon entering into of the Master Sale and Purchase (2019) Agreement in April 2019, the Master Sale and Purchase (2018 Renewal) Agreement remains in full force and effect but the annual caps for the year ending 31 December 2019 thereunder were correspondingly lowered (i) from HK\$10,000,000 to nil (for Sourcing of Goods); and (ii) from HK\$152,183,000 to HK\$72,183,000 (for Sale of Goods) (the reduced amounts represent the amounts of the corresponding annual caps under the Master Sale and Purchase (2019) Agreement for the period from 25 April 2019 to 31 December 2019). For the avoidance of doubt, the annual caps for the year ending 31 December 2019 under the Master Sale and Purchase (2018 Renewal) Agreement have become no longer applicable since the date TCL Corporation ceased to be a connected person of the Company in July 2019, the details of which are set out in the section “Renewal of Existing Continuing Connected Transactions – 1. Master Financial Services (2019 Renewal) Agreement” in this announcement.

Note 5: The details of the proposed revised annual cap are disclosed in this announcement.

Note 6: The continuing connected transactions under the Old Master Rental Agreements are governed by:

- a) for the year ended 31 December 2017, the Master Lease (Tenant) (2015 Renewal) Agreement;
- b) for the year ended 31 December 2018, the Master Lease (Tenant) (2015 Renewal) Agreement; and
- c) for the year ending 31 December 2019, the Master Lease (Tenant) (2018 Renewal) Agreement (from 1 January 2019 to 31 December 2019) and the Master Rental (2019) Agreement (from 25 April 2019 to 31 December 2019).

Note 7: As disclosed in the announcement of the Company dated 14 June 2019, upon entering into of the Master Rental (2019) Agreement, the Master Lease (Tenant) (2018 Renewal) Agreement remains in full force and effect but the annual cap for the year ending 31 December 2019 thereunder would be correspondingly lowered from HK\$39,169,000 to HK\$9,169,000 (the reduced amount represents the amount of the corresponding annual cap under the Master Rental (2019) Agreement for the period from 25 April 2019 to 31 December 2019). For the avoidance of doubt, the annual cap for the year ending 31 December 2019 under the Master Lease (Tenant) (2018 Renewal) Agreement has become no longer applicable since the date TCL Corporation ceased to be a connected person of the Company in July 2019, the details of which are set out in the section “Renewal of Existing Continuing Connected Transactions – 1. Master Financial Services (2019 Renewal) Agreement” in this announcement.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the continuing connected transactions under the Agreements for the three years ending 31 December 2022:

Continuing Connected Transactions		For the year ending 31 December		
		2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Master Financial Services (2019 Renewal) Agreement	<i>Deposit Services</i>	720,000	840,000	900,000
	<i>Financing Services and Other Financial Services</i>	3,600	4,200	4,500
Master Sale and Purchase (2019 Renewal) Agreement	<i>Sourcing of Goods</i>	28,346	23,346	23,346
	<i>Sale of Goods</i>	743,880	820,103	829,821
Master Rental (2019 Renewal) Agreement		19,871	17,949	16,038

BASIS OF THE PROPOSED ANNUAL CAPS

Master Financial Services (2019 Renewal) Agreement

The proposed annual caps in relation to the Master Financial Services (2019 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 (HK) such as better interest rates than those available from other financial institutions, it is expected the balance of deposits with 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 (HK) and/or other TCL Financial Services Associates 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;

Deposit Services

- (iv) As at 30 June 2019, the Group's cash and cash equivalents were approximately HK\$704 million. Given that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Company will experience a gradual growth, it is expected that the Group's cash and cash equivalents would have a stable increase over the three financial years ending 31 December 2022;
- (v) The Directors of the Company (other than the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee 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\$707 million, the Group expects that the maximum amount of deposits to be maintained with TCL Financial Services Associates could be up to the proposed annual caps for the maximum outstanding daily balance of deposits for the 3 years ending 31 December 2022;
- (b) It is in the Group's absolute discretion to decide whether to deposit money with the TCL Financial Services Associates under the Master Financial Services (2019 Renewal) Agreement and the Group would only do so if the terms offered by the TCL Financial Services Associates 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; and
- (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;

Financing Services and Other Financial Services

- (vi) The Group may request TCL Financial Services Associates to provide Financing Services and Other Financial Services as and when needed. In view of the targeted gradual increase in the Group's sales for the three years ending 31 December 2022, the Group's need for facility from TCL Financial Services Associates would also increase. The Company expected that the growth rate of such services from TCL Financial Services Associates would be approximately 16.67% and 7.14% per annum for the years ending 31 December 2021 and 2022 respectively. Obtaining facility from TCL Financial Services Associates could allow the Group to flexibly obtain low costs facility in time to support the operation of the Group. This efficient alternative of financing could enable the Group to cope with the ever-changing markets and business needs in time. The facility is expected to be used in the general operation of the Group.

Master Sale and Purchase (2019 Renewal) Agreement

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

- (i) the historical amounts of the relevant transactions under the Old Master Sale and Purchase Agreements;
- (ii) in respect of Sourcing of Goods, the possible requirements of raw materials, semi-finished materials, finished goods and equipment and tools 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, finished goods and equipment and tools, in particular the expected sourcing of equipment and tools from TCL Electronics for the production base in Vietnam in the approximate amounts of HK\$10 million, HK\$5 million and HK\$5 million for the years ending 31 December 2020, 2021 and 2022 respectively; and
- (iii) in respect of Sale of Goods, the relevant TCL Associates' projected requirements of raw materials, semi-finished materials, finished goods, equipment and tools for its operations, which is expected to increase substantially due to
 - (a) the expected increase in the number of projects and production facility utilisation rate of of optoelectronics products line of Guangdong Regency;
 - (b) the expected increase in sale of optoelectronics products to TCL Electronics;
 - (c) the expected increase in sale of soundbar audio products to TCL Associates;
 - (d) the possible cooperation in Brand AV Business with TCL Holdings Group; and
 - (e) the prevailing market rate for similar Goods.

With regard to (d) above, pursuant to the Deed of Non-Competition (as amended by the Deed of Variation), the Covenantors and their respective associates may engage in the Brand AV Business, nevertheless the request or written offers related to the OEM/ODM manufacturing and procurement of Brand AV Products shall be given to the Group first and shall remain valid and open for acceptance by the Group for a reasonable period of time for no more than 14 days. As the Group has the first right of refusal to accept the production in relation to the Brand AV Products, the Group shall be able to capture the business opportunities arising from and/or in connection with the Brand AV Business of the Covenantors and/or their associates through the production of such Brand AV Products.

Since entering into of the Deed of Variation in 2017, the Covenantors have commenced the Brand AV Business. Over the past two years, the Brand AV Business of the Covenantors was in developing stage and the overall scale of business remained relatively small. It was expected that TCL Holdings Group would increase the resources in the Brand AV Business starting from the year of 2020. The Brand AV Business of the Covenantors is mainly carried on via TCL Holdings Group after the Restructuring. Based on the business plan provided by the TCL Holdings Group, the cooperation in Brand AV Business for the three years ending 31 December 2022 is expected to be mainly in (i) the sound solution category adjacent to the home appliance category for synergistic advantage; (ii) the audio-visual category of smart speakers and sound solution for home appliance; and (iii) the television soundbar category, for the global market under various brands of the TCL Holdings Group. Therefore, the Group expects to experience gradual growth of its ODM/OEM business by obtaining potential product orders from TCL Holdings Group starting from the year of 2020.

Master Rental (2019 Renewal) Agreement

The proposed annual caps for the leases/licenses as contemplated under the Master Rental (2019 Renewal) Agreement have been calculated with reference to the estimated aggregate annual rental/license fee payable by the Group to TCL Associates and/or by TCL Associates to the Group (as the case maybe) under the existing leases/licenses and potential new leases/licenses. The Group has taken into account the following factors in determining the proposed annual caps:

1. the potential decrease in rental of factories in the future in view of the Group's plans of construction of a new factory in Vietnam;
2. the historical amounts paid for rentals and relevant fees contemplated under the Old Master Rental Agreements;
3. the estimated aggregate annual rents/licence fee payable calculated based on the total area of the properties leased/licensed and the properties to be leased/licensed and the average rent/licence fee per square meter;
4. the estimated growth of the rents/licence fees payable for the premises in the region of approximately 10% per annum; and
5. the prevailing market rate of the rent/licence fees to be paid for comparable premises if such were to be rented/licensed from Independent Third Parties.

REASONS FOR AND BENEFITS OF THE AGREEMENTS

Master Financial Services (2019 Renewal) Agreement

The Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) consider that the continuing connected transactions under the Master Financial Services (2019 Renewal) Agreement are entered into in the ordinary and usual course of business of the Company, the terms thereof including the proposed annual caps are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole, for the following reasons:

1. The Master Financial Services (2019 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 CBRC 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 Holdings is better than that of Tonly Qualified Members, TCL Financial Services Associates may obtain better financing options from the financial institutions outside through TCL Holdings 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 (HK) 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 (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 major commercial banks in the PRC. 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 benefit from such arrangement since it allows the Group to obtain such unsecured guarantee letters to facilitate the Group's business with its suppliers.

Master Sale and Purchase (2019 Renewal) Agreement

The Directors consider that the transactions under the Sourcing of Goods 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 for the Group's manufacture of the Electronic Products and the necessary finished goods, equipment and tools for the Group's operations. The Sale of Goods will also allow the Group to better manage its level of raw materials by providing additional flexibility to the Group for managing its surplus materials/Goods (if any) and will allow the Group to widen its revenue base by supplying Goods to the relevant TCL Associates. Also, the sale of equipment and tools to the TCL Associates will provide the Group with a way to dispose of equipment and tools that are in excess of or not fit for its production needs and to realise assets for its financial needs.

The Master Sale and Purchase (2019 Renewal) Agreement would also enable the Group to source Goods from the relevant TCL Associates on normal commercial terms or better with a view to distributing such products for profits. It will continuously provide the Group with an additional source of revenue and margin by capitalising upon its established distribution network of the Group of Goods without incurring significant additional overheads; the Group will also benefit by securing a reliable source of high quality Goods for re-sale to customers and an additional income will be derived from reselling the Goods to customers by utilising the Group's existing distribution network in the territories concerned. The sourcing of equipment and tools from the TCL Associates will allow the Group's access to necessary equipment and tools to support its production, for replacing and upgrading existing obsolete equipment and tools and expanding scale of production.

The Directors (other than the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) consider that the continuing connected transactions under the Master Sale and Purchase (2019 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 Rental (2019 Renewal) Agreement

The Directors consider that the terms of the Master Rental (2019 Renewal) Agreement 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 because 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 utilise its unused assets. The Company considers it is in the interests of the Company and the Shareholders as a whole to enter into the Master Rental (2019 Renewal) 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, 130,741,170 Shares, representing approximately 48.65% of the total number of issued Shares, were held by TCL Industries, which in turn was held as to 100% by TCL Holdings. As such, TCL Industries is a substantial Shareholder 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. In addition, Finance Company (HK), being a Subsidiary of TCL Holdings, is also a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under each of the Master Sale and Purchase (2019) Agreement and the Agreements constitute continuing connected transactions of the Company.

Mr. Yu Guanghui, an executive Director, is also the senior vice president of TCL Holdings. Notwithstanding his office held in TCL Associates, as his respective direct or indirect interests in TCL Holdings are insignificant and that none of the TCL Associates are associates of any of the Directors, none of him or the other Directors are considered as having a material interest in the Revision or the Agreements, therefore all Directors are entitled to vote on the relevant board resolutions pursuant to the Company's articles of association.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the aggregated figure of the annual caps of the Master Rental (2019 Renewal) Agreement exceed 0.1% but all are 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 annual caps of the Master Financial Services (2019 Renewal) Agreement, Master Sale and Purchase (2019 Renewal) Agreement and the Revision 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 (2019 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 (2019 Renewal) Agreement exceeds 8%, the Deposit Services under the Master Financial Services (2019 Renewal) Agreement also constitutes an advance to an entity and is subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the Revision and 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 Revision and 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 21 November 2019.

As at the date of this announcement, 130,741,170 Shares were held by TCL Industries, which in turn was held as to 100% by TCL Holdings, representing approximately 48.65% of the total number of issued Shares. The holder of such Shares will abstain from voting in respect of the Revision and the Non-exempt Transactions to be put forward at the EGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution in respect of the Revision and Non-Exempt Transactions to be put forward at the EGM.

GENERAL INFORMATION ON THE PARTIES

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 Holdings is principally engaged in equity investment, real estate leasing, conference services, software development, developing, manufacturing and distributing communication devices, audio/video products, electronic products and home appliances, market development, goods and technology import and export, computer information technology services, business management consultation and business information consultation.

TCL Industries is a company incorporated and subsisting under the laws of the Hong Kong with limited liability and is principally engaged in investment holding.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 November 2019, Friday to 21 November 2019, Thursday (both dates inclusive), for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM to be held on 21 November 2019. No transfer of the Shares may be registered during the said period. The record date for determining the aforesaid entitlements is 21 November 2019, Thursday. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 14 November 2019, Thursday.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	collectively (i) the Master Financial Services (2019 Renewal) Agreement; (ii) the Master Sale and Purchase (2019 Renewal) Agreement; and (iii) the Master Rental (2019 Renewal) Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Brand AV Business”	means the research and development, manufacturing and sales relating to Brand AV Products
“Brand AV Products”	means audio-visual products (excluding television sets) with the “TCL” brands, other self-owned brands and authorised brands of TCL Corporation, TCL Industries and their associates (excluding the Group) from time to time
“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 no. 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
“CBRC”	China Banking Regulatory Commission
“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)
“Covenantors”	TCL Corporation and TCL Industries
“Deed of Non-Competition”	the deed of non-competition entered into among the Company and the Covenantors on 15 July 2013
“Deed of Variation”	the deed of variation in relation to the Deed of Non-Competition entered into among the Company and the Covenantors on 21 July 2017
“connected person(s)”	has the meanings ascribed to it under the Listing Rules

“Deposit Services”	deposit of money by Tonly Qualified Members with Finance Company (HK) and/or other TCL Financial Services Associates pursuant to the Master Financial Services (2019 Renewal) Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 8th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, on 21 November 2019, Thursday at 10:30 a.m. for the purposes of considering and, if thought fit, approving the Revision and Non-Exempt Transactions and the proposed annual caps
“Electronic Products”	electronic products (including information technology, software, audio-visual products), equipment and tools manufactured, produced or otherwise sold by the Group whether or not the raw materials for the production of such Electronic Products are to be supplied by the Supplier Group
“Equity Transfer Agreement”	the equity transfer agreement entered into on 20 June 2019 among Guangdong Regency and the Vendors
“Finance Company”	TCL Finance Co., Ltd.* (TCL集團財務有限公司), a company established in the PRC with limited liability and a Subsidiary of TCL Corporation
“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 Master Financial Services (2019 Renewal) Agreement
“Goods”	the Electronic Products or the TCL Associates Products (as the case may be) and the articles, things, components or raw materials, equipment or tools required for the manufacture or production of such products and waste products arising from manufacturing or production of any such products
“Group”	the Company and its Subsidiaries
“Guangdong Regency”	Guangdong Regency Optics-electron Co., Ltd.* (廣東瑞捷光電股份有限公司), a company established in the PRC with limited liability, and an indirect Subsidiary of the Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Kaichuang”	Huizhou Kaichuang Venture Capital Partnership (Limited Partnership)* (惠州市愷創創業投資合夥企業 (有限合夥)), a limited partnership established in the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of reviewing the terms of and the proposed annual caps of transactions contemplated under the Non-Exempt Transactions and the Revision
“Independent Financial Adviser” or “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 and the Revision
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolution at the EGM approving transactions contemplated under and the proposed annual caps of the Non-Exempt Transactions and the Revision
“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 (2015 Renewal) Agreement”	the master financial services (2015 renewal) agreement dated 16 November 2015 entered into among the Company, TCL Corporation and Finance Company
“Master Financial Services (2017 Renewal) Agreement”	the master financial services (2017 renewal) agreement dated 12 July 2017 entered into among the Company, the Finance Company, the Finance Company (HK) and TCL Corporation
“Master Financial Services (2018 Renewal) Agreement”	the master financial services (2018 renewal) agreement dated 18 October 2018 entered into among the Company, Finance Company (HK), Finance Company and TCL Corporation

“Master Financial Services (2019 Renewal) Agreement”	the master financial services (2019 renewal) agreement dated 31 October 2019 entered into among the Company, TCL Holdings and Finance Company (HK)
“Master Lease (Tenant) (2015 Renewal) Agreement”	the master lease (tenant) (2015 renewal) agreement dated 16 November 2015 entered into between the Company and TCL Corporation
“Master Lease (Tenant) (2018 Renewal) Agreement”	the master lease (tenant) (2018 renewal) agreement dated 18 October 2018 entered into between the Company and TCL Corporation
“Master Rental (2019) Agreement”	the master rental (2019) agreement dated 25 April 2019 entered into between the Company and TCL Industries
“Master Rental (2019 Renewal) Agreement”	the master rental (2019 renewal) agreement dated 31 October 2019 entered into between the Company and TCL Holdings
“Master Sale and Purchase (2015 Renewal) Agreement”	the master sale and purchase (2015 renewal) agreement dated 16 November 2015 entered into between the Company and TCL Corporation
“Master Sale and Purchase (2018 Renewal) Agreement”	the master sale and purchase (2018 renewal) agreement dated 18 October 2018 entered into between the Company and TCL Corporation
“Master Sale and Purchase (2019) Agreement”	the master sale and purchase (2019) agreement dated 25 April 2019 entered into between the Company and TCL Industries
“Master Sale and Purchase (2019 Renewal) Agreement”	the master sale and purchase (2019 renewal) agreement dated 31 October 2019 entered into between the Company and TCL Holdings
“Non-Exempt Transactions”	the transactions under the Master Financial Services (2019 Renewal) Agreement and the Master Sale and Purchase (2019 Renewal) Agreement together with their proposed annual caps
“Old Master Financial Services Agreements”	collectively (i) the Master Financial Services (2015 Renewal) Agreement; (ii) the Master Financial Services (2017 Renewal) Agreement; and (iii) the Master Financial Services (2018 Renewal) Agreement
“Old Master Rental Agreements”	collectively (i) the Master Lease (Tenant) (2015 Renewal) Agreement; (ii) the Master Lease (Tenant) (2018 Renewal) Agreement; and (iii) the Master Rental (2019) Agreement

“Old Master Sale and Purchase Agreements”	collectively (i) the Master Sale and Purchase (2015 Renewal) Agreement; (ii) the Master Sale and Purchase (2018 Renewal) Agreement; and (iii) the Master Sale and Purchase (2019) Agreement
“Other Financial Services”	all financial services which may be provided by Finance Company (HK) and/or other TCL Financial Services Associates for Tonly Qualified Members under the Master Financial Services (2019 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 and documentary bills services
“PBOC”	the People’s Bank of China, the central bank of the PRC
“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
“Qualified Member(s)”	all companies to which TCL Financial Services Associates will be allowed to provide services pursuant to the Administrative Measures on Group Finance Companies (企業集團財務公司管理辦法) promulgated by the CBRC, which shall only include TCL Holdings, any Subsidiary of which TCL Holdings owns an equity interest of 51% or more, any company in which TCL Holdings or any of its Subsidiaries own, individually or collectively, an equity interest of over 20% and any company in which TCL Holdings or any of its Subsidiaries are, individually or collectively, the largest shareholder (for the avoidance of doubt, the aforesaid equity interest includes both direct and indirect equity interest owned by TCL Holdings)
“Rental Group”	each of the Group and the TCL Holdings Group
“Restructuring”	the series of transactions contemplated under the Restructuring Agreement

“Restructuring Agreement”	the material assets sale agreement dated 7 December 2018 entered into among (i) TCL Holdings; (ii) TCL Corporation; (iii) Huizhou TCL Light Electrical Appliances Co., Ltd.* (惠州TCL照明電器有限公司), a wholly-owned Subsidiary of TCL Corporation; and (iv) TCL Financial Holdings Group (Guangzhou) Co., Ltd.* (TCL金融控股集團(廣州)有限公司), a wholly-owned Subsidiary of TCL Corporation, in relation to the sale and purchase of all of the issued share capital of TCL Industries and the Restructuring
“Revision”	the revision of the annual cap of the Master Sale and Purchase (2019) Agreement for the period from 25 April 2019 to 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Sale of Goods”	the sale of the Goods by the Group to TCL Industries Associates or TCL Associates pursuant to the Master Sale and Purchase (2019) Agreement or the Master Sale and Purchase (2019 Renewal) Agreement (as the case may be)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Sourcing of Goods”	the purchase of Goods by the Group from TCL Industries Associates or TCL Associates pursuant to the Master Sale and Purchase (2019) Agreement or the Master Sale and Purchase (2019 Renewal) Agreement (as the case may be)
“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
“Supplier”	TCL Industries or TCL Holdings (as the case may be)
“Supplier Group”	TCL Industries Group or TCL Holdings Group (as the case may be)
“Target Company”	Huizhou Nikko Optoelectronics Co., Ltd.* (惠州尼日科光電有限公司), a company established in the PRC with limited liability and an indirect Subsidiary of the Company with the principal business in research and development, manufacturing and sales of optical film in the PRC

“TCL Associate(s)”	the associate(s) of TCL Holdings
“TCL Associates Products”	any goods and appliances (including electronic, telecommunications, information technology or electrical and audio-visual products (including but not limited to refrigerators, dishwashers, air conditioners, home use telephones, electrical accessories and their components)), equipment and tools designed, developed, manufactured, produced or otherwise sold, marketed, supplied or distributed by TCL Industries Associates or TCL Associates pursuant to the Master Sale and Purchase (2019) Agreement or the Master Sale and Purchase (2019 Renewal) Agreement (as the case may be)
“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 the Shenzhen Stock Exchange (stock code: 000100), which ceased to be a connected person of the Company in July 2019, the details of which are set out in the section “Renewal of Existing Continuing Connected Transactions-1. Master Financial Services (2019 Renewal) Agreement” in this announcement
“TCL Corporation Group”	TCL Corporation and its Subsidiaries
“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 (2019 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 (HK)
“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 joint stock company established under the laws of the PRC and the holding company of TCL Industries which in turn held 48.65% of the total number of issued Shares as at the date of this announcement
“TCL Holdings Group”	TCL Holdings and its Subsidiaries and TCL Associates, but for the purpose of the Agreements excluding the Group
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong and the immediate controlling Shareholder of the Company

“TCL Industries Associates”	associates of TCL Industries
“TCL Industries Group”	TCL Industries, its Subsidiaries and associates, but for the purpose of the Master Sale and Purchase (2019) Agreement excluding the Group
“Tonly Qualified Member(s)”	such member(s) of the Group which is a/are Qualified Member(s), i.e. Subsidiaries of the Company and therefore entities in which TCL Holdings owns not less than 20% equity interest via the Company and thereby falling within the definition of Qualified Members
“Vendors”	collectively (i) Mr. Ling Gaode (a shareholder of the Target Company and also a director and general manager of both the Target Company and Guangdong Regency as at the date of the Equity Transfer Agreement); (ii) Mr. Hu Qingde (a shareholder and director of the Target Company as at the date of the Equity Transfer Agreement); and (iii) Mr. Deng Gaofeng (a shareholder and supervisor of the Target Company and also a supervisor of Guangdong Regency as at the date of the Equity Transfer Agreement)
“%”	per cent

By order of the board
LIAO Qian
Chairman

Hong Kong, 31 October 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. 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.