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TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(formerly known as TCL Multimedia Technology Holdings Limited

(TCL多媒體科技控股有限公司))

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

**POSSIBLE MAJOR TRANSACTIONS IN RELATION TO
GRANT OF RV HOLDCOS CALL OPTION AND LOCK-UP OPTION UNDER
THE NEW SHAREHOLDERS' AGREEMENT**

A letter from the Board is set out on pages 8 to 23 of this circular.

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DEFINITIONS

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

“A/C”	air-conditioner;
“Activities”	developing, manufacturing, producing, importing, distributing, selling and marketing of the Products;
“Announcements”	the announcement of the Company dated 29 May 2018 relating to, among others, voluntary announcement in relation to subscription for 15% shares in JV Companies and possible major transactions in relation to grant of RV Holdcos Call Option and Lock-up Option under the New Shareholders’ Agreement and the announcement of the Company dated 7 June 2018 relating to the delay in despatch of this circular;
“AR\$”	Argentine Peso, the lawful currency of Argentina;
“Argentina”	the Republic of Argentina;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	for the purpose of the Transactions, a day of the year on which banks are not required or authorized to close in the city of Buenos Aires, Argentina or in the city of Shenzhen, PRC;
“Closing”	the issuance and subscription of the TCL New Shares contemplated under the New Subscription Agreement;
“Closing Conditions”	TCL Closing Conditions and Counter Parties Closing Conditions;
“Closing Date”	29 June 2018, being the last Business Day of the month of delivery of the Reference Day Balance Sheet to TCL Netherlands, provided that if such delivery is made on or after the 25th day of the relevant month, the Closing Date shall be the last Business Day of the following month, or at such other time and date as TCL Netherlands and the Counter Parties shall agree;
“Company”	TCL Electronics Holdings Limited (formerly known as TCL Multimedia Technology 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);

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“Competition”	(i) any activity of development, manufacturing, producing, applying for, holding and maintaining a marketing authorization, importing, licensing, launching, promoting, selling, marketing and distributing Products in Argentina not through the Operating Companies, provided that TCL Netherlands and its affiliates shall use reasonable commercial efforts to prevent any Products bearing “TCL” brand that are distributed by TCL Netherlands’ affiliates on a wholesale basis outside Argentina from being resold and delivered to customers within Argentina; (ii) the formation or the acquisition of and the participation in business entities, which are active in Argentina and related to the Activities in Argentina; and (iii) advising and/or representing such business entities related to the Activities in Argentina;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Control”	for the purpose of the Transactions, the possession or beneficial ownership, whether directly or indirectly, individually or acting in concert with third parties, of more than fifty per cent (50%) of the votes or the right to appoint at least more than half the members of a legal entity’s governing body or beneficially ownership upon which a person has the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting interests or otherwise;
“Counter Parties”	RVF, Sontec, RV Tech and JWG;
“Counter Parties Closing Conditions”	has the meaning under the paragraph “ <i>Counter Parties Closing Conditions</i> ” under the heading of the “ <i>New Subscription Agreement</i> ” of the section “ <i>Letter from the Board</i> ” of this circular;
“Definitive Net Book Value”	the Net Book Value as of the Closing Date as agreed by the Counter Parties and TCL Netherlands, or determined by an independent accounting firm (as the case may be);
“Director(s)”	the director(s) of the Company;
“FOB”	“Free On Board” according to the incoterms standard published by the International Chamber of Commerce;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

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“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS”	the International Financial Reporting Standards;
“Initial Investment Fix Return”	the aggregate of (i) the amount TCL Netherlands has paid for its shares in the JV Companies pursuant to the New Subscription Agreement; (ii) the amount that TCL Netherlands has paid to the JV Companies for any further equity increases including for subscribed capital, additional paid-in capital; and (iii) any capitalization of credits or reserves, plus a compounded annual rate of return at 8%, which shall exclude the payment of dividends or other distributions, whether in cash or in-kind, or arising from capital reductions or by any other means paid by the JV Companies to TCL Netherlands;
“JV Companies”	RVF and Sontec;
“JWG”	JWG S.A., a limited company established in Argentina, which is the sole shareholder of Sontec as at the date of the New Subscription Agreement;
“Latest Practicable Date”	6 July 2018, being the latest practicable date prior to the bulk printing of this circular for the purpose of ascertaining certain information contained in this circular;
“License Products”	home or consumer electronic appliance and products bearing the trademark licensed by TCL Netherlands pursuant to the New Licence Agreement that are not made from the CKD (completely knocked down), SKD (semi-knocked down) units or CBU (completely built unit) of home or consumer electronic appliance and products sourced from TCL Netherlands or its affiliates;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Lock-up Option”	has the meaning under the paragraph “ <i>Lock-up</i> ” under the heading of the “ <i>New Shareholders’ Agreement</i> ” of the section “ <i>Letter from the Board</i> ” of this circular;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers;
“Net Book Value”	the total amount of the shareholder equities (i.e. total assets less total liabilities) of the Operating Companies;

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“New Licence Agreement”	the trademark licence agreement entered into between TCL Netherlands as the licensor and RVF as the licensee on the Closing Date;
“New Shareholders’ Agreement”	the shareholders’ agreement entered into among TCL Netherlands, RV Holdcos and JV Companies on Closing Date;
“New Subscription Agreement”	the subscription agreement entered into among TCL Netherlands and Counter Parties after the trading hours on 28 May 2018, pursuant to which TCL Netherlands shall subscribe for the TCL New Shares at the Subscription Price on the Closing Date;
“ODM”	original design manufacturer;
“OEM”	original equipment manufacturer;
“Old Licence Agreement”	the trademark licence agreement to be entered into between TCL Argentina as the licensor and RVF as the licensee on the closing date as contemplated under the Old Subscription Agreement, which will not be entered into as a result of the Termination Agreement;
“Old Shareholders’ Agreement”	the shareholders’ agreement to be entered into among TCL Argentina, RV Holdcos and JV Companies on the closing date as contemplated under the Old Subscription Agreement, which will not be entered into as a result of the Termination Agreement;
“Old Subscription Agreement”	the subscription agreement entered into among TCL Argentina and Counter Parties on 29 November 2017 (Hong Kong time), which has been terminated by the Termination Agreement;
“Operating Companies”	RVF, Sontec and Megasat S.A. (a limited company established in Argentina, whose sole shareholder is Sontec);
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Preliminary Net Book Value”	the Net Book Value as shown on the Reference Day Balance Sheet;

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“Products”	home or consumer electronic appliance and products, including kits, finished and semi-finished products, and any components and parts thereof;
“Reference Day Balance Sheet”	the audited consolidated (where applicable in the case of Sontec) balance sheet of JV Companies as of 30 April 2018, which shall be and had been prepared and delivered to TCL Netherlands after satisfaction (or waiver) of the Closing Conditions;
“Restructurings”	the restructurings carried out by the Counter Parties prior to the original closing date pursuant to the Old Subscription Agreement to the effect that RV Tech became the sole shareholder of all the issued shares in RVF and JWG became the sole shareholder of all the issued shares in Sontec, which in turn directly held 100% of the issued shares in Megasat, and such restructurings had been completed prior to the date of the signing of the New Subscription Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“RVF”	Radio Victoria Fueguina S.A., a limited company established in Argentina;
“RV Group”	the Operating Companies, the RV Holdcos and their respective controlling shareholders;
“RV Holdcos”	RV Tech and JWG;
“RV Holdcos Call Option”	has the meaning under the paragraph “RV Holdcos Call Option” under the heading “New Shareholders’ Agreement” of the section “Letter from the Board” of this circular;
“RV Tech”	RV TECH S.A., a limited company established in Argentina, which is the sole shareholder of RVF as at the date of the New Subscription Agreement;
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company (or of such other nominal amount as shall result from a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Shareholder(s)”	holder(s) of Share(s) of the Company;

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“Sontec”	Sontec S.A., a limited company established in Argentina;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	has the meaning under the paragraph “ <i>Subscription Price</i> ” under the heading “ <i>New Subscription Agreement</i> ” of the section “ <i>Letter from the Board</i> ” of this circular;
“subsidiary”	any entity within the meaning of the term “ <i>subsidiary</i> ” as defined in the Listing Rules and the term “ <i>subsidiaries</i> ” shall be construed accordingly;
“TCL Argentina”	TCL Argentina Investments Holdings Limited, a company incorporated and existing under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company;
“TCL Call Option”	has the meaning under the paragraph “ <i>TCL Call Option</i> ” under the heading “ <i>New Shareholders’ Agreement</i> ” of the section “ <i>Letter from the Board</i> ” of this circular;
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder of the Company, the shares of which are listed on Shenzhen Stock Exchange (Stock code: 000100);
“TCL Corporation Group”	TCL Corporation, its subsidiaries, associates of TCL Corporation and any entity that may become subsidiary or associate of TCL Corporation from time to time but does not include the Group for the purpose of this circular;
“T.C.L. Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, being the direct controlling Shareholder of the Company;
“TCL Netherlands”	TCL Netherlands B.V., a corporation incorporated and existing under the laws of the Netherlands and an indirect wholly-owned subsidiary of the Company;
“TCL New Shares”	such number of shares in each of RVF and Sontec issued to TCL Netherlands pursuant to the New Subscription Agreement, so that immediately after the Closing Date, TCL Netherlands and RV Tech would own 15% and 85% respectively of the issued shares in RVF, and TCL Netherlands and JWG would own 15% and 85% respectively of the issued shares in Sontec;

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“TCL Put Option”	has the meaning under the paragraph “ <i>TCL Put Option</i> ” under the heading “ <i>New Shareholders’ Agreement</i> ” of the section “ <i>Letter from the Board</i> ” of this circular;
“Termination Agreement”	the termination agreement entered into among TCL Argentina and the Counter Parties after trading hours on 28 May 2018 (prior to the entering into of the New Subscription Agreement), pursuant to which the parties have agreed, among others, to terminate the Old Subscription Agreement with immediate effect;
“Transactions”	the New Subscription Agreement, the New Shareholders’ Agreement and the New Licence Agreement and the transactions contemplated thereunder;
“TV(s)”	television(s);
“USD”	the United States dollar, the lawful currency of United States of America.

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

LETTER FROM THE BOARD



TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

Executive Directors:

Mr. LI Dongsheng (*Chairman*)

Mr. WANG Cheng Kevin

Mr. YAN Xiaolin

Mr. WANG Yi Michael

Registered Office:

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Mr. Albert Thomas DA ROSA, Junior

Mr. HUANG Xubin

Mr. ZHANG Zhiwei

Mr. LIU Hong

Principal Place of Business in Hong Kong:

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22 Science Park East Avenue

Hong Kong Science Park

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New Territories

Hong Kong

Independent Non-executive Directors:

Mr. Robert Maarten WESTERHOF

Dr. TSENG Shieng-chang Carter

Professor WANG Yijiang

Mr. LAU Siu Ki

13 July 2018

To the Shareholders

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTIONS IN RELATION TO GRANT OF RV HOLDCOS CALL OPTION AND LOCK-UP OPTION UNDER THE NEW SHAREHOLDERS' AGREEMENT

INTRODUCTION

Reference is made to the Announcements in relation to, among others, (1) the New Subscription Agreement, (2) the grant of RV Holdcos Call Option and Lock-up Option under the New Shareholders' Agreement and (3) the New Licence Agreement.

The purpose of this circular is to provide the Shareholders with further information regarding the Transactions and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

NEW SUBSCRIPTION AGREEMENT

The Board is pleased to announce that after the trading hours on 28 May 2018 and immediately after entering into of the Termination Agreement, TCL Netherlands, an indirect wholly-owned subsidiary of the Company entered into the New Subscription Agreement with the Counter Parties. The principal terms of the New Subscription Agreement are summarised below:

Date:	28 May 2018 (after trading hours)
Parties:	(i) TCL Netherlands; and (ii) Counter Parties
Subscription Shares:	the TCL New Shares
Subscription Price:	the Definitive Net Book Value multiplied by 15% and divided by 85% (“ Subscription Price ”)

The Subscription Price was determined between TCL Netherlands and the JV Companies after arm’s length negotiations and on normal commercial terms after taking into account, among others (i) the historical financial performance of the JV Companies; and (ii) the business development and future prospects of the JV Companies.

Payment of Subscription Price:	The Subscription Price shall be paid in USD as follows: (i) 50% of the Preliminary Net Book Value multiplied by 15% and divided by 85% shall be paid upon Closing; (ii) 25% of the Preliminary Net Book Value multiplied by 15% and divided by 85% shall be paid within ninety (90) days of Closing Date; (iii) in the event that the Subscription Price is larger than the aggregate of the payments made under (i) and (ii) above, the balance of the Subscription Price shall be payable within one hundred and eighty (180) days of Closing Date, provided that if based on the Definitive Net Book Value, the Subscription Price is greater than USD thirty (30) million (a) the Subscription Price shall be capped at USD thirty (30) million; and (b) both RV Holdcos and TCL Netherlands shall implement necessary corporate and/or contractual measures with neutral economic effects to TCL Netherlands and the Counter Parties to achieve the aforesaid purpose;
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- (iv) in the event that the Subscription Price is less than the aggregate of the payments made under (i) and (ii) above, the JV Companies shall refund such overpaid amount to TCL Netherlands.

TCL Closing Conditions: The obligations of TCL Netherlands in relation to Closing are subject to the satisfaction (or waiver) by TCL Netherlands of the following conditions (“**TCL Closing Conditions**”):

- (a) the representations and warranties of the Counter Parties contained in the New Subscription Agreement shall be true and correct in all material respects as of the Closing Date;
- (b) no legal proceedings shall have been instituted before a court or other governmental authority to restrain or prohibit or materially delay the Transactions;
- (c) no law or order shall have been enacted, entered, promulgated or enforced by any court or governmental authority which would prevent consummation of the Closing, prohibit the consummation of the Transactions or has the effect of making them illegal;
- (d) no change of Control has occurred on RV Holdcos; and
- (e) the Preliminary Net Book Value shall not be less than USD 100 million nor greater than USD132 million (*Note 1*).

Counter Parties Closing Conditions: The obligations of the Counter Parties in relation to Closing are subject to the satisfaction (or waiver) by the Counter Parties of the following conditions (“**Counter Parties Closing Conditions**”):

- (a) the representations and warranties of TCL Netherlands contained in the New Subscription Agreement shall be true and correct in all material respects as of the Closing Date;
- (b) no legal proceedings shall have been instituted before a court or other governmental authority to restrain or prohibit or materially delay the Transactions;

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- (c) no law or order shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits the consummation of the Transactions or has the effect of making them illegal;
- (d) no change of Control has occurred on TCL Netherlands;
- (e) no devaluation from the date of the New Subscription Agreement until the Closing Date of AR\$ against USD of more than 20% shall have occurred; and
- (f) TCL Netherlands has started the filing with the relevant governmental authority in Argentina requiring its registration under the relevant legislation in Argentina.

Closing:

On the Closing Date, among the others, the Counter Parties and TCL Netherlands shall enter into the New Shareholders' Agreement, and RVF and TCL Netherlands shall enter into the New Licence Agreement.

Immediately after Closing, (i) TCL Netherlands and RV Tech would own 15% and 85% respectively of all of the issued shares in RVF and (ii) TCL Netherlands and JWG would own 15% and 85% respectively of all of the issued shares in Sontec.

Note 1: The range of the Preliminary Net Book Value as one of the TCL Closing Conditions was set with reference to the Net Book Value as shown from the latest management accounts of the JV Companies made up to 31 March 2018, according to which the latest unaudited Net Book Value of the JV Companies as at 31 March 2018 was approximately USD 105 million. The lower end of the range was set to anticipate potential further depreciation of AR\$ against USD (and its negative impact on the business of the Operating Companies) on the one hand, and the upper end of the range was set to cater for the possible appreciation of AR\$ against USD and growth of the business of the Operating Companies. As shown in the Reference Day Balance Sheet delivered to TCL Netherlands after satisfaction (or waiver) of the Closing Conditions, the Preliminary Net Book Value of the Operating Companies as at 30 April 2018 was USD121,916,562, which was within the range between USD100 million and USD132 million. For details, please refer to the heading "**CLOSING**" of the section "**Letter from the Board**" of this circular.

NEW SHAREHOLDERS' AGREEMENT

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

- Date: The Closing Date
- Parties: (i) TCL Netherlands; and
- (ii) Counter Parties

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- Composition of the boards of directors of JV Companies: Each of the JV Companies shall have a board which consists of six principal directors, out of which two principal directors shall be appointed by TCL Netherlands.
- Business scope: The Operating Companies shall carry on the Activities in Argentina.
- In addition, the Operating Companies shall continue to engage in the business of manufacturing and distribution, through public retail channels, of “TCL”-branded cell phones in Argentina that is undertaken by the Operating Companies prior to the Closing Date.
- TCL Call Option:
- (a) RV Holdcos irrevocably undertake to sell or to cause the JV Companies to issue (as the case may be) to TCL Netherlands such number of shares (the “**TCL Callable Shares**”) to be determined by TCL Netherlands up to 49% of the issued share capital in each of the JV Companies (“**TCL Call Option**”) which TCL Netherlands will have the discretionary right to exercise TCL Call Option in order to purchase or acquire the TCL Callable Shares.
 - (b) The TCL Call Option may be exercised by TCL Netherlands within eight (8) years after the Closing Date.
 - (c) The price to be paid by TCL Netherlands to RV Holdcos or to the JV Companies, as the case may be, for the TCL Callable Shares shall be based on the net book value of TCL Callable Shares which shall be based on the approved audit annual financial statements for the fiscal year of the JV Companies immediately preceding the date of the exercise of the TCL Call Option (*Note 2*).
- TCL Put Option:
- (a) RV Holdcos irrevocably undertake to purchase and acquire from TCL Netherlands all (but not less than all) the shares owned by it (the “**TCL Puttable Shares**”) upon exercise of the TCL Put Option (“**TCL Put Option**”).
 - (b) The TCL Put Option may be exercised by TCL Netherlands at any time after the second (2nd) anniversary and until the eighth (8th) anniversary of the Closing Date.
 - (c) The price payable by RV Holdcos to TCL Netherlands for the Puttable Shares shall be the net book value of the TCL Puttable Shares which shall be based on the approved audit annual financial statements for the fiscal year of the JV Companies immediately preceding the date of the exercise of the TCL Put Option (*Note 2*).

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- RV Holdcos Call Options:
- (a) TCL Netherlands irrevocably undertakes to sell to RV Holdcos all (but not less than all) of TCL Netherlands' shares in JV Companies (the "**RV Holdcos Callable Shares**") which RV Holdcos will have the discretionary right to exercise in order to purchase or acquire the RV Holdcos Callable Shares ("**RV Holdcos Call Option**").
 - (b) The RV Holdcos Call Option may be exercised by RV Holdcos only (i) within one hundred and eighty (180) days starting from the fourth (4th) anniversary of the Closing Date or (ii) within sixty (60) days from the date on which the percentage of shareholding of TCL Netherlands in the JV Companies falls below 5%.
 - (c) In the case RV Holdcos Call Option is exercised under the circumstances under (b)(i), the price to be paid by RV Holdcos to TCL Netherlands for the RV Holdcos Callable Shares shall be the higher of (i) the net book value of the RV Holdcos Callable Shares which shall be based on the approved audit annual financial statements for the fiscal year of the JV Companies immediately preceding the date of the exercise of the RV Holdcos Call Option; and (ii) the Initial Investment Fix Return.
 - (d) In the case RV Holdcos Call Option is exercised under the circumstances under (b)(ii), the price to be paid by RV Holdcos to TCL Netherlands for the RV Holdcos Callable Shares shall be the higher of (i) the net book value of the RV Holdcos Callable Shares which shall be based on the approved audit annual financial statements of the JV Companies for the fiscal year immediately preceding the date of the exercise of the RV Holdcos Call Options; and (ii) the fair market value of the RV Holdcos Callable Shares to be determined by the auditor of the JV Companies.

Solvency:

Each of RV Holdcos and TCL Netherlands represents, warrants and/or undertakes that RV Holdcos and TCL Netherlands (as the case may be) shall always remain solvent, shall cause their respective shareholders not to pledge their shares in the RV Holdcos or TCL Netherlands, as the case may be, and shall not be subject to winding-up, dissolution or liquidation process. RV Holdcos and TCL Netherlands shall be maintained in good standing.

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Lock-up:

In the first eight (8) years after the Closing Date, unless prior written consent has been given by the other shareholder(s) of the JV Companies:

- (a) no shareholder of the JV Companies shall transfer any of its shares in the JV Companies, subject to the exception that shareholders of the JV Companies may fully or partially transfer its shares in the JV Companies to its affiliate(s); and
- (b) no shareholder of the JV Companies shall be allowed to have a change of Control.

After the lapse of the period of eight (8) years after the Closing Date,

- (i) if a change of Control occurs regarding TCL Netherlands, any of the RV Holdcos shall be entitled to purchase all of TCL Netherlands' shares in the JV Companies ("**Lock-up Option**") and the price for the said shares shall be their net book value to be determined based on the approved audited annual financial statements of the JV Companies for the fiscal year immediately preceding the date of the change of Control; or
- (ii) if a change of Control occurs regarding any of the RV Holdcos, TCL Netherlands shall be entitled to sell all its shares in the JV Companies to RV Holdcos or the shareholders of RV Holdcos and the price to be paid by RV Holdcos to TCL Netherlands for the said shares shall be the higher of (i) the net book value of the said shares which shall be based on the approved audit annual financial statements of the JV Companies for the fiscal year immediately preceding the date of the change of Control; and (ii) the fair market value of the said shares to be determined by the auditor of the JV Companies.

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- Non-compete:
- (a) As long as either the New Licence Agreement or the New Shareholders' Agreement remains in effect, RV Holdcos, the shareholders of RV Holdcos and TCL Netherlands, including in all cases their affiliates, shall not themselves and shall make sure that their respective affiliates shall not engage directly or indirectly, either themselves or through third parties, in the Activities and/or any act that would result in Competition with the Operating Companies.
 - (b) Subject to the New Licence Agreement, the Company and its affiliates shall perform the Activities related to the Products under the "TCL" brand (or any other brand that may replace it in the future) in Argentina through the Operating Companies, provided that TCL and its affiliates shall be entitled to sell Products under other brands in Argentina on an OEM/ODM basis.
- Right of first refusal:
- If TCL Netherlands or any of its affiliates intends to market and distribute "TCL"-branded Products in the Republic of Peru and in the Republic of Colombia, RV Holdcos or the shareholders of RV Holdcos, shall have the right of first refusal to participate with TCL Netherlands or its affiliate in such business.

For the avoidance of doubt, once TCL Netherlands exercises TCL Put Option or RV Holdcos exercise the RV Holdcos Call Option pursuant to the terms of the New Shareholders' Agreement, all of the shares in JV Companies owned by TCL Netherlands will be transferred to RV Holdcos and TCL Netherlands will cease to be a shareholder of any of the JV Companies, and hence, the TCL Call Option will cease to be exercisable in such circumstances.

Note 2: There is no adjustment mechanism in relation to the exercise price of the TCL Call Option or the TCL Put Option to reflect the change in financial situation (if any) of the JV Companies subsequent to the year end of the fiscal year immediately preceding such exercise. However, under the New Shareholders' Agreement, TCL Netherlands shall have the right to appoint a financial controller of the JV Companies who will be in charge of financial matters of the JV Companies, including treasury, management accounts, reports audit, business plan and annual budget control, TCL Netherlands would have access to the latest financial information of the JV Companies. Since both the TCL Call Option and the TCL Put Option are exercisable at the discretion of TCL Netherlands, in practice in the event TCL Netherlands decides to exercise such options, such options can be exercised at time(s) sufficiently close to the preceding financial year-end (after having financial results of the preceding fiscal year are made available) to minimize any risks to TCL Netherlands associated with significant change in financial situation.

LETTER FROM THE BOARD

NEW LICENCE AGREEMENT

The principal terms of the New Licence Agreement are summarised below:

Date:	The Closing Date
Parties:	(i) TCL Netherlands; and (ii) RVF
Grant of Licence:	TCL Netherlands grants in favour of RVF an exclusive, non-transferable and non-sublicenceable licence (save and except that RVF shall be entitled to sublicense to its wholly owned subsidiaries, as well as Sontec and its wholly owned subsidiaries) to use certain trademarks being the word “TCL” in connection with the Products in Argentina.
Term:	The New Licence Agreement shall continue in force for fifty (50) years from the Closing Date, subject to early termination in accordance with the terms of the New Licence Agreement.
Consideration:	The annual royalty payable by RVF to TCL Netherlands shall be 2% of the “FOB” price of the relevant License Products. The royalty fee was determined with reference to the royalty fees as provided in agreements of similar nature entered into by the Company.

In relation to the ownership of the trademarks being licenced under the New Licence Agreement, TCL Netherlands, being the licensor under the New Licence Agreement, does not own the trademarks concerned. The registered owner of the trademarks concerned is TCL Corporation, which is not a member of the Group and TCL Corporation has specifically licensed such trademarks concerned to TCL Netherlands for the purpose to sub-licence the same to RVF in Argentina.

UNDERTAKINGS BY THE COMPANY

After the entering of the New Shareholders’ Agreement on the Closing Date, the Company would enter into letter agreements with the Counter Parties, pursuant to which the Company would undertake to the Counter Parties (i) to cause its affiliates to comply with the Solvency Obligation, Non-competition Obligation and Lock-up Obligation; and (ii) to comply with the Non-competition Obligation and Lock-up Obligation.

CLOSING

Subsequent to the signing of the New Subscription Agreement and the publication of the announcement of the Company on 29 May 2018, all of the TCL Closing Conditions had either been satisfied or waived by TCL Netherlands and all of the Counter Parties Closing Conditions had either been satisfied or waived by Counter Parties and Closing took place on 29 June 2018 pursuant to the terms of the New Subscription Agreement.

LETTER FROM THE BOARD

On the Closing Date, pursuant to the terms of the New Subscription Agreement,

- (i) TCL New Shares were issued to TCL Netherlands by each of RVF and Sontec and that immediately after the allotment and issue of the TCL New Shares TCL Netherlands and RV Tech owned 15% and 85% respectively of the issued shares in RVF, and TCL Netherlands and JWG owned 15% and 85% respectively of the issued shares in Sontec;
- (ii) TCL Netherlands made a payment in the sum of USD10,757,343.70 to the JV Companies being part-payment of the Subscription Price;
- (iii) the Counter Parties and TCL Netherlands entered into the New Shareholders' Agreement;
- (iv) RVF and TCL Netherlands entered into the New Licence Agreement; and
- (v) the Company entered into the letter of undertakings as referred to under the paragraph heading "Undertakings by the Company" above.

FINANCIAL INFORMATION

The key financial information of RVF for the financial years ended 31 August 2016 and 31 August 2017 respectively and of Sontec (consolidated with its subsidiary Megasat) for the financial years ended 30 June 2016 and 30 June 2017 respectively (as extracted from the audited accounts of JV Companies prepared in accordance with Argentine GAAP which is different from HKFRS, the accounting standards adopted by the Company) is set out below:

	RVF		Sontec (consolidated with Megasat)	
	1 September 2015 to 31 August 2016 (audited) AR\$	1 September 2016 to 31 August 2017 (audited) AR\$	1 July 2015 to 30 June 2016 (audited) AR\$	1 July 2016 to 30 June 2017 (audited) AR\$
Net profit before tax	1,350,043,865	163,327,271	255,255,614	12,987,209
Net profit after tax	1,289,255,089	145,351,044	255,194,614	11,046,110
			Sontec (consolidated with Megasat)	
			RVF 31 August 2017 (audited) AR\$	30 June 2017 (audited) AR\$
Net asset value			1,656,050,069	460,095,223

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According to Argentine GAAP, inventories should be carried at current values (for example, replacement or reproduction cost for retail or manufacturing). The cost model for accounting of inventories was exceptionally applied, basically when current values of inventories cannot be objectively determined. Holding gains or losses are directly recognized in profit and loss when incurred. Conversely, under IFRS (which is of no substantive differences with HKFRS, the accounting standards adopted by the Company), inventories are generally measured by the cost model, with certain exceptions where inventories are accounted at the fair value (for example, agricultural assets). This inventory revaluation as of balance sheet dates under Argentine GAAP resulted in holding gains of RVF for the financial years ended 31 August 2016 and 31 August 2017 and of Sontec (consolidated with Megasat) for the financial years ended 30 June 2016 and 30 June 2017, and accordingly increased each of their profit margins.

Set out below is a summary of the key financial information of RVF for the financial years ended 31 August 2016 and 31 August 2017 respectively and of Sontec (consolidated with its subsidiary Megasat) for the financial years ended 30 June 2016 and 30 June 2017 respectively reconciled to IFRS (which is substantially similar to HKFRS adopted by the Company) provided by RVF for illustrative purpose:

	RVF		Sontec (consolidated with Megasat)	
	1 September 2015 to 31 August 2016 (audited) AR\$	1 September 2016 to 31 August 2017 (audited) AR\$	1 July 2015 to 30 June 2016 (audited) AR\$	1 July 2016 to 30 June 2017 (audited) AR\$
Net profit before tax	1,079,660,540	178,884,017	221,829,537	30,281,632
Net profit after tax	1,036,534,369	162,302,006	220,654,805	35,737,340
			Sontec (consolidated RVF with Megasat)	
			31 August 2017 (audited) AR\$	30 June 2017 (audited) AR\$
Net asset value			1,700,531,286	449,425,230

As illustrated in the table above, the net profits before tax and after tax of the JV Companies recorded significant year-on-year decreases in financial year ended in 2017. Upon enquiry with the management of the Operating Companies and their auditor and as informed by the Counter Parties and pursuant to the financial due diligence on the Operating Companies conducted by a qualified auditor firm in Argentina engaged by the Company, the Company was informed that the net profits before tax and after tax of all the three Operating Companies, for the financial year ended in 2016 consisted of the following extraordinary one-off item(s) that were gain that arose incidentally:

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The net profits of RVF for the financial year ended in 2016 consists of a one-off profit in the approximate amount of AR\$1,071,568,000 consisting of:

- (i) special accounting reversal of the provision for contingencies in the approximate amount of AR\$218,553,000;
- (ii) collection of insurance policy of the compensation for loss of income for the fire incident in the approximate amount of AR\$191,770,000; and
- (iii) financial and holding results gain (arising from, among others, hedging of non-deliverable forward) in the approximate amount of AR\$661,245,000;

The net profits of Sontec (consolidated with its subsidiary Megasat) for the financial year ended in 2016 consists of a one-off profit in the approximate amount of AR\$134,541,000 consisting of:

- (1) in respect of the accounts of Sontec,
 - (i) special accounting reversal of the provision for contingencies in the approximate amount of AR\$32,791,000; and
 - (ii) financial and holding results gain (arising from, among others, hedging of non-deliverable forward) in the approximate amount of AR\$22,250,000; and
- (2) in respect of the accounts of Megasat,
 - (i) special accounting reversal of the provision for contingencies in the approximate amount of AR\$20,568,000; and
 - (ii) financial and holding results gain (arising from, among others, hedging of non-deliverable forward) in the approximate amount of AR\$58,932,000.

DETERMINATION OF THE CAP TO THE SUBSCRIPTION PRICE

The cap of the Subscription Price (i.e. USD30 million) was set prior to the entering into of the Old Subscription Agreement. In assessing this joint venture opportunity, the Company had considered various associated risks, including amongst others the exchange rate between AR\$ and USD, the inflation risks in the local market in Argentina and the uncertainty in the prospect of continuance of the current protective tax policies in Argentina. Given such risks, the Group was cautiously optimistic about the TV market in Argentina and determined that it was necessary to set a cap for the Group's total investment amount with a view to containing investment risks.

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The cap of the Subscription Price of USD30 million was set with reference to the estimated Net Book Value of the Operating Companies upon completion of the Restructurings but prior to TCL Argentina's investment. In determining the cap, the parties had also taken into account reasonable buffers to accommodate possible appreciation of AR\$ against USD. The Restructurings involved spin-off of certain unrelated businesses and assets then conducted by the Operating Companies, namely real estates (office buildings, warehouse building and factory buildings), agricultural business and minority interests in investments in some other companies which are not engaged in electronic appliance business. Hence the estimated Net Book Value of the Operating Companies upon completion of the Restructurings was calculated by excluding financial information relating to such unrelated assets and businesses from the financial information of the Operating Companies then available to the Company.

In entering into the New Subscription Agreement, the Company is of the view that there is no necessity to adjust the cap in the New Subscription Agreement since (i) it only represents the maximum commitment the Group is prepared to make for the subscription of shares in the JV Companies having taken into account the investment opportunity under the Transactions, the business prospect of JV Companies and the benefits brought about by the Transactions; (ii) buffer is reserved for any possible fluctuation of the exchange ratio of AR\$ to USD; and (iii) further buffer is reserved for the possible expansion of businesses of the Operating Companies, and hence the cap adopted in the New Subscription Agreement remains the same.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE AND THE TRANSACTIONS CONTEMPLATED UNDER THE TERMINATION AGREEMENT AND THE NEW SUBSCRIPTION AGREEMENT

Reasons for engaging in the Argentine market through joint venture

Argentina is one of the largest market in Latin America with big potential growth in consumer electronics and home appliance business. Being an important market in South America, Argentina has certain brand influence over its neighbour countries, such as the Republic of Chile, Republic of Peru and the Republic of Colombia. The Company targeted to expand its exposure and market share in Argentina and thereby increase its presence in the South America market in near future.

Due to Argentina's trade protectionism, foreign consumer electronics and home appliance brands are subject to significant tax levies and hence foreign brands only amount to a relatively small market share in comparison with local brands. Prior to the entering of the Old Subscription Agreement, the Group's business in Argentina was primarily conducted through its strategic partner in the absence of any subsidiaries or joint ventures of the Group therein. Such arrangement hinders the Group's involvement and potential expansion in Argentina and as a result limits the Group's ability to capture the potential growth of the Argentine market.

By entering into the Old Subscription Agreement, the Group has changed its involvement in the Argentine market from being a relatively passive strategic partner to a shareholder having an interest in the JV Companies. Such arrangement increases the Group's exposure in the Argentine market and allows the Group to be more directly benefited from the potential growth thereof.

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Reasons for entering into the Termination Agreement and the New Subscription Agreement

Subsequent to the entering into of the Old Subscription Agreement and prior to the closing date contemplated under the Old Subscription Agreement and the entering into of the Old Shareholders' Agreement and the Old Licence Agreement, the Company has a change in its business strategy and established TCL Netherlands as its investment vehicle in overseas markets. As disclosed in its 2017 Annual Report, the Company has been actively exploring the feasibility of developing overseas markets, in particular the market in South America, including but not limited to Argentina, Brazil and Chile. Previously, such overseas operating companies were scattered among the Group in the absence of a centralised investment holding platform. The Company is of the view that adoption of centralised management approach with a single investment holding entity for its overseas investments will be conducive to its business management.

In view of the fact that the government of the Netherlands has entered into tax treaties or similar arrangements with the government of various countries worldwide in relation to concession of withholding taxes for the payment of dividends by the JV Companies, the Company believes that adopting a company incorporated in the Netherlands as its investment holding entity for its business in such countries which would enjoy tax treaty benefits with Netherlands (including Argentina) as mentioned hereinabove would be advantageous to the Group from tax perspective.

Therefore, the Company has further reviewed the feasibility of structural adjustments of the transactions contemplated under the Old Subscription Agreement by (i) terminating the Old Subscription Agreement; and (ii) entering into a new agreement of terms similar to those as contained in the Old Subscription Agreement with the Counter Parties through TCL Netherlands.

Hence, the Company is of the view that the entering into the Termination Agreement and the New Subscription Agreement would be able to restructure its investment in the JV Companies in a relatively more cost-effective manner, and that the arrangement will be more in line with the Group's strategic development in global market.

In this regard, the Directors believe that the terms of the Termination Agreement and the Transactions including the New Subscription Agreement, the grant of RV Holdcos Call Option and the Lock-up Option are fair and reasonable and in the interests of Shareholders as a whole.

FINANCIAL EFFECTS

The Group, through TCL Netherlands, subscribed for the TCL New Shares at the Subscription Price, which was funded through internal sources and was not expected to have any material impact on the consolidated net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2018.

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Upon completion of the subscription contemplated under the New Subscription Agreement, the JV Companies would be accounted as associates of the Group and hence the equity accounted for in the financial statements of the JV Companies and their financial results and financial positions would not be consolidated into financial statements of the Group. Accordingly, upon completion of the subscription contemplated under the New Subscription Agreement, (i) there would be no impact on the consolidated revenue of the Group; (ii) any profit/loss of the JV Companies would be shared by the Group as associates in proportion to its shareholding in the JV Companies; and (iii) there would be no impact on the Group's total assets and liabilities save that the working capital would be decreased by the payment of the Group's capital contribution to the JV Companies, i.e. the Subscription Price, which had been capped at USD30 million (equivalent to approximately HK\$234 million and representing 15% of the then issued share capital of the JV Companies) on one hand, and the Group would record an interest in the JV Companies as associates at the equivalent amount on the other hand.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined in Rule 14.04(9) of the Listing Rules) in respect of the New Subscription Agreement and the New Licence Agreement are less than 5%, neither the New Subscription Agreement nor the New License Agreement constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As the exercise of RV Holdcos Call Option and the Lock-up Option granted by TCL Netherlands under the New Shareholders' Agreement would not be at the discretion of TCL Netherlands, on the grant of each of the RV Holdcos Call Option and the Lock-up Option, it would be treated as if the RV Holdcos Call Option and the Lock-up Option had been exercised. Pursuant to Rule 14.76(1) of the Listing Rules, since the respective exercise prices of the RV Holdcos Call Option and the Lock-up Option could not be determined on the date of the grant, the grant of each of the RV Holdcos Call Option and the Lock-up Option would be classified as at least a major transaction of the Company subject to notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

Under Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the company were to convene a general meeting to obtain such shareholders' approval; and (b) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Counter Parties and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company and none of the Shareholders have a material interest in the New Subscription Agreement, the grant of the RV Holdcos Call Option or the Lock-up Option and therefore, no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the grant of the RV Holdcos Call Option or the Lock-up Option. On 28 May 2018, the Company has obtained written Shareholder's approval from T.C.L. Industries, a controlling Shareholder

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directly holding 1,224,181,639 Shares, representing approximately 52.48% of the issued Shares of the Company as at the date of obtaining of the Shareholder's approval, for approving the grant of the RV Holdcos Call Option and the Lock-up Option, in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. Accordingly, no extraordinary general meeting will be convened by the Company for obtaining Shareholders' approval for the grant of the RV Holdcos Call Option or the Lock-up Option.

INFORMATION ABOUT THE COMPANY

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

INFORMATION ABOUT RV TECH, JWG AND JV COMPANIES

Each of RV Tech and JWG are investment holding companies.

RVF and Sontec both engage in manufacturing and distributing of consumer electronics and home appliance in Argentina including TV, audio, A/C, refrigerator, cell phone, computer tablets, microwave oven and electronics accessories.

RECOMMENDATION

The Board considers that the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Transactions including the New Subscription Agreement, the grant of RV Holdcos Call Option and the Lock-up Option are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolutions to approve the New Subscription Agreement and the transactions contemplated thereunder including the grant of RV Holdcos Call Option and the Lock-up Option if it had been necessary to hold a general meeting for such purpose.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
LI Dongsheng
Chairman

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as comparative table and the latest published audited consolidated statement of financial position together with the notes on the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Group for the years ended 31 December 2017, 2016 and 2015 together with the relevant notes to the financial statements of the Company can be found on pages 110 to 223 of the annual report of the Company for the year ended 31 December 2017, pages 103 to 207 of the annual report of the Company for the year ended 31 December 2016 and pages 95 to 199 of the annual report of the Company for the year ended 31 December 2015. Please also see below the hyperlinks to the annual reports for the years ended 31 December 2015, 2016 and 2017 respectively.

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN201804201616.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0419/LTN20170419742.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0418/LTN20160418499.pdf>

2. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group's total interest-bearing borrowings of approximately HK\$1,459,887,000, comprising:

- (i) unsecured bank loans in the amount of approximately HK\$806,609,000;
- (ii) unsecured trust receipt loans in the amount of approximately HK\$652,909,000; and
- (iii) finance lease payables in the amount of approximately HK\$369,000.

Capital commitments and contingent liabilities

As at 31 May 2018, the Group had capital commitment of approximately HK\$807,525,000 and HK\$275,763,000 which were contracted but not provided for and authorised but not contracted for respectively.

There was also a provision in the amount of HK\$500,069,000 for restructuring and warranties as at 31 May 2018.

Pledge of assets

As at 31 May 2018, no asset of the Group was pledged.

Save as aforesaid, the Group did not have any outstanding indebtedness in respect of any debentures, loan capital, bank loans and overdrafts, term loans and other borrowings, debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, whether guaranteed, unguaranteed, secured or unsecured, mortgages, charges, guarantees or other contingent liabilities as at the close of business on 31 May 2018.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 31 May 2018.

3. WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account the internal resources of the Group and the borrowing facilities available to the Group and the Transactions, the Directors are of the opinion that the Group will have sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular.

4. FINANCIAL AND TRADING PROSPECTS

2018 is the year of major sports events. The Winter Olympics Games, the FIFA World Cup and the Asian Games are expected to form new sales growth drivers for the industry. On 5 February 2018, the Group has entered into a global brand ambassador agreement with the popular Brazilian football star Neymar Jr.. Going forward, TCL will launch with Neymar a series of innovative marketing activities to deepen TCL's penetration into Europe, North America and South America, as well as other emerging markets, aiming to improve TCL's strength in sports marketing and reinforce TCL's youthful and international brand image.

In the coming year, the Group will set its business strategy as "lead with products, innovate with technology, increase user loyalty, reform channels, pursue operational excellence, and operate globally". The Group will strengthen its business competitiveness in the PRC market, actively expand key overseas markets, establish intelligent manufacturing and industrial internet capabilities, and implement T+3 supply chain transformation.

Meanwhile, the Group will continue to fuel its growth with the dual strategy of “double +” and internationalisation to improve its core competitiveness, enhance profitability and achieve sustainable growth.

1. Continue to implement the “double +” strategic transformation: It will establish a customer-centric ecosystem based on platform operation to develop new business models; optimise software and hardware experiences, integrate product and operation platforms to improve user experience and enhance platform capability to expand its operation; and actively implement the TV+ business strategy in the overseas markets.
2. Continue to pursue internationalisation, strengthen and expand global distribution network: Leveraging its brand as the foundation, the Group will step up brand development to enhance brand image; enhance efficiency and implement structural transformation to establish operating models to deliver healthy and steady growth; strengthen and reinforce and enhance the performance of existing businesses to seek breakthroughs in North America, South America, Europe, India and Russia, etc.; invest in brand building, products, retail and global talents to improve core competencies.
3. Enhance core competitiveness and operational efficiency: It will continue to innovate and enhance R&D capability to maintain product competitiveness and diversification; implement vertical supply chain integration and intelligent and automated manufacturing to strengthen industrial manufacturing capability; optimise business and workflow to enhance operational efficiency, decrease system costs, facilitate production effectiveness and improve overall gross profit margin and profitability.

5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

TCL King Electrical Appliances (Huizhou) Company Limited* (TCL 王牌電器(惠州)有限公司) (“**TCL King**”) and (v) Shenzhen TCL New Technology Company Limited* (深圳TCL新技術有限公司) (“**TCL New Technology**”) (both are subsidiaries of the Company) agreed to acquire 100% equity interest in TCL Commercial Information Technology (Huizhou) Co., Ltd.* (TCL商用信息科技(惠州)股份有限公司) (a joint stock company with limited liability established under the laws of the PRC)(“**CI Tech**”) at a consideration of RMB793,020,340.79 which shall be settled in cash. Upon completion of the acquisition, CI Tech will become a subsidiary of the Company. CI Tech is a leading provider of smart commercial information technology products and industry solutions in the PRC. Its business includes provision of one-stop services covering software, content, integral solutions and intelligent products for public sector and commercial customers. Please refer the announcement and circular of the Company published on 1 June 2018 and 25 June 2018 respectively for details.

Save as disclosed above, the Group has not acquired or agreed to acquire nor is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors’ report or next published accounts of the Company since the date of the latest published audited accounts up to the Latest Practicable Date.

1. RESPONSIBILITY OF THE DIRECTORS

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

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions, by Directors of Listed Issuers contained in the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(a) Interest in the Company – Long Positions

Name of Director	Number of ordinary Shares interested or deemed to be interested			Number of underlying Shares interested or deemed to be interested under equity derivatives			Approximate percentage of issued share capital of the Company (Note 2)
	Personal interests	Spouse		Personal interests	Spouse		
		personal interests	Other interests (Note 1)		interests	interests	
LI Dongsheng	52,074,853	5,413,133	1,231,878	7,312,235	504,895	66,536,994	2.85%
WANG Cheng	589,439	–	1,809,803	7,262,284	–	9,661,526	0.41%
WANG Yi	1,831,792	–	1,050,785	5,509,395	–	8,391,972	0.36%
YAN Xiaolin	128,278	–	169,172	1,970,324	–	2,267,774	0.10%
HUANG Xubin	1,200,353	–	170,143	1,260,138	–	2,630,634	0.11%
ZHANG Zhiwei	–	–	44,778	236,301	–	281,079	0.01%
LIU Hong	–	–	44,778	198,688	–	243,466	0.01%
Albert Thomas DA ROSA, Junior	63,333	–	44,778	315,907	–	424,018	0.02%
Robert Maarten WESTERHOF	30,000	–	44,778	315,907	–	390,685	0.02%
WANG Yijiang	–	–	44,778	242,260	–	287,038	0.01%
LAU Siu Ki	–	–	44,778	236,301	–	281,079	0.01%

(b) Interest in Associated Corporation of the Company – Long Positions**(i) TCL Corporation (Note 3)**

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation (Note 4)
	Personal interests	Corporate interests			
LI Dongsheng	638,273,688	408,899,521	–	1,047,173,209	7.73%
YAN Xiaolin	599,500	–	–	599,500	0.004%
HUANG Xubin	3,383,380	–	–	3,383,380	0.02%

(ii) Tonly Electronics Holdings Limited (“Tonly Electronics”) (Note 5)

Name of Director	Number of ordinary Shares interested or deemed to be interested			Number of underlying shares interested or deemed to be interested under equity derivatives		Total	Approximate percentage of issued share capital of Tonly Electronics (Note 7)
	Personal interests	Spouse		Personal interests	Spouse interests		
		personal interests	Other interests				
LI Dongsheng	633,691	22,775	107,736	1,214,852	178,868	2,157,922	0.80%
WANG Cheng	6,964	–	3,023	33,463	–	43,450	0.02%
YAN Xiaolin	18,638	–	35,438	226,098	–	280,174	0.10%
HUANG Xubin	18,987	–	35,976	230,068	–	285,031	0.11%

(iii) China Display Optoelectronics Technology Holdings Limited (“China Display”) (Note 8)

Name of Director	Number of ordinary Shares interested or deemed to be interested		Number of underlying shares interested or deemed to be interested under equity derivatives	Total	Approximate percentage of issued share capital of China Display (Note 9)
	Personal interests	Other interests			
LI Dongsheng	5,164,499	–	–	5,164,499	0.25%

Notes:

1. These interests are restricted shares that have been granted to the relevant Directors under the share award scheme of the Company and were not vested as at the Latest Practicable Date. Further, the restricted shares that have been granted to the spouse of the relevant Directors under the share award scheme of the Company are included.
2. The percentages are calculated based on the issued share capital of the Company as at the Latest Practicable Date, i.e. 2,333,388,113 Shares.
3. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
4. The percentages are calculated based on its issued share capital as at the Latest Practicable Date provided by TCL Corporation.
5. Tonly Electronics is a subsidiary of TCL Corporation.
6. These interests are awarded shares that have been granted to the relevant directors under the award scheme of Tonly Electronics and were not vested as at the Latest Practicable Date. Further, the awarded shares that have been granted to the spouse of the relevant Director(s) under the share award scheme of Tonly Electronics are included.
7. The percentages are calculated based on the number of its issued shares (i.e. 268,420,200 shares) as at the Latest Practicable Date provided by Tonly Electronics.
8. China Display is a subsidiary of TCL Corporation.
9. The percentages are calculated based on the number of its issued shares (i.e. 2,086,718,219 shares) as at the Latest Practicable Date provided by China Display.

Save as disclosed in this paragraph 2, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Long Positions in shares of the Company

Name of Shareholder	Capacity	No. of Shares held	Approximate percentage of issued share capital of the Company (Note 2)
TCL Corporation (Note 1)	Interest of controlled Corporation	1,224,181,639	52.46%
Letv Zhixin Investment (HK) Ltd. 樂視致新投資(香港)有限公司	Beneficial owner	348,850,000	14.95%
Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd. (樂融致新電子科技(天津)有限公司) (formerly known as Leshi Zhixin Electronic Technology (Tianjin) Limited (樂視致新電子科技(天津)有限公司))	Interest of controlled corporation	348,850,000	14.95%
Leshi Internet Information & Technology Corp., (Beijing) (樂視網信息技術(北京)股份有限公司)	Interest of controlled corporation	348,850,000	14.95%
Tianjin Jiarui Huixin Corporate Management Co., Ltd. (天津嘉睿匯鑫企業管理有限公司)	Interest of controlled corporation	348,850,000	14.95%
Tianjin Yingrui Huixin Corporate Management Co., Ltd. (天津盈瑞匯鑫企業管理有限公司)	Interest of controlled corporation	348,850,000	14.95%

Name of Shareholder	Capacity	No. of Shares held	Approximate percentage of issued share capital of the Company (Note 2)
Sunac China Holdings Limited	Interest of controlled corporation	348,850,000	14.95%
Sunac International Investment Holdings Ltd	Interest of controlled corporation	348,850,000	14.95%
Wang Peng	Interest of controlled corporation	348,850,000	14.95%
Zheng Fu	Interest of controlled corporation	348,850,000	14.95%

Notes:

1. TCL Corporation was deemed to be interested in 1,224,181,639 Shares held by T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a direct wholly-owned subsidiary of TCL Corporation.
2. The percentages are calculated based on the issued share capital of the Company as at the Latest Practicable Date, i.e. 2,333,388,113 Shares.
3. The following Directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
 - (a) Mr. LI Dongsheng is the Executive Director and Chairman of TCL Corporation;
 - (b) Mr. WANG Cheng Kevin is the Senior Vice President of TCL Corporation;
 - (c) Mr. WANG Yi Michael is the Vice President of TCL Corporation;
 - (d) Mr. YAN Xiaolin is a member of the executive committee, a senior vice president, the chief technology officer, and the president of TCL Corporate Research of TCL Corporation; and
 - (e) Mr. HUANG Xubin is an executive director a member of the executive committee and the chief financial officer of TCL Corporation.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

(b) Interests in subsidiaries of the Company

There is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2017 of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN THE GROUP'S ASSETS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors had any material interest in any contract or arrangement which was subsisting and significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the equity transfer agreement entered into among (i) TCL Corporation, (ii) Ningbo Yuanheng Juyuan Investment Partnership (Limited Partnership)* (寧波元亨聚源投資合夥企業(有限合夥) (“**Ningbo Juyuan**”), (iii) Huizhou Guanlian Industrial Investment Co., Ltd.* (惠州市冠聯實業投資有限公司) (“**Huizhou Guanlian**”), (iv) TCL King and (v) TCL New Technology on 1 June 2018, pursuant to which TCL Corporation conditionally agreed to transfer 65% of the equity interest in CI Tech to TCL King, Ningbo Juyuan agreed to transfer 20% of the equity interest in CI Tech to TCL King and Huizhou Guanlian agreed to transfer 15% of the equity interest in CI Tech to TCL New Technology;
- (b) the New Subscription Agreement;
- (c) the Termination Agreement;
- (d) the capital increase agreement entered into among TCL New Technology with Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd.* (樂融致新電子科技(天津)有限公司) (“**Lerong Zhixin**”), Le Shi Internet Information and Technology Corp., Beijing* (樂視網信息技術(北京)股份有限公司) and Tianjin Jiarui Huixin Corporate Management Co., Ltd.* (天津嘉睿匯鑫企業管理有限公司) on 18 May 2018, pursuant to which TCL New Technology agreed to make a capital contribution of RMB0.3 billion to Lerong Zhixin subject to the terms and conditions thereof and upon completion the interest of TCL New Technology in Lerong Zhixin will be approximately 2.71%;
- (e) the sale and purchase agreement entered into between TCL New Technology and TCL Technology Industrial Park (Shenzhen) Co., Ltd.* (TCL科技產業園(深圳)有限公司) (“**TCL Technology Industrial Park**”) on 10 May 2018, pursuant to which TCL New Technology agreed to transfer the assets and the business to TCL Technology Industrial Park and that TCL Technology Industrial Park has agreed to acquire the assets and the business and to assume the liabilities, at a consideration of RMB328,964,988.18;
- (f) the overseas subscription agreement entered into between TTE Corporation and TCL Ventures Inc. on 23 March 2018, pursuant to which TTE Corporation agreed to make a capital commitment of USD15 million into the overseas investment fund, constituting approximately 20% of the total capital commitment of the overseas investment fund;

- (g) the PRC partnership agreement entered into among TCL New Technology, Huizhou TCL Kaichuang Enterprise Management Co., Ltd.* (惠州市TCL愷創企業管理有限公司), TCL Corporation and Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司) on 23 March 2018, pursuant to which TCL New Technology agreed to make a capital commitment of RMB40 million into the PRC investment fund, constituting approximately 19.9% of the total capital commitment of the PRC investment fund;
- (h) the Old Subscription Agreement;
- (i) the underwriting agreement entered into between the Company and BNP Paribas Securities (Asia) Limited as the underwriter on 28 November 2017 in relation to the underwriting of the Rights Shares and certain other arrangements in respect of the Rights Issue (“Rights Shares” and “Rights Issue” as defined in the announcement of the Company dated 28 November 2017);
- (j) the supplemental agreement entered into among the Company, TCL Corporation and Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd.* (深圳前海啟航供應鏈管理有限公司) (“**Qianhai Sailing**”) on 27 November 2017 in respect of the Master Sale And Purchase (2017) Agreement, the Master Sourcing (2017 Renewal) Agreement and the Master Qianhai Sailing Cooperation (2017) Renewal Agreement;
- (k) the Master TCL Trademark License (2017 Renewal) Agreement entered into between the Company and TCL Corporation on 29 September 2017, pursuant to which TCL Corporation Group has granted to the Group an exclusive (subject to certain limited exceptions which are related to some existing obligations or business of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks for the manufacture, production, sale and distribution of Multimedia Products in the territories as specified in the Master TCL Trademark License (2017 Renewal) Agreement. The Group is also entitled (subject to certain exceptions) to use the trademark “TCL” as part of its business name and in all business applications in which a company’s name is commonly used;
- (l) the Master Qianhai Sailing Cooperation (2017) Agreement entered into between the Company and Qianhai Sailing on 29 September 2017, pursuant to which the group of Qianhai Sailing will source those articles, things, components or raw materials which are required for the manufacturing or production of the electronic products including televisions, audiovisual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group for the Group in accordance with the Group’s production need;
- (m) the Master Strategic Cooperation (2017 Renewal) Agreement entered into between the Company and TCL Corporation on 29 September 2017, pursuant to which comprehensive and extensive R&D Service will be provided by TCL Corporation Group to the Group;

- (n) the capital increase agreement entered into among the Company, FFalcon Technology Holding Limited (“**FFalcon**”), Shenzhen Zhida Tafang Technology Partnership (Limited Partnership)* (深圳智達拓方科技合夥企業(有限合夥)), Shenzhen Lexiang Tengsheng Technology Partnership (Limited Partnership)* (深圳樂享騰生科技合夥企業(有限合夥)), Shenzhen Qianhai Fende Investment Company Limited* (深圳市前海芬德投資有限公司), Tencent Digital (Shenzhen) Company Limited* (騰訊數碼(深圳)有限公司) (“**Tencent Digital**”) and Shenzhen Thunderbird Network Technology Company Limited* (深圳市雷鳥網絡科技有限公司) (“**Thunderbird Technology**”) dated 2 July 2017, pursuant to which Tencent Digital and FFalcon agreed to make capital contribution of RMB450 million and RMB30 million, respectively, to Thunderbird Technology. The capital increase completed on 1 September 2017;
- (o) the master financial services agreement dated 21 March 2017 entered into among the Company, TCL Corporation, TCL Finance Co., Ltd.* (TCL集團財務有限公司) and TCL Finance (Hong Kong) Co., Limited in respect of the provision of certain deposit services, financing services, other financial services and promotion services;
- (p) the factoring contract entered into between TCL Overseas Electronics (Huizhou) Limited* (TCL海外電子(惠州)有限公司) (“**TCL Overseas Electronics**”) and Chongqing Leshi Commercial Factoring Company Limited* (重慶樂視商業保理有限公司) (“**Chongqing Leshi**”) dated 8 February 2017, pursuant to which Chongqing Leshi had agreed to provide Factoring Services to TCL Overseas Electronics subject to the conditions and in accordance with the terms thereof;
- (q) the Jiangxi shareholders’ agreement entered into between Huihaitong Network and Technology Co. Ltd.* (南昌滙海通網絡科技有限公司) and Jiangxi Province Broadcasting and Television Network Communication Co. Ltd.* (江西省廣播電視網絡傳輸有限公司) dated 29 December 2016 in respect of the establishment of Jiangxi Broadcasting and Television Network Electronic Business Co. Ltd.* (江西廣電網絡電子商務有限公司); and
- (r) the seven factoring contracts, all containing the same major terms, entered into between the Company and Chongqing Leshi, and four of which were dated 1 November 2016 whilst three of which were dated 2 November 2016, pursuant to which Chongqing Leshi had agreed to provide Factoring Services to TCL Overseas subject to the conditions and in accordance with the terms thereof;

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.
- (b) The Company’s Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

- (c) The secretary of the Company is Ms. Choy Fung Yee, a practising solicitor of Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2016 and 2017 respectively;
- (c) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (d) this circular; and
- (e) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules (if any) which has been issued since the date of the latest published audited accounts of the Company.

As at the date of this circular, 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. HUANG Xubin, Mr. ZHANG Zhiwei and Mr. LIU Hong 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.