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**TCL Industries Holdings Co., Ltd.\***  
(TCL實業控股股份有限公司)  
*(Incorporated in the PRC  
with limited liability)*

  
**TCL ELECTRONICS HOLDINGS LIMITED**  
TCL 電子控股有限公司  
*(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 01070)*

**T.C.L. Industries Holdings (H.K.) Limited**  
*(Incorporated in Hong Kong  
with limited liability)*

## **JOINT ANNOUNCEMENT**

### **(I) THE RESTRUCTURING AGREEMENT**

### **(II) MANDATORY UNCONDITIONAL CASH OFFER BY UBS AG, HONG KONG BRANCH ON BEHALF OF T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED, A WHOLLY-OWNED SUBSIDIARY OF TCL INDUSTRIES HOLDINGS CO., LTD.**

**AND**

### **(III) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE OF TCL ELECTRONICS HOLDINGS LIMITED**

**Financial adviser to TCL Industries Holdings Co., Ltd. and  
T.C.L. Industries Holdings (H.K.) Limited**



**Independent Financial Adviser to the Independent Board Committee**

 **SOMERLEY CAPITAL LIMITED**

## **THE RESTRUCTURING AGREEMENT**

On 7 December 2018, the Vendor, Vendor Affiliates and Purchaser entered into the Restructuring Agreement, pursuant to which the Vendor and Vendor Affiliates agreed to sell and the Purchaser agreed to purchase all of the assets in the Divested Segment for a consideration of RMB4.76 billion in cash. Included in the assets of the Divested Segment were all of the issued share capital of the Offeror, which owned approximately 52.41% of the issued share capital of the Company upon the Restructuring Completion.

The consideration for the transfer of assets in the Divested Segment was determined having regard to the appraised value of the assets in the Divested Segment as of 30 June 2018, as adjusted by the aggregate amount of additional capital injections made to assets in the Divested Segment after 30 June 2018.

## **REASONS FOR THE RESTRUCTURING FROM THE PURCHASER'S PERSPECTIVE**

The Purchaser understood the Restructuring to be an internal reorganisation of TCL and had been motivated by the Vendor's desire to deploy and streamline its financial, personnel and other resources in furthering its strategic focus on its principal businesses such as semiconductor display and materials. The Purchaser is interested in operating in the business of the Divested Segment by fully leveraging the experience and skillset of the Vendor's existing management team.

## **COMPLETION OF THE RESTRUCTURING**

As of 31 March 2019, legal ownership of all assets in the Divested Segment was transferred to the Purchaser. The Offeror held 1,235,272,639 Shares, representing approximately 52.41% of the issued share capital of the Company as at Restructuring Completion.

As at the date of this joint announcement, the Offeror holds 1,235,272,639 Shares, representing approximately 52.29% of the issued share capital of the Company, while the Purchaser, the Offeror and parties acting in concert with any of them in aggregate hold 1,294,242,974 Shares, representing approximately 54.79% of the issued share capital of the Company.

**INADVERTENT BREACH OF RULE 26.1 OF THE TAKEOVERS CODE BY THE PURCHASER**

Given that the Restructuring involved the acquisition of a company which directly holds a controlling interest in the Company, a Hong Kong public listed company, pursuant to Note 8 to Rule 26.1 of the Takeovers Code, the Purchaser should have consulted the Executive before the Restructuring Agreement was executed.

As a result of the Purchaser's acquisition of all of the issued share capital of the Offeror, the Purchaser and parties acting in concert with it have an obligation to make a mandatory general offer for all the Shares in the Company (other than those already owned by the Purchaser, the Offeror and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code.

The Purchaser's failure to consult the Executive prior to its execution of the Restructuring Agreement and to make a mandatory general offer for all the Shares in the Company (other than those already owned by the Purchaser, the Offeror and parties acting in concert with any of them) on or around the date of the Restructuring Completion is in breach of Rule 26.1 of the Takeovers Code. The Purchaser sincerely apologises for its inadvertent breach of the Takeovers Code.

**MANDATORY UNCONDITIONAL CASH OFFER**

Due to the Restructuring, the Purchaser and parties acting in concert with it are, pursuant to directions provided by the Executive, required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all Share Options in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options. The Offeror, a wholly-owned subsidiary of the Purchaser upon the Restructuring Completion, will implement the Mandatory General Offer.

As at the date of this joint announcement, save for 189,110,636 Share Options, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

**Terms of the Mandatory General Offer**

UBS will make the Mandatory General Offer on behalf of the Offeror, a wholly-owned subsidiary of the Purchaser, in compliance with the Takeovers Code on the following basis:

***The Share Offer***

For each Offer Share . . . . . HK\$3.23 in cash

The Share Offer Price of HK\$3.23 is determined by reference to the appraised value of the Company as of 30 June 2018, being RMB6,348,360,600, which was used as the basis for determining the consideration for the transfer of assets in the Divested Segment and the underlying imputed acquisition price of each Share in the Restructuring. Please refer to Appendix I for the extract of the Appraisal Report issued by the PRC Appraiser regarding the appraised value of the Company as of 30 June 2018. The letters of UBS, the Independent Financial Adviser and the auditor of the Company in connection with the appraisal conducted by the PRC Appraiser as required under the Takeovers Code are set out in Appendix II, Appendix III and Appendix IV, respectively.

The Offer Shares to be acquired shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share. The interim dividend will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019. In the event that the relevant Offer Shares are acquired by the Offeror before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net dividend will become the consideration for each Offer Share for such Shareholders. The Company confirms that as at the date of this joint announcement, it does not have any intention to make, declare or pay any further dividend or make other distributions until the Closing Date.

**The Purchaser and the Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Purchaser and the Offeror do not reserve the right to increase the Share Offer Price.**

### ***The Option Offer***

As at the date of this joint announcement, there were 189,110,636 outstanding Share Options granted under the Share Option Schemes, among which 119,891,627 Share Options were exercisable and 69,219,009 Share Options have not been vested and are not exercisable. The Share Options have exercise prices in the range of HK\$3.3918 to HK\$4.4834.

The exercise of all the said Share Options in full would result in the issue of 189,110,636 new Shares (representing approximately 8.01% of the issued share capital of the Company as at the date of this joint announcement and approximately 7.41% of the issued share capital of the Company as enlarged by the issue of such new Shares).

The Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholders to cancel all outstanding Share Options (vested and unvested) in accordance with Rule 13 of the Takeovers Code. As the exercise prices of all the Share Options are above the Share Offer Price, the Option Offer Price for the cancellation of each Share Option is a nominal amount of HK\$0.0001 for each Share Option.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

The Board resolved at a Board meeting held on 26 September 2019 that the Board shall provide written notice to the Optionholders setting out their rights to accept the Option Offer and the discretion exercised by the Board under the Share Option Schemes such that the Share Options will not lapse even if they are not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional.

## **CONFIRMATION OF FINANCIAL RESOURCES AVAILABLE TO THE OFFEROR**

The maximum aggregate amount payable by the Offeror for 1,257,258,637 Offer Shares upon full acceptances of the Mandatory General Offer is approximately HK\$4,060.9 million assuming (i) all outstanding Share Options are exercised in full and (ii) save as the Shares issued and allotted as a result of the exercise of the Share Options, there is no other change in the share capital of the Company from the date of this joint announcement up to the Closing Date.

The Purchaser and the Offeror intend to finance and satisfy the amount payable under the Mandatory General Offer by cash through the facilities provided by Bank of China (Hong Kong) Limited to the Offeror and internal cash resources of the Offeror. UBS, the financial adviser to the Purchaser and the Offeror in respect of the Mandatory General Offer, is satisfied that sufficient financial resources are, and will continue to be, available to the Offeror to satisfy the amount payable upon full acceptances of the Mandatory General Offer.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki and the non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Albert Thomas DA ROSA, Junior and Mr. LI Yuhao, has been formed to make recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Mandatory General Offer are fair and reasonable and as to the acceptance of the Mandatory General Offer.

Mr. YANG Anming, a non-executive Director, is indirectly interested in the issued share capital of the Purchaser through having 1.3953% limited partnership interest in Lida Zhihui, a limited liability partnership established in the PRC and a controlling shareholder of the Purchaser. Accordingly, Mr. YANG Anming is considered to be interested in the Mandatory General Offer and has not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code.

Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Mandatory General Offer and as to their acceptance. The appointment of Somerley Capital has been approved by the Independent Board Committee.

## **INTENTION OF THE PURCHASER AND THE OFFEROR IN RELATION TO THE GROUP**

It is the intention of the Purchaser and the Offeror to continue with the Group's existing principal business following the close of the Mandatory General Offer. The Purchaser and the Offeror do not intend to introduce any major changes to the existing business and operation of the Group following the close of the Mandatory General Offer. As at the date of this joint announcement, the Purchaser and the Offeror have no intention to discontinue the employment of the employees or to dispose of or re-deploy the material assets of the Group. The Purchaser and the Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

## **NO CHANGE TO THE BOARD COMPOSITION**

It is intended that there will be no change to the Board composition following the close of the Mandatory General Offer.

## **INTENTION OF THE PURCHASER AND THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY**

The Purchaser and the Offeror intend to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Mandatory General Offer.

The directors of the Purchaser and the Offeror undertake to the Stock Exchange that, in the event that the public float of the Company falls below 25% following the close of the Mandatory General Offer, appropriate steps will be taken as soon as possible following the close of the Mandatory General Offer to ensure a sufficient public float.

## **DESPATCH OF COMPOSITE DOCUMENT**

It is the intention of the Purchaser, the Offeror and the Company to combine the offer document and the Company's Board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched to the Shareholders and the Optionholders within 21 days of the date of this joint announcement. It is expected that the Composite Document will be despatched to the Shareholders and the Optionholders in accordance with the requirements of the Takeovers Code.

The Composite Document will contain, among other things, details of the Mandatory General Offer, procedures for acceptance of the Mandatory General Offer, recommendations from the Independent Board Committee to the Independent Shareholders and the Optionholders, the advice from the Independent Financial Adviser to the Independent Board Committee in connection with the Mandatory General Offer, and the relevant forms of acceptance and transfer or cancellation. Independent Shareholders and Optionholders are advised to review carefully the Composite Document.

## **WARNING**

**Shareholders, Optionholders and potential investors of the Company should note that the Independent Board Committee has yet to consider and evaluate the Mandatory General Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing Shareholders of the Mandatory General Offer to be made. The Directors make no recommendation as to the fairness or reasonableness of the Mandatory General Offer or as to the acceptance of the Mandatory General Offer in this joint announcement. Shareholders, Optionholders and potential investors of the Company are reminded to read the Composite Document, especially the letter from the Independent Board Committee and the letter from the Independent Financial Adviser, and consider their recommendations and advices in connection with the Mandatory General Offer.**

**Shareholders, Optionholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If Shareholders and potential investors are in any doubt about their position, they should consult their own professional advisers.**

## **THE RESTRUCTURING AGREEMENT**

On 7 December 2018, the Vendor, Vendor Affiliates and Purchaser entered into the Restructuring Agreement, pursuant to which the Vendor and Vendor Affiliates agreed to sell and the Purchaser agreed to purchase all of the assets in the Divested Segment for a consideration of RMB4.76 billion in cash. Included in the assets of the Divested Segment were the all of the issued share capital of the Offeror, which owned approximately 52.41% of the issued share capital of the Company upon the Restructuring Completion.

### **Completion of the Restructuring**

As of 31 March 2019, legal ownership of all assets in the Divested Segment was transferred to the Purchaser. The Offeror held 1,235,272,639 Shares, representing approximately 52.41% of the issued share capital of the Company as at Restructuring Completion.

As at the date of this joint announcement, the Offeror holds 1,235,272,639 Shares, representing approximately 52.29% of the issued share capital of the Company, while the Purchaser, the Offeror and parties acting in concert with any of them in aggregate hold 1,294,242,974 Shares, representing approximately 54.79% of the issued share capital of the Company.



## **Consideration of the Restructuring**

The consideration for transfer of the assets of the Divested Segment was RMB4.76 billion in cash. The amount was determined having regard to the appraised value of the assets of the Divested Segment as of 30 June 2018, as adjusted by the aggregate amount of additional capital injections made to assets of the Divested Segment after 30 June 2018.

Apart from the consideration of RMB4.76 billion in cash, there was no other consideration compensation or benefit in whatever form paid or to be paid by the Purchaser, the Offeror or parties acting in concert with any of them to the Vendor or any party acting in concert with the Vendor in connection with the Restructuring.

## **REASONS FOR THE RESTRUCTURING FROM THE PURCHASER'S PERSPECTIVE**

The Purchaser understood the Restructuring to be an internal reorganisation of TCL and had been motivated by the Vendor's desire to deploy and streamline its financial, personnel and other resources in furthering its strategic focus on its principal businesses such as semiconductor display and materials. The Purchaser is interested in operating in the business of the Divested Segment by fully leveraging the experience and skillset of the Vendor's existing management team.

## **INADVERTENT BREACH OF RULE 26.1 OF THE TAKEOVERS CODE BY THE PURCHASER**

Given that the Restructuring involved the acquisition of a company which directly holds a controlling interest in the Company, a Hong Kong public listed company, pursuant to Note 8 to Rule 26.1 of the Takeovers Code, the Purchaser should have consulted the Executive before the Restructuring Agreement was executed.

As a result of the Purchaser's acquisition of all of the issued share capital of the Offeror, the Purchaser and parties acting in concert with it have an obligation to make a mandatory general offer for all the Shares in the Company (other than those already owned by the Purchaser, the Offeror and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code.

The Purchaser's failure to consult the Executive prior to its execution of the Restructuring Agreement and to make a mandatory general offer for all the Shares in the Company (other than those already owned by the Purchaser, the Offeror and parties acting in concert with any of them) on or around the date of the Restructuring Completion is in breach of Rule 26.1 of the Takeovers Code. The Purchaser sincerely apologises for its inadvertent breach of the Takeovers Code.

## **MANDATORY UNCONDITIONAL CASH OFFER**

Immediately before the Restructuring, the Vendor held 100% of the issued share capital of the Offeror, which in turn held 1,235,272,639 Shares, representing approximately 52.89% of the then issued share capital of the Company. Upon the Restructuring Completion, the Purchaser holds the entire issued capital of the Offeror.

Due to the Restructuring, the Purchaser and parties acting in concert with it are, pursuant to directions provided by the Executive, required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all Share Options in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options. The Offeror, a wholly-owned subsidiary of the Purchaser upon the Restructuring Completion, will implement the Mandatory General Offer.

As at the date of this joint announcement, the Company has a total of 2,362,390,975 Shares in issue. Mr. LI Dongsheng together with his spouse, Ms. ICHIKAWA Yuki, are in aggregate interested in 58,692,792 Shares, representing approximately 2.48% of the entire issued share capital of the Company as at the date of this joint announcement. As Mr. LI Dongsheng is a director of the Purchaser and the Offeror, Mr. LI Dongsheng together with his spouse are persons presumed to be acting in concert with the Purchaser and the Offeror in accordance with class 2 of the definition of “acting in concert” in the Takeovers Code.

As of the date of this joint announcement, Ms. DU Juan, a director of the Purchaser, Ms. XIONG Yan and Mr. DU Yuanhua, directors of the Offeror, who are presumed to be acting in concert with the Purchaser and the Offeror, together with spouse of Ms. XIONG Yan, are in aggregate interested in 277,543 Shares, representing approximately 0.01% of the entire issued share capital of the Company as at the date of this joint announcement.

As at the date of this joint announcement, there were 29,552,531 outstanding Restricted Shares awarded to the Grantees which remain unvested. Those Restricted Shares are currently held by the Trustee for the benefits of the Grantees. Pursuant to the rules of the Restricted Share Award Scheme, unless the Board shall in its sole and absolute discretion determine otherwise, upon the occurrence of a change in control of the Company, all the Restricted Shares shall immediately vest on the date when such event of change in control becomes or is declared unconditional. The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that the Grantees will be given written notice setting out their rights to accept the Share Offer for their Restricted Shares and the options to either (i) accept the Share Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer; or (ii) not to accept the Share Offer, whereby the Board will exercise its discretion to not vest the Restricted Shares pursuant to the rules of the Restricted Share Award Scheme, and the Restricted Shares shall vest in accordance with their respective original vesting schedules.

A copy of the Composite Document will be delivered to the Grantees at the same time when the Composite Document is despatched to the Shareholders and the Optionholders. The Company will then obtain relevant written replies from the Grantees before the Closing Date. If no reply is obtained from the Grantees, it will be assumed that the Grantees do not intend to accept the Share Offer and agree that such Restricted Shares

shall remain unvested but vest in accordance with their respective original vesting schedules. The Board will exercise its discretion not to accelerate the vesting of Restricted Shares which have not taken up the Share Offer.

As at the date of this joint announcement, the Purchaser, the Offeror and parties acting in concert with any of them are in aggregate interested in a total of 1,294,242,974 Shares, representing approximately 54.79% of the total issued share capital of the Company. Assuming there is no change in the total number of issued Shares from the date of this joint announcement up to the Closing Date, there will be 1,068,148,001 Shares subject to the Share Offer, representing approximately 45.21% of the existing issued share capital of the Company.

As at the date of this joint announcement, there were 189,110,636 outstanding Share Options entitling the Optionholders to subscribe for an aggregate of 189,110,636 Shares granted under the Share Option Schemes, of which 8,309,419 outstanding Share Options were granted to parties acting in concert with the Purchaser and the Offeror.

As at the date of this joint announcement, save for 189,110,636 outstanding Share Options, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

**Terms of the Mandatory General Offer**

UBS will make the Mandatory General Offer on behalf of the Offeror, a wholly-owned subsidiary of the Purchaser, in compliance with the Takeovers Code on the following basis:

*The Share Offer*

For each Offer Share . . . . . HK\$3.23 in cash

The Share Offer Price of HK\$3.23 is determined by reference to the appraised value of the Company as of 30 June 2018, being RMB6,348,360,600, which was used as the basis for determining the consideration for the transfer of assets in the Divested Segment and the underlying imputed acquisition price of each Share in the Restructuring. The computation of the Share Offer Price is based on the formula below:

$$\text{Share Offer Price} = \frac{\text{Appraised value of the Company} \times \text{Exchange Rate (Note 1)}}{\text{Total number of issued shares of the Company (Note 2)}}$$

*Note 1:* The applicable exchange rate as of 30 June 2018 was RMB 1 to HK\$1.1861

*Note 2:* Total number of issued shares of the Company as of 30 June 2018 was 2,333,388,113

Please refer to Appendix I for the extract of the Appraisal Report issued by the PRC Appraiser regarding the appraised value of the Company as of 30 June 2018. Since the appraisal method under the Appraisal Report involves discounted cash flow projections, which constitutes a profit forecast of the Company under Rule 10 of the Takeovers Code, it has to be reported on and has been reported on by UBS, the Independent Financial Adviser and the auditor of the Company, respectively, in accordance with Rule 10 of the Takeovers Code. The profit forecast used in the Appraisal Report was prepared by the Vendor and accepted by the Purchaser in connection with the Restructuring, and the Directors were not involved in the preparation of the profit forecast. The letters of UBS, the Independent Financial Adviser and the auditor of the Company in connection with the appraisal conducted by the PRC Appraiser as required under the Takeovers Code are set out in Appendix II, Appendix III and Appendix IV, respectively.

The Offer Shares to be acquired shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share. The interim dividend will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019. In the event that the relevant Offer Shares are acquired by the Offeror before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net dividend will become the consideration for each Offer Share for such Shareholders. The Company confirms that as at the date of this joint announcement, it does not have any intention to make, declare or pay any further dividend or make other distributions until the Closing Date.

**The Purchaser and the Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Purchaser and the Offeror do not reserve the right to increase the Share Offer Price.**

#### *The Option Offer*

As at the date of this joint announcement, there were 189,110,636 outstanding Share Options granted under the Share Option Schemes, among which 119,891,627 Share Options were exercisable and 69,219,009 Shares Options have not been vested and are not exercisable. The Share Options have exercise prices in the range of HK\$3.3918 to HK\$4.4834. As at the date of this joint announcement, save as disclosed in the section headed “Purchaser’s and Offeror’s Interests in Securities of the Company” in this joint announcement, the Purchaser, the Offeror and the parties acting in concert with any of them do not hold any Share Options.

The Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholders to cancel all outstanding Share Options (vested and unvested) in accordance with Rule 13 of the Takeovers Code. Under the Option Offer, the Offeror will offer Optionholders the Option Offer Price, which in general should be the “see-through” price (being the Share Offer Price minus the relevant exercise price in the case of the outstanding Share Options) for each outstanding Share Option they hold for the cancellation of every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. As the exercise prices of all the Share Options are above the Share Offer Price, the Option Offer Price for cancellation of each Share Option is a nominal amount of HK\$0.0001 for each Share Option.

<b>Share Option exercise price (HK\$)</b>	<b>Option Offer Price (HK\$)</b>	<b>Number of outstanding Share Options (vested and unvested)</b>
3.3918	0.0001	55,079,770
3.5700	0.0001	9,777,063
3.7329	0.0001	10,968,006
4.1520	0.0001	77,108,098
4.3860	0.0001	8,945,040
4.4834	0.0001	27,232,659

Further information on the Option Offer will be set out in a letter to the Optionholders, which will be despatched at or around the same time as the despatch of the Composite Document.

The Option Offer will be extended to all Share Options in issue on the date on which the Option Offer is made, being the date of despatch of the Composite Document.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

The Mandatory General Offer is unconditional in all respects when it is made and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

### ***The Share Offer Price***

The Share Offer Price of HK\$3.23 per Offer Share represents:

- (i) a discount of approximately 18.2% over the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on the date of this joint announcement;
- (ii) a discount of approximately 18.8% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of this joint announcement of approximately HK\$3.98 per Share;
- (iii) a discount of approximately 19.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the date of this joint announcement of approximately HK\$3.99 per Share;
- (iv) a discount of approximately 16.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the date of this joint announcement of approximately HK\$3.85 per Share;
- (v) a discount of approximately 12.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including the date of this joint announcement of approximately HK\$3.68 per Share;
- (vi) a discount of approximately 22.0% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$4.14 per Share as at 31 December 2018, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$9,779.3 million as at 31 December 2018 and 2,362,390,975 Shares in issue as at the date of this joint announcement; and
- (vii) a discount of approximately 30.4% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$4.64 per Share as at 30 June 2019, calculated based on the Group's unaudited consolidated net assets attributable to the Shareholders of approximately HK\$10,950.5 million as at 30 June 2019 and 2,362,390,975 Shares in issue as at the date of this joint announcement.

### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period immediately preceding the date of this joint announcement were HK\$4.68 per Share on 8 April 2019 and HK\$3.12 per Share on 6 August 2019, respectively.

### **Total value of the Mandatory General Offer**

As at the date of this joint announcement, there were 2,362,390,975 Shares in issue and in aggregate outstanding Share Options in respect of 189,110,636 Shares. For details on the Share Options, please see paragraph headed “Share Options” below.

Assuming that there is no change in the share capital of the Company, and on the basis of the Share Offer Price of HK\$3.23 per Offer Share and 2,362,390,975 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company would be valued at approximately HK\$7,630.5 million.

As at the date of this joint announcement, save as disclosed in the section headed “Purchaser’s and Offeror’s Interests in Securities of the Company” in this joint announcement, the Purchaser, the Offeror and the parties acting in concert with any of them do not hold any other Shares. Based on the 1,068,148,001 Shares not already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them and assuming (i) no vested Share Options will be exercised; (ii) there is no change in the share capital of the Company from the date of this joint announcement up to the Closing Date; and (iii) the Option Offer is accepted in full:

- a. the value of the Share Offer will be approximately HK\$3,450.1 million; and
- b. the total amount payable to satisfy the cancellation of all Share Options will be approximately HK\$18,911.

Based on the 1,257,258,637 Shares not already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them and assuming (i) all outstanding Share Options are exercised in full; (ii) save as the Shares issued and allotted as a result of the exercise of the Share Options, there is no other change in the share capital of the Company from the date of this joint announcement up to the Closing Date; and (iii) the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Share Options):

- a. the value of the Share Offer will be approximately HK\$4,060.9 million; and
- b. no amount will be payable by the Offeror under the Option Offer.

### **Confirmation of financial resources available to the Offeror**

The maximum aggregate amount payable by the Offeror for 1,257,258,637 Offer Shares upon full acceptances of the Mandatory General Offer is approximately HK\$4,060.9 million assuming (i) all outstanding Share Options are exercised in full and (ii) save as the Shares issued and allotted as a result of the exercise of the Share Options, there is no other change in the share capital of the Company from the date of this joint announcement up to the Closing Date.

The Purchaser and the Offeror intend to finance and satisfy the amount payable under the Mandatory General Offer by cash through the facilities provided by Bank of China (Hong Kong) Limited to the Offeror and internal cash resources of the Offeror. UBS, the financial adviser to the Purchaser and Offeror in respect of the Mandatory General Offer, is satisfied that sufficient financial resources are, and will continue to be, available to the Offeror to satisfy the amount payable upon full acceptances of the Mandatory General Offer.

### **Effect of accepting the Mandatory General Offer**

By accepting the Share Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share. The interim dividend will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019. In the event that the relevant Offer Shares are acquired by the Offeror before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net dividend will become the consideration for each Offer Share for such Shareholders. The Company confirms that as at the date of this joint announcement, it does not have any intention to make, declare or pay any further dividend or make other distributions until the Closing Date.

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Share Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of the despatch of the Composite Document. The Optionholders may accept the Option Offer at any time from the commencement of the Option Offer up to 4:00 p.m. on the Closing Date.

The Mandatory General Offer is unconditional in all respects. Acceptance of the Mandatory General Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

**Independent Shareholders and Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser appointed by the Independent Board Committee in connection with the Mandatory General Offer which will be included in the Composite Document.**



## **Share Option Schemes and Restricted Share Award Scheme**

Pursuant to the Share Option Schemes, the Optionholders are entitled to exercise all outstanding Share Options in full (to the extent which has become exercisable and not already lapsed or exercised) at any time within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional. As the Mandatory General Offer is unconditional, the commencement date of such period of fourteen (14) days shall be the despatch date of the Composite Document. If Optionholders do not accept the Option Offer, they may nonetheless exercise their Share Options (only to the extent exercisable) within such period. Pursuant to the Share Option Schemes, if any outstanding and exercisable Share Option is not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional, such Share Option will automatically lapse. The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that notwithstanding such rule in the Share Option Schemes, the Board shall provide written notices to the Optionholders setting out their rights to accept the Option Offer and the discretion exercised by the Board under the Share Option Schemes such that the Share Options will not lapse even if they are not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional. For the avoidance of doubt, the aforementioned exercise of the Board's discretion under the Share Option Schemes will not affect any Optionholders from accepting the Option Offer.

Pursuant to the rules of the Restricted Share Award Scheme, unless the Board shall in its sole and absolute discretion determine otherwise, upon the occurrence of a change in control of the Company, all the Restricted Shares shall immediately vest on the date when such event of change in control becomes or is declared unconditional. The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that the Grantees will be given written notice setting out their rights to accept the Share Offer for their Restricted Shares and the options to either (i) accept the Share Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer; or (ii) not to accept the Share Offer, whereby the Board will exercise its discretion to not vest the Restricted Shares pursuant to the rules of the Restricted Share Award Scheme, and the Restricted Shares shall vest in accordance with their respective original vesting schedules.

A copy of the Composite Document will be delivered to the Grantees at the same time when the Composite Document is despatched to the Shareholders and the Optionholders. The Company will then obtain relevant written replies from the Grantees before the Closing Date. If no reply is obtained from the Grantees, it will be assumed that the Grantees do not intend to accept the Share Offer and agree that such Restricted Shares shall remain unvested but vest in accordance with their respective original vesting schedules. The Board will exercise its discretion not to accelerate the vesting of Restricted Shares which have not taken up the Share Offer.

**Independent Shareholders and Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser appointed by the Independent Board Committee in connection with the Mandatory General Offer which will be included in the Composite Document.**

### **Payment**

Settlement of the consideration in respect of acceptances of the Mandatory General Offer will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Mandatory General Offer and the relevant documents of title in respect of such acceptances are received by the Offeror or its agent acting on its behalf to render each such acceptance complete and valid.

### **Taxation advice**

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Mandatory General Offer. None of the Purchaser, the Offeror, the parties acting in concert with any of them, the Company, UBS, Somerley Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Mandatory General Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Mandatory General Offer.

### **Overseas Shareholders and Overseas Optionholders**

The availability of the Mandatory General Offer to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and/or Overseas Optionholders who wish to accept the Mandatory General Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Mandatory General Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and/or Overseas Optionholders in respect of such jurisdictions).

If the receipt of the Composite Document by Overseas Shareholders and/or Overseas Optionholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Shareholders and/or Overseas Optionholders. In those circumstances, the Purchaser and the Offeror will apply for any waiver from the Executive as may be required pursuant to Note 3 to Rule 8 of the Takeovers Code.

### Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the acceptance by the Independent Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Independent Shareholders who accept the Share Offer.

The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Offer Shares and will arrange for payment of both buyer and seller's ad valorem stamp duty in connection with such sales and purchases under the Share Offer in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty will be payable in connection with the Option Offer.

### INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC on 17 September 2018. Shareholding structure of the Purchaser is set out below:

Shareholders	Shareholding (%)
Lida Zhihui	30.2326
Suning.com Co., Ltd.* (蘇寧易購集團股份有限公司)	23.2558
Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂(上海)投資中心(有限合夥))	15.5039
Huizhou State-owned Asset Management Co., Ltd.* (惠州市國有資產管理有限公司)	9.3023
Xiaomi Technology Co., Ltd.* (小米科技有限責任公司)	9.3023
Beijing Xinrunheng Equity Investment Partnership (L.P.)* (北京信潤恒股權投資合夥企業(有限合夥))	7.7519
Lida Tiancheng	3.1005
Shenzhen Qifu Guolong Small and Medium Micro-Enterprise Equity Investment Fund Partnership (L.P.)* (深圳市啟賦國隆中小微企業股權投資基金合夥企業(有限合夥))	1.5504
Mr. ZHONG Weijian (鐘偉堅先生)	0.0003
<b>Total</b>	<b>100.0000</b>

The board of directors of the Purchaser includes Mr. LI Dongsheng, Ms. DU Juan, Mr. MI Xin, Mr. LIU Lefei and Mr. ZOU Wenchao.

Lida Zhihui is a PRC limited liability partnership with its general partner being Lida Tiancheng. Mr. LI Dongsheng is an executive director of Lida Tiancheng and owns more than 50% economic interest in Lida Tiancheng. Mr. LI Dongsheng also owns more than 50% economic interest in Lida Zhihui as a limited partner, and the remaining limited partnership interests are held by 33 other executives of TCL Group, each with less than 10% partnership interest in Lida Zhihui.

## **INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in Hong Kong on 16 July 1996. The board of directors of the Offeror includes Mr. LI Dongsheng, Mr. DU Yuanhua and Ms. XIONG Yan. The Offeror is an investment holding company. Upon the Restructuring Completion and as of the date of this joint announcement, the Offeror is wholly-owned by the Purchaser. The Offeror directly holds 1,235,272,639 Shares, representing approximately 52.29% of the issued share capital of the Company as at the date of this joint announcement.

## **PURCHASER'S AND OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY**

Upon the Restructuring Completion and as at the date of this joint announcement, the Purchaser, through the Offeror, is interested in 1,235,272,639 Shares, representing approximately 52.29% of the issued share capital of the Company as at the date of this joint announcement.

As of the date of this joint announcement, Mr. LI Dongsheng together with his spouse, Ms. ICHIKAWA Yuki, are in aggregate interested in 58,692,792 Shares, representing approximately 2.48% of the entire issued share capital of the Company. Among 58,692,792 Shares, under the Restricted Share Award Scheme, in aggregate 868,655 Restricted Shares which have not yet been vested were granted to Mr. LI Dongsheng and Ms. ICHIKAWA Yuki. In addition, under the Share Option Schemes, in aggregate 7,817,130 outstanding Share Options were granted to Mr. LI Dongsheng and Ms. ICHIKAWA Yuki. As Mr. LI Dongsheng is a director of the Purchaser and the Offeror, Mr. LI Dongsheng together with his spouse are persons presumed to be acting in concert with the Purchaser and the Offeror in accordance with class 2 of the definition of “acting in concert” in the Takeovers Code. During the period between 9 June 2018 to the date of this joint announcement, Mr. LI Dongsheng and Ms. ICHIKAWA Yuki have dealt in the securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as set out in Appendix V.

As of the date of this joint announcement, Ms. DU Juan, a director of the Purchaser, Ms. XIONG Yan and Mr. DU Yuanhua, directors of the Offeror, who are presumed to be acting in concert with the Purchaser and the Offeror, together with spouse of Ms. XIONG Yan, are in aggregate interested in 277,543 Shares, representing approximately 0.01% of the entire issued share capital of the Company as at the date of this joint announcement. As of the date of this joint announcement, Ms. DU Juan, Ms. XIONG Yan and Mr. DU Yuanhua have been granted 150,066, 110,032 and 232,191 outstanding Share Options, respectively. Ms. XIONG Yan and Mr. DU Yuanhua have also been granted 7,516 and 12,395 Restricted Shares which have not yet been vested, respectively. During the period between 9 June 2018 to the date of this joint announcement, Ms. DU Juan, Ms. XIONG Yan and her spouse and Mr. DU Yuanhua have dealt in the securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as set out in Appendix V.

Save as disclosed above, the Purchaser and the Offeror confirm that:

- i. none of the Purchaser, the Offeror and/or parties acting in concert with any of them owns or has control or direction over any voting rights and rights over any Shares or any options, warrants or convertible securities in respect of any voting rights or rights over any Shares or has entered into any outstanding derivatives contracts in respect of securities in the Company;
- ii. there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Purchaser, the Offeror and/or any parties acting in concert with any of them has borrowed or lent; and
- iii. none of the Purchaser, the Offeror and/or parties acting in concert with any of them has dealt in any Shares or any options, warrants or convertible securities in respect of the Shares during the period between 9 June 2018 to the date of this joint announcement.

The Purchaser and the Offeror confirm that there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Purchaser, the Offeror or any party acting in concert with any of them on the one hand, and the Vendor and any party acting in concert with it on the other hand; and any understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder of the Company; and (ii)(a) the Purchaser, the Offeror and any party acting in concert with any of them; or (ii)(b) the Company, its subsidiaries or associated companies.

As at the date of this joint announcement, the Purchaser and the Offeror confirm that:

- i. there were no agreements or arrangements to which the Purchaser or the Offeror is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Mandatory General Offer;
- ii. none of the Purchaser, the Offeror and/or parties acting in concert with any of them has received any irrevocable commitment to accept or not to accept the Mandatory General Offer; and
- iii. there were no arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Purchaser, the Offeror or the Company and which might be material to the Mandatory General Offer.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the date of this joint announcement.

	<i>Number of Shares</i>	<i>Approx. %</i>
The Offeror	1,235,272,639	52.29
Persons acting in concert with the Purchaser and/or the Offeror ( <i>Note 1</i> )		
– Mr. LI Dongsheng and his spouse	58,682,792	2.48
– Ms. DU Juan	44,009	0.00
– Ms. XIONG Yan and her spouse	152,039	0.01
– Mr. DU Yuanhua	81,495	0.00
	<hr/>	<hr/>
Subtotal for the Purchaser, the Offeror and parties acting in concert with any of them	1,294,242,974	54.79
Trustee ( <i>Note 2</i> )	76,151,071	3.22
Other Shareholders	991,996,930	41.99
	<hr/>	<hr/>
Total	<u>2,362,390,975</u>	<u>100.00</u>

*Note:*

- 1 *Among such number of Shares are 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons.*
- 2 *1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons, are excluded from such number of Shares and included in the number of Shares under “Persons acting in concert with the Purchaser and/or the Offeror”.*

The following table sets out the shareholding structure of the Company as at the date of this joint announcement and as if all outstanding Share Options are exercised in full.

	<i>Number of Shares</i>	<i>Approx. %</i>
The Offeror	1,235,272,639	48.41
Persons acting in concert with the Purchaser and/or the Offeror ( <i>Note 1</i> )		
– Mr. LI Dongsheng and his spouse	66,509,922	2.61
– Ms. DU Juan	194,075	0.01
– Ms. XIONG Yan and her spouse	262,071	0.01
– Mr. DU Yuanhua	<u>313,686</u>	<u>0.01</u>
Subtotal for the Purchaser, the Offeror and parties acting in concert with any of them	1,302,552,393	51.05
Trustee ( <i>Note 2</i> )	76,151,071	2.98
Other Shareholders	<u>1,172,798,147</u>	<u>45.97</u>
Total	<u><u>2,551,501,611</u></u>	<u><u>100.00</u></u>

*Note:*

- 1 Among such number of Shares are 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons.
- 2 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons, are excluded from such number of Shares and included in the number of Shares under “Persons acting in concert with the Purchaser and/or the Offeror”.

## Share Options

As at the date of this joint announcement, the Company has 189,110,636 outstanding Share Options entitling the Optionholders to subscribe for an aggregate of 189,110,636 Shares. The following is the list of outstanding Share Options:

Date of grant	Exercise price (HK\$ per Share)	Number of outstanding Share Options		Exercisable period	Number of underlying Shares
		Vested	Unvested		
9 March 2015	4.4834	27,232,659	–	Note 1	27,232,659
31 August 2015	3.3918	55,079,770	–	Note 2	55,079,770
2 June 2016	4.3860	8,945,040	–	Note 3	8,945,040
12 May 2017	3.7329	10,968,006	–	Note 4	10,968,006
23 January 2018	4.1520	11,043,303	66,064,795	Note 5	77,108,098
25 April 2018	3.5700	6,622,849	3,154,214	Note 6	9,777,063

*Note 1: One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.*

*Note 2: For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.*

*For share options granted to the employees of TCL Corporation and/or its subsidiaries (excluding the Group), approximately one-third of such share options are exercisable commencing from 31 December 2015, a further approximately one-third are exercisable commencing from 31 December 2016, and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.*

*Note 3: For share options granted to the employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.*

*For share options granted to the employees of TCL Corporation and/or its subsidiaries (excluding the Group), approximately one-third of such share options are exercisable commencing from 31 December 2016, a further approximately one-third are exercisable commencing from 31 December 2017, and the remaining approximately one-third are exercisable commencing from 31 December 2018, up to 1 June 2022.*



*Note 4: Approximately 21% of such share options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.*

*Note 5: Approximately one-sixth of such share options are exercisable commencing from 18 May 2019, approximately one-sixth from 9 January 2020, approximately one-sixth from 18 May 2020, approximately one-sixth from 9 January 2021, a further approximately one-sixth are exercisable commencing from 18 May 2021, and the remaining approximately one-sixth are exercisable commencing from 9 January 2022, up to 22 January 2024.*

*Note 6: For share options granted to the employees of the Group, all of such share options are exercisable commencing from 9 January 2019, up to 24 April 2024.*

*For share options granted to the employees of TCL Corporation and/or its subsidiaries (excluding the Group), approximately one-third of such share options are exercisable commencing from 15 June 2018, a further approximately one-third are exercisable commencing from 15 June 2019, and the remaining approximately one-third are exercisable commencing from 15 June 2020, up to 24 April 2024.*

The exercise of all outstanding Share Options in full would result in the issue of 189,110,636 new Shares (representing approximately 8.01% of the issued share capital of the Company as at the date of this joint announcement and approximately 7.41% of the issued share capital of the Company as enlarged by the issue of such new Shares).

Accordingly, the Offeror will make (or procure to be made on its behalf) the Option Offer for the 189,110,636 outstanding Share Options assuming no exercise or lapse of such Share Options by them before the date on which the Option Offer is made, being the date of despatch of the Composite Document.

Further information on the Option Offer will be set out in a letter to the Optionholders which will be despatched at or around the same time as the despatch of the Composite Document.

The Option Offer will be extended to all Optionholders, whether their respective Share Options are vested or not, to cancel the Share Options on the terms and conditions set out in this joint announcement and in compliance with the Takeovers Code.

Save for the 189,110,636 Share Options, the Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

## **INTENTION OF THE PURCHASER AND THE OFFEROR IN RELATION TO THE GROUP**

It is the intention of the Purchaser and the Offeror to continue with the Group's existing principal business following the close of the Mandatory General Offer. The Purchaser and the Offeror do not intend to introduce any major changes to the existing business and operation of the Group following the close of the Mandatory General Offer. As at the date of this joint announcement, the Purchaser and the Offeror have no intention to discontinue the employment of the employees or to dispose of or re-deploy the material assets of the Group. The Purchaser and the Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

## **NO CHANGE TO THE BOARD COMPOSITION**

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

It is intended that there will be no change to the Board composition following the close of the Mandatory General Offer.

## **INTENTION OF THE PURCHASER AND THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY**

The Purchaser and the Offeror intend to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Mandatory General Offer.

The directors of the Purchaser and the Offeror undertake to the Stock Exchange that, in the event that the public float of the Company falls below 25% following the close of the Mandatory General Offer, appropriate steps will be taken as soon as possible following the close of the Mandatory General Offer to ensure a sufficient public float.

**The Stock Exchange has stated that if, upon closing of the Mandatory General Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.**

## INFORMATION ON THE VENDOR

The Vendor is a listed company on the Shenzhen Stock Exchange (stock code: 000100), one of the world leading technology industrial groups. Its main businesses include (i) semiconductor display and materials; (ii) industrial finance and investment; and (iii) other related businesses.

## INFORMATION ON THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and the issued Shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in the manufacture and sale of a wide range of consumer electronics products including television sets. The Group has factories in the PRC, Poland, Mexico and Vietnam and distributes its products in all major markets globally.

The following table is a summary of certain audited consolidated financial information of the Group for the two financial years ended 31 December 2017 and 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 and unaudited consolidated financial information of the Group for the six months ended 31 December 2019:

	<b>For the six months ended 30 June 2019 (unaudited) (HK\$'000)</b>	<b>For the year ended 31 December 2018 (audited) (HK\$'000)</b>	<b>For the year ended 31 December 2017 (audited) (HK\$'000)</b>
Turnover	22,724,403	45,581,970	40,822,357
Profit before tax	1,462,797	1,161,628	933,164
Profit for the period	1,368,552	934,850	796,861
Total comprehensive income for the period	1,283,495	620,040	1,124,819
	<b>As at 30 June 2019 (unaudited) (HK\$'000)</b>	<b>As at 31 December 2018 (audited) (HK\$'000)</b>	<b>As at 31 December 2017 (audited) (HK\$'000)</b>
Total equity	11,282,937	9,779,565	7,696,517

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki and the non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Albert Thomas DA ROSA, Junior and Mr. LI Yuhao, has been formed to make recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Mandatory General Offer are fair and reasonable and as to the acceptance of the Mandatory General Offer.

Mr. YANG Anming, a non-executive Director, is indirectly interested in the issued share capital of the Purchaser through having 1.3953% limited partnership interest in Lida Zhihui, a limited liability partnership established in the PRC and a controlling shareholder of the Purchaser. Accordingly, Mr. YANG Anming is considered to be interested in the Mandatory General Offer and has not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code.

Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Mandatory General Offer and as to their acceptance. The appointment of Somerley Capital has been approved by the Independent Board Committee.

## **DESPATCH OF THE COMPOSITE DOCUMENT**

It is the intention of the Purchaser, the Offeror and the Company to combine the offer document and the Company's Board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched to the Shareholders and the Optionholders within 21 days of the date of this joint announcement. It is expected that the Composite Document will be despatched to the Shareholders and the Optionholders in accordance with the requirements of the Takeovers Code.

The Composite Document will contain, among other things, details of the Mandatory General Offer, procedures for acceptance of the Mandatory General Offer, recommendations from the Independent Board Committee to the Independent Shareholders and the Optionholders, the advice from the Independent Financial Adviser to the Independent Board Committee in connection with the Mandatory General Offer, and the relevant forms of acceptance and transfer or cancellation. Independent Shareholders and the Optionholders are advised to review carefully the Composite Document.

## DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (which include, among others, any person who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code)) of the Company, the Purchaser and the Offeror are reminded to disclose their dealings in the securities of the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

### ***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## WARNING

**Shareholders, Optionholders and potential investors of the Company should note that the Independent Board Committee has yet to consider and evaluate the Mandatory General Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing Shareholders of the Mandatory General Offer to be made. The Directors make no recommendation as to the fairness or reasonableness of the Mandatory General Offer or as to the acceptance of the Mandatory General Offer in this joint announcement. Shareholders, Optionholders and potential investors of the Company are reminded to read the Composite Document, especially the letter from the Independent Board Committee and the letter from the Independent Financial Adviser, and consider their recommendations and advices in connection with the Mandatory General Offer.**

**Shareholders, Optionholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If Shareholders and potential investors are in any doubt about their position, they should consult their own professional advisers.**

## DEFINITIONS

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as set forth below:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associates”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a business day is a day on which the Stock Exchange is open for the transaction of business
“Closing Date”	the date to be stated in the Composite Document as the closing date of the Mandatory General Offer or any subsequent closing
“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)

“Composite Document”	the composite offer and response document to be jointly issued by the Purchaser, the Offeror and the Company to the Shareholders and the Optionholders in connection with the Mandatory General Offer in compliance with the Takeovers Code containing, among other things, details of the Mandatory General Offer, procedures for acceptance of the Mandatory General Offer, letters from the Independent Board Committee and the Independent Financial Adviser, and the relevant forms of acceptance and transfer or cancellation
“control”	has the meaning ascribed to it in the Takeovers Code
“Director(s)”	director(s) of the Company from time to time
“Divested Segment”	the businesses that the Vendor spun off to the Purchaser as part of the Restructuring
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code
“Grantees”	grantees of Restricted Shares under the Restricted Share Award Scheme
“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

<p>“Independent Board Committee”</p>	<p>an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki and the non-executive Directors who have no direct or indirect interest in the Mandatory General Offer, namely Mr. Albert Thomas DA ROSA, Junior and Mr. LI Yuhao, established in accordance with the Takeovers Code to give recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Mandatory General Offer are fair and reasonable and as to the acceptance of the Mandatory General Offer</p>
<p>“Independent Financial Adviser” or “Somereley Capital”</p>	<p>Somerley Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Mandatory General Offer</p>
<p>“Independent Shareholders”</p>	<p>Shareholders other than the Purchaser, the Offeror and parties acting in concert with any of them and which, for the avoidance of doubt, includes members of the UBS group which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code</p>
<p>“Lida Tiancheng”</p>	<p>Huizhou Lida Tiancheng Investment Co. Ltd.* (惠州礪達天成投資有限公司), a limited liability company established in the PRC and the general partner of Lida Zhihui</p>
<p>“Lida Zhihui”</p>	<p>Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合夥企業(有限合夥)), a limited liability partnership established in the PRC and a controlling shareholder of the Purchaser</p>
<p>“Listing Rules”</p>	<p>the Rules Governing the Listing of Securities on the Stock Exchange</p>
<p>“Mandatory General Offer”</p>	<p>collectively, the Share Offer and the Option Offer</p>



“Offer Shares”	all the issued Shares (other than those already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them)
“Offeror”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Purchaser and the immediate controlling shareholder of the Company as at the date of this joint announcement
“Option Offer”	the mandatory unconditional cash offer to be made by UBS on behalf of the Offeror to cancel the Share Options on the terms and conditions set out in this joint announcement and in compliance with the Takeovers Code
“Option Offer Price”	the price for each Share Option payable by the Offeror to the Optionholders accepting the Option Offer
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Optionholders”	Optionholders whose addresses are outside Hong Kong
“Overseas Shareholders”	Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Appraiser”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), an appraisal institution with securities and futures related business evaluation qualification in the PRC
“Purchaser”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), a company incorporated in the PRC
“Record Date”	29 November 2019, the record date for the payment of the interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share as declared by the Board on 28 August 2019

“Restricted Shares”	the Shares awarded under the Restricted Share Award Scheme from time to time which have not been vested to the grantee(s) of such Shares
“Restricted Share Award Scheme”	the Restricted Share Award Scheme adopted by the Company on 6 February 2008 (as amended and revised on 11 August 2015, 13 June 2016, 24 November 2017 and 4 May 2018)
“Restructuring”	the series of transactions contemplated under the Restructuring Agreement
“Restructuring Agreement”	the Material Assets Sale Agreement dated 7 December 2018 entered into among the Purchaser, the Vendor and Vendor Affiliates in relation to the sale and purchase of all of the issued share capital of the Offeror and the Restructuring
“Restructuring Completion”	completion of the Restructuring for the transfer of all legal ownership in the assets of the Divested Segment on 31 March 2019
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value HK\$1.00 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer to be made by UBS on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this joint announcement and in compliance with the Takeovers Code
“Share Offer Price”	HK\$3.23 for each Offer Share payable by the Offeror to the Independent Shareholders accepting the Share Offer

“Share Option(s)”	the vested and unvested share options granted under the Share Option Schemes from time to time
“Share Option Scheme(s)”	the share option schemes of the Company adopted by the Company on 15 February 2007 and 18 May 2016
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Trustee”	BOCI Prudential Trustee Limited, the trustee for the administration of the Restricted Share Award Scheme
“TCL Group”	TCL Corporation (TCL集團股份有限公司), together with its subsidiaries, associates and investments
“UBS”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Purchaser and the Offeror in relation to the Mandatory General Offer. UBS AG is incorporated in Switzerland with limited liability
“Vendor”	TCL Corporation (TCL集團股份有限公司), a listed company on the Shenzhen Stock Exchange (stock code: 000100)

“Vendor Affiliates” Huizhou TCL Light Electrical Appliances Co., Ltd.\* (惠州TCL照明電器有限公司) and TCL Financial Holdings Group (Guangzhou) Co., Ltd.\* (TCL金融控股集團(廣州)有限公司), both are wholly-owned by the Vendor

“%” per cent.

\* For identification purpose only

By order of the board of  
**TCL Industries Holdings Co., Ltd.\***  
**LI Dongsheng**  
*Director*

By order of the Board  
**TCL Electronics Holdings Limited**  
**LI Dongsheng**  
*Chairman*

By order of the board of  
**T.C.L. Industries Holdings (H.K.) Limited**  
**LI Dongsheng**  
*Director*

Hong Kong, 2 October 2019

*As at the date of this joint announcement, the board of directors of the Purchaser comprises five directors, namely Mr. LI Dongsheng, Ms. DU Juan, Mr. MI Xin, Mr. LIU Lefei and Mr. ZOU Wenchao. The board of directors of the Offeror comprises three directors, namely Mr. LI Dongsheng, Mr. DU Yuanhua and Ms. XIONG Yan.*

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

*The directors of the Purchaser jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this joint announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors) expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this joint announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors) expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (in relation to the information relating the Group only) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (in relation to opinions expressed by the Directors only) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

# APPENDIX I

## 附錄一

### EXTRACT OF APPRAICAL REPORT

#### 評估報告摘要

#### 摘錄的原文：

中聯資產評估集團有限公司（「中聯」）受TCL集團股份有限公司的委託，就TCL集團股份有限公司擬出售T.C.L.實業控股（香港）有限公司股權事宜，對所涉及的T.C.L.實業控股（香港）有限公司模擬報表範圍股東全部權益在評估基準日的市場價值進行了評估。

評估對象是T.C.L.實業控股（香港）有限公司模擬報表範圍股東全部權益，評估範圍為T.C.L.實業控股（香港）有限公司於申報評估的基準日模擬報表範圍的全部資產和負債，包括流動資產、非流動資產及相關負債。

本次評估範圍內的一級長期股權投資共23項，均為長期股權投資。長期股權投資的被投資單位包括TCL電子控股有限公司（「TCL電子」）。

#### TCL電子

##### (1) 本次評估的基本情況

中聯對TCL電子100%的股權分別採用市場法和收益法進行了評估：評估基準日為2018年6月30日，TCL電子的歸母淨資產賬面價值人民幣760,405.20萬元，經收益法評估，評估值為人民幣634,836.06萬元，評估減值人民幣125,569.14萬元，減值率16.51%；經市場法評估，評估值為人民幣708,677.24萬元，評估減值人民幣51,727.96萬元，減值率6.80%。

市場法結果與收益法結果差異的主要原因在於市場法是企業在某時點所反映的外部市場價格，其結果會受到市場投資環境、投機程度、以及投資者信心等一些因素影響而波動相對劇烈，而收益法則是在評估人員對企業歷史經營狀況進行專業分析的基礎上，對企業未來收益做出合理預測而得出的結論，相比市場法波動相對較小。

TCL電子是全球最大的電視機生產及分銷企業之一，其產品銷售遍及全球各市場。市場法是參照同行上市公司的股價間接定價，評估結果受股市波動影響較大。收益法是通過對被評估單位內在經營情況及外部市場經營環境進行全面分析後，結合被評估單位的歷史盈利情況、未來的業務發展預測等諸多因素後的價值判斷，評估結果更能體現企業股東權益價值。

故本次評估選用收益法評估結果作為TCL電子全部股東權益的評估結果。

## (2) 基本假設

- i. 假設評估基準日後被評估單位持續經營；
- ii. 假設評估基準日後被評估單位所處國家和地區的政治、經濟和社會環境無重大變化；
- iii. 假設評估基準日後評估實體所處國家和地區的宏觀經濟政策、產業政策和區域發展政策除公眾已獲知的變化外，無其他重大變化；
- iv. 假設與被評估單位相關的賦稅基準及稅率、政策性徵收費用等評估基準日後，除公眾已獲知的變化外，不發生重大變化；
- v. 假設截止評估基準日，在本報告披露的涉訴事項及或有事項外，被評估單位及其下屬子公司不存在影響其期後經營或評估結果的涉訴事項及或有事項；
- vi. 假設評估基準日後被評估單位的管理層是負責的、穩定的，且有能力擔當其職務；公司產品在必要的研發投入下，技術保持領先；
- vii. 假設被評估單位遵守相關的法律法規，不會出現影響公司發展和收益實現的重大違規事項；
- viii. 假設評估基準日後被評估單位採用的會計政策和編寫評估報告時所採用的會計政策在重要方面保持一致；
- ix. 委託方及被評估單位提供的基礎資料和財務資料真實、準確、完整；
- x. 假設評估基準日後被評估單位在現有管理方式和管理水平的基礎上，其經營範圍、經營方式除評估報告中披露事項外不發生重大變化；
- xi. 假設評估對象在未來預測期內的資產構成，主營業務的結構，收入與成本的構成以及銷售策略和成本控制等仍保持其基準日前後的狀態持續，並隨經營規模的變化而同步變動；
- xii. 假設評估基準日後被評估單位及其下屬子公司仍可合法使用TCL品牌，並參照基準日前的比例投入品牌費用；
- xiii. 評估對象現有在惠州的生產經營場所為自有廠房和租賃廠房；

- xiv. 假設評估對象在未來預測期內的國內銷售比例佔銷售總收入的比例不變，國外銷售部分根據海關的出口退稅政策，出口產品的原材料進口免徵關稅及增值稅；
- xv. 在未來的經營期內，評估對象的各項期間費用的構成不會在現有基礎上發生大幅的變化，並隨經營規模的變化而同步變動。本評估所指的財務費用是企業在生產經營過程中，為籌集正常經營或建設性資金而發生的融資成本費用。鑒於企業的貨幣資金或其銀行存款等在生產經營過程中頻繁變化或變化較大，評估時不考慮存款產生的利息收入，也不考慮付息債務之外的其他不確定性損益；
- xvi. 評估範圍僅以委託方及被評估單位提供的評估申報表為準，未考慮委託方及被評估單位提供清單以外可能存在的或有資產及或有負債；
- xvii. 假設評估基準日後無不可抗力對被評估單位造成重大不利影響；
- xviii. 本次評估測算各項參數取值未考慮通貨膨脹因素。

當上述條件發生變化時，評估結果一般會失效。

### (3) 本次評估的評估方法

被評估單位下屬子公司眾多，股權架構較為複雜，不適宜採用資產基礎法，但其核心業務突出，故適宜採用合併口徑收益法和市場法(上市公司比較法)進行評估。考慮到市場法是企業在某時點所反映的外部市場價格，其結果受到市場投資環境、投機程度、以及投資者信心等一些因素影響而波動相對劇烈，而收益法則是在對企業歷史經營狀況進行專業分析的基礎上，對企業未來收益做出合理預測而得出的結論，故選取收益法結果作為評估結論。

### (4) 收益法評估情況

#### i. 基本評估思路

根據本次評估盡職調查情況以及評估對象資產構成和主營業務特點，TCL電子模擬合併報表中的各法人主體的主營業務分別為液晶電視及顯示產品的生產、研發、銷售服務，可視同為同一利潤主體，故本次評估的基本思路是以評估對象經審計的TCL電子模擬合併報表為基礎估算其權益資本價值，即首先按收益途徑採用現金流折現方法(DCF)，估算評估對象的經營性資產的價值，再加上其基準日的其他非經營性或溢餘性資產的價值，來得到評估對象的企業價值，並由企業價值經扣減付息債務價值後，來得出評估對象的股東全部權益價值。



本次評估的基本評估思路是：

- A. 對納入報表範圍的資產和主營業務，按照最近幾年的歷史經營狀況的變化趨勢和業務類型估算預期淨現金流量，並折現得到經營性資產的價值；
- B. 對納入報表範圍，但在預期收益（淨現金流量）估算中未予考慮的諸如基準日存在的現金類資產（負債），定義為基準日存在的溢餘性或非經營性資產（負債），單獨估算其價值；
- C. 由上述計算得出的經營性資產價值加溢餘性資產或非經營性資產價值，並扣減企業應承擔的付息債務價值後得到評估對象的股東全部權益價值。

ii. 評估模型

A. 基本模型

本次評估的基本模型為：

$$P = E - M$$

式中：

P：歸屬於母公司所有者權益評估價值；

E：所有者權益評估價值；

M：少數股東權益評估價值；

M=所有者權益評估價值×少數股東權益比例

少數股東權益比例=少數股東權益價值賬面價值／（少數股東權益賬面價值+母公司所有者權益賬面價值）。

其中：

$$E = B - D$$

B：評估對象的企業價值；

$$B = P + \sum C_i$$

P：評估對象的經營性資產價值；

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

式中：

$R_i$ ：評估對象合併口徑未來第*i*年的預期收益（自由現金流量）；

$R_n$ ：評估對象合併口徑永續期的預期收益（自由現金流量）；

$r$ ：折現率；

$n$ ：評估對象的未來經營期；

$\sum C_i$ ：基準日存在的非經營性、溢餘資產的價值。

$$C_i = C_1 + C_2 + C_3 + C_4$$

式中：

$C_1$ ：預期收益（自由現金流量）中未體現投資收益的全資、控股或參股投資價值；

$C_2$ ：基準日現金類資產（負債）價值；

$C_3$ ：預期收益（自由現金流量）中未計及收益的在建工程價值；

$C_4$ ：基準日呆滯或閒置設備、房產等資產價值；

D：評估對象付息債務價值。

## B. 收益指標

本次評估，使用企業自由現金流作為經營性資產的收益指標，其基本定義為：

$$R = \text{淨利潤} + \text{折舊攤銷} + \text{扣稅後付息債務利息} - \text{追加資本}$$

式中：

$$\text{淨利潤} = \text{營業收入} - \text{營業成本} - \text{銷售税金及附加} - \text{期間費用} (\text{營業費用} + \text{管理費用} + \text{財務費用}) - \text{所得稅}$$

$$\text{折舊攤銷} = \text{成本和費用} (\text{營業費用及管理費用}) \text{中的折舊攤銷}$$

$$\text{扣稅後付息債務利息} = \text{長短期付息債務利息合計} \times (1 - \text{所得稅率})$$

$$\text{追加資本} = \text{資產更新投資} + \text{營運資本增加額} + \text{新增長期資產投資}$$

其中：

$$\text{資產更新投資} = \text{房屋建築物更新} + \text{機器設備更新} + \text{其他自動化設備} (\text{電子、運輸等}) \text{更新} + \text{無形資產更新}$$

$$\text{營運資金增加額} = \text{當期營運資金} - \text{上期營運資金}$$

其中：

$$\text{營運資金} = \text{現金保有量} + \text{存貨} + \text{應收款項} - \text{應付款項}$$

新增長期資產投資=新增固定資產投資+新增無形或其他長期資產

根據企業的經營歷史以及未來市場發展等，估算其未來預期的自由現金流量，並假設其在預測期後仍可經營一個較長的永續期，在永續期內評估對象的預期收益等額於其預測期最後一年的自由現金流量。將未來經營期內的自由現金流量進行折現處理並加和，測算得到企業經營性資產價值。

### C. 折現率

本次評估採用加權平均資本成本模型(WACC)確定折現率 $r$

$$r = r_d + W_d + r_e + W_e$$

式中：

$W_d$ ：評估對象的債務比率；

$$W_d = \frac{D}{(E + D)}$$

$W_e$ ：評估對象的股權資本比率；

$$W_e = \frac{E}{(E + D)}$$

$r_e$ ：權益資本成本，按資本資產定價模型(CAPM)確定權益資本成本 $r_e$ ；

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

式中：

$r_f$ ：無風險報酬率；

$r_m$ ：市場預期報酬率；

$\varepsilon$ ：評估對象的特性風險調整系數；

$\beta_e$ ：評估對象權益資本的預期市場風險系數；

#### D. 預測期的確定

企業已經正常運行，運營狀況比較穩定，故預測期取5年1期，即2018年7月~2023年，2024年起收入保持穩定。

#### E. 收益期的確定

企業通過正常的固定資產等長期資產更新，是可以保持長時間的運行的，故收益期按永續確定。

### (5) 市場法評估情況

#### i. 可比上市公司的選取

TCL電子主營業務為從事液晶電視及商業顯示器、警用顯示器的研發、生產、銷售，屬於消費電子行業，H股消費電子行業及家用電器行業有類似業務的上市公司，因此本次評估選擇了15家主營業務類似的上市公司作為可比公司。

#### ii. TCL電子與可比公司間的比較量化

本次評估從盈利能力、發展能力、營運能力及償付能力四個方面來評價企業的績效。具體選取以下10個指標作為評價體系中的可比指標：a、盈利能力：營業利潤率、總資產報酬率、淨資產收益率；b、發展能力：營業收入增長率、總資產增長率；c、營運能力：總資產周轉率、應收賬款周轉率、存貨周轉率；d、償付能力：流動比率、速動比率。

#### iii. 價值比率的確定

在市場法評估中所採用的價值比率一般有市盈率(PE)、市淨率(PB)、市銷率(PS)、企業價值與折舊息稅前利潤比率(EV/EBITA)、企業價值與稅後經營收益比率(EVIAT)等。在上述五個指標中，企業價值與折舊息稅前利潤比率(EV/EBITA)、企業價值與稅後經營收益比率(EVIAT)側重企業整體價值的判斷；而市盈率(PE)、市淨率(PB)、市銷率(PS)側重股東權益價值的判斷，以合理確定評估對象的價值為目的，適合選取市盈率(PE)、市淨率(PB)、市銷率(PS)作為價值比率。

根據被評估企業的特點，在確定價值比率時綜合考慮了盈利能力、融資結構以及折舊銷攤銷政策等因素，結合被評估單位的實際情況，公司成立時間較長，歷史年度均有較穩定的收入及利潤，盈利狀況良好，本次評估選擇市盈率(PE)為價值比率。

iv. 計算比准價值比率

可比公司市盈率的選取：本次選擇的可比公司價值比率為市盈率(PE)。

本次按照盈利能力、償債能力、營運能力、發展能力各佔權重25%計算，得到各可比案例的價值比例調整系數，然後乘以可比案例中對應的市盈率得到各可比案例的比准市盈率，對各企業比准市盈率求平均得到被評估企業的市盈率。剔除偏離最大的最高值與最低值後，可比公司中最終計算的比准市盈率平均值為9。

v、 計算TCL電子扣除流動性折扣前股東全部權益的價值

由於選用的市盈率为LYR，對應最新一期年報數據，故乘以被評估企業2017年的歸屬於母公司所有者的淨利潤，由此得出TCL電子歸屬於母公司所有者權益的價值。

vi. 評估對象扣除流動性折扣前歸屬於母公司所有者權益的價值：

扣除流動性折扣前歸屬於母公司所有者權益的價值=歸屬於母公司所有者的淨利潤×市盈率價值比率

$$= 79,325.30 \times 9.00$$

$$= 713,927.70 \text{萬元}$$

vii. 確定流動性折扣

由於被評估單位與本次選用的可比公司均為上市公司，其股份具有較強的流動性，不需考慮流動性折扣。故流動性折扣=0%。

viii. 歸屬於母公司所有者權益價值計算

歸屬於母公司所有者權益價值=扣除流動性折扣前歸屬於母公司所有者權益的價值×(1-流動性折扣)

$$= 713,927.70 \times (1-0\%)$$

$$= 713,927.70 \text{萬元}$$

ix. 計算歸屬於母公司股東權益價值

2018年6月30日合併資產負債表顯示，母公司少數股東權益佔所有者權益的比例為0.735%。

歸屬於母公司股東權益價值=股東全部權益價值×(1-少數股東權益佔所有者權益比例)

$$= 713,927.70 \times (1-0.735\%)$$

$$= 708,677.24 \text{萬元}$$

## 摘錄的英文譯本：

China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) (“CUAA”) was appointed by TCL Corporation to evaluate the market value of the entire shareholders’ equity as at the reference date in the pro forma financial statements of T.C.L. Industries Holdings (H.K.) Limited in relation to the proposed disposal of the equity interests in T.C.L. Industries Holdings (H.K.) Limited by TCL Corporation.

The subject of valuation was the entire shareholders’ equity in the pro forma financial statements of T.C.L. Industries Holdings (H.K.) Limited. The scope of valuation covered all the assets and liabilities of T.C.L. Industries Holdings (H.K.) Limited, including current assets, non-current assets and corresponding liabilities, in the pro forma financial statements as at the reference date on which the valuation was submitted.

There are 23 long-term primary equity investments within the scope of this valuation, all of which are long-term equity investments, including TCL Electronics Holdings Limited (TCL 電子控股有限公司) (“**TCL Electronics**”).

TCL Electronics

### (1) Profile of the Valuation

CUAA performed valuation on the 100% equity interest of TCL Electronics by adopting the market approach and income approach separately, with the valuation reference date being June 30, 2018. The carrying amount of net asset value of TCL Electronics attributable to its parent was RMB7,604,052,000. With income approach, the valuation came up to RMB6,348,360,600, representing a discount of RMB1,255,691,400, or 16.51%; with market approach, the valuation came up to RMB7,086,772,400, representing a discount of RMB517,279,600 or 6.80%.

The main reason for the difference between the results of the market approach and the income approach is that the market approach reflects the external market price of an enterprise at a certain point in time, the result of which may fluctuate violently due to the influence of a number of factors such as the environment of market investment, the degree of speculations, and the confidence of investors; whereas the income approach is based on the professional analysis of the historical operation of an enterprise, the result of which is obtained by making a reasonable prediction of future incomes of the enterprise, and thus the fluctuation is relatively smaller as compared with the market approach.



TCL Electronics is one of the largest global TV manufacturers and distributors and its products are sold all over the world. With the market approach, valuation is indirectly determined by referring to the stock prices of peer listed companies and the valuation results are affected more by the volatility of the stock market. The income approach is the judgment of the value of the valuated entity after a comprehensive analysis of its internal business operation and external market environment, combined with the valuated entity's historical profit condition, the forecast of future business development and many other factors. The valuation results can better reflect the value of shareholders' equity interest in the enterprise.

Therefore, the result of the income approach was adopted to represent the valuated results of the equity interest of all the shareholders of TCL Electronics.

## **(2) Basic Assumptions**

- i. The valuated entity would continue to operate as a going concern after the valuation reference date;
- ii. There would be no significant change in the political, economic and social conditions of the countries and regions where the valuated entity locates after the valuation reference date;
- iii. There would be no significant change, other than those as known to the public, in the macroeconomic, industrial and regional development policies of the countries and regions where the valuated entity is located after the valuation reference date;
- iv. There would be no significant change, other than those as known to the public, in the basis and rates of taxation and policy levies in relation to the valuated entity after the valuation reference date;
- v. As of the valuation reference date, the valuated entity and its subsidiaries did not have any litigations and contingencies that might affect their subsequent operations or valuation results, except for those as disclosed herein;
- vi. The management of the valuated entity would be responsible, stable, and competent after the valuation reference date; and the products of the company could maintain a leading position in terms of technologies used, with necessary investment in research and development;
- vii. The valuated entity would comply with relevant laws and regulations, and there would be no material non-compliance matters that might affect the company's development and realization of revenue;

- viii. The accounting policies adopted by the valuated entity after the valuation reference date would be consistent with those used in the preparation of the valuation report in all material aspects;
- ix. The basic information and financial information provided by the appointor and the valuated entity were true, accurate and complete;
- x. There would be no significant change in the business scope and business model of the valuated entity after the valuation reference date, other than those as disclosed in the valuation report, on the basis of the existing management method and level;
- xi. The asset composition, the structure of main business, the revenue and cost structure, marketing strategy and cost control of the subject of valuation during the future forecast period would remain consistent with those before and after the reference date, and would change in accordance with the scale of its business;
- xii. The valuated entity and its subsidiaries would continue to use the TCL brand legally after the valuation reference date, and would invest on the brand in the same proportion as before the reference date;
- xiii. The existing production and operation premises of the subject of valuation in Huizhou were self-owned and leased factories;
- xiv. The proportion of domestic sales revenue of the subject of valuation to the total sales revenue would remain unchanged during the future forecast period. For overseas sales, exported products would be exempted from duties and value-added tax on the import of raw materials according to the export tax rebate policy of the Customs;
- xv. During the future operation periods, the expense structure for respective periods of the subject of valuation would not be materially different from the existing one, and would change in accordance to its business scale. The financial expenses as referred to by this valuation represent the finance cost incurred by the entity to fund its normal operation or construction during its production and operation. In view of frequent or significant changes in the monetary funds or bank deposits of an entity during its production and operation, the interest income from deposits was not taken into account in the valuation, and neither were contingent profit or loss other than interest-bearing liabilities;

- xvi. The valuation only covered the items as shown in the valuation application form provided by the appointor and the valuated entity, and does not include contingent assets and contingent liabilities that might exist other than those as contained in the list provided by the appointor and the valuated entity;
- xvii. No force majeure that would have a material adverse effect on the valuated entity after the valuation reference date;
- xviii. Inflation was not taken into account in the estimation of the inputs for this valuation.

If there should be any change of the above conditions, the valuation results would generally cease to be effective.

### **(3) Valuation Method of this Valuation**

Having a large number of subsidiaries, the valuated entity's shareholding structure is rather complicated and therefore not suitable to adopt the asset-based approach. As its core business is prominent, therefore it is appropriate to adopt a method combined with the income and market approach (comparison method of listed companies). Considering that the market approach reflects the external market price of an enterprise at a certain point in time, the result of which may fluctuate violently due to the influence of a number of factors such as the environment of market investment, the degree of speculations, and the confidence of investors; whereas the income approach is based on the professional analysis of the historical operation of an enterprise, the result of which is obtained by making a reasonable prediction of future incomes of the enterprise. Therefore the result of the income approach is selected as the final conclusion of the valuation

### **(4) Particulars on the Valuation by Income Approach**

#### *i. General principle of this valuation*

Based on the results of due diligence for this valuation and the assets composition and characteristics of the main businesses of the subject of valuation, the main businesses of the legal entities within the pro forma consolidated financial statements of TCL Electronics were production, research and development and sales of LCD TVs and display products, which should be regarded as the same profit subject. Therefore this valuation exercise was conducted by estimating the equity value of the subject of valuation based on TCL Electronics' audited pro forma consolidated financial statements. To begin with, the value of the operating assets were valued using discounted cash flow method (DCF) based on income sources, plus the value of other non-operating or surplus assets as at the reference date, to derive the enterprise value of the subject of valuation. Then, the interest-bearing debts were deducted from the corporate value to arrive at the value of the total equity value of the subject of valuation.

Basic principles of this valuation:

- A. In respect of the assets and main businesses included in the scope of the financial statements, the expected net cash flow were estimated based on the trend of historical operating conditions in recent years and the types of businesses, and discounted to obtain the value of the operating assets;
- B. Cash assets (liabilities) as at the reference date which were included in the scope of the financial statements but were not taken into account in the expected income (net cash flow) during the valuation, were defined as surplus or non-operating assets (liabilities) existed as at the reference date, and their values were valued separately;
- C. The value of the entire shareholders' equity of the subject of valuation was arrived at by adding the value of the operating assets and of the surplus or non-operating assets derived as mentioned above, and deducting the interest-bearing debts due from the entity.

*ii. Valuation model*

- A. Basic model

The basic model for this valuation is as follows:

$$P = E - M$$

Where:

P: Appraised value of equity interest attributable to owners of the parent company;

E: Appraised value of owners' equity;

M: Appraised value of minority equity interest;

$M = \text{Appraised value of owners' equity} \times \text{percentage of minority equity interests}$

Percentage of minority equity interests = book value of minority equity interests / (book value of minority equity interests + book value of equity interest attributable to owners of the parent company).

Where:

$$E = B - D$$

B: Enterprise value of the subject of valuation;

$$B = P + \sum C_i$$

P: Value of all operating assets of the subject of valuation;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

Where:

$R_i$ : The expected income (free cash flow) of the subject of valuation in the  $i$ th year in the future on a consolidated basis;

$R_n$ : The expected income (free cash flow) of the subject of valuation in a sustainable period on a consolidated basis;

r: Discount rate;

n: The future operating term of the subject of valuation;

$\sum C_i$ : The value of non-operating and surplus assets that exist as at the reference date.

$$C_i = C_1 + C_2 + C_3 + C_4$$

Where:

$C_1$ : Value of wholly-owned, controlling or non-controlling investments that do not reflect investment income in the expected revenue (free cash flow);

$C_2$ : Value of cash or equivalent assets (liabilities) as at the reference date;

$C_3$ : Value of construction in progress that was not taken into account when calculating the income in the expected revenue (free cash flow);

$C_4$ : Value of assets including bad or idle equipment and properties as at the reference date;

D: Value of interest-bearing debts of the subject of valuation.

B. Income metrics

In this valuation, the company's free cash flow was used as an income indicator of its operating assets, as defined below:

$$R = \text{net profit} + \text{depreciation and amortization} + \text{post tax interest on interest-bearing debt} - \text{additional capital}$$

Where:

$$\text{Net profit} = \text{operating revenue} - \text{operating cost} - \text{sales tax and surcharges} - \text{expenses for the period (operational expenses + administrative expenses + finance costs)} - \text{income tax}$$

$$\text{Depreciation and amortization} = \text{depreciation and amortization in costs and expenses (operational expenses and administrative expenses)}$$

$$\text{Interest on interest-bearing debts net of tax} = \text{total interests on long-term and short-term interest-bearing debt} \times (1 - \text{income tax rate})$$

$$\text{Additional capital} = \text{investment in assets renewal} + \text{incremental working capital} + \text{additional investment in long-term assets}$$

Where:

$$\text{Investment in assets renewal} = \text{renewal of buildings} + \text{replacement of machines and equipment} + \text{replacement of other automation equipment (electronics, transportation and etc.)} + \text{renewal of intangible assets}$$

$$\text{Incremental working capital} = \text{current working capital} - \text{previous working capital}$$

Where:

$$\text{Working capital} = \text{cash reserves} + \text{inventories} + \text{receivables} - \text{payables}$$

Additional investment = additional investment in fixed assets + additional investment in intangible or other long-term assets

The expected future free cash flow of an enterprise is calculated according to its operating history and future market development, assuming that it would continue to operate as a going concern for a longer sustainable period after the forecast period, and the expected revenue of the subject of valuation in the sustainable period would be equal to the free cash flow for the final year of the forecast period. The value of the operating assets of the enterprise was calculated by discounting and adding the free cash flow which would be generated in the future operating term.

C. Discount rate

This valuation adopted the weighted average cost of capital model (WACC) to determine the discount rate  $r$

$$r = r_d + w_d + r_e + w_e$$

Where:

$W_d$ : Debt ratio of the subject of valuation;

$$W_d = \frac{D}{(E + D)}$$

$W_e$ : Equity to capital ratio of the subject of valuation;

$$W_e = \frac{E}{(E + D)}$$

$r_e$ : Cost of equity capital, as determined based on the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

Where:

$r_f$ : Risk-free rate of return;

$r_m$ : Market expected return rate;

$\varepsilon$ : Specific risk-adjusted factor of the subject of valuation;

$\beta_e$ : Expected market risk factor of equity capital of the subject of valuation;

D. Determination of forecast period

As the entity had been operating normally with relatively stable business conditions, the forecast period was defined as 5 years for each period, that is, from July 2018 to 2023. The revenue would remain stable starting from 2024 onwards.

E. Determination of yielding period

As the entity would be able to operate as a going concern in the long run through normal renewal of long-term assets including fixed assets, the yielding period was determined on a perpetual basis.

**(5) Particulars on the Valuation by Market Approach**

*i. Selection of comparable listed companies*

TCL Electronics is principally engaged in the research and development, production and sale of LCD TVs, commercial displays and police monitors, and is categorized as the consumer electronics industry. There are listed companies with similar business in the H-shares consumer electronics industry and household appliances industry. Therefore, 15 listed companies principally engaged in similar business have been selected as comparable companies for this valuation.

*ii. Quantifying comparison between TCL Electronics and comparable companies*

This valuation evaluates the performance of the enterprises in four aspects, including profitability, development capability, operating capability and solvency. Specifically, the following 10 indicators are selected as comparable indicators in the valuation system: a. Profitability: operating profit margin, return on total assets, return on net assets; b. Development capacity: operating income growth rate, total assets growth rate; c. Operating capacity: total assets turnover, accounts receivable turnover, inventory turnover; d. Solvency: current ratio, quick ratio.

*iii. Determination of value ratio*

Value ratios used in the market approach of valuation generally include price-to-earnings ratio (PE), price-to-book ratio (PB), price-to-sale ratio (PS), enterprise value to earnings before interests, taxation, depreciation and amortization ratio (EV/EBITA), enterprise value to operating income after tax ratio (EVIAT), etc. Among the above five indicators, enterprise value to earnings before interests, taxation, depreciation and amortization ratio (EV/EBITA) and enterprise value to operating income after tax ratio (EVIAT) focus on the judgment of the overall value of the enterprise; whereas price-to-earnings ratio (PE), price-to-book ratio (PB) and price-to-sale ratio



(PS) focus on the judgment of the value of the equity interest of shareholders. For the purpose of reasonably determining the value of the subject of valuation, it is appropriate to choose price-to-earnings ratio (PE), price-to-book ratio (PB) and price-to-sales ratio (PS) as value ratios.

Based on the characteristics of the enterprise being evaluated, the profitability, financing structure and depreciation and amortization policies, along with other factors are comprehensively considered when determining the value ratios. Combined with the actual situation of the valuated entity, and considering that the company has been established for a long time and has maintained a relatively stable income and profit in the historical years, which indicate a good profitability condition, price-earnings ratio (PE) is selected as the value ratio for this valuation.

*iv. Calculation of comparative benchmark value ratio*

Selection of comparable companies' price-to-earnings ratios: the comparable value ratio selected this time is price-to-earnings ratio (PE).

Based on the weight of 25% for each of the profitability, solvency, operating capacity and development capacity, the ratio adjustment factors for the comparable cases were obtained, which were then multiplied by the corresponding price-to-earnings ratios in the comparable cases to obtain the comparative benchmark price-to-earnings ratios for the comparable cases. The price-to-earnings ratio of the valuated enterprise was derived from the average of the comparative benchmark price-to-earnings ratios of the comparable companies. After excluding the largest deviations, i.e. the maximum and minimum values, the final average value of the comparative benchmark price-to-earnings ratio derived from the comparable companies came up to 9.

*v. Calculation of the value of total equity interest of shareholders of TCL electronics before deducting liquidity discount*

Since the selected ratio was price-to-earnings (LYR), which corresponded to the latest annual report data, it was multiplied by the net profit attributable to owners of the parent of the valuated enterprise for the year 2017, resulting in the value of TCL Electronics attributable to owners' equity interest of the parent company.

**vi. Value of the subject of valuation attributable to the owners' equity interest of the parent company before deducting liquidity discount:**

Value attributable to the owners' equity interest of the parent company before deducting liquidity discount	=	Net profit attributable to owners of the parent company × comparative benchmark PE ratio
	=	RMB793,253,000 × 9.00
	=	RMB7,139,277,000

**vii. Determining liquidity discount**

As the evaluated entity and the selected comparable companies are listed companies, their shares have strong liquidity and do not need to consider liquidity discount. Therefore, liquidity discount = 0%.

**viii. Calculation of owners' equity interest attributable to the parent company**

Owners' equity interest attributable to the parent company	=	Value attributable to the owners' equity interest of the parent company before deducting liquidity discount × (1 – liquidity discount)
	=	RMB7,139,277,000 × (1 – 0%)
	=	RMB7,139,277,000

**ix. Calculation of the value of shareholders' equity interest attributable to the parent company**

According to the consolidated balance sheet as at 30 June 2018, the minority equity interest of the parent company accounted for 0.735% of its owners' equity interest.

Value of shareholders' equity interest attributable to the parent company	=	Entire equity interest of shareholders × (1 - minority interest as a percentage of owners' equity)
	=	RMB7,139,277,000 × (1 – 0.735%)
	=	RMB7,086,772,400

**Appendix II**  
**UBS Letter**



**UBS AG**  
Hong Kong Branch  
2 International Finance Centre  
52/F, 8 Finance Street  
Central, Hong Kong  
Tel. +852-2971-8888

[www.ubs.com](http://www.ubs.com)

2 October 2019

The Board of Directors  
T.C.L. Industries Holdings (H.K.) Limited  
8/F, Building 22E, Phase 3, Hong Kong Science Park, Pak Shek Kok, NT, Hong Kong

The Board of Directors  
TCL Industries Holdings Co., Ltd.  
22/F, TCL Technology Building, 17 Huifeng 3rd Road, Zhongkai Hi-Tech District,  
Huizhou City, China

Dear Sirs,

We refer to the announcement dated 2 October 2019 jointly issued by TCL Industries Holdings Co., Ltd. (the “**Purchaser**”), T.C.L. Industries Holdings (H.K.) Limited (the “**Offeror**”) and TCL Electronics Holdings Limited (the “**Company**”) (the “**Announcement**”), of which this letter forms part, and the appraisal report dated 3 December 2018 prepared by China United Assets Appraisal Group Co., Ltd (the “**PRC Appraiser**”) (the “**Appraisal Report**”), an independent appraiser engaged by TCL Corporation (the “**Vendor**”) in respect of the valuation of the Offeror (which directly holds a controlling interest in the Company) (the “**Valuation**”). An extract of the Appraisal Report is included in Appendix I of the Announcement.

We note that since the appraised value of the Company stated in Appraisal Report was derived from the discounted future cash flows method, the Valuation constitutes a profit forecast under Rule 10 of the Takeovers Code (the “**Profit Forecast**”). Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Announcement.

This letter is issued in compliance with the requirement under Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. We have reviewed the Profit Forecast and discussed with the management of the Purchaser, the Offeror and the Vendor, and the PRC Appraiser regarding the Profit Forecast, including, in particular, the valuation methodologies, the qualifications, the bases and assumptions adopted in the Appraisal Report and the reasons thereof.

We have also considered the letter from Ernst & Young dated 2 October 2019 addressed to the Company regarding their opinion on whether, so far as the calculations are concerned, the discounted future cash flows have been properly compiled on the basis of the assumptions set out in the Appraisal Report.

We have not independently verified the computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value of the Company. We have assumed that all information, materials and representations provided to us by the Vendor, the Purchaser, the Offeror, the Company and the PRC Appraiser, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Appraisal Report.

This letter also constitutes a report pursuant to Rule 11.1(b) of the Takeovers Code and sets out our assessment and review of the qualifications and experience of the PRC Appraiser, and the key responsible valuers for the Appraisal Report, being Mr. Yanfei YU and Ms. Aijian LI. We have conducted reasonable checks and assessment of the relevant qualification, experience and expertise of the PRC Appraiser, Mr. Yanfei YU and Ms. Aijian LI, including, among other things, reviewing the professional licences and other supporting documents of the PRC Appraiser, Mr. Yanfei YU and Ms. Aijian LI, and discussing with representatives of the PRC Appraiser the qualifications and experience of Mr. Yanfei YU, Ms. Aijian LI and the PRC Appraiser and confirm that their qualifications and experience meet the applicable legal and regulatory requirements for issuing the Appraisal Report.

On the basis of the foregoing, and the calculations reviewed by Ernst & Young, we are of the opinion that the adoption of the income approach as the valuation methodology as well as the bases and assumptions adopted in the Appraisal Report have been made with due care and objectivity and on a reasonable basis, and that the Profit Forecast, for which the directors of the Offeror and the Purchaser are jointly and severally responsible, has been made with due care and consideration. We are also satisfied that Mr. Yanfei YU, Ms. Aijian LI and the PRC Appraiser are suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

Yours faithfully,  
For and on behalf of  
**UBS AG Hong Kong Branch**

**Samson LO**  
*Managing Director*

**Jun LUO**  
*Managing Director*

**Appendix III**  
**IFA Letter**



**SOMERLEY CAPITAL LIMITED**  
20th Floor, China Building  
29 Queen's Road Central  
Hong Kong

2 October 2019

The board of directors  
TCL Electronics Holdings Limited  
7th Floor, Building 22E  
22 Science Park East Avenue  
Hong Kong Science Park, Shatin  
New Territories, Hong Kong

Dear Sirs,

We refer to (a) this joint announcement of TCL Electronics Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 October 2019 in relation to, among others, the mandatory unconditional cash offer by UBS AG, Hong Kong Branch, on behalf of T.C.L. Industries Holdings (H.K.) Limited; and (b) the valuation (the “**Valuation**”) of the market value of 100% equity interests of the Company prepared by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) (the “**Independent Valuer**”), details of which are set out in Appendix I to this joint announcement. Capitalised terms used in this letter shall have the same meanings as defined in this joint announcement unless otherwise specified.

As set out in Appendix I to this joint announcement, the appraised value of the Company has been derived from income approach which takes into account the future cash flow forecast of the Group. As such, the Valuation is regarded as a profit forecast pursuant to Rule 10 of the Takeovers Code and Rule 14.61 of the Listing Rules and is required to be reported on (as set out below). Furthermore, our report on the qualifications and experience of the Independent Valuer to prepare the Valuation is required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us.

We have relied on the information and facts supplied, and the opinion expressed by the Vendor, Purchaser, Company and the Independent Valuer, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied nor verified the computations leading to the appraised value of the Company as detailed in Appendix I to this joint announcement.

Pursuant to the Corporate Finance Adviser Code of Conduct, we have, among others, reviewed the supporting documents relating to the Valuation and discussed with the management of the Vendor and the Independent Valuer regarding the Valuation, including, in particular, the valuation approach, key bases and assumptions, and the forecast upon which the Valuation has been made (the “**Forecast**”). We have also considered the letter dated 2 October 2019 issued by Ernst & Young pursuant to Rule 10 of the Takeovers Code, the text of which is set out in Appendix IV to this joint announcement.

With regard to the qualifications and experience of the Independent Valuer, based on the review work conducted by us, which includes reviewing the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussing the same with the Independent Valuer, we are satisfied that the Independent Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation competently.

On the basis of the foregoing, we are satisfied that the Forecast, for which the Purchaser is responsible, has been made with due care and consideration. We concur with the Independent Valuer that the income approach is commonly used and is the appropriate method for deriving the appraised value of the Company, and the valuation methodologies as well as the bases and assumptions adopted in the Valuation have been made by the Independent Valuer with due care and objectivity, and on a reasonable basis.

Yours faithfully,  
For and on behalf of  
**SOMERLEY CAPITAL LIMITED**

**Stephanie CHOW**  
*Director*

## Appendix IV

### Auditor's letter



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

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香港中環添美道1號  
中信大廈22樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

2 October 2019

The Directors  
TCL Electronics Holdings Limited  
7th Floor, Building 22E,  
22 Science Park East Avenue,  
Hong Kong Science Park,  
Shatin, New Territories, Hong Kong

Dear Sirs,

#### **REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF TCL ELECTRONICS HOLDINGS LIMITED (“TCL Electronics”)**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation prepared by China United Assets Appraisal Group Co., Ltd. in respect of TCL Electronics as at 30 June 2018 is based. The valuation is disclosed in the announcement jointly issued by TCL Industries Holdings Co., Ltd. (“**TCL Holdings**”), T.C.L. Industries Holdings (H.K.) Limited (“**T.C.L. Industries**”) and TCL Electronics dated 2 October 2019 (the “**Announcement**”) in connection with T.C.L. Industries’ proposed mandatory unconditional cash offer to acquire all the issued shares of TCL Electronics. The Forecast is required to be reported on under Rule 10 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

#### **DIRECTORS’ RESPONSIBILITIES**

The directors (the “**Directors**”) of TCL Corporation and TCL Electronics are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the headed “Assumptions” in the Appendix I of the Announcement.



## **OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **REPORTING ACCOUNTANTS’ RESPONSIBILITY**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions made by the Directors of TCL Corporation and reviewed by the Directors of TCL Electronics. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of TCL Electronics. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 10 of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

## **OPINION**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions.

Yours faithfully,

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

## Appendix V

### Dealings of persons acting in concert with the Purchaser and the Offeror in securities of the Company

#### 1. Mr. LI Dongsheng and his spouse

##### *Ordinary Shares*

Date of dealing	Range of traded price (HK\$)	Weighted average traded price (HK\$)	Total number of shares of the Company involved	Nature of the dealing	Description of the relevant securities	Acquisition or disposal
11 December 2018	2.92 - 3.00	2.9827	667,000	Personal acquisitions on Stock Exchange	Ordinary shares	Acquisition
13 December 2018	3.05	3.0500	21,000			
21 December 2018	2.92 - 3.00	2.9838	1,312,000			
28 December 2018	2.92 - 3.00	2.9789	429,000			
31 December 2018	3.00	3.0000	21,000			
2 January 2019	3.00	3.0000	550,000			
25 March 2019	4.80 - 4.82	4.8018	2,000,000	Personal disposals on Stock Exchange	Ordinary shares	Disposal
26 March 2019	4.79	4.7900	24,000			
2 April 2019	4.51	4.5100	5,000			
3 April 2019	4.50	4.5000	114,000			
4 April 2019	4.50 - 4.57	4.5006	881,000			

## *Share Options and Restricted Shares*

Nature	Date of grant	Total number of shares of the Company involved	Vesting date	Total number of shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of restricted shares on date of grant	Closing price of restricted shares on vesting date	Expiry date for exercise of options	Options exercised (Note 1)
Share Options	9 March 2015	3,078,650	9 January 2017	1,026,216	4.4834 (Note 2)	N/A	N/A	8 March 2021	No
			9 January 2018	1,026,216					
			9 January 2019	1,026,218					
	31 August 2015	382,743	31 December 2015	127,581	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	127,581					
			31 December 2017	127,581					
	2 June 2016	332,666	31 December 2016	110,888	4.3860 (Note 2)	N/A	N/A	1 June 2022	No
			31 December 2017	110,888					
			31 December 2018	110,890					
	23 January 2018	2,150,700	18 May 2019	358,450	4.1520 (Note 3)	N/A	N/A	22 January 2024	No
25 April 2018	1,872,371	15 June 2018	624,124	3.5700	N/A	N/A	24 April 2024	No	
		15 June 2019	624,124						
Restricted Shares	2 June 2016	137,757	31 December 2018	45,919 (Note 5)	N/A	4.386 (Note 4)	3.00	N/A	N/A
	23 January 2018	827,031	18 May 2019	137,839 (Note 5)	N/A	4.02	3.65 (Note 6)	N/A	N/A
	25 April 2018	538,393	15 June 2018	179,465	N/A	3.57	4.01	N/A	N/A
			15 June 2019	179,464 (Note 5)	N/A	3.57	3.48 (Note 7)	N/A	N/A

## 2. Ms. DU Juan

### *Share Options and Restricted Shares*

Nature	Date of grant	Total number of shares of the Company involved	Vesting date	Total number of shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of restricted shares on date of grant	Closing price of restricted shares on vesting date	Expiry date for exercise of options	Options exercised (Note 1)
Share Options	31 August 2015	150,066	31 December 2015	50,022	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	50,022					
			31 December 2017	50,022					

## 3. Ms. XIONG Yan and her spouse

### *Ordinary Shares*

Date of dealing	Range of traded price (HK\$)	Weighted average traded price (HK\$)	Total number of shares of the Company involved	Nature of the dealing	Description of the relevant securities	Acquisition or disposal
8 April 2019	4.61 - 4.65	4.6383	100,000	Personal disposals on Stock Exchange	Ordinary shares	Disposal

## *Share Options and Restricted Shares*

Nature	Date of grant	Total number of shares of the Company involved	Vesting date	Total number of shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of restricted shares on date of grant	Closing price of restricted shares on vesting date	Expiry date for exercise of options	Options exercised (Note 1)
Share Options	31 August 2015	19,172	31 December 2015	6,391	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	6,391					
			31 December 2017	6,390					
	2 June 2016	12,441	31 December 2016	4,147	4.3860 (Note 2)	N/A	N/A	1 June 2022	No
			31 December 2017	4,147					
			31 December 2018	4,147					
25 April 2018	78,419	15 June 2018	26,140	3.5700	N/A	N/A	24 April 2024	No	
		15 June 2019	26,140						
Restricted Shares	2 June 2016	5,152	31 December 2018	1,718	N/A	4.386 (Note 4)	3.00	N/A	N/A
	25 April 2018	22,548	15 June 2018	7,516	N/A	3.57	4.01	N/A	N/A
			15 June 2019	7,516 (Note 5)	N/A	3.57	3.48 (Note 7)	N/A	N/A

#### 4. Mr. DU Yuanhua

##### *Ordinary Shares*

Date of dealing	Range of traded price (HK\$)	Weighted average traded price (HK\$)	Total number of shares of the Company involved	Nature of the dealing	Description of the relevant securities	Acquisition or disposal
25 March 2019	4.6	4.6000	350,000	Personal disposal on Stock Exchange	Ordinary Shares	Disposal

##### *Share Options and Restricted Shares*

Nature	Date of grant	Total number of shares of the Company involved	Vesting date	Total number of shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of restricted shares on date of grant	Closing price of restricted shares on vesting date	Expiry date for exercise of options	Options exercised (Note 1)
Share Options	31 August 2015	58,563	31 December 2015	19,521	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	19,521					
			31 December 2017	19,521					
	2 June 2016	44,304	31 December 2016	14,768	4.3860 (Note 2)	N/A	N/A	1 June 2022	No
			31 December 2017	14,768					
			31 December 2018	14,768					
25 April 2018	129,324	15 June 2018	43,108	3.5700	N/A	N/A	24 April 2024	No	
		15 June 2019	43,108						
Restricted Shares	2 June 2016	18,347	31 December 2018	6,115	N/A	4.386 (Note 4)	3.00	N/A	N/A
	25 April 2018	37,187	15 June 2018	12,396	N/A	3.57	4.01	N/A	N/A
			15 June 2019	12,396 (Note 5)	N/A	3.57	3.48 (Note 7)	N/A	N/A

- Note 1:* The person has voluntarily locked the share option platform of his/her personal account and he/she will not exercise the Share Options vested.
- Note 2:* The exercise price was adjusted as a result of the completion of rights issue of the Company on 25 January 2018.
- Note 3:* The exercise price was determined with reference to the average closing price of the Shares of the Company in the 5 business days immediately preceding the date of grant of the relevant Share Options.
- Note 4:* The closing price was adjusted as a result of the completion of rights issue of the Company on 25 January 2018.
- Note 5:* Such Shares were held on trust by the Company and have not been transferred to the personal account of the person.
- Note 6:* As the relevant vesting date was not a trading day, the closing price of the next trading date i.e. 20 May 2019 was used.
- Note 7:* As the relevant vesting date was not a trading day, the closing price of the next trading date i.e. 17 June 2019 was used.