
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **TONLY ELECTRONICS HOLDINGS LIMITED**, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**TONLY ELECTRONICS HOLDINGS LIMITED****通力電子控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 01249)**

(1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
(2) RE-ELECTION OF DIRECTORS
(3) SPECIFIC MANDATE TO ISSUE SHARES UNDER
THE RESTRICTED SHARE AWARD SCHEME
(4) DECLARATION OF FINAL DIVIDEND
AND
(5) NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of Tonly Electronics Holdings Limited to be held at 8th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on 19 May 2020, Tuesday at 10:30 a.m. is set out on pages 31 to 37 of this circular.

Shareholders of the Company should note that the meeting will be held as scheduled when typhoon signal no. 8 (or above), black rainstorm or “extreme conditions” as defined under Chapter 1 of the Rules of the Exchange of The Stock Exchange of Hong Kong Limited is in force. In such event, Shareholders of the Company should make their own decision as to whether they would attend the meeting under bad weather conditions bearing in mind their own situations and if they should choose to do so, they are advised to exercise care and caution.

Whether or not you are able to attend the annual general meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

16 April 2020

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DEFINITIONS

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

“Affiliated Company(ies)”	TCL Technology, its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, is recorded as an affiliated company in the financial statements of TCL Technology, which shall include any company which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital (or in case such company has no share capital, having a power to exercise or control the exercise of not less than 20% of voting right in its members’ meeting)
“AGM”	the annual general meeting of the Company to be held at 8th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on 19 May 2020, Tuesday at 10:30 a.m. for the purpose of considering and, if thought fit, approving the resolutions proposed in the AGM Notice
“AGM Notice”	the notice dated 16 April 2020 for convening the AGM and included in this circular
“Articles”	the articles of association of the Company as amended from time to time
“Award(s)”	award(s) of Award Shares to Selected Person(s) pursuant to the RS Award Scheme
“Award Share(s)”	in respect of a Selected Person, such number of Share(s) determined by the Board for grant of an Award to such Selected Person and such Share(s) can be: <ul style="list-style-type: none">(i) new Share(s) issued by the Company at par for the Award to the relevant Selected Person;(ii) existing Share(s) purchased by the Trustee on the market, in either case out of cash paid by the Company by way of settlement to the Trustee pursuant to the rules of the RS Award Scheme; or(iii) Returned Share(s) or Further Share(s) awarded under the RS Award Scheme

DEFINITIONS

“Board”	the board of Directors (including non-executive Directors and independent non-executive Directors)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Tonly Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 01249)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Person(s)”	Participant(s) (other than the Excluded Persons) who may be eligible for being selected to be Selected Person for the participation in the RS Award Scheme
“Excluded Person(s)”	any Participant(s) who is/are resident(s) in a place where the settlement of the Reference Amount and/or the Award of the Award Shares and/or the Award of the Returned Shares and/or Further Shares and/or the vesting and transfer of Shares pursuant to the terms of the RS Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Board compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Participant(s)
“Further Share(s)”	Share(s) purchased or subscribed by the Trustee out of cash income or net proceeds of sale of non-cash and non-scrip distributions declared and distributed by the Company in respect of Shares held upon trust by the Trustee in respect of the RS Award Scheme
“General Extension Mandate”	a general mandate to the Directors to add to the General Mandate any Shares representing the number of Shares repurchased under the Repurchase Mandate

DEFINITIONS

“General Mandate”	a general mandate to the Directors to allot and issue Shares not exceeding 20% of the total number of issued Shares of the Company as at the date of approval of the mandate (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same)
“Grant Date”	the date specified in the Grant Letter sent by the Company to a Selected Person, or such other date as determined by the Board, as the date of grant of the Award Shares to that Selected Person
“Grant Letter”	the letter to be sent by the Company to a Selected Person whereby the Selected Person is informed of the number of Award Shares to be granted to him under the Award and the vesting conditions attached to the Award
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	7 April 2020, Tuesday, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Participant(s)”	any employee(s), adviser(s), consultant(s), agent(s), contractor(s), client(s) or supplier(s) of any member(s) of the Group and employee(s) or officer(s) of any Affiliated Company(ies) whom the Board in its sole discretion considers may contribute or have contributed to the Group

DEFINITIONS

“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this circular
“Reference Amount”	<p>in respect of a Selected Person, an amount equal to the sum of:</p> <ul style="list-style-type: none">(a) the closing price of the Shares as quoted on the Stock Exchange as at the Grant Date;(b) the related purchase expenses (including for the time being, the brokerage fee, stamp duty, Securities and Futures Commission transaction levy, Stock Exchange trading fee, investor compensation levy, listing fee); and(c) such other necessary expenses <p>required for the completion of purchase and/or subscription of all the Award Shares granted to that Selected Person</p>
“Regency Optics”	Guangdong Regency Optics Electron Corporation (廣東瑞捷光電股份有限公司), a company established in the PRC and an associated corporation of the Company within the meaning of Part XV of the SFO
“Repurchase Mandate”	a general mandate to the Directors to repurchase Shares not exceeding 10% of the total number of issued Shares of the Company as at the date of approval of the mandate (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares of the Company that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same)

DEFINITIONS

“Returned Share(s) “	in respect of an Award, out of the Award Shares which are referable to a Selected Person, such Award Shares which are not accepted or vested in accordance with the terms of the RS Award Scheme (whether as a result of a total lapse or partial lapse according to the rules of the RS Award Scheme or otherwise), or such Shares being deemed to be Returned Shares in accordance with the terms of the RS Award Scheme, or such Shares forfeited in accordance with the terms of the RS Award Scheme
“RS Award Scheme “	the restricted share award scheme adopted by the Company on 28 August 2014 as amended on 8 August and 7 September 2017
“Selected Person(s)”	any Eligible Person(s) whom the Board may, from time to time, at its absolute discretion select for participation in the RS Award Scheme
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate, Shareholders’ approval of which is to be obtained at a general meeting of the Company for such purposes, for the issue and allotment of new Shares pursuant to the RS Award Scheme (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“Subsidiary/Subsidiaries”	any entity within the meaning of the term “Subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“Takeovers Code”	The Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong
“TCL Electronics”	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)
“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, and the ultimate controlling Shareholder of TCL Electronics and the Company
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong and the immediate controlling Shareholder of the Company

DEFINITIONS

“TCL Technology”	TCL Technology Group Corporation, formerly known as TCL Corporation, 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)
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the amended and restated trust deed dated 29 September 2017 entered into between the Company and the Trustee constituting the Trust for the administration of the RS Award Scheme
“Trustee”	BOCI-Prudential Trustee Limited, which has been appointed to be the trustee of the Trust pursuant to the terms and conditions of the Trust Deed, or such other person(s) who will from time to time be duly appointed to be the trustee(s) of the Trust
“%”	per cent.

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

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. YU Guanghui
Mr. SONG Yonghong
Mr. REN Xuenong

Non-Executive Director:

Mr. LIAO Qian (*Chairman*)

Independent Non-Executive Directors:

Mr. POON Chiu Kwok
Mr. LI Qi
Mr. LEONG Yue Wing

Registered office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business

in Hong Kong:

8th Floor, Building 22E
22 Science Park East Avenue,
Hong Kong Science Park
Shatin, N.T.
Hong Kong

16 April 2020

To the Shareholders,

Dear Sir or Madam,

- (1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**
(2) RE-ELECTION OF DIRECTORS
(3) SPECIFIC MANDATE TO ISSUE SHARES UNDER
THE RESTRICTED SHARE AWARD SCHEME
(4) DECLARATION OF FINAL DIVIDEND
AND
(5) NOTICE OF ANNUAL GENERAL MEETING

(I) INTRODUCTION

The purpose of this circular is to provide the Shareholders with information regarding the following proposals to be put forward at the AGM for the Shareholders' consideration and, if thought fit, approval of:

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- (a) the granting to the Directors of the General Mandate;
- (b) the granting to the Directors of the Repurchase Mandate;
- (c) the granting to the Directors of the General Extension Mandate;
- (d) the re-election of Directors;
- (e) the granting to the Directors of the Specific Mandate to issue Shares under the RS Award Scheme; and
- (f) the declaration of final dividend (if any).

(II) VARIOUS MANDATES

On 9 May 2019, resolutions for the General Mandate, Repurchase Mandate and the General Extension Mandate were passed by the Shareholders and all the aforesaid mandates will lapse at the conclusion of the forthcoming AGM.

(a) General mandate

An ordinary resolution will be proposed at the AGM to approve the grant of the General Mandate. The new General Mandate, if granted, will allow the Directors to issue and allot further Shares prevailing up to 20% of the number of issued Shares of the Company as at the date of passing the relevant resolution (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same).

As at the Latest Practicable Date, the number of issued Shares of the Company was 273,104,917 fully paid-up Shares. Subject to the passing of the resolution granting the General Mandate and on the basis that no further Shares will be allotted and issued or repurchased from the Latest Practicable Date to the date of the AGM, exercise in full of the General Mandate could result in up to new issue of 54,620,983 Shares (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same). There is no present intention to issue Shares pursuant to the General Mandate.

LETTER FROM THE BOARD

(b) Repurchase mandate

An ordinary resolution will be proposed at the AGM to approve the grant of the Repurchase Mandate. The new Repurchase Mandate, if granted, will allow the Directors to exercise all the powers of the Company to repurchase its own Shares on market through the Stock Exchange or on another recognised stock exchange not exceeding 10% of the number of issued Shares of the Company as at the date of passing the relevant resolution (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares of the Company that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same).

Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that there were 273,104,917 fully paid-up Shares as at the Latest Practicable Date and no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 27,310,491 Shares (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares of the Company that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same). There is no present intention for any repurchase of Shares on market through the Stock Exchange or on another recognised stock exchange pursuant to the Repurchase Mandate.

An explanatory statement required under Rule 10.06(1)(b) of the Listing Rules to be sent to the Shareholders in relation to the Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all the information reasonably necessary for Shareholders to make an informed decision on whether to approve the relevant resolution at the AGM.

(c) General extension mandate

It is recommended that the General Extension Mandate be granted to the Directors permitting them, after the grant of the Repurchase Mandate referred to above, to add to the General Mandate any Shares repurchased pursuant to the Repurchase Mandate.

The authority conferred on the Directors by the General Mandate, the Repurchase Mandate and the General Extension Mandate would continue in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles to be held; and (iii) its revocation or variation by ordinary resolution of the Shareholders in a general meeting.

LETTER FROM THE BOARD

(III) RE-ELECTION OF DIRECTORS

In accordance with Article 16.18 of the Articles, at each annual general meeting, not less than one-third of the Directors for the time being shall retire from office by rotation and, under the code on corporate governance of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years. All retiring Directors shall be eligible for re-election.

Accordingly, the following Directors shall retire from office by rotation at the conclusion of the AGM.

Name	Position
(a) Mr. YU Guanghui	Executive Director
(b) Mr. POON Chiu Kwok	Independent Non-Executive Director
(c) Mr. LI Qi	Independent Non-Executive Director

All of the aforesaid Directors, being eligible, will offer themselves for re-election at the AGM. If re-elected at the AGM, according to the respective Director's service agreement(s) or appointment letter(s), Mr. YU will hold office until 11 July 2020, which may then be further extended for a term of one year each upon expiration thereof while Mr. POON Chiu Kwok and Mr. LI Qi will hold office until the conclusion of the annual general meeting of the Company of 2023, but all of them, subject to the terms agreed otherwise which expire earlier, will be subject to rotation, removal, vacation or termination of their offices as Directors as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules. Their particulars required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

LETTER FROM THE BOARD

Recommendation of the Nomination Committee on re-election of independent non-executive Directors

The Nomination Committee has taken into account the nomination policy and procedures adopted by the Company in making the recommendation to the Board for the re-election of Mr. POON Chiu Kwok and Mr. LI Qi as independent non-executive Directors. In particular, the Nomination Committee has assessed Mr. POON Chiu Kwok and Mr. LI Qi against the following nomination criteria applicable to independent non-executive Directors:

- (a) willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board committee meetings, which will include considering the other responsibilities of the relevant candidate (such as other directorships held in public companies the securities of which are listed on any securities market in Hong Kong or overseas and other major appointments, if any) and the effort and time that may be required by the candidate in fulfilling such role;
- (b) accomplishments of the candidate in his field;
- (c) outstanding professional and personal reputation; and
- (d) the candidate's ability to meet the independence criteria for directors established in the Listing Rules (for independent non-executive Directors).

The Nomination Committee has reviewed the written confirmation of independence of Mr. POON Chiu Kwok and Mr. LI Qi based on the independence criteria as set out in Rule 3.13 of the Listing Rules and are satisfied that they remain independent in accordance with Rule 3.13 of the Listing Rules. In addition, the Nomination Committee has evaluated their performance and considers that they have provided valuable contributions to the Company and have demonstrated their abilities to provide independent, balanced and objective view to the Company's affairs.

LETTER FROM THE BOARD

The Nomination Committee is also of the view that Mr. POON Chiu Kwok and Mr. LI Qi would bring to the Board their own perspectives, skills and experience, as further described in their biographies in Appendix II to this circular. With their strong and diversified educational background and professional experience, the Nomination Committee considers that Mr. POON Chiu Kwok and Mr. LI Qi can contribute to the diversity of the Board. Accordingly, with the recommendation of the Nomination Committee, the Board has proposed that Mr. POON Chiu Kwok and Mr. LI Qi stand for re-election as Directors at the AGM. As a good corporate governance practice, each of Mr. POON Chiu Kwok and Mr. LI Qi abstained from voting at the relevant Board meeting on the proposition of his respective recommendation for re-election by the Shareholders at the AGM.

Mr. POON serves as the independent non-executive Director of over seven listed companies. The Company considers that Mr. POON has been and will continue to fulfil his roles and obligations diligently as an independent non-executive Director of the Company. An independent non-executive Director is not required to take executive role in the management and operations of the Group but only to supervise the management of the Group and to attend Board meetings and Board committee meetings (either physically or by other means of communications) as and when required. Mr. POON's strong proven record of attendance and participation in the Board meetings since he joined the Company fully demonstrates his proactive commitments to the Company.

Mr. POON possesses good academic and professional qualifications, diverse experiences and knowledge across a wide range of industries together with a broad understanding of culture in the PRC. He has been able to bring about strategic business, governance and capital market insights to the Board which were critical and complementary to effective Board decision. The Company and the Directors are of the view, and as confirmed by Mr. POON, that Mr. POON will be able to devote sufficient time to discharge his duties as an independent non-executive Director of the Company.

Mr. POON has also demonstrated that he understands his duties and obligations as required by the relevant laws and regulations, including the Listing Rules, while in the course of discharging his duties and obligation, Mr. POON, same as other Directors, is fully supported by the company secretary of the Company and the legal team. The Company appreciates that Mr. POON has offered himself for re-election as an independent non-executive Director.

LETTER FROM THE BOARD

(IV) SPECIFIC MANDATE TO ISSUE SHARES UNDER THE RS AWARD SCHEME

Reference is made to the Company's announcement dated 8 August 2017 and the Company's circular dated 12 September 2017 regarding amendments of the RS Award Scheme.

The RS Award Scheme was adopted by the Company on 28 August 2014 as amended on 8 August 2017 and 7 September 2017 pursuant to which existing Shares may be purchased by the Trustee from the market or new Shares may be subscribed for out of cash contributed by the Group and be held on trust by the Trustee of RS Award Scheme for the relevant Selected Persons until such Shares are vested with the relevant Selected Persons in accordance with the rules of the RS Award Scheme. The RS Award Scheme is effective for a term of 10 years from 28 August 2014 subject to occurrence of terminating events as set out in the rules of the RS Award Scheme.

Pursuant to the rules of the RS Award Scheme, in determining whether to purchase existing Shares or to issue new Shares, the Board shall take into account, among other things, the existing market price of the Shares comparing to the expectation on the performance of the market price of the Shares in a foreseeable period, flexibility of purchasing Shares from open market, the dilutive effect to the existing Shareholders, financial burden to the Company and tax efficiency of the arrangement, etc.

The Board may grant Award to a connected person of the Company. Where any grant of Award (by way of allotment and issue of new Shares under a specific mandate) is proposed to be made to any person who is a connected person of the Company, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, unless otherwise exempted under the Listing Rules.

LETTER FROM THE BOARD

The following table summarises the status of the Award Shares granted pursuant to the RS Award Scheme since adoption of the RS Award Scheme and up to the Latest Practicable Date:

	Number of Award Shares	Approximate percentage of the total number of issued Shares as at the Latest Practicable Date
Total number of Award Shares granted	16,123,921	5.90%
– granted in the form of new Shares	5,705,804	2.09%
– granted in the form of existing Shares	10,418,117	3.81%
Total number of Award Shares vested	11,563,836	4.23%
Total number of Award Shares cancelled/lapsed/deducted	2,486,164	0.91%
Total number of Award Shares outstanding (i.e. granted but remained unvested) as at the Latest Practicable Date	2,073,921	0.76%

The aforesaid Award Shares were granted on different dates to Selected Persons whom the Board in its sole discretion considered might contribute or have contributed to the Group. The Award Shares will be vested to the grantees in tranches, subject to the rules of the RS Award Scheme and fulfilment of the various vesting conditions (including fulfilment of the key performance indicator requirement with reference to the financial performance of the Group). The vesting period and vesting conditions (such as performance targets) vary among the grantees.

LETTER FROM THE BOARD

Under the RS Award Scheme, subject to the refreshment and the adjustment in the event of consolidation or subdivision of Shares, the Board shall not make any further award of Award Shares which will result in the aggregate number of the Shares awarded by the Board under the RS Award Scheme exceeding the scheme limit (“Scheme Limit”) of 10% of the number of issued Shares of the Company as at the approval date (i.e. 7 September 2017 being the date of the Board’s approval of the refreshed Scheme Limit) (as the case may be) (for the avoidance of doubt, Shares awarded but lapsed in accordance with the terms of the amended RS Award Scheme will not be counted for the purpose of calculating the 10% Scheme Limit).

The existing Scheme Limit was approved on 7 September 2017 which enables the Board to grant no more than 26,194,140 Award Shares, there has been no refreshment of the Scheme Limit since then.

The 5,705,804 Award Shares conditionally granted on 8 August 2017 in the form of new Shares (which were only issued on 7 November 2017 after, among others, the approval by the Shareholders for the listing of, and permission to deal in, such new Shares) were counted towards the existing Scheme Limit. 2,617,602 Award Shares in the form of existing Shares were granted thereafter on 21 May 2018. No further Award Shares have been granted thereafter up to the Latest Practicable Date.

Thereafter, as at the Latest Practicable Date, the maximum number of Award Shares available for grant is 18,660,081 (representing approximately 6.83% of the total number of the issued Shares as at the Latest Practicable Date), the details of which are seated below:

	Number of Award Shares	Number of Award Shares
Scheme Limit under the RS Award Scheme		26,194,140
Grant of Award Shares		
– Award Shares granted on 8 August 2017	(5,705,804)	
– Award Shares granted on 21 May 2018	<u>(2,617,602)</u>	<u>(8,323,406)</u>
		17,870,734
Lapse of Award Shares		
– out of those Award Shares granted on 8 August 2017	686,003	
– out of those Award Shares granted on 21 May 2018	<u>103,344</u>	<u>789,347</u>
Maximum number of Award Shares available for grant		<u><u>18,660,081</u></u>

LETTER FROM THE BOARD

For details of the grant of Award Shares on 8 August 2017 and 21 May 2018, please refer to the Company's announcement dated 8 August 2017 and the Company's circular dated 12 September 2017 and the Company's announcement dated 21 May 2018 respectively.

Under the RS Award Scheme, among others, unless otherwise approved by the Shareholders of the Company and subject to adjustment in the event of consolidation or subdivision of Shares, the aggregate number of new Shares to be granted as Award Shares during the lifetime of the Specific Mandate to be sought annually shall not exceed three percent of the total number of issued Shares of the Company as at the date on which the relevant RS Award Scheme mandate is approved (as the case may be) ("Annual Limit").

The existing Specific Mandate was obtained at the annual general meeting of the Company held on 9 May 2019, in which an ordinary resolution was passed to grant a Specific Mandate to the Directors to allot and issue new Shares under the RS Award Scheme not exceeding 3% of the number of Shares in issue as at the date on which the resolution was passed, i.e. 9 May 2019. No Shares has been issued and allotted under the existing Specific Mandate.

The said existing Specific Mandate is going to expire at the conclusion of the AGM. The Directors consider that it is a good practice to follow the same requirements under the Listing Rules in respect of the general mandate for issue and allotment of new Shares to obtain Shareholders' approval for the Specific Mandate annually. Accordingly, an ordinary resolution for the Specific Mandate to be granted to the Directors to allot and issue new Shares as Award Shares under the RS Award Scheme not exceeding 3% of the number of Shares in issue as of the AGM (which is determined with reference to the Annual Limit) will be proposed at the AGM and such Specific Mandate shall lapse at the earlier of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and (iii) the revocation or variation of the approval given by such ordinary resolution by a resolution of members of the Shareholders in general meeting. Application will be made to the Stock Exchange for the listing of and permission to deal in the Award Shares that may be issued and allotted as Award Shares under the Specific Mandate.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the number of issued Shares of the Company was 273,104,917 fully paid-up Shares. On the basis that no further Shares will be allotted and issued or repurchased from the Latest Practicable Date and up to the date of the AGM, and subject to the passing of the resolutions approving the grant of the Specific Mandate and the listing committee of the Stock Exchange granting approval of the listing of, and permission to deal in, such Shares to be allotted and issued pursuant to the RS Award Scheme and the Specific Mandate and all applicable laws and regulations, further 8,193,147 new Shares may be allotted and issued as Award Shares under the RS Award Scheme (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same).

As at the Latest Practicable Date, the substantial Shareholder of the Company, TCL Industries held 167,452,239 Shares, representing approximately 61.31% of the number of issued Shares of the Company.

Assuming the Specific Mandate is approved at the AGM and that the said 8,193,147 new Shares under the RS Award Scheme are allotted and issued in full (and save for that no further Shares will be allotted and issued or repurchased from the Latest Practicable Date to the date of allotment of such new Shares under the RS Award Scheme): (i) the shareholding of TCL Industries will drop from 61.31% (as at the Latest Practicable Date) to 59.53%; and (ii) the estimated fair value of such new Shares will be approximately HK\$44,079,131 (based on the Share price of the Company on the Latest Practicable Date, for illustrative purpose only).

Under the accounting policies of the Company, the fair value of such new Shares granted under the RS Award Scheme will be amortised to the Group's consolidated statement of profit or loss throughout the vesting period (i.e. from the date of grant to the date of vesting, both dates inclusive), which will lead to a decrease in the Group's earnings and an increase in the Company's employee costs.

If any new Share is issued under the RS Award Scheme in future, the Company will disclose in the annual report the fair value of the Shares issued, with separate disclosure of the impact of employee costs on the Company.

LETTER FROM THE BOARD

Principal terms and details of subsequent amendments of the RS Award Scheme were disclosed in the Company circular dated 12 September 2017. As at the Latest Practicable Date, the Company has no present intention to, or any negotiation of, issue any of the Shares under the Specific Mandate. The Company will make further announcement as soon as practicable after the grant of Award Shares under the RS Award Scheme in respect of any grant which involves the allotment and issue of new Shares under the Specific Mandate (whether to connected persons or non-connected persons) and will comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, unless otherwise exempted under the Listing Rules.

Shareholders who are grantees of the aforesaid outstanding Award Shares are required to abstain from voting on the resolution approving the granting of the Specific Mandate in respect of these Shares. The aforesaid outstanding Award Shares are held by the Trustee. According to the terms of the RS Award Scheme rules and the Trust Deed, the Trustee shall not exercise any voting rights in respect of any Shares held under the Trust (including but not limited to any Award Shares, Returned Shares and Further Shares). Thus, no grantees of the aforesaid outstanding Award Shares will be entitled to exercise, or cause the Trustee to exercise, any voting rights in respect of such Award Shares. Save for that, no Shareholder is required to abstain from voting on the resolution approving the granting of the Specific Mandate.

(V) ANNUAL GENERAL MEETING

The AGM Notice is set out on pages 31 to 37 of this circular and a form of proxy for use at the AGM is herein enclosed.

Whether or not you are able to attend the AGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the AGM or any adjournment thereof should you so desire.

LETTER FROM THE BOARD

(VI) FINAL DIVIDEND

The Board has recommended the declaration of a final dividend of HK\$0.35 in cash per share to be paid out of the distributable profits of the Company to the Shareholders whose names appear on the register of members of the Company on 28 May 2020, Thursday. An ordinary resolution will be proposed at the AGM to declare the final dividend.

Subject to Shareholders' approval at the AGM, the final dividend will be payable on or about 18 June 2020, Thursday.

(VII) CLOSURE OF REGISTER OF MEMBERS

The Hong Kong register of members of the Company will be closed from 14 May 2020, Thursday, to 19 May 2020, Tuesday (both dates inclusive), for the purposes of determining the entitlement of the Shareholders to attend and vote at the AGM. No transfer of the Shares may be registered on those dates. The record date for determining the entitlement of the Shareholders to attend and vote at the AGM is 19 May 2020, Tuesday. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 13 May 2020, Wednesday.

The Hong Kong register of members of the Company will be closed from 25 May 2020, Monday, to 28 May 2020, Thursday (both dates inclusive), for the purposes of determining the entitlement of the Shareholders to the proposed final dividend and dividend upon the passing of relevant resolution. No transfer of the Shares may be registered during the said period. The record date for determining the entitlement of the Shareholders to the proposed final dividend is 28 May 2020, Thursday. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 22 May 2020, Friday.

(VIII) VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the AGM will be conducted by way of poll.

LETTER FROM THE BOARD

(IX) RECOMMENDATION

The Board believes that the resolutions proposed in the AGM Notice are in the best interests of the Company and the Shareholders as a whole. The Board recommends that the Shareholders vote in favour of all resolutions to be proposed at the AGM.

(X) PRECAUTIONARY MEASURES FOR THE AGM IN VIEW OF THE RECENT CORONAVIRUS EPIDEMIC

In view of the recent development of the coronavirus epidemic caused by coronavirus disease 2019 (COVID-19), and in order to better protect the safety and health of the Shareholders, a series of epidemic precautionary measures will be implemented at the venue of the AGM:–

- (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of AGM. Any person with a body temperature of over 37.5 degree Celsius will not be admitted to the venue; and
- (ii) every person is required to wear facial mask at the venue of the AGM.

Furthermore, the Company will not serve refreshment at the AGM to avoid the coming into close contact amongst the participants. The Company wishes to remind the Shareholders and other participants who will attend the AGM in person to take personal precautions and abide by the requirements of epidemic precaution and control at the venue of the AGM. The Company also advises the Shareholders to attend and vote at the AGM by way of non-physical presence. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the AGM, and appoint the chairman of the AGM as a proxy to vote on relevant resolution(s) as instructed in accordance with the relevant proxy form instead of attending the AGM in person. For more details, please refer to the proxy form for the AGM.

(XI) RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
On behalf of the Board
LIAO Qian
Chairman

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules to enable the Shareholders to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the AGM in relation to the new Repurchase Mandate.

(I) SHARE CAPITAL

As at the Latest Practicable Date, the number of issued Shares of the Company was 273,104,917 fully paid-up Shares.

Subject to the passing of the resolution granting the new Repurchase Mandate and on the basis that no further Shares will be allotted and issued or repurchased from the Latest Practicable Date to the date of the AGM, the Directors would be allowed under the Repurchase Mandate to repurchase up to 27,310,491 Shares, representing 10% of the number of issued Shares of the Company as at the Latest Practicable Date (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares of the Company that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same), during the period from the date of resolution granting the Repurchase Mandate until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles to be held; and (iii) its revocation or variation by ordinary resolution of the Shareholders in a general meeting.

(II) REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders as a whole to have a general authority from Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders as a whole.

(III) FUNDING OF REPURCHASES

In repurchasing Shares, the Company may apply funds legally available for such purpose from distributable profits or funds from a new issue in accordance with its Articles and the laws of the Cayman Islands.

That is to say, any repurchase of Shares may be purchased out of capital paid up on the repurchased Shares or the profits of the Company which would otherwise be available for dividend and, in the case of any premium payable on such repurchase, out of profits of the Company which would otherwise be available for dividend or from the Company's share premium account or its contributed surplus account.

On the basis of the combined net tangible assets of the Group as at 31 December 2019, and taking into account the current working capital position of the Group, the Directors consider that there would be no material adverse effect on the working capital and gearing position of the Group in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed purchase period. Nevertheless, The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(IV) EFFECT UNDER THE TAKEOVERS CODE AND ON MINIMUM PUBLIC HOLDING

If, as the result of a Share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (depending on the level of increase of the Shareholders' interest) could as a result of increase of its or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Assuming that no further Shares will be allotted and issued or repurchased from the Latest Practicable Date to the date of the AGM, on exercise in full of the Repurchase Mandate, the number of issued Shares will decrease from 273,104,917 to 245,794,425.

As at the Latest Practicable Date, TCL Holdings, through TCL Industries, its wholly owned subsidiary, held 167,452,239 Shares representing approximately 61.31% of the number of issued Shares of the Company.

The decrease in the number of issued Shares resulted from the full exercise of the Repurchase Mandate will cause the percentage shareholding of TCL Holdings (through TCL Industries) to increase to approximately 68.13%. The Directors believe that such an increase will not give rise to an obligation of TCL Holdings or TCL Industries to make a mandatory general offer under Rule 26 of the Takeovers Code.

Save as disclosed above, the Directors are currently not aware of any consequences which will arise under the Takeovers Code as a result of any purchase made under the Repurchase Mandate. Nonetheless, the Company has no intention to exercise the Repurchase Mandate to the effect that it will result in the public float falling below 25% or such other minimum percentage prescribed by the Listing Rules from time to time.

(V) SHARE PRICE

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during the previous twelve months and up to the Latest Practicable date were as follows:–

	Share Price	
	Highest (HK\$)	Lowest (HK\$)
2019		
March	6.40	5.61
April	7.11	6.41
May	7.00	5.85
June	6.10	4.73
July	5.90	5.00
August	6.18	5.40
September	5.80	5.40
October	5.90	5.52
November	5.89	5.84
December	6.30	5.70
2020		
January	7.20	5.91
February	7.09	6.42
March	6.78	5.00
April (up to the Latest Practicable Date)	5.70	5.38

(VI) REPURCHASE OF SHARES

The Company and the Trustee for the RS Award Scheme had not purchased any Shares in the six months preceding the Latest Practicable Date, whether on the Stock Exchange or otherwise.

(VII) GENERAL

None of the Directors, and to the best of their knowledge having made all reasonable enquiries, nor any close associates of any Director, have any present intention in the event that the Repurchase Mandate is approved by the Shareholders to sell any Shares to the Company.

No core connected person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

Set out below are details of the Directors who are proposed to be re-elected at the AGM.

1. MR. YU GUANGHUI

Mr. YU, aged 51, is an executive Director and Chief Executive Officer of the Company. He is currently a director of several principal members of the Group. He had held the positions of Engineer of TCL Huizhou Shouhua Science Park, Deputy General Manager of TCL King, Deputy General Manager of TCL Electronics (HK) Co., Ltd., General Manager of TCL Overseas Holdings Co., Ltd., Senior Vice Executive President and President of TCL Holdings, General Manager of AV Business Unit and President of the Company. Mr. YU has rich management experience in materials procurement, manufacturing, product management, business development and cooperation with world-class companies. Mr. YU graduated from the Shaanxi Normal University with a Master's degree in Physics in 1993, and obtained an MBA degree from Peking University in 2005 and an EMBA degree from Cheung Kong Graduate School of Business in 2009.

Save as disclosed above, Mr. YU does not at present, and did not in the past three years, hold any directorship in any other listed public companies or any other position with the Company or any other members of the Group.

Mr. YU has entered into a service contract with the Company. Mr. YU is entitled to (i) a salary (subject to annual review by the Board as recommended by the Remuneration Committee); and (ii) discretionary bonus payment or other benefits as may be determined by the Board as recommended by the Remuneration Committee from time to time with reference to his duties and responsibilities in the Company and the market rate for the position.

As at the Latest Practicable Date, Mr. YU had or was deemed to have interest in the shares of the Company and its associated corporations within the meaning of Part XV of the SFO:

- (1) 14,081,598 Shares (*Note*) and options to subscribe for 2,503,392 Shares; and
- (2) 1,600,000 shares in Regency Optics (an associated corporation of the Company within the meaning of Part XV of the SFO).

Note: As at the Latest Practicable Date, Mr. YU was deemed to be interested in 11,869,339 Shares held by Vast Bright Investment Limited which was wholly owned by Mr. YU.

Save as disclosed above, Mr. YU has no interest in the shares of the Company and its associated corporations within the meaning of Part XV of the SFO and do not have any relationship with any other directors, senior management or any substantial or controlling Shareholders of the Company.

2. MR. POON CHIU KWOK

Mr. POON, aged 57, is an independent non-executive Director of the Company. Mr. POON has acted as an independent non-executive Director of the Company since July 2013. He now serves as an executive director, vice president and company secretary of Huabao International Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 336). He also serves as an independent non-executive director of the following companies, the shares of which are listed on the main board of the Stock Exchange: Greentown Service Group Co., Ltd. (stock code: 2869), Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), Sunac China Holdings Limited (stock code: 1918) (“Sunac”), TUS International Limited (stock code: 872), AUX International Holdings Limited (stock code: 2080), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Jinchuan Group International Resources Co. Ltd (stock code: 2362), Honghua Group Limited (stock code: 196) and Yanzhou Coal Mining Company Limited (stock code: 1171). He served as a non-executive director of Chong Kin Group Holdings Limited, from January 2018 to June 2018, the shares of which are listed on the main board of the Stock Exchange (stock code: 1609). Mr. POON is Fellow member of CPA Australia Ltd., The Chartered Governance Institute and the Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel, Audit Committee and Mainland China Focus Group. He is a Fellow member and associate trainer of Hong Kong Securities and Investment Institute. He obtained a master’s degree in international accounting, a post-graduate diploma in laws, a bachelor’s degree in laws and a bachelor’s degree in business studies.

Save as disclosed above, Mr. POON does not at present, and did not in the past three years, hold any directorship in any other listed public companies or any other position with the Company or any other members of the Group.

The Company has entered into a letter of appointment with Mr. POON on 12 July 2013 for a term of two years from the date of signing of the letter, subject to rotation, removal, vacation or termination of his office as a Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules. The said letter also provided that if Mr. POON is re-elected at an annual general meeting of the Company, he shall then hold office for a term as resolved by the Shareholders at the annual general meeting of the Company.

As at the Latest Practicable Date, Mr. POON had or was deemed to have interest in 20,000 Shares.

Save as disclosed above, Mr. POON has no interest in the Shares of the Company and its associated corporations within the meaning of Part XV of the SFO and do not have any relationship with any other directors, senior management or any substantial or controlling Shareholders of the Company.

In October 2017, based on findings made by the Listing Committee of the Stock Exchange (“Listing Committee”) in respect of Sunac and on Sunac’s acceptance, without admission of any liabilities and for the purpose of settlement, of the relevant findings, the Listing Committee censured Sunac for breaching Rule 2.13(2) of the Listing Rules for failure to ensure the announcements made in February 2015 and May 2015 were accurate and complete in all material respects, and not misleading. Please refer to the Listing Committee’s news issued on 26 October 2017 for further details.

Although Mr. Poon was an independent non-executive director of Sunac at the relevant time, Mr. Poon was not personally subject to any investigation process, disciplinary action or censure from the Listing Committee or any other competent authority in respect of the above matters.

Mr. POON was last elected as an independent non-executive Director of the Company at the annual general meeting of the Company of 2017. If re-elected at the AGM, Mr. POON will continue to hold office until the conclusion of the annual general meeting of the Company to be held in 2023, but Mr. POON, subject to the terms agreed otherwise which expire earlier, will be subject to rotation, removal, vacation or termination of his office as a Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

3. MR. LI QI

Mr. LI, aged 59, is an independent non-executive Director of the Company. Mr. LI has acted as an independent non-executive Director of the Company since July 2013. Mr. LI is an associate professor in the Department of Applied Economics at Guanghua School of Management of Peking University. At present, his research covers various areas including the economy of the PRC and corporate governance. From April 2003 to December 2006, Mr. LI served as an independent director of Shandong Juli Group Co., Limited, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000880). Mr. LI graduated from the Economics Department of Peking University in July 1983. From July 1983 to June 1989, he held a teaching position at the Department of Economics and Management at the School of Economics of Peking University. He received his doctorate degree in social and economic science from Vienna University of Economics and Business of Austria in June 1997.

Save as disclosed above, Mr. LI does not at present, and did not in the past three years, hold any directorship in any other listed public companies or any other position with the Company or any other members of the Group.

The Company has entered into a letter of appointment with Mr. LI on 12 July 2013 for a term of two years from the date of signing of the letter, subject to rotation, removal, vacation or termination of his office as a Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules. The said letter also provided that if Mr. LI is re-elected at an annual general meeting of the Company, he shall then hold office for a term as resolved by the Shareholders at the annual general meeting of the Company.

As at the Latest Practicable Date, Mr. LI had or was deemed to have interest in 20,000 Shares.

Save as disclosed above, Mr. LI has no interest in the shares of the Company and its associated corporations within the meaning of Part XV of the SFO and do not have any relationship with any other directors, senior management or any substantial or controlling Shareholders of the Company.

Mr. LI was last elected as an independent non-executive Director of the Company at the annual general meeting of the Company of 2018. If re-elected at the AGM, Mr. LI will continue to hold office until the conclusion of the annual general meeting of the Company to be held in 2023, but Mr. LI, subject to the terms agreed otherwise which expire earlier, will be subject to rotation, removal, vacation or termination of his office as Director as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

DIRECTORS' EMOLUMENTS

The amounts of emoluments received in 2019 by the above Directors to be re-elected at the AGM are set out in the table below:

Directors	Fees, salaries, allowances and benefits in kind (HK\$'000)	Discretionary performance-related bonuses (HK\$'000)	RS Award Scheme expenses (HK\$'000)	Share option benefits (HK\$'000)	Pension scheme contributions (HK\$'000)	Total remuneration (HK\$'000)
Mr. YU Guanghui	1,578	584	1,308	2,800	91	6,361
Mr. POON Chiu Kwok	240	–	20	11	–	271
Mr. LI Qi	240	–	20	11	–	271

The emoluments to be received in 2020 by the above Directors to be re-elected at the AGM will be determined by the Board based on the adopted remuneration policy reviewed by the Remuneration Committee of the Company, with reference to the Directors' qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar position. The directors' fees to be received by the above Directors are covered under their respective service contract(s) or letter(s) of appointment.

OTHER INFORMATION

If re-elected at the AGM, all the aforesaid Directors, subject to the terms agreed otherwise which expire earlier, will be subject to the rotation, removal, vacation or termination of such offices as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules. Save as disclosed herein, the above Directors did not in the past three years up to the Latest Practicable Date hold any directorship in any listed public company in Hong Kong or overseas, did not as at the Latest Practicable Date have other major appointments and professional qualifications, any interests in the Shares within the meaning of Part XV of the SFO and any relationship with any other Directors, senior management or any substantial or controlling Shareholders of the Company, and there is no information which is discloseable or were the above Directors to be re-elected involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(w) of the Listing Rules, and the Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company (the “AGM”) will be held at 10:30 a.m. on 19 May 2020, Tuesday at 8th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements and the reports of the directors of the Company (“Directors”) and the independent auditors of the Company (“Auditors”) for the year ended 31 December 2019.
2. To declare a final dividend of HK\$0.35 per ordinary share of the Company (“Share(s)”) to be paid out of the distributable profits to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on 28 May 2020, Thursday.
3. To re-appoint Messrs. Ernst & Young as the Auditors and authorise the board of Directors to fix their remuneration.
4.
 - (a) To re-elect Mr. YU Guanghui as an executive Director.
 - (b) To re-elect Mr. POON Chiu Kwok as an independent non-executive Director until the conclusion of the annual general meeting of the Company of 2023.
 - (c) To re-elect Mr. LI Qi as an independent non-executive Director until the conclusion of the annual general meeting of the Company of 2023.
5. To authorise the board of Directors to fix the Directors’ remuneration.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without modification) as ordinary resolutions:

6. **“THAT**
- (a) a specific mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue new Shares in the Company and/or otherwise deal with unissued Shares in the Company which may be required to be allotted and issued under the restricted share award scheme of the Company (“RS Award Scheme”) constituted by the rules adopted by the Board of the Company on 28 August 2014 as amended on 8 August 2017 and 7 September 2017 pursuant to the terms of the RS Award Scheme (excluding Shares granted that have lapsed in accordance with the RS Award Scheme) not exceeding three (3) per cent of the number of issued Shares of the Company as at the date of the passing of this resolution (subject to adjustment in case of any share consolidation or subdivision after this mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same);
 - (b) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - i. the conclusion of the next annual general meeting of the Company;
 - ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held;
 - iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the Shareholders of the Company in a general meeting; and
 - (c) any one or more of the Directors be and are hereby authorised to sign, execute and deliver all such documents, instruments and agreements (including the affixation of the common seal of the Company when required), and to do all such acts or things (including the grant of any Awards as defined under the RS Award Scheme), as it may consider necessary, appropriate, desirable or expedient to implement, give effect to and/or in connection with paragraph (a) of this resolution and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.”

NOTICE OF ANNUAL GENERAL MEETING

7. **“THAT**

- (a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue new Shares and/or otherwise deal with unissued Shares in the Company or securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, in addition to any Shares which may be issued from time to time (a) on a Rights Issue (as hereinafter defined) or (b) upon the exercise of any options under any option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares or (c) upon the exercise of rights of subscription or conversion attaching to any warrants or convertible bonds issued by the Company or any securities which are convertible into Shares the issue of which warrants and other securities has previously been approved by Shareholders of the Company or (d) as any scrip dividend or similar arrangements pursuant to the articles of association of the Company, not exceeding twenty per cent of the number of issued Shares of the Company as at the date of this resolution (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares of the Company that may be allotted and issued as a percentage of the total number of issued Shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same); and
- (b) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- i. the conclusion of the next annual general meeting of the Company;
 - ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
 - iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the Shareholders of the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

and “Rights Issue” means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions entitlement or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognised regulatory body or any stock exchange applicable to the Company).”

8. “**THAT** there be granted to the Directors an unconditional general mandate to repurchase Shares, and that the exercise by the Directors of all powers of the Company to purchase Shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved, subject to the following conditions:
- (a) such mandate shall not extend beyond the Relevant Period;
 - (b) such mandate shall authorise the Directors to procure the Company to repurchase Shares at such price as the Directors may at their discretion determine;
 - (c) the Shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall be no more than ten per cent of the Shares in issue at the date of passing this resolution (subject to adjustment in case of any share consolidation or subdivision after such mandate has been approved, provided that the maximum number of Shares of the Company that may be repurchased as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same); and
 - (d) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - i. the conclusion of the next annual general meeting of the Company;
 - ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
 - iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the Shareholders of the Company in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

9. “**THAT**, subject to the availability of unissued share capital and conditional upon the resolutions nos. 7 and 8 above being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with resolution no. 8 above shall be added to the number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution no. 7 above.”

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 16 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the Meeting is entitled to appoint more than one proxy or a duly authorised corporate representative to attend and vote in his stead. A proxy needs not be a member of the Company.
2. A form of proxy for the Meeting is enclosed with the Company's circular dated 16 April 2020. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting and any adjournment thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. The Hong Kong branch register of members of the Company will be closed from 14 May 2020, Thursday to 19 May 2020, Tuesday (both dates inclusive), for the purpose of determining the entitlement of the members of the Company to attend and vote at the Meeting. No transfers of Shares may be registered during the said period. In order to qualify for the aforesaid entitlement, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 13 May 2020, Wednesday.
4. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.
5. The Hong Kong branch register of members of the Company will be closed from 25 May 2020, Monday to 28 May 2020, Thursday (both dates inclusive), for the purpose of determining the Shareholders of the Company who qualify for the final dividend mentioned above. No transfers of Shares may be registered during the said period. In order to qualify for the aforesaid final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 22 May 2020, Friday.

NOTICE OF ANNUAL GENERAL MEETING

6. With regard to resolution no. 7 above, the Directors wish to state that they have no immediate plans to issue any new Shares pursuant to the general mandate to be granted under resolution no. 7 above.
7. Shareholders of the Company should note that the meeting will be held as scheduled when typhoon signal no. 8 (or above), black rainstorm or “extreme conditions” as defined under Chapter 1 of the Rules of the Exchange of The Stock Exchange of Hong Kong Limited is in force. In such event, Shareholders of the Company should make their own decision as to whether they would attend the meeting under bad weather conditions bearing in mind their own situations and if they should choose to do so, they are advised to exercise care and caution.

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