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TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

(1) CONNECTED TRANSACTION TERMINATION OF EXISTING CALL OPTION IN RESPECT OF SEMP TCL AND (2) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION GRANT OF NEW PUT OPTION IN RESPECT OF SEMP TCL

On 7 July 2023 (São Paulo time) (7 July 2023, Hong Kong time after trading hours), SEMP TCL and STA entered into the Subscription Bulletin, pursuant to which STA agreed to subscribe for, and SEMP TCL agreed to issue and allot to STA, the Subscription Shares which represent approximately 6.25% of the issued shares of SEMP TCL as enlarged by the Subscription. SEMP TCL would remain to be a subsidiary of the Company after the Subscription.

On the same date (i.e. 7 July 2023 (São Paulo time, being 7 July 2023, Hong Kong time after trading hours), upon the completion of the Subscription, TCL NL, STA, SEMP TCL and ABH entered into the New Shareholders' Agreement in respect of SEMP TCL, pursuant to which, among others, (i) the Existing Shareholders' Agreement in respect of SEMP TCL (and hence the Existing Call Option and the Existing Put Option granted thereunder) was thereby terminated in its entirety; (ii) STA granted the New Call Option to TCL NL (or its designated assignee); and (iii) TCL NL granted the New Put Option to STA.

LISTING RULES IMPLICATIONS

After the completion of the Subscription and as at the time when entering into the New Shareholders' Agreement, SEMP TCL was owned as to approximately 75% and 25% by TCL NL and STA respectively, and as such STA is a connected person of the Company at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules.

The Subscription

Following the completion of the Subscription, the Group's interest in SEMP TCL would be diluted from 80% to 75% and therefore the Subscription is regarded as a deemed disposal of equity interest in SEMP TCL by the Group pursuant to Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription are less than 1%, the Subscription constitutes a *de minimis* transaction under Chapters 14 and 14A of the Listing Rules, and is therefore fully exempt from Shareholders' approval, annual review and all disclosure requirements.

Termination of Existing Call Option and Existing Put Option

The Existing Call Option was granted by STA and the exercise of which was at the discretion of TCL NL. Pursuant to Rule 14A.79(4) of the Listing Rules, the termination of the Existing Call Option will be classified as if it had been exercised. As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the termination of the Existing Call Option exceed 1% but all are less than 5%, the termination of the Existing Call Option constitutes a connected transaction which is subject to reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Existing Put Option was granted by TCL NL and the exercise of which was not at the discretion of TCL NL. The termination of the Existing Put Option does not involve payment of any amount by way of penalty, damages or other compensation. Pursuant to Chapters 14 and 14A of the Listing Rules, the Company is required to announce the termination of the Existing Put Option.

Grant of New Call Option and New Put Option

The exercise of the New Call Option is at the discretion of TCL NL. According to Rules 14.75(1) and 14A.79(2) of the Listing Rules, on the grant of the New Call Option to TCL NL, only the premium (which is nil) will be taken into consideration for calculating the relevant percentage ratios under Rule 14.07 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules on the exercise or non-exercise (as the case may be) of the New Call Option (when required).

The exercise of the New Put Option is not at the discretion of TCL NL. According to Rules 14.74(1) and 14A.79(1) of the Listing Rules, on the grant of the New Put Option to STA, the transaction will be classified as if the New Put Option had been exercised. One or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the grant of the New Put Option exceed 5% but all are less than 25%. The grant of New Put Option constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The grant of the New Put Option also constitutes a connected transaction of the Company. The Board has approved the grant of the New Put Option and the independent non-executive Directors have also confirmed that the grant of the New Put Option is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the grant of the New Put Option is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the 2020 Announcements. As stated therein, on 20 July 2020 (São Paulo time) (21 July 2020, Hong Kong time), upon and following the closing of the acquisition of equity interest in SEMP TCL by TCL NL (an indirectly wholly-owned subsidiary of the Company), SEMP TCL was owned as to 80% and 20% by TCL NL and STA respectively, and had become an indirect subsidiary of the Company. The results, assets and liabilities of SEMP TCL have since then been consolidated into the accounts of the Group.

The Existing Shareholders' Agreement, the Existing Call Option and the Existing Put Option

As part of the abovementioned acquisition, the Existing Shareholders' Agreement was entered into among TCL NL, STA, SEMP TCL (as intervening-consenting party) and ABH (as intervening-consenting party), pursuant to which, among others, (i) STA granted the Existing Call Option to TCL NL (or its designated assignee), the exercise of which was at the discretion of TCL NL; and (ii) TCL NL granted the Existing Put Option to STA, the exercise of which was at the discretion of STA.

Pursuant to the Existing Call Option, TCL NL (or its designated assignee) has the right to purchase from STA, and STA shall be obliged to sell to TCL NL (or its designated assignee), all but not less than all equity interest in SEMP TCL then held by STA (representing then 20% equity interest in and of SEMP TCL), at the Existing Call Option Base Price, subject to certain adjustments, provided that in any event the call option exercise price (including adjustments, if any) shall not exceed R\$134,920,947.95 (equivalent to approximately HK\$217,668,000). The Existing Call Option may be exercised at any time from the date of the Existing Shareholders' Agreement to the third anniversary of the date of the Existing Shareholders' Agreement, provided that the Existing Put Option has not then been exercised by STA. No premium was payable by TCL NL for accepting the Existing Call Option.

Pursuant to the Existing Put Option, STA has the right to sell to TCL NL (or its designated assignee), and TCL NL (or its designated assignee) shall be obliged to purchase from STA, all but not less than all equity interest in SEMP TCL then held by STA (representing then 20% equity interest in and of SEMP TCL), at the Existing Put Option Base Price, subject to certain adjustments, provided that in any event the put option exercise price (including adjustments, if any) shall not exceed R\$134,920,947.95 (equivalent to approximately HK\$217,668,000). The Existing Put Option may be exercised upon occurrence of certain acceleration events, or at any time from the second anniversary of the date of the Existing Shareholders' Agreement to the third anniversary of the date of the Existing Shareholders' Agreement, provided that the Existing Call Option has not then been exercised by TCL NL (or its designated assignee). No premium was payable by STA for accepting the Existing Put Option.

For further details of the Existing Shareholders' Agreement, the Existing Call Option and the Existing Put Option, please refer to the 2020 Announcements.

The Subscription

On 7 July 2023 (São Paulo time) (7 July 2023, Hong Kong time after trading hours), SEMP TCL and STA entered into the Subscription Bulletin, pursuant to which STA agreed to subscribe for, and SEMP TCL agreed to issue and allot to STA, the Subscription Shares which represent approximately 6.25% of the issued shares of SEMP TCL as enlarged by the Subscription. Prior to the entering into of the Subscription Bulletin, SEMP TCL was owned as to 80% and 20% by TCL NL and STA respectively. Immediately after the issuance and allotment of the Subscription Shares to STA, SEMP TCL was owned as to approximately 75% and 25% by TCL NL and STA respectively. SEMP TCL will remain to be a subsidiary of the Company, and the results, assets and liabilities of SEMP TCL will continue to be consolidated into the accounts of the Group. For the avoidance of doubt, the Subscription only constitutes a *de minimis* transaction under Chapters 14 and 14A of the Listing Rules, and is therefore fully exempt from Shareholders' approval, annual review and all disclosure requirements.

NEW SHAREHOLDERS' AGREEMENT

Upon the completion of the Subscription, in order to reflect the shareholders' rights and obligations following the aforesaid change in shareholding in and of SEMP TCL and with a view to strengthening the cooperation between the parties, on the same date (i.e. 7 July 2023 (São Paulo time being 7 July 2023, Hong Kong time after trading hours), TCL NL, STA, SEMP TCL and ABH entered into the New Shareholders' Agreement in respect of SEMP TCL, pursuant to which, among others, (i) the Existing Shareholders' Agreement in respect of SEMP TCL (and hence the Existing Call Option and the Existing Put Option granted thereunder) was thereby terminated in its entirety; (ii) STA granted the New Call Option to TCL NL (or its designated assignee), pursuant to which TCL NL (or its designated assignee) would have the right to purchase from STA, and STA would be obliged to sell to TCL NL (or its designated assignee), all but not less than all Option Shares at the New Call Option Purchase Price; and (iii) TCL NL granted the New Put Option to STA, pursuant to which STA would have the right to sell to TCL NL (or its designated assignee), and TCL NL (by itself or via its designated assignee) would be obliged to purchase from STA, all but not less than all Option Shares at the New Put Option Purchase Price, which is subject to a maximum price of R\$1,200,000,000 (equivalent to approximately HK\$1,935,960,000).

The principal terms of the New Shareholders' Agreement are summarised below:

- Date:** 7 July 2023 (São Paulo time) (7 July 2023 Hong Kong time after trading hours)
- Parties:**
- (i) TCL NL;
 - (ii) STA;
 - (iii) SEMP TCL (as intervening-consenting party); and
 - (iv) ABH (as intervening-consenting party).
- Duration:** The New Shareholders' Agreement shall be effective from 7 July 2023 until (i) the date on which the Option Shares are effectively assigned and transferred as a result of the exercise of the New Call Option or the New Put Option, as the case may be; or (ii) 6 July 2073, whichever is earlier.

New Call Option: STA granted the New Call Option to TCL NL (or its designated assignee), pursuant to which TCL NL (or its designated assignee) has the right to purchase from STA, and STA shall be obliged to sell to TCL NL (or its designated assignee), all but not less than all Option Shares, at the New Call Option Purchase Price upon occurrence of any New Call Option Trigger Event.

The New Call Option may be exercised upon delivery of a written notice to STA within 30 days of the occurrence of a New Call Option Trigger Event and at least 30 days in advance of the New Call Option Closing Date, provided that the New Put Option has not then been exercised by STA.

New Call Option premium and exercise price:

No premium is payable for accepting the New Call Option.

The New Call Option Purchase Price shall be equivalent to 25% of the audited net book value of SEMP TCL as at the end of the trimester immediately preceding the date of delivery of the written notice of exercise of the New Call Option, determined in accordance with the applicable Brazil Accounting Standards, provided that if the New Call Option is exercised upon the occurrence of a change of control of STA (i.e. event (ii) of the New Call Option Trigger Events), the New Call Option Purchase Price shall be discounted by a flat 10%.

The New Call Option Purchase Price shall be paid to STA in one lump sum on the New Call Option Closing Date.

New Call Option Trigger Event and exercise period:

During the term of the New Shareholders' Agreement, TCL NL shall be entitled to exercise the New Call Option upon the occurrence of any of the following events (each a "**New Call Option Trigger Event**"):

- (i) winding-up, dissolution, liquidation or any form of insolvency proceedings affecting STA (including, without limitation, extrajudicial or judicial recovery);
- (ii) any transfer of shares issued by an Affiliate of STA or its assignees and successors which results in the Control of STA being directly or indirectly held by any legal entity other than the Brandão Hennel family (i.e. the family of ABH); and

- (iii) where shares of SEMP TCL held by STA are attached and become subject to a judicial lien and STA fails to make the shares become free and clear of such lien within 90 days after being notified of such lien by the competent court.

New Put Option:

TCL NL granted the New Put Option to STA, pursuant to which STA has the right to sell to TCL NL (or its designated assignee), and TCL NL (by itself or via its designated assignee) shall be obliged to purchase from STA, all but not less than all Option Shares at the New Put Option Purchase Price upon occurrence of any New Put Option Trigger Event.

The New Put Option may be exercised upon delivery of a written notice to TCL NL within 30 days of the occurrence of a New Put Option Trigger Event and at least 60 days in advance of the New Put Option Closing Date, provided that the New Call Option has not then been exercised by TCL NL (or its designated assignee).

New Put Option premium and exercise price:

No premium is payable for accepting the New Put Option.

The New Put Option Purchase Price shall be equivalent to 25% of the audited net book value of SEMP TCL as at the end of the trimester immediately preceding the date of delivery of the written notice of exercise of the New Put Option, determined in accordance with the applicable Brazil Accounting Standards, provided that in any event the New Put Option Purchase Price shall not exceed R\$1,200,000,000 (equivalent to approximately HK\$1,935,960,000).

The New Put Option Purchase Price shall be paid to STA in one lump sum on the New Put Option Closing Date.

New Put Option Trigger Event and exercise period:

During the term of the New Shareholders' Agreement, STA shall be entitled to exercise the New Put Option upon the occurrence of any of the following events (each a "**New Put Option Trigger Event**"):

- (i) winding-up, dissolution, liquidation or any form of insolvency proceedings affecting SEMP TCL or TCL NL (including, without limitation, extrajudicial or judicial recovery);

- (ii) merger, spin-off, amalgamation or any similar act of corporate reorganisation or corporate restructuring of SEMP TCL involving a third party;
- (iii) any transaction or event caused by, or related to, TCL NL and/or SEMP TCL, which occurs after the date of the New Shareholders' Agreement, which may reasonably be expected to materially restrict or otherwise prevent the ability of STA to transfer the Option Shares to TCL NL or its designated assignee;
- (iv) where shares of SEMP TCL held by TCL NL are attached and become subject to a judicial lien and TCL NL fails to make the shares become free and clear of such lien within 90 days after being notified of such lien by the competent court; and
- (v) if any time after the Expiration Date, in two consecutive financial years, SEMP TCL records losses in its annual accounts for the respective financial year.

Board composition:

The board of directors of SEMP TCL shall be composed of up to five members.

As from the date of the New Shareholders' Agreement and until the date on which STA ceases to be a shareholder of SEMP TCL, STA shall be entitled to appoint two directors (and their alternates) one of whom being ABH. ABH shall be designated as the chairman of the board of directors of SEMP TCL.

As from the date of the New Shareholders' Agreement and until the date on which TCL NL ceases to be a shareholder of SEMP TCL, TCL NL shall be entitled to appoint three directors (and their alternates). Mr. LI Yongping (being the general manager of the Latin America Sales Centre of the Group and deputy general manager of the Overseas Business Group of the Group) shall be designated as the vice chairman of the board of directors of SEMP TCL.

Restriction on transfer of shares and creation of liens:

Any shareholder of SEMP TCL wishing to transfer all or part of its shares in SEMP TCL may only do so if:

- (i) such transfer is a transfer of shares by any of the shareholders to its Affiliates, or any transfer of shares required pursuant to the New Shareholders’ Agreement (“**Permitted Transfer(s)**”) and such shareholder has complied with all provisions of the New Shareholders’ Agreement prior to the intended transfer; or
- (ii) otherwise agreed upon by the shareholders in writing.

No shareholders of SEMP TCL shall transfer any shares in SEMP TCL held by it at any time prior to the Expiration Date, except under a Permitted Transfer.

Neither shareholder of SEMP TCL shall create any liens on its respective shares in SEMP TCL in any way without the prior written consent of the other shareholder of SEMP TCL.

Non-competition:

During the term of the New Shareholders’ Agreement, for as long as TCL NL or STA (as the case may be) holds any number of shares in SEMP TCL, each of TCL NL and STA agrees, and agrees to cause its respective Affiliates, not to, directly or indirectly, through any legal entity, (a) engage, have any interest or be involved under any title, in any Competitive Business; nor (b) enter into any discussions, negotiations and/or preliminary agreements with any third party in order to evaluate a possible transaction or agreement related to a Competitive Business.

For as long as TCL NL or STA holds any number of shares in SEMP TCL, each of them agrees, and agrees to cause its respective Affiliates, directly or indirectly, to only carry on any activity related to the Business in Brazil through, and on behalf of, SEMP TCL and its subsidiaries, provided that the foregoing shall not limit or impair the right of any Affiliates of TCL NL to sell or supply to customers in Brazil finished products similar to those manufactured and sold in the Business, including, without limitation, components thereof, and further provided that such customers do not sell such products in Brazil under the “TCL” brand.

For a period of five years after STA or any of its Affiliates ceases to be a shareholder of SEMP TCL, each of STA and ABH covenants and agrees, and covenants and agrees to cause its respective Affiliates, not to, directly or indirectly (including by authorising any third-party), carry out Restricted Activities, unless (i) STA, ABH or any of their respective Affiliates holds no more than 20% of the total corporate capital of a competing company that carries out the Restricted Activities and has no special governance rights whatsoever in the competing company that carries out the Restricted Activities; or (ii) otherwise waived and authorised in writing by TCL NL.

**Termination of the
Existing
Shareholders'
Agreement:**

Upon the entering into of the New Shareholders' Agreement, the Existing Shareholders' Agreement was terminated. Accordingly, all rights and obligations under the Existing Shareholders' Agreement, including but not limited to the Existing Call Option, Existing Put Option, first right of refusal, drag-along rights, tag-along rights and guarantees thereunder, were terminated and no longer subsist upon the entering into of the New Shareholders' Agreement.

FINANCIAL INFORMATION

Set out below is the financial information of SEMP TCL and its subsidiaries for the year ended 31 December 2022 and 31 December 2021 as extracted from SEMP TCL and its subsidiaries' audited consolidated financial statements prepared in accordance with the generally accepted accounting principles of Brazil, which are substantially in compliance with the International Financial Reporting Standards:

	For the year ended	
	31 December	
	2022	2021
	<i>R\$'000</i>	<i>R\$'000</i>
Revenue	3,008,240	2,792,282
Net profit before tax	95,496	81,331
Net profit after tax	92,704	68,924
	Balance as at	
	31 December	
	2022	2021
	<i>R\$'000</i>	<i>R\$'000</i>
Total assets	2,905,462	2,747,898
Net assets	494,642	400,119

SEMP TCL was initially established by STA Group. The original investment cost incurred by STA Group for the then 20% equity interest of SEMP TCL held by STA Group (which were the option shares underlying each of the Existing Call Option and the Existing Put Option) was approximately R\$80,040,000 (equivalent to approximately HK\$129,129,000). The original investment cost incurred by STA Group for the 25% equity interest of SEMP TCL held by STA Group (which will be the Option Shares underlying each of the New Call Option and the New Put Option) was approximately R\$118,431,000 (equivalent to approximately HK\$191,065,000).

BASIS OF THE CONSIDERATION

The New Call Option and New Put Option

The New Call Option Purchase Price and the New Put Option Purchase Price were determined after arm's length negotiations between TCL NL and STA. As explained in the section headed "REASONS FOR AND BENEFITS OF THE NEW SHAREHOLDERS' AGREEMENT" below, the New Call Option and the New Put Option are in essence exit mechanisms to safeguard the interests of both the Group and STA. Accordingly, both the New Call Option Purchase Price and the New Put Option Purchase Price are to be calculated with reference to the then net book value of the shares underlying the New Call Option or New Put Option based on the then net book value of SEMP TCL as at the date of exercise of the respective New Call Option or New Put Option.

Whilst the exercise of the New Put Option is not at the discretion of the Group, albeit it may only be exercised upon the occurrence of certain specified exit events, in order to provide certainty to the liability of the Group as an additional safeguard for the interest of the Shareholders, the New Put Option Purchase Price payable by the Group to STA is subject to a maximum limit of R\$1,200,000,000 (equivalent to approximately HK\$1,935,960,000). The said limit has taken into consideration, among others, the reputation, market position, historical performance and strategic planning of SEMP TCL, as well as the room for growth and profitability of SEMP TCL in view of the 50-year term of the New Shareholders' Agreement taking in account of the historical financial performance of SEMP TCL for the six financial years ended 31 December 2022.

If exercised, the New Call Option Purchase Price or the New Put Option Purchase Price is intended to be settled in cash and funded by internal resources of the Group.

REASONS FOR AND BENEFITS OF THE NEW SHAREHOLDERS' AGREEMENT

The Group has been actively transforming and innovating under the strategy of "Value Led by Brand with Relative Cost Advantage, Ultimate Efficiency Operation and Collaborative Innovation" with technology as basis. Focusing on the mid-to-high-end market around the world, the Group strives to consolidate the "intelligent IoT (Internet of Things) ecosystem" strategy with all-category layout. In 2022, the Group strengthened its leading position in the display business, delivering outstanding performance in mid-to-high-end market strategy execution and maintained strong growth across all-category marketing.

Going forward, in response to the ongoing global economic restructuring, the Group is committed to maintaining its position as a global leader. It will continue to expand its global business layout, leveraging its distinctive advantage of vertical integration across the entire industry chain to enhance its global competitiveness amid the new circumstances. The Group will also focus on consolidating and strengthening its supply chain system and market channels development, increasing its global TV market share and brand recognition, enhancing its competitiveness and operational resilience in the global market to achieve high-quality growth and cultivate a higher brand value.

Brazil is the largest economy in South America with a vast and growing consumer electronics and electrical appliance market. Considering the thresholds in terms of labour, taxation and client channels faced by foreign companies which wish to start their business in Brazil, in August 2015, the Group preliminarily identified STA, which has established a solid relationship with channel customers and accumulated good social resources and has developed a relatively complete supply chain and manufacturing capability through more than 70 years of operation, as an appropriate local partner to assist the Group to emerge into the Brazilian market. A joint venture agreement was entered into in June 2016 and the joint venture, namely SEMP TCL, was subsequently established in August 2016 for such purpose.

SEMP TCL is principally engaged in the business of manufacture and sale of consumer home appliances, of which major products include small and large home appliances such as TV and air-conditioner, with the manufacture and sale of TV being its major business.

The TV and air-conditioner market of Brazil has shown a growing trend since 2016. It is expected that the TV market of Brazil will continue to expand progressively in the coming years. In order to leverage the local accumulation of SEMP TCL and increase the market influence of the Group in Brazil, as set out in the section headed “BACKGROUND” in this announcement, in June 2020, the Group acquired further equity interest in SEMP TCL, and SEMP TCL became a subsidiary of the Company. The Existing Shareholders’ Agreement was entered into among the parties to provide a short-term framework for the cooperation among the parties after the change in control of SEMP TCL.

Thereafter, the business of SEMP TCL continued to grow and contribute to the smart screen business of the Group in Brazil. The market share in terms of the shipment of the smart screen of the Group ranked among the top 3 in Brazil in 2022, jumping from No. 5 in 2019 based on the GfK TV shipment data. The Group also intends to further develop its all-category marketing business covering air-conditioner, refrigerator, washing machine, etc.. in Brazil by leveraging on the distribution channel network and capabilities accumulated by STA. Further, both the Group and STA are satisfied with the performance of SEMP TCL and wish to deepen their cooperation by increasing the involvement of STA in SEMP TCL and entering into a shareholders’ agreement with a longer term. Accordingly, as set out in the section headed “BACKGROUND” in this announcement, the Subscription was carried out for STA to increase its shareholding in SEMP TCL, so as to better align the economic interest of STA with that of SEMP TCL with a view to incentivising its contribution to the performance and growth of SEMP TCL. To reflect the parties’ rights and obligations following the aforesaid change in shareholding, the parties entered into the New Shareholders’ Agreement which has a term of 50 years as opposed to the Existing Shareholders’ Agreement which has a term of 10 years only, which will provide a solid foundation for the long-term cooperation between STA and the Group.

The New Call Option and the New Put Option are in essence exit mechanisms to safeguard the interests of both the Group and STA upon the default of the other party. The New Call Option protects the Group’s interest by allowing the Group to acquire complete control of SEMP TCL upon certain defaults on the part of STA, whereas the New Put Option provides reciprocal safeguard to STA to protect STA’s minority interest in SEMP TCL upon certain defaults of the Group as well as to align STA’s interest with those of SEMP TCL.

The terms of the New Shareholders’ Agreement were determined after arm’s length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the New Shareholders’ Agreement and the transactions contemplated thereunder (including the termination of the Existing Call Option and Existing Put Option, and the grant of the New Call Option and New Put Option), although not in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

After the completion of the Subscription and as at the time when entering into the New Shareholders' Agreement, SEMP TCL was owned as to approximately 75% and 25% by TCL NL and STA respectively, and as such STA is a connected person of the Company at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules.

The Subscription

Following the completion of the Subscription, the Group's interest in SEMP TCL would be diluted from 80% to 75% and therefore the Subscription is regarded as a deemed disposal of equity interest in SEMP TCL by the Group pursuant to Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription are less than 1%, the Subscription constitutes a *de minimis* transaction under Chapters 14 and 14A of the Listing Rules, and is therefore fully exempt from Shareholders' approval, annual review and all disclosure requirements.

Termination of Existing Call Option and Existing Put Option

The Existing Call Option was granted by STA and the exercise of which was at the discretion of TCL NL. Pursuant to Rule 14A.79(4) of the Listing Rules, the termination of the Existing Call Option will be classified as if it had been exercised. As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the termination of the Existing Call Option exceed 1% but all are less than 5%, the termination of the Existing Call Option constitutes a connected transaction which is subject to reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Existing Put Option was granted by TCL NL and the exercise of which was not at the discretion of TCL NL. The termination of the Existing Put Option does not involve payment of any amounts by way of penalty, damages or other compensation. Pursuant to Chapters 14 and 14A of the Listing Rules, the Company is required to announce the termination of the Existing Put Option.

Grant of New Call Option and New Put Option

The exercise of the New Call Option is at the discretion of TCL NL. According to Rules 14.75(1) and 14A.79(2) of the Listing Rules, on the grant of the New Call Option to TCL NL, only the premium (which is nil) will be taken into consideration for calculating the relevant percentage ratios under Rule 14.07 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules on the exercise or non-exercise (as the case may be) of the New Call Option (when required).

The exercise of the New Put Option is not at the discretion of TCL NL. According to Rules 14.74(1) and 14A.79(1) of the Listing Rules, on the grant of the New Put Option to STA, the transaction will be classified as if the New Put Option had been exercised. One or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the grant of the New Put Option exceed 5% but all are less than 25%. The grant of New Put Option constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The grant of the New Put Option also constitutes a connected transaction of the Company. The Board has approved the grant of the New Put Option and the independent non-executive Directors have also confirmed that the grant of the New Put Option are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable. As none of the Directors had a material interest in the above transactions, none of them was required to abstain from voting on the relevant board resolutions approving the above transactions. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the grant of the New Put Option is subject to reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES

The Group is principally engaged in display business, innovative business and internet business. For more information on the Group, please visit its official website at <http://electronics.tcl.com> (the information that appears in this website does not form part of this announcement).

TCL NL is a company established under the laws of the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Company. TCL NL is an investment holding company and its investments are principally engaged in home appliances business.

SEMP TCL is principally engaged in the business of manufacture and sale of consumer home appliances. As at the date of this announcement, after the completion of the Subscription, TCL NL and STA are interested in SEMP TCL as to 75% and 25% respectively.

STA is principally engaged in the business of manufacture and sale of TV sets and air-conditioners. The sole shareholder and ultimate beneficial owner of STA is ABH. As at the date of this announcement, STA held approximately 25% equity interest of SEMP TCL, and as such STA is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

ABH is the sole shareholder and ultimate beneficial owner of STA and hence a substantial shareholder of SEMP TCL by virtue of his interest in STA, and as such ABH is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2020 Announcements”	the announcements of the Company dated 3 June 2020 and 21 July 2020 respectively;
“ABH”	Affonso Brandão Hennel, a Brazilian citizen, the sole shareholder of STA;
“Affiliate(s)”	jointly or individually, in relation to any legal entity, (a) any legal entity that, directly or indirectly, Controls, is Controlled by or is under common Control with such party; (b) any other legal entity who is at such time an officer, manager or director of, or direct or indirect beneficial holder of equity interest of such specified legal entity; and/or (c) in relation to any of the legal entity in (a) or (b) above, his/her parent, spouse, child, lineal heirs and collateral descendants up to the third degree, natural or adopted (including respective spouses), as well as any company that, directly or indirectly, is Controlled by any such heirs or descendants;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the Board of Directors of the Company;
“Brazil”	the Federative Republic of Brazil;
“Brazil Accounting Standard”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board together with its pronouncements thereon from time to time, and applied on a consistent basis, as adjusted, accepted, prescribed and adopted in Brazil by the Brazilian Corporations Law, the technical releases issued by the Institute of Independent Auditors of Brazil and by the Brazilian Accounting Standards Committee;

“Business”	business of manufacturing and distributing (i) audio and visual appliances, including their parts, components and peripherals; (ii) information technology devices including desktop computers, laptop computers, tablets, pen drives, display monitors, baby monitors, cordless phones, and landline telephones (including their parts, components and peripherals), but excluding mobile telephones; (iii) small domestic appliances of all types, including portable air conditioners (including their parts, components and peripherals); (iv) surveillance devices, including their parts and components; and (v) large domestic appliances (white goods), in Brazil to be carried on by SEMP TCL as at the date of the New Shareholders’ Agreement;
“Company”	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01070);
“Competitive Business”	development, activity or business, which is in competition with the Business in Brazil, including the participation in Controlling or Controlled companies or through companies of the same economic group, in any capacity, including as partner, shareholder, quotaholder or holder of any corporate interest or security, franchiser, franchisee, creditor, consultant, service provider, trustee, licensor or licensee of trademarks, domain names or intellectual property rights related to or used in the Business, through any legal entity, corporation, company, cooperative, association, business or similar positions;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Control”	including all of its variations, including “Controlling”, “Controlled” and “under common Control”, when used with respect to a legal entity, means the possession or beneficial ownership of voting interests in a legal entity that permanently assures, directly or indirectly, (i) the majority of the votes at all shareholders’ meetings; (ii) the power to elect the majority of the board of directors and statutory executive officers of such legal entity; or (iii) the possession of the power to, directly or indirectly, direct or cause the direction of management or policies (whether through ownership of securities, partnership or other ownership interests, by contract or otherwise) of such legal entity;

“Director(s)”	the director(s) of the Company;
“Expiration Date”	7 July 2026;
“Existing Call Option”	the right granted to TCL NL (or its designated assignee) to purchase from STA and require STA to sell to TCL NL (or its designated assignee) then 20% of the equity interest of SEMP TCL then held by STA pursuant to the Existing Shareholders’ Agreement;
“Existing Call Option Base Price”	equivalent to the sum of the base option price of approximately R\$98,147,060.26 (equivalent to approximately HK\$158,341,000) plus or minus 20% of net profit or loss after tax, as the case may be, of SEMP TCL ascertained for the period from 31 December 2019 to the end of the month preceding 20 July 2020;
“Existing Put Option”	the right granted to STA to sell to TCL NL (or its designated assignee) and require TCL NL (or its designated assignee) to purchase from STA then 20% of the equity interest of SEMP TCL then held by STA pursuant to the Existing Shareholders’ Agreement;
“Existing Put Option Base Price”	equivalent to the sum of the base option price of approximately R\$98,147,060.26 (equivalent to approximately HK\$158,341,000) plus or minus 20% of net profit or loss after tax, as the case may be, of SEMP TCL ascertained for the period from 31 December 2019 to the end of the month preceding 20 July 2020;
“Existing Shareholders’ Agreement”	the existing shareholders’ agreement dated 20 July 2020 entered into among TCL NL, STA, SEMP TCL and ABH;
“GfK”	Gesellschaft für Konsumforschung, headquartered in Nuremberg, Germany, a global consumer product market research company;
“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 People’s Republic of China;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;

“New Call Option”	the right granted to TCL NL (or its designated assignee) to purchase from STA and require STA to sell to TCL NL (or its designated assignee) all Option Shares at the New Call Option Purchase Price on the New Call Option Closing Date pursuant to the New Shareholders’ Agreement;
“New Call Option Closing Date”	the date of closing of the purchase and sale of Option Shares resulting from the exercise of the New Call Option, which shall be the date specified in the written notice of exercise of New Call Option, provided that such date shall be no less than 30 days nor more than 60 days after the date of delivery of the said written notice;
“New Call Option Purchase Price”	the price payable in connection with the exercise of the New Call Option;
“New Call Option Trigger Event”	has the meaning as defined in the paragraph headed “New Call Option Trigger Event” under the section headed “NEW SHAREHOLDERS’ AGREEMENT” in this announcement;
“New Put Option”	the right granted to STA to sell to TCL NL (or its designated assignee) and require TCL NL (or its designated assignee) to purchase from STA all Option Shares in SEMP TCL at the New Put Option Purchase Price on the New Put Option Closing Date pursuant to the New Shareholders’ Agreement;
“New Put Option Closing Date”	the date of closing of the purchase and sale of Option Shares resulting from the exercise of the New Put Option, which shall be the date specified in the written notice of exercise of New Put Option, provided that such date shall be no less than 60 days nor more than 90 days after the date of delivery of the said written notice;
“New Put Option Purchase Price”	the price payable in connection with the exercise of the New Put Option;
“New Put Option Trigger Event”	has the meaning as defined in the paragraph headed “New Put Option Trigger Event” under the section headed “NEW SHAREHOLDERS’ AGREEMENT” in this announcement;
“New Shareholders’ Agreement”	the new shareholders’ agreement in respect of SEMP TCL dated 7 July 2023 entered into among TCL NL, STA, SEMP TCL and ABH;

“Option Shares”	the shares in and of SEMP TCL held by STA and its Affiliates at the time the New Call Option or New Put Option is exercised, as the case may be (which amounted to approximately 25% equity interest in and of SEMP TCL as at the date of this announcement);
“R\$”	Brazilian Real, the lawful currency of Brazil;
“Restricted Activities”	engage or invest in, incorporate, set up, own, manage, join, operate, finance, control, or participate in the ownership, management, operation, financing or control of, or have any equity or financial interest in, or acquire any right to share in the profits of, be employed by, associated with, lend its name to, or render services to, any legal entity (other than SEMP TCL and its subsidiaries) engaged in or otherwise exploiting SEMP TCL’s competing business in Brazil of producing and selling TV products, mobile telephones, air-conditioners, audio products and small domestic appliances, plus any additional products jointly agreed in writing by the parties to the New Shareholders’ Agreement;
“SEMP TCL”	SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A., a company incorporated under the laws of Brazil with limited liability, to be renamed as “TCL SEMP Indústria e Comércio de Eletroeletrônicos S.A.” pursuant to mutual consent by its shareholders but subject to the compliance with relevant requirements under Brazilian Corporations Law and regulations;
“Shareholder(s)”	holder(s) of share(s) of the Company;
“smart screen”	mainly refers to smart TV related products;
“STA”	SEMP Amazonas S.A., a company incorporated under the laws of Brazil with limited liability;
“STA Group”	STA and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the 10,186,667 new shares of SEMP TCL by STA pursuant to the Subscription Bulletin;

“Subscription Bulletin”	the subscription bulletin dated 7 July 2023 entered into among STA and SEMP TCL in respect of the Subscription;
“Subscription Shares”	10,186,667 new shares of SEMP TCL issued and allotted to STA pursuant to the Subscription;
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly;
“TCL NL”	TCL Netherlands B.V., a company established under the laws of the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Company;
“TV”	television; and
“%”	per cent.

On behalf of the Board
DU Juan
Chairperson

Hong Kong, 7 July 2023

For the purposes of this announcement, the exchange rate of R\$1.00 = HK\$1.6133 has been used for currency translation (rounded to the nearest thousand), where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in R\$ or HK\$ has been, could have been or may be converted at such a rate.

As at the date of this announcement, the Board comprises Ms. DU Juan, Mr. YAN Xiaolin and Mr. HU Dien Chien as executive Directors, Mr. WANG Cheng, Mr. SUN Li and Mr. LI Yuhao as non-executive Directors and Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.