
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**TCL ELECTRONICS HOLDINGS LIMITED****TCL 電子控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

**(1) CONTINUING CONNECTED TRANSACTIONS – MASTER FINANCIAL AGREEMENT
(TCL HOLDINGS) (2020-2022)****(2) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND PROVISION OF
FINANCIAL ASSISTANCE UNDER MASTER FINANCIAL AGREEMENT
(TCL HOLDINGS) (2020-2022)**

AND

(3) ELECTION OF DIRECTORS

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



Pelican Financial Limited

A letter from the Board is set out on pages 6 to 26 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on page 27 of this circular. A letter from Pelican Financial Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 28 to 43 of this circular.

A notice convening the EGM of the Company to be held at 8/F., Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on 20 April 2020, Monday at 2:30 p.m. is set out on pages 61 to 63 of this circular.

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

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 25 March 2020 relating to the Master Financial Agreement (TCL Holdings) (2020-2022);
“Articles”	the articles of association of the Company as amended from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which banks in Hong Kong are open to conduct business generally throughout their normal business hours and the Stock Exchange is open for trading, excluding a Saturday, Sunday, public holidays and days on which a tropical cyclone warning number 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 09:00 and 17:00. For the purpose of the Master Financial Agreement (TCL Holdings) (2020-2022), “Business Day” means any day which is not a Saturday or Sunday; or (b) a day on which major commercial banks in Hong Kong or PRC are closed for business;
“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);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“CSOT”	TCL China Star Optoelectronics Technology Co., Ltd.* (TCL華星光電技術有限公司), formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司), a company established under the laws of the PRC with limited liability and a Subsidiary of TCL Tech;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held at 8th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, on 20 April 2020, Monday at 2:30 p.m. for the purposes of considering, and if thought fit, approving (i) the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder; and (ii) the election of Mr. HU Lihua as an executive Director and Mr. SUN Li as a non-executive Director;

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“Finance Company (HK)”	TCL Finance (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and a Subsidiary of TCL Holdings;
“Finance Company”	TCL Finance Co., Ltd.* (TCL集團財務有限公司), a company established in the PRC with limited liability and a Subsidiary of TCL Tech;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Holdings Credit Services”	advance of loan(s) by member(s) of the Group to member(s) of Qualified Holdings Group pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022);
“Holdings Deposit Services”	deposit of money by the TCL Electronics Qualified Members with Finance Company (HK) and/or TCL Holdings Financial Services Associates pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022);
“Holdings Qualified Member(s)”	all companies to which TCL Holdings Financial Services Associates will be allowed to provide services, which shall only include TCL Holdings and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of reviewing the terms of and the proposed annual caps of transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022);
“Independent Financial Adviser” or “Pelican Financial Limited”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Shareholders in respect of the terms of and the proposed annual caps of transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022);

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“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its Subsidiaries and their respective associates;
“Latest Practicable Date”	25 March 2020, being the latest practicable date prior to the bulk printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Master Financial Services (2017 Renewal) Agreement”	the master financial services (2017 renewal) agreement dated 21 March 2017 entered into among the Company, TCL Tech, Finance Company (HK) and Finance Company;
“Master Financial Agreement (TCL Holdings) (2020-2022)”	the master financial agreement (TCL Holdings) (2020-2022) dated 25 March 2020 entered into among the Company, TCL Holdings and Finance Company (HK);
“PBOC”	the People’s Bank of China, the central bank of the PRC;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Qualified Holdings Group”	TCL Holdings and its Subsidiaries and any entity that may become Subsidiary of TCL Holdings from time to time, and for the purpose of this circular and for the purpose of the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder excludes the Group;
“Restructuring”	has the meaning ascribed to it under the section “Background” of the Letter from the Board of this circular;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the 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;
“Shareholder(s)”	holder(s) of Share(s);

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“Shareholders’ Approval Date”	the date on which the Shareholders of the Company approve the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder and the proposed annual caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly;
“TCL Electronics Qualified Members”	such member(s) of the Group which is/are Holdings Qualified Member(s);
“TCL Holdings”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), formerly known as TCL Industries Holdings (Guangdong) Inc.* (TCL實業控股(廣東)股份有限公司), a joint stock company established under the laws of the PRC;
“TCL Holdings Associates”	the associate(s) of TCL Holdings and any entity that may become associate of TCL Holdings from time to time during the term of the Master Financial Agreement (TCL Holdings) (2020-2022);
“TCL Holdings Financial Services Associates”	the existing TCL Holdings Associates and any entity that may become TCL Holdings Associates from time to time during the term of the Master Financial Agreement (TCL Holdings) (2020-2022) which carry on businesses in deposit, clearing, factoring finance, financial leasing and guarantees and other financial services, including but not limited to Finance Company (HK);
“TCL Holdings Group”	TCL Holdings and its Subsidiaries and any entity that may become Subsidiary of TCL Holdings from time to time, and for the purpose of this circular excludes the Group and for the purpose of the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder include TCL Holdings Associates;
“TCL Industries”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong; the immediate controlling shareholder of the Company; and a wholly-owned Subsidiary of TCL Holdings;
“TCL Tech”	TCL Technology Group Corporation (TCL科技集團股份有限公司), formerly known as TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100);

DEFINITIONS

“TCL Tech Group” TCL Tech and its Subsidiaries and any entity that may become Subsidiary of TCL Tech from time to time; and

“%” percent.

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:

LI Dongsheng (*Chairman*)

WANG Cheng Kevin

YAN Xiaolin

HU Lihua

Registered Office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Non-executive Directors:

Albert Thomas DA ROSA, Junior

SUN Li

LI Yuhao

Principal Place of Business in Hong Kong:

7th Floor, Building 22E

22 Science Park East Avenue

Hong Kong Science Park

Shatin, New Territories

Hong Kong

Independent Non-executive Directors:

Robert Maarten WESTERHOF

TSENG Shieng-chang Carter

WANG Yijiang

LAU Siu Ki

1 April 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS – MASTER FINANCIAL AGREEMENT
(TCL HOLDINGS) (2020-2022)**

**(2) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND PROVISION OF
FINANCIAL ASSISTANCE UNDER MASTER FINANCIAL AGREEMENT
(TCL HOLDINGS) (2020-2022)**

AND

(3) ELECTION OF DIRECTORS

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 21 March 2017, the circular of the Company dated 19 June 2019 and the Announcement. As stated in the Announcement, the Company had on 25 March 2020 entered into (i) the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK), and the transactions contemplated thereunder constitute non-exempt continuing connected transactions and major transaction of the Company. Reference is also made to the announcement of the Company dated 28 February 2020 in relation to the appointment of Mr. HU Lihua and Mr. SUN Li by the Board as an executive Director and a non-executive Director respectively to fill the casual vacancies arising from the resignation of Mr. WANG Yi Michael and Mr. YANG Anming.

The purposes of this circular are:

- (i) to provide the Shareholders with further information regarding the details of the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder (including particulars in compliances with requirements for major transactions) and the relevant proposed annual caps mentioned in the Announcement;
- (ii) to set out the recommendation of the Independent Board Committee to the Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the Master Financial Agreement (TCL Holdings) (2020-2022);
- (iii) to provide the Shareholders with information regarding the election of Directors; and
- (iv) to give the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

The notice of EGM is enclosed herein as part of this circular.

BACKGROUND

On 21 March 2017, the Company entered into the Master Financial Services (2017 Renewal) Agreement with TCL Tech, Finance Company (HK) and Finance Company for a duration covering the three financial years ended 31 December 2017, 2018 and 2019. For details of the Master Financial Services (2017 Renewal) Agreement, please refer to the announcement of the Company dated 21 March 2017 and circular of the Company dated 19 April 2017.

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As disclosed in the circular of the Company dated 19 June 2019, in the first quarter of 2019, a restructuring (the “**Restructuring**”) involving certain then Subsidiaries and associates of TCL Tech occurred, whereby TCL Tech spun off, among others, all its equity interests in TCL Industries, together with its equity interests in its various associates (including Finance Company (HK)) to TCL Holdings. As the spin-off by TCL Tech of all its ownership interest in, among others, TCL Industries to TCL Holdings had been completed by 31 March 2019, each of TCL Tech and Finance Company (a Subsidiary of TCL Tech) ceased to be a connected person of the Company since then. Accordingly, the transactions between the Group and TCL Tech Group (including Finance Company) ceased to be continuing connected transactions since then.

Following the completion of the Restructuring, (i) the Master Financial Services (2017 Renewal) Agreement has neither been terminated nor replaced but remains in force; (ii) no transactions between the Group and the members of TCL Holdings Group (including Finance Company (HK)) have been carried out under the Master Financial Services (2017 Renewal) Agreement; and (iii) the transactions between the Group and the members of TCL Tech Group (including Finance Company) under the Master Financial Services (2017 Renewal) Agreement ceased to be connected transactions.

For the period from 1 January 2020 to the Latest Practicable Date, no transactions under the Master Financial Agreement (TCL Holdings) (2020-2022) had been carried out between the Group, TCL Holdings and Finance Company (HK).

The Master Financial Services (2017 Renewal) Agreement has expired since 31 December 2019. As the Company wishes to continue the transactions thereunder, the Company had on 25 March 2020 entered into the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK), which is on similar terms as the Master Financial Services (2017 Renewal) Agreement with an expanded scope.

The major differences between the Master Financial Agreement (TCL Holdings) (2020-2022) on the one hand and the Master Financial Services (2017 Renewal) Agreement on the other hand are as follows:

- (i) the Master Financial Agreement (TCL Holdings) (2020-2022) was entered into only among the Company, TCL Holdings and Finance Company (HK);
- (ii) under the Master Financial Agreement (TCL Holdings) (2020-2022), Finance Company (HK) and/or TCL Holdings Financial Services Associates may provide Holdings Deposit Services to TCL Electronics Qualified Members;

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- (iii) under the Master Financial Agreement (TCL Holdings) (2020-2022) the Group may provide Holdings Credit Services to Qualified Holdings Group which are not available under the Master Financial Services (2017 Renewal) Agreement; and
- (iv) whereas the Group might provide promotion services to TCL Financial Associates (as defined in the circular of the Company dated 19 April 2017) under the Master Financial Services (2017 Renewal) Agreement, no promotion services will be provided by the Group to the TCL Holdings Financial Services Associates under the Master Financial Agreement (TCL Holdings) (2020-2022).

MASTER FINANCIAL AGREEMENT (TCL HOLDINGS) (2020-2022)

The material terms of the Master Financial Agreement (TCL Holdings) (2020-2022) are set out below:

- Date: 25 March 2020
- Parties:
- (i) the Company (for itself and on behalf of its Subsidiaries);
 - (ii) TCL Holdings (for itself and on behalf of its Subsidiaries and associates); and
 - (iii) Finance Company (HK)
- Duration: From the Shareholders' Approval Date to 31 December 2022 (both dates inclusive)
- Condition precedent: The Master Financial Agreement (TCL Holdings) (2020-2022) is conditional upon the Company having obtained the Shareholders' approval in respect of the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder and the proposed annual caps in accordance with the requirements under the Listing Rules.
- Major terms: **Holdings Deposit Services**

Any TCL Electronics Qualified Member may from time to time and at its absolute discretion deposit money with Finance Company (HK) and/or TCL Holdings Financial Services Associates. If Finance Company (HK) and/or TCL Holdings Financial Services Associates decides to accept any amount of cash deposits from a TCL Electronics Qualified Member (including current deposits, fixed deposits or any other forms of deposits), the interest rates offered by Finance Company (HK) and/or TCL Holdings Financial Services Associates, as the case may be, shall:

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(1) for deposits made within the PRC, not be lower than the higher of:

- (i) the minimum interest rate promulgated by the PBOC for the same type of deposit services from time to time;
- (ii) the interest rates for the same type of deposits offered by major commercial banks of the PRC (*see Note 1*) to the relevant TCL Electronics Qualified Member; and
- (iii) the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group); and

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

(2) for deposits made outside the PRC, not be lower than the higher of:

- (i) the interest rates for the same type of deposits offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located (*see Note 2*) to the relevant TCL Electronics Qualified Member; and
- (ii) the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group); and

other terms and conditions offered by Finance Company (HK) and/or TCL Holdings Financial Services Associates as a whole shall also not be less favourable than those offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located to the relevant TCL Electronics Qualified Member, and those offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group), and shall be on normal commercial terms.

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If any TCL Electronics Qualified Member demands repayment of any money deposited by it with Finance Company (HK) and/or TCL Holdings Financial Services Associates in accordance with the relevant terms and procedure and Finance Company (HK) and/or TCL Holdings Financial Services Associates fails to follow the repayment demand, such TCL Electronics Qualified Member shall then have the right to request TCL Holdings to repay the outstanding deposit amount on behalf of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates in full.

Holdings Credit Services

At the request of any member of Qualified Holdings Group, the Group may from time to time and at its absolute discretion advance loan(s) to Qualified Holdings Group, subject to compliance with all applicable laws, in which case the interest rates offered by the Group shall:

- (1) for loans made within the PRC, not be lower than the higher of:
 - (i) the interest rates for loans of the same type offered by major commercial banks of the PRC (*see Note 1*) to the relevant member of Qualified Holdings Group; and
 - (ii) the interest rates for loans of the same type offered by the Group to any other Independent Third Parties; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to any other Independent Third Parties and shall be on normal commercial terms; and

- (2) for loans made outside the PRC, not be lower than the higher of:
 - (i) the interest rates for loans of the same type offered by major commercial banks located in the place where the relevant member of Qualified Holdings Group is located (*see Note 2*) to the relevant member of Qualified Holdings Group; and
 - (ii) the interest rates for loans of the same type offered by the Group to any other Independent Third Parties; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to any other Independent Third Parties and shall be on normal commercial terms.

LETTER FROM THE BOARD

If any member of the Group demands repayment of any loan (including the interest) advanced to any member of the Qualified Holdings Group in accordance with the relevant terms and procedure and the relevant member of the Qualified Holdings Group fails to follow the repayment demand, TCL Holdings undertakes (and the relevant member of the Group shall then have the right to request TCL Holdings) to repay the outstanding loan (including the interest) on behalf of the relevant member of the Qualified Holdings Group in full.

Termination: Any party could terminate the Master Financial Agreement (TCL Holdings) (2020-2022) by giving the other parties written notice of no less than 30 days, and the Master Financial Agreement (TCL Holdings) (2020-2022) shall be terminated upon the expiry of such 30 days' of notice period.

Notes:

1. The major commercial banks of PRC include (but not limited to) Bank of China Limited, Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited and China Construction Bank Corporation.
2. The major commercial banks located in the place where the relevant TCL Electronics Qualified Member or member of Qualified Holdings Group (as the case may be) is located include (but not limited to), in the case of Hong Kong, Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Industrial and Commercial Bank of China (Asia) Limited.

LETTER FROM THE BOARD

HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the respective historical figures of the Master Financial Services (2017 Renewal) Agreement for the three years ended 31 December 2019, and the respective proposed annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022) for the three years ending 31 December 2022:

Continuing Connected Transactions	<i>Master Financial Services (2017 Renewal) Agreement</i>			<i>Master Financial Agreement (TCL Holdings) (2020-2022)</i>		
	For the year ended 31 December 2017 (audited) <i>HK\$'000</i>	For the year ended 31 December 2018 (audited) <i>HK\$'000</i>	For the nine months ended 30 September 2019 (for actual amount only)/ For the year ended 31 December 2019 (for original annual cap only) <i>HK\$'000</i>	For the year ending 31 December 2020 <i>HK\$'000</i>	For the year ending 31 December 2021 <i>HK\$'000</i>	For the year ending 31 December 2022 <i>HK\$'000</i>
<i>Holdings Deposit Services</i>						
Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)				1,544,000	1,791,000	2,077,000
– original cap (<i>Note</i>)	5,300,000	5,565,000	5,843,250			
– actual (<i>Note</i>)	4,663,837	5,127,463	4,276,081			
<i>Holdings Credit Services</i>						
Maximum daily balances of outstanding loans (including interest receivables in respect of these loans)				3,500,000	3,500,000	3,500,000
– original cap	N/A	N/A	N/A			
– actual	N/A	N/A	N/A			

Note:

The original caps and actual figures refer to the corresponding figures under the sub-head “Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)” under the Master Financial Services (2017 Renewal) Agreement as disclosed in the circular of the Company dated 19 April 2017.

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BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

The proposed annual caps in relation to the Master Financial Agreement (TCL Holdings) (2020-2022) are determined by reference to the historical amounts of the relevant transactions and taking into account the following factors:

Holdings Deposit Services

- (i) It is expected that the business of the Company would expand in the following years and as a result, the capital available for deposit with Finance Company (HK) and/or TCL Holdings Financial Services Associates would increase;
- (ii) It is expected that the Group's business would continue to grow in the coming years. Accordingly, it is expected that the cash flow of the Group at peak season of sales of the upcoming years would be strong and hence the Group's demand for deposit services from TCL Holdings Financial Services Associates may increase up to the proposed annual cap at the peak season;
- (iii) As at 30 June 2019, the Group's cash and bank balances were approximately HK\$6,818 million. Given that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Company would experience a gradual growth, it is expected that the Group's cash and bank balances would have a stable increase over the three financial years ending 31 December 2022; and
- (iv) Having considered the total daily balance of deposits placed by the Group at Finance Company as at 30 November 2019 exceeded HK\$4,717 million, the Group expects that the maximum amount of deposits to be maintained with TCL Holdings Financial Services Associates could be up to the proposed annual caps for the maximum outstanding daily balance of deposits for the three years ending 31 December 2022.

Holdings Credit Services

- (i) Having considered the Group's unaudited consolidated cash and bank balances as at 30 June 2019 were approximately HK\$6,818 million, and given that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Group would experience a gradual growth, it is expected that the Group would have a stable cash flow surplus over the three financial years ending 31 December 2022 for lending in return for favourable interest income;
- (ii) Having assessed the business needs of the Group, as well as the maximum amount of exposure at any time which the Group is prepared to assume under the Master Financial Agreement (TCL Holdings) (2020-2022) in the context of the cash flow of the Group, the Group expects that the maximum amount of loans to be advanced to Qualified Holdings Group could be up to the proposed annual caps for the maximum daily balances of outstanding loans for the three years ending 31 December 2022; and

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- (iii) The proposed annual caps have also taken into account the repayment ability of Qualified Holdings Group, being approximately HK\$3,500,000,000, which is estimated based on the audited net asset value of the Qualified Holdings Group as of 31 December 2018.

REASONS FOR AND BENEFITS OF THE MASTER FINANCIAL AGREEMENT (TCL HOLDINGS) (2020-2022)

After the completion of the Restructuring as aforementioned, each of TCL Tech and Finance Company ceased to be a connected person of the Company, while TCL Holdings and Finance Company (HK) are connected persons of the Company under the Listing Rules. As such, instead of an overall financial agreement encompassing the transactions between the Company, TCL Tech and Finance Company as well as the transactions between the Company, TCL Holdings and Finance Company (HK), entering into the Master Financial Agreement (TCL Holdings) (2020-2022) separately could enhance the efficiency and lower administrative costs in terms of conducting internal control and for compliance purposes. It would also be easier for the Company to monitor the usage of respective proposed annual caps to ensure they are not exceeded.

The Directors (other than the independent non-executive Directors whose view will be set out in the Letter from the Independent Board Committee) consider that the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and it is in the interests of the Company and the Shareholders as a whole to enter into the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder for the following reasons:

1. The Master Financial Agreement (TCL Holdings) (2020-2022) provides cost efficient treasury services to all TCL Electronics Qualified Members. The Company believes that TCL Holdings Financial Services Associates as the financing platform for the entire TCL Holdings Group may take advantage of the economies of scale and therefore provide TCL Electronics Qualified Members with deposit interest rates more favourable or at least no less favourable than other financial institutions in or outside the PRC. Specifically, TCL Holdings Financial Services Associates may obtain better financing options from the financial institutions outside through TCL Holdings by making use of its advantage in scale of the capital, and in turn the TCL Holdings Financial Services Associates may offer favourable deposit interest rates to TCL Electronics Qualified Members.
2. Further, Finance Company (HK) has a thorough understanding of the operations and development needs of the Group. Accordingly, it is expected that TCL Holdings Financial Services Associates (including Finance Company (HK)) will be more efficient in terms of processing transactions for the Group than other financial institutions given their close relationships.

LETTER FROM THE BOARD

3. In view of the expected idle cash flow of the Group over the three financial years ending 31 December 2022, the Master Financial Agreement (TCL Holdings) (2020-2022) would provide the Group with greater flexibility in the management of its idle cash flow by enabling it to lend a portion of its idle cash resources to Qualified Holdings Group and obtaining favourable interest income in return, thereby efficiently utilising and maximising the return of its idle cash flow.
4. On one hand, in view of the close relationship between the Group and Qualified Holdings Group, and the financial needs of Qualified Holdings Group from time to time, the Group would be able to provide more efficient processing of loan requests from Qualified Holdings Group and accordingly has greater competitive advantages over other lending institutions and thereby attracting Qualified Holdings Group to obtain financing from the Group. On the other hand, the Group would benefit from efficiently utilising its idle cash flow and receiving higher interest income by advancing loans to Qualified Holdings Group. Accordingly, both the Group and Qualified Holdings Group would gain from the Holdings Credit Services.

FINANCIAL EFFECTS OF THE MASTER FINANCIAL AGREEMENT (TCL HOLDINGS) (2020-2022)

The Company expects more cash will be available for deposit with Finance Company (HK) and/or TCL Holdings Financial Services Associates, as well as lending to Qualified Holdings Group during year 2020 to 2022. Therefore, it expects that there will be an increase in interest income to be earned from Finance Company (HK) and/or TCL Holdings Financial Services Associates and/or Qualified Holdings Group in the same period. However, given that (i) the interest income earned from Finance Company and/or Finance Company (HK) in the past years, which are in the sums of approximately HK\$76,045,000 and HK\$196,000 for the two years ended 31 December 2018 respectively, only represent a small proportion of its earnings and net assets, and (ii) the interest income to be earned from Qualified Holdings Group is expected to also only represent a small proportion of its earnings and assets/liabilities in view of the proposed annual caps, the Company anticipates that the interest income to be earned from the deposits and loans will not have any material impact on its corresponding earnings, assets and liabilities.

INTERNAL CONTROL PROCEDURES

In respect of the continuing connected transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022), the Group adopts the following internal control procedures:

1. Independent financial system

The finance department of the Group has a team of independent financial staff. The Group has adopted a sound and independent audit system and a comprehensive financial management system. The Group also maintains bank accounts with independent banks. TCL Holdings Group does not share any bank account with the Group nor does it control the use of any of the Group's bank accounts.

LETTER FROM THE BOARD

2. Risk control measures

Finance Company (HK) and/or relevant TCL Holdings Financial Services Associates utilise deposits placed with them, to the extent permitted by applicable laws and regulations, by lending the funds out to Holdings Qualified Members (including TCL Electronics Qualified Members). Since the terms of the deposits and loans are often different, Finance Company (HK) and/or relevant TCL Holdings Financial Services Associates face liquidity risks if any deposit becomes due and they do not have sufficient immediately available fund for repayment. The nature of such risk does not differ materially from the liquidity risks faced by PRC commercial banks. To manage such risks, the Group will request Finance Company (HK), the relevant TCL Holdings Financial Services Associates and TCL Holdings Group to provide the Group with sufficient information including various financial indicators, such as their asset sizes, liquidity ratios, operation ratios, level of bad assets and their risk ratings assessed by PBOC (if and when available) at the end of every quarter as well as annual and interim financial statements to enable the Group to monitor and review their financial condition. Each of Finance Company (HK), the relevant TCL Holdings Financial Services Associates and TCL Holdings Group shall notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates, the Group will take appropriate measures (including early uplift of deposits and a moratorium on further deposits) to protect the Group's financial position.

The Company will, from time to time and at its sole discretion, request for the deposits Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.

In respect of Holdings Credit Services, the Group will request Qualified Holdings Group to provide the Group with sufficient information including various financial indicators, such as its asset size, liquidity ratios, operation ratios, level of bad assets and its risk rating assessed by PBOC (if and when available) at the end of every quarter as well as annual and interim financial statements to enable the Group to monitor and review its financial condition. Qualified Holdings Group shall also notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of Qualified Holdings Group, the Group will take appropriate measures (including ceasing to advance further loans) to protect the Group's financial position.

LETTER FROM THE BOARD

Pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022), TCL Holdings has undertaken that if Finance Company (HK) and/or any of the TCL Holdings Financial Services Associates and/or any member of Qualified Holdings Group (as the case may be) fails to make any repayment in accordance with the relevant terms and procedure, TCL Holdings shall repay any outstanding deposit/loan amount (as the case may be) on behalf of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or the relevant member of Qualified Holdings Group (as the case may be) in full. Such undertaking provides indemnification for the deposits and loans under the Master Financial Agreement (TCL Holdings) (2020-2022).

3. Internal control measures

The Group's finance department will monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate deposits and loans do not exceed the applicable annual caps. Should the balance at the end of any day exceed the maximum daily balance of deposits, the excess funds will be transferred to the Group's designated bank accounts with an independent commercial bank. In respect of Holdings Credit Services, if the balance of loan at the end of any day reaches 90% of the annual cap, the finance department of the Group would issue a warning to the Group. Upon receiving the warning, the Group would cease advancing further loans to Qualified Holdings Group until the balance of loan falls below 90%.

Before entering into individual transactions under the Master Financial Agreement (TCL Holdings) (2020-2022), the treasury manager of the Company's treasury department will, in addition to monitoring the pricing terms (as disclosed below), also examine other terms of the transactions to ensure that the terms conform with the Master Financial Agreement (TCL Holdings) (2020-2022).

To enable the Group to monitor and ensure that the relevant annual caps under the Master Financial Agreement (TCL Holdings) (2020-2022) have not been exceeded, (i) Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates will provide the Group with a monthly report on the status of the Group's deposits; and (ii) the finance department of the Group will provide a monthly report on the status of the Group's loans to Qualified Holdings Group.

The management of the Group will prepare risk assessment reports of (i) the funds deposited with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates; and (ii) the loans advanced to Qualified Holdings Group every quarter. The contents of such risk assessment reports include the total balance and maximum daily balance of the deposits and loans for the reporting period, a summary of the interest rates of the deposits or loans with/to Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or relevant members of Qualified Holdings Group (as the case may be) during the reporting period, and the terms thereof. The management of the Group will also report to the Board every six months with respect to the deposits and loans under the Master Financial Agreement (TCL Holdings) (2020-2022) including compliance with annual caps and any potential change in the risk profile of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or relevant member of Qualified Holdings Group.

LETTER FROM THE BOARD

In particular, the Company's audit committee will scrutinise the implementation and enforcement of the transactions under the Master Financial Agreement (TCL Holdings) (2020-2022). If the Company's audit committee is of the view and decides that it would be in the Company's interests to (i) reduce the level of deposits with Finance Company (HK) and/or TCL Holdings Financial Services Associates; and/or (ii) reduce the level of loans advanced to relevant member of Qualified Holdings Group, the Group will take appropriate steps to implement its decision. Any material findings in the risk assessment reports, the views of the Company's audit committee on the deposits and loans under the Master Financial Agreement (TCL Holdings) (2020-2022) (including its views on how the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports.

4. Pricing related internal control measures

The Company will regularly obtain benchmarks (such as prevailing market interest rates in respect of the various services under the Master Financial Agreement (TCL Holdings) (2020-2022), including but not limited to the deposit and lending interest rates stipulated by the major commercial banks and the PBOC) every six months during the term of the Master Financial Agreement (TCL Holdings) (2020-2022). All the benchmarks obtained by the Company will be kept in a database maintained by its treasury department, which will be used internally for, in addition to determining the interest rates and services fees etc. under the Master Financial Agreement (TCL Holdings) (2020-2022), monitoring the market trend and allowing the Group to better formulate its funds management strategy.

Further, with all the benchmarks mentioned above collected, the treasury manager of the Company's treasury department will negotiate with (i) Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates on the best interest rates/fees most favourable to the TCL Electronics Qualified Members that the TCL Electronics Qualified Members can obtain; and/or (ii) relevant member of Qualified Holdings Group on the best lending interest rates that the Group can obtain. The benchmarks will set the bottom line for the TCL Electronics Qualified Members or the Group (as the case may be) in the negotiation process. The head of the treasury department of the Company would have the ultimate decision as to whether to use the services of the TCL Holdings Financial Services Associates or provide services to Qualified Holdings Group (as the case may be) at the negotiated interest rates/fees provided that such interest rates/fees comply with the terms of the Master Financial Agreement (TCL Holdings) (2020-2022).

LETTER FROM THE BOARD

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The Master Financial Agreement (TCL Holdings) (2020-2022) will be subject to the following annual review requirements:

- (i) the independent non-executive Directors shall review annually the Master Financial Agreement (TCL Holdings) (2020-2022) and confirm in the Company's corresponding annual report that the Master Financial Agreement (TCL Holdings) (2020-2022) has been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better and on terms no less favourable to the Group than those available from the Independent Third Parties; and
 - (c) in accordance with the respective agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the auditors of the Company shall review annually the Master Financial Agreement (TCL Holdings) (2020-2022) and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) that the Master Financial Agreement (TCL Holdings) (2020-2022) and the continuing connected transactions thereunder:
 - (a) have received the approval of the Board;
 - (b) have been entered into in accordance with the Master Financial Agreement (TCL Holdings) (2020-2022); and
 - (c) have not exceeded the caps; and
- (iii) the Directors shall state in the Company's annual report whether its auditors have confirmed the matters stated in Rule 14A.57 of the Listing Rules.

The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

The Company shall allow, and shall procure that the counterparties shall allow the Company's auditors access to the relevant records for the purpose of the auditors' review of the Master Financial Agreement (TCL Holdings) (2020-2022) referred to in paragraph (ii) above.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 1,260,358,288 Shares of the Company, representing approximately 53.15% of the total number of issued Shares, were held by TCL Industries, which in turn was held as to 100% by TCL Holdings. As such, TCL Industries is a substantial Shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Holdings is the holding company of TCL Industries, it is an associate of TCL Industries and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. In addition, Finance Company (HK), being a Subsidiary of TCL Holdings, is also a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022) constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Furthermore, as one or more of the applicable percentage ratios in relation to the Holdings Deposit Services and the Holdings Credit Services under the Master Financial Agreement (TCL Holdings) (2020-2022) exceed 25%, the aforementioned transactions constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Holdings Credit Services under the Master Financial Agreement (TCL Holdings) (2020-2022) exceeds 8%, the aforementioned transactions also constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

An Independent Board Committee has been established to advise the Shareholders on the terms and the proposed annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022). The Company has appointed Pelican Financial Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

In view of Mr. LI Dongsheng's indirect interests in TCL Holdings as mentioned below, he did not vote in the board meeting during which the Board approved the Master Financial Agreement (TCL Holdings) (2020-2022) and the continuing connected transactions contemplated thereunder to avoid any potential conflict of interests, and that he will abstain from voting in respect of the Master Financial Agreement (TCL Holdings) (2020-2022) and the continuing connected transactions contemplated thereunder to be put forward at the EGM.

LETTER FROM THE BOARD

Out of the other Directors, Mr. WANG Cheng is also the chief executive officer of TCL Holdings, whereas Mr. WANG Yi Michael was a then Director and a then vice-president of TCL Holdings when the relevant resolution in respect of the Master Financial Agreement (TCL Holdings) (2020-2022) was put forward to the Board for consideration and approval. Nevertheless, notwithstanding their offices held in TCL Holdings and TCL Holdings Associates, as their respective direct or indirect interests in TCL Holdings are insignificant and that none of the TCL Holdings Associates are associates of any of the Directors (other than Mr. LI Dongsheng), none of them or the other Directors are considered as having a material interest in the Master Financial Agreement (TCL Holdings) (2020-2022), therefore all the other Directors are entitled to vote on the relevant board resolution pursuant to the Company's articles of association. Each of Mr. HU Lihua and Mr. SUN Li was not a Director when the relevant board resolution was put forward to the Board for consideration and approval, and hence none of them has voted in respect of the relevant resolution.

As at the Latest Practicable Date, 1,260,358,288 Shares are held by TCL Industries, which in turn is held as to 100% by TCL Holdings, representing approximately 53.15% of the total number of issued Shares.

As at the Latest Practicable Date, TCL Holdings is an associate of Mr. LI Dongsheng under Chapter 14A of the Listing Rules. Mr. LI Dongsheng has 33.3331% indirect equity interest in TCL Holdings held via:

- (a) Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成股權投資有限公司), which has a 3.1005% shareholding in TCL Holdings. Mr. LI Dongsheng owns more than 50% of equity interest in Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成股權投資有限公司); and
- (b) Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合伙企業(有限合夥)), which has a 30.2326% shareholding in TCL Holdings. Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合伙企業(有限合夥)) is a limited partnership and Mr. LI Dongsheng owns more than 50% economic interest in Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合伙企業(有限合夥)) as a limited partner. The general partner of Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合伙企業(有限合夥)) is Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成股權投資有限公司), in which Mr. LI Dongsheng owns more than 50% equity interest as set out in (a) above.

As such, TCL Holdings and TCL Holdings Associates will abstain from voting on the resolution in respect of the Master Financial Agreement (TCL Holdings) (2020-2022) to be put forward at the EGM.

Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution in respect of the Master Financial Agreement (TCL Holdings) (2020-2022) to be put forward at the EGM.

The Directors (other than independent non-executive Directors whose views on the Master Financial Agreement (TCL Holdings) (2020-2022) are set out in the letter from the Independent Board Committee of this circular) consider the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder and the respective proposed annual caps are fair and reasonable, and on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group and they are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

GENERAL INFORMATION ON THE PARTIES

The Group 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. 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).

TCL Holdings is principally engaged in equity investment, real estate leasing, conference services, software development, developing, manufacturing and distributing communication devices, audio/video products, electronic products and home appliances, market development, goods and technology import and export, computer information technology services, business management consultation and business information consultation, etc.. As at the Latest Practicable Date, the shareholding structure of TCL Holdings was as follows:

Shareholders	Shareholding (%)
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))	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
Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成股權投資有限公司)	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 (鍾偉堅先生)	0.0003
Total	100.0000

LETTER FROM THE BOARD

As at the Latest Practicable Date, Finance Company (HK) is indirectly wholly-owned by TCL Holdings and is principally engaged in obtaining and utilizing funds required for operation of TCL Holdings Group (including the Group), the main functions of which include but not limited to financing of funds inside TCL Holdings Group (including the Group), the management of cash pool and liquidity of funds, payment to vendor or supplier, assistance of TCL Holdings Group (including the Group) to procure funds, and risk management.

ELECTION OF DIRECTORS

Reference is made to the announcement of the Company dated 28 February 2020 in relation to the appointment of Mr. HU Lihua and Mr. SUN Li by the Board as an executive Director and a non-executive Director respectively to fill the respective casual vacancies arising from the resignation of Mr. WANG Yi Michael and Mr. YANG Anming. Pursuant to the corporate governance code and corporate governance report as set out in Appendix 14 of the Listing Rules, directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Accordingly, Mr. HU Lihua and Mr. SUN Li are subject to election by Shareholders at the EGM.

Pursuant to the corporate governance code and corporate governance report as set out in Appendix 14 of the Listing Rules, non-executive directors should be appointed for a specific term, subject to re-election. Accordingly, if elected at the EGM, Mr. SUN Li will hold office until the conclusion of the annual general meeting of the Company of 2022.

Further, if elected, Mr. HU Lihua and Mr. SUN Li, subject to the terms agreed otherwise which expire earlier, will be subject to rotation, removal, vacation or termination of their offices as Directors as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules. Their particulars required to be disclosed under the Listing Rules are set out in Appendix III to this circular.

EGM

The Company will convene the EGM at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories Hong Kong on 20 April 2020, Monday at 2:30 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Master Financial Agreement (TCL Holdings) (2020-2022) and its proposed annual caps, as well as the election of Mr. HU Lihua as an executive Director and Mr. SUN Li as a non-executive Director. The notice of the EGM is set out on pages 61 and 63 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

RECORD DATE

Record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM will be on 14 April 2020, Tuesday. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 14 April 2020, Tuesday.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 27 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders regarding the resolution to approve the Master Financial Agreement (TCL Holdings) (2020-2022) and its proposed annual caps; (ii) the letter from Pelican Financial Limited, the Independent Financial Adviser, set out on pages 28 to 43 of this circular which contains its advice (together with the principal factors and reasons considered in arriving at such advice) to the Independent Board Committee and the Shareholders in respect of the fairness and reasonableness of the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) and their respective proposed annual caps; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of Pelican Financial Limited, the Independent Financial Adviser, considers that the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder and the respective proposed annual caps are fair and reasonable, and on normal commercial terms or better, and are entered in the ordinary and usual course of business of the Group and they are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder and their respective proposed annual caps.

The Board considers that the Master Financial Agreement (TCL Holdings) (2020-2022) and the transactions contemplated thereunder and the respective proposed annual caps are fair and reasonable, and on normal commercial terms or better, and are entered in the ordinary and usual course of business of the Group and they are in the interests of the Company and the Shareholders as a whole.

The Board also considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Shareholders and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

PRECAUTIONARY MEASURES FOR THE EGM IN VIEW OF THE RECENT CORONAVIRUS EPIDEMIC

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

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

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

Yours faithfully,
On behalf of the Board
LI Dongsheng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01070)

1 April 2020

To: the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS – MASTER FINANCIAL AGREEMENT
(TCL HOLDINGS) (2020-2022)**

We refer to the circular of the Company dated 1 April of the Company (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Shareholders in respect of the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) and the proposed annual caps, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice (together with the principal factors and reasons considered in arriving at such advice) from Pelican Financial Limited set out on pages 6 to 26 and pages 28 to 43 of the Circular respectively.

Having taken into account of the advice (together with the principal factors and reasons considered in arriving at such advice) of Pelican Financial Limited, the Independent Financial Adviser, we consider that the Master Financial Agreement (TCL Holdings) (2020-2022) is on normal commercial terms, entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms thereof and their respective proposed annual caps are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Master Financial Agreement (TCL Holdings) (2020-2022) and the respective proposed annual caps.

Yours faithfully,

Robert Maarten WESTERHOF, TSENG Shieng-chang Carter,
WANG Yijiang and LAU Siu Ki
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Pelican Financial Limited to the Independent Board Committee and the Shareholders for incorporation in this circular.



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

1 April 2020

*To the Independent Board Committee and the independent Shareholders of
TCL Electronics Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO MASTER FINANCIAL AGREEMENT (TCL HOLDINGS) (2020-2022)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the terms and the proposed annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 1 April 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As disclosed in the announcement of the Company dated 21 March 2017, the circular of the Company dated 19 June 2019 and the Announcement, on 25 March 2020 the Company entered into the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, 1,260,358,288 Shares of the Company, representing approximately 53.15% of the total number of issued Shares, were held by TCL Industries, which in turn was held as to 100% by TCL Holdings. As such, TCL Industries is a substantial Shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Holdings is the holding company of TCL Industries, it is an associate of TCL Industries and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. In addition, Finance Company (HK), being a Subsidiary of TCL Holdings, is also a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022) constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Holdings Deposit Services and the Holdings Credit Services under the Master Financial Agreement (TCL Holdings) (2020-2022) exceed 25%, the aforementioned transactions constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Holdings Credit Services under the Master Financial Agreement (TCL Holdings) (2020-2022) exceeds 8%, the aforementioned transactions also constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

The Board currently comprises four executive Directors, three non-executive Directors and four independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki, has been established to advise the independent Shareholders regarding the Master Financial Agreement (TCL Holdings) (2020-2022). We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the independent Shareholders. In the last two years, apart from normal professional fees payable to us in connection with this and similar appointments of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

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Our role is to provide you with our independent opinion and recommendation as to (i) whether the Master Financial Agreement (TCL Holdings) (2020-2022) is in the ordinary and usual course of business and on normal commercial terms; (ii) whether the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) and its relevant proposed annual caps are fair and reasonable so far as the independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the independent Shareholders should vote in respect of the relevant resolution(s) to approve the Master Financial Agreement (TCL Holdings) (2020-2022) and their relevant proposed annual caps at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and validated them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Master Financial Agreement (TCL Holdings) (2020-2022), the Master Financial Services (2017 Renewal) Agreement (together with the relevant announcement of the Company dated 21 March 2017 and circular of the Company dated 19 April 2017), the annual report of the Company for the financial year ended 31 December 2018 (the “**2018 Annual Report**”), the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), the circular of the Company dated 19 June 2019, the Announcement and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

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PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the Master Financial Agreement (TCL Holdings) (2020-2022), we have considered the following principal factors and reasons.

1. Background of the Master Financial Agreement (TCL Holdings) (2020-2022)

As stated in the Board Letter, following the completion of the Restructuring, TCL Holdings Group (including Finance Company (HK)) has remained to be the Group's connected persons, despite no transactions between the Group and the members of TCL Holdings Group (including Finance Company (HK)) had been carried out under the Master Financial Services (2017 Renewal) Agreement.

As the Master Financial Services (2017 Renewal) Agreement has expired since 31 December 2019 and the Company wishes to continue the transactions thereunder, the Company had on 25 March 2020 entered into the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK), the terms of which are on similar terms as those of the Master Financial Services (2017 Renewal) Agreement, except that (i) under the Master Financial Agreement (TCL Holdings) (2020-2022), the Group may provide Holdings Credit Services to Qualified Holdings Group which are not available under the Master Financial Services (2017 Renewal) Agreement; and (ii) no promotion services will be provided by the Group to TCL Holdings Financial Services Associates under the Master Financial Agreement (TCL Holdings) (2020-2022), despite that under the Master Financial Services (2017 Renewal) Agreement, such services might be provided by the Group to TCL Financial Associates (as defined in the circular of the Company dated 19 April 2017).

Pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022), any TCL Electronics Qualified Member may from time to time and in its absolute discretion (i) deposit money with Finance Company (HK) and/or TCL Holdings Financial Services Associates for their Holdings Deposit Services; and (ii) provide Holdings Credit Services by the Group, which may from time to time and in its absolute discretion advance loan(s) to such member of the Qualified Holdings Group, subject to compliance with all applicable laws.

2. Background information on the Company and the Group

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, while the Group 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.

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Set out below is a summary of the financial information of the Group for the two years ended 31 December 2018 and for the six months ended 30 June 2019 and 30 June 2018 as extracted from the 2018 Annual Report and the 2019 Interim Report, respectively.

	For the six months ended		For the financial year ended	
	30 June		31 December	
	2019	2018	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<i>Revenue by product</i>				
Sales of Goods	22,724,403	21,050,481	45,581,970	40,822,357
Cost of Sales	(19,000,457)	(17,830,324)	(38,629,813)	(34,521,113)
Gross profit	<u>3,723,946</u>	<u>3,220,157</u>	<u>6,952,157</u>	<u>6,301,244</u>
Profit for the period/year	<u>1,368,552</u>	<u>571,496</u>	<u>934,850</u>	<u>796,861</u>

According to the 2018 Annual Report, for the year ended 31 December 2018, the Group recorded an annual growth of about 11.7% in its annual turnover, from approximately HK\$40.8 billion to approximately HK\$45.6 billion, which was mainly due to the increase in sales volume from overseas markets by about 29.5% and the increase in sales volume from the PRC market by about 13.4%. As a result of the increase in its revenue, the Group's gross profit increased by about 10.3% while the profit for the year increased by about 17.3% for the year ended 31 December 2018 compared to the previous year.

According to the 2019 Interim Report, for the six months ended 30 June 2019, the Group's global TV sales volume again hit a new high of 15.53 million sets, representing a year-on-year growth of about 17.9% which allowed the Group to capture a market share of 14.3% and remain at No. 2 in the global TV market. As a result of its increase in sales, the Group's revenue increased by about 8% from approximately HK\$21.1 billion to approximately HK\$22.7 billion compared to the same period last year. In addition to its growth in sales, the increased valuation of Shenzhen Falcon Network Technology Co., Ltd.* (深圳市雷鳥網絡科技有限公司) and its Subsidiaries (the "**Falcon Network Technology Group**"), which was acquired by the Group in early 2019, also greatly contributed to the growth in the Group profitability as a one-off gain of HK\$787 million on the fair value remeasurement of 44.44% pre-existing equity interest in Falcon Network Technology Group held by the Group was included. As a result, the gross profit of the Group increased by about 15.7% and profits for the period increased 139.8% for the six months ended 30 June 2019 compared to the same period in the previous year.

According to the 2019 Interim Report, the Group will continue to consolidate its leading position in the television industry, meanwhile vigorously make innovations in technologies, minimize its costs, further consolidate intelligent manufacturing and actively propel digital transformation in order to continuously improve profitability and create greater value for Shareholders.

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3. Background information on the connected persons

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

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

4. Principal terms of the Master Financial Agreement (TCL Holdings) (2020-2022)

Holdings Deposit Services

Pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022), any TCL Electronics Qualified Member may from time to time and in its absolute discretion deposit money with Finance Company (HK) and/or TCL Holdings Financial Services Associates for their Holdings Deposit Services.

If Finance Company (HK) and/or TCL Holdings Financial Services Associates decides to accept any amount of cash deposits from a TCL Electronics Qualified Member (including current deposits, fixed deposits or any other forms of deposits), the interest rates offered by Finance Company (HK) and/or TCL Holdings Financial Services Associates, as the case may be, shall:

- (1) for deposits made within the PRC, not be lower than the higher of:
 - (i) the minimum interest rate promulgated by the PBOC for the same type of deposit services from time to time;
 - (ii) the interest rates for the same type of deposits offered by major commercial banks of the PRC; and
 - (iii) the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group); and

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

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- (2) for deposits made outside the PRC, not be lower than the higher of:
- (i) the interest rates for the same type of deposits offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located; and
 - (ii) the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group); and

other terms and conditions offered by Finance Company (HK) and/or TCL Holdings Financial Services Associates as a whole shall also not be less favourable than those offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located to the relevant TCL Electronics Qualified Members and those offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group) and shall be on normal commercial terms.

If any TCL Electronics Qualified Member demands repayment of any money deposited by it with Finance Company (HK) and/or TCL Holdings Financial Services Associates in accordance with the relevant terms and procedure and Finance Company (HK) and/or TCL Holdings Financial Services Associates fails to follow the repayment demand, such TCL Electronics Qualified Member shall then have the right to request TCL Holdings to repay the outstanding deposit amount on behalf of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates in full.

Holdings Credit Services

At the request of any member of Qualified Holdings Group, the Group may from time to time and at its absolute discretion advance loan(s) to Qualified Holdings Group, subject to compliance with all applicable laws, in which case the interest rates offered by the Group shall:

- (1) for loans made within the PRC, not be lower than the higher of:
- (i) the interest rates for loans of the same type offered by major commercial banks of the PRC to the relevant member of Qualified Holdings Group; and
 - (ii) the interest rates for loans of the same type offered by the Group to any other Independent Third Parties; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to any other Independent Third Parties and shall be on normal commercial terms; and

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- (2) for loans made outside the PRC, not be lower than the higher of:
- (i) the interest rates for loans of the same type offered by major commercial banks located in the place where the relevant member of Qualified Holdings Group is located to the relevant member of Qualified Holdings Group; and
 - (ii) the interest rates for loans of the same type offered by the Group to any other Independent Third Parties; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to any other Independent Third Parties and shall be on normal commercial terms.

If any member of the Group demands repayment of any loan (including the interest) advanced to any member of the Qualified Holdings Group in accordance with the relevant terms and procedure and the relevant member of the Qualified Holdings Group fails to follow the repayment demand, TCL Holdings undertakes (and the relevant member of the Group shall then have the right to request TCL Holdings) to repay the outstanding loan (including the interest) on behalf of the relevant member of the Qualified Holdings Group in full.

For details of the terms of the Master Financial Agreement (TCL Holdings) (2020-2022), please refer to the section headed “Master Financial Agreement (TCL Holdings) (2020-2022)” in the Board Letter.

Our analysis on the principal terms of the Master Financial Agreement (TCL Holdings) (2020-2022)

We have reviewed the Master Financial Agreement (TCL Holdings) (2020-2022) and have discussed with the management of the Company on the major terms therein. In our discussions with the management of the Company and our review of the major terms of the Master Financial Agreement (TCL Holdings) (2020-2022), we noted that the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) are on similar terms as those of the Master Financial Services (2017 Renewal) Agreement, save for (i) the change of the counterparties from the then TCL Financial Services Associates, Finance Company and Finance Company (HK) before the Restructuring to the now TCL Holdings Financial Services Associates and Finance Company (HK) after the Restructuring; and (ii) the change of the scope of services to include deposit and credit services but not promotion services, which were previously covered under the Master Financial Services (2017 Renewal) Agreement. On the other hand, same as the Master Financial Services (2017 Renewal) Agreement, the Group is not restricted from engaging other independent financial institutions for Holdings Deposit Services, and for Holdings Deposit Services to be made inside or outside of the PRC with Finance Company (HK), the terms and conditions offered by Finance Company (HK) as a whole shall be not less favourable than those offered by PBOC (if the deposit is to be made in the PRC) and other major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located, and not less favourable than those offered by Finance Company (HK) to any other members of the TCL Holdings Group (including the Group) and shall be on normal commercial terms.

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Given that the interest rates for Holdings Deposit Services are determined with reference to the interest rates offered by independent financial institutions and/or determined by the PBOC, we have obtained, reviewed and examined the applicable interest rates for deposit services, including normal cash deposits and/or time deposits, offered by Finance Company (HK) to relevant members of the Group in five different months from 2017 to 2019 and compared such interest rates to those interest rates offered by other independent financial institutions and/or determined by the PBOC. We consider our samples as fair and representative as they cover different points of time during the three years. Through our comparison, we noted that the interest rates offered by Finance Company (HK) were comparable to and no less favorable than those offered by other independent financial institutions and/or determined by the PBOC.

In respect of Holdings Credit Services, we noted from our discussion with the Company that, such lending services are new transactions which have not been commenced and therefore no historical lending interest rates offered by the Group are available for review. However, since the interest rates for Holdings Credit Services will be determined with reference to the interest rates for loans of the same type offered by major commercial banks to the relevant member of Qualified Holdings Group and/or by the Group to any other Independent Third Parties in future, and that such transactions will undergo the Group's internal control procedures and corporate governance measures as discussed in the below section, we are of the view that the Holdings Credit Services will be conducted on normal commercial terms and will be fair and reasonable so far as the independent Shareholders are concerned.

In the light of the above and in particular that: (i) the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) are similar to those of the Master Financial Services (2017 Renewal) Agreement; (ii) Holdings Deposit Services to be provided by Finance Company (HK) and/or TCL Holdings Financial Services Associates shall not be less favorable than those offered by other independent financial institutions and shall be on normal commercial terms; (iii) the relevant members of the Group are not restricted from engaging other independent financial institutions for Holdings Deposit Services; and (iv) Holdings Credit Services to be provided by the Group shall not be more favorable than those offered by major commercial banks of the PRC to the relevant member of Qualified Holdings Group or by the Group to any other Independent Third Parties and shall be on normal commercial terms, we are of the view that the terms of the Master Financial Agreement (TCL Holdings) (2020-2022) are on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

5. Internal control measures

To ensure that the terms of each of the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022) to be entered into by the Group are fair and reasonable and are on normal commercial terms so far as the Group is concerned, the Group has adopted a set of internal control procedures and corporate governance measures. Please refer to the section headed "Internal Control Procedures" of the Board Letter for details on the internal control procedures adopted for the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022). The following is a summary of the Group's major internal control procedures and corporate governance measures.

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- (i) The finance department of the Group has a team of designated financial staff and adopted a sound and independent audit system and a comprehensive financial management system;
- (ii) The Group has implemented risk control measures, which include but are not limited to, (a) requesting Finance Company (HK), the relevant TCL Holdings Financial Services Associates and TCL Holdings Group to provide the Group with sufficient information including various financial indicators, such as their asset sizes, liquidity ratios, operation ratios, level of bad assets and their risk ratings assessed by PBOC (if and when available) from time to time, as well as annual and interim financial statements to enable the Group to monitor and review their financial condition; (b) taking appropriate measures (including early uplift of deposits and a moratorium on further deposits) to protect the Group's financial position, should the Group consider that there is any material adverse change in the financial condition of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates; (c) requesting to withdraw the deposits (either in full or in part) with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates at its sole discretion so as to assess and ensure the liquidity and safety of the Group's deposits; and (d) requiring TCL Holdings to repay any outstanding deposit amount and/or loan amount on behalf of Finance Company (HK), the relevant TCL Holdings Financial Services Associates and/or members of TCL Holdings Group if any of the latter fails to make any repayment in accordance with the relevant terms and procedure;
- (iii) The Group has implemented internal control measures, which include but are not limited to, (a) having the finance department of the Group to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate deposits and loans do not exceed the applicable annual caps; (b) having the treasury department to monitor and examine, in addition to the pricing terms as mentioned in the next paragraph, other terms of the transactions to ensure that they conform with the Master Financial Agreement (TCL Holdings) (2020-2022); (c) having Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates to provide the Group with a monthly report on the status of the Group's deposits; (d) having the finance department of the Group to provide a monthly report on the status of the Group's loans to Qualified Holdings Group; (e) having the management of the Group to prepare risk assessment reports of (i) the funds deposited with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates; and (ii) the loans advanced to Qualified Holdings Group every quarter, and to report to the Board every six months with respect to the deposits and loans under the Master Financial Agreement (TCL Holdings) (2020-2022), including compliance with annual caps and any potential change in the risk profile of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or relevant member of Qualified Holdings Group; (f) having the Company's audit committee to scrutinize the implementation and enforcement of the transactions under the Master Financial Agreement (TCL Holdings) (2020-2022) and taking appropriate steps to implement the audit committee's decisions; and (g) disclosing material findings in the aforementioned risk assessment reports and the views and decisions of the Company's audit committee in the Company's annual reports;

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- (iv) The Group has implemented pricing related internal control measures, which involve obtaining benchmarks (such as prevailing market interest rates in respect of the various services under the Master Financial Agreement (TCL Holdings) (2020-2022), including but not limited to the deposit and lending interest rates stipulated by the major commercial banks and the PBOC) every six months during the term of the Master Financial Agreement (TCL Holdings) (2020-2022) in order to determine the best interest rates/fees most favourable to the TCL Electronics Qualified Members under the Master Financial Agreement (TCL Holdings) (2020-2022) and which will be discussed during the fee negotiation process. The head of the treasury department of the Company would have the ultimate decision as to whether to engage Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates or provide services to Qualified Holdings Group (as the case may be) at the negotiated interest rates/fees provided that such interest rates/fees comply with the terms of the Master Financial Agreement (TCL Holdings) (2020-2022);
- (v) The independent non-executive Directors will conduct an annual review of the Master Financial Agreement (TCL Holdings) (2020-2022) to ensure that the transactions contemplated thereunder are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and on terms no less favourable to the Group than those available from the Independent Third Parties; and (iii) in accordance with the respective agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (vi) The auditors of the Group will conduct an annual review of the Master Financial Agreement (TCL Holdings) (2020-2022) and confirm in a letter to the Board that the continuing connected transactions contemplated thereunder (i) have received the approval of the Board; (ii) have been entered into in accordance with the Master Financial Agreement (TCL Holdings) (2020-2022); and (iii) have not exceeded the caps; and
- (vii) the Directors shall state in the Company's annual report whether its auditors have confirmed the matters stated in Rule 14A.57 of the Listing Rules.

In considering whether the internal control measures and procedures which the Group has been adopting as set out above are adequate and effective, we have performed walkthrough of the internal control system on the Master Financial Services (2017 Renewal) Agreement (terms of which are similar to those of the Master Financial Agreement (TCL Holdings) (2020-2022)) and obtained relevant supporting documents including, amongst others, information on the minimum interest rate promulgated by the PBOC and offered by independent financial institutions in the place where the relevant TCL Electronics Qualified Member is located, information on the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group, the approvals from the finance department, treasury department and/or internal control department, and records of the actual transaction amount incurred. Based on our review of the information and examination of the internal control system, we noted that the interest rate references are obtained from PBOC and major commercial banks, and we are satisfied that the internal control procedures have been properly maintained by the Group and that the transactions were conducted on normal commercial terms with interest rates and terms comparable to, or no less favorable than, the market rates.

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We also noted from the 2018 Annual Report that annual reviews of the continuing connected transactions contemplated under the Master Financial Services (2017 Renewal) Agreement had been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors had reviewed and confirmed that the continuing connected transactions contemplated thereunder were entered into, among other things, (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) either on normal commercial terms or on terms no less favourable to the Group than those available from Independent Third Parties. The 2018 Annual Report also confirms that the Company's auditors had issued the relevant letters to the Company pursuant to Chapter 14A of the Listing Rules that the continuing connected transactions were conducted in accordance with their terms and that the proposed annual caps were not exceeded. Furthermore, the Master Financial Agreement (TCL Holdings) (2020-2022) will, pursuant to the Listing Rules, continue to be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual reports and annual confirmation by the auditors of the Company.

Given that (i) the continuing connected transactions under the Master Financial Services (2017 Renewal) Agreement were conducted in accordance with their terms; (ii) the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022) will continue to be compared with the interest rates and terms of (a) similar deposit services offered by independent financial institutions and/or determined by the PBOC and (b) loans of the same type offered by major commercial banks to the relevant member of Qualified Holdings Group or by the Group to any other Independent Third Parties to ensure that the relevant engagements will be conducted on normal commercial terms; (iii) there is appropriate segregation of duties in the approval process in each of the transactions and engagements; (iv) a monitoring system is in place with the finance department of the Group ensuring that the annual caps are not exceeded from time to time; and (v) the interest rates and the proposed annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022) will be annually reviewed by the auditors, the internal audit department and the independent non-executive Directors of the Company, we are satisfied that the internal control procedures are adequate and effective in ensuring the Master Financial Agreement (TCL Holdings) (2020-2022) will be entered into on normal commercial terms and are comparable to, or no less favorable than, the market rates and that there is an effective operating system in place to monitor the annual caps.

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6. Historical transaction amounts and proposed annual caps

The following table sets out the respective historical figures of the Master Financial Services (2017 Renewal) Agreement for the two years ended 31 December 2018 and the nine months ended 30 September 2019.

Master Financial Services (2017 Renewal) Agreement	For the year ended 31 December		For the year ended		For the	
	2017		2018		nine months ended	
	(audited)		(audited)		30 September 2019	
	<i>HK\$'000</i>		<i>HK\$'000</i>		(for actual amount only)/	
	Original		Original		Original	
	cap	Actual	cap	Actual	cap	Actual
						Original
						cap
<i>Holdings Deposit Services</i>						
Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security) (<i>Note</i>)	4,663,837	5,300,000	5,127,463	5,565,000	4,276,081	5,843,250
<i>Holdings Credit Services</i>						
Maximum daily balances of outstanding loans (including interest receivables in respect of these loans)	N/A	N/A	N/A	N/A	N/A	N/A

Note:

The original caps and actual figures refer to the corresponding figures under the sub-heading titled "Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)" under the Master Financial Services (2017 Renewal) Agreement as disclosed in the circular of the Company dated 19 April 2017.

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Set out below are the proposed annual caps of the Master Financial Agreement (TCL Holdings) (2020-2022) for the three years ending 31 December 2022.

Master Financial Agreement (TCL Holdings) (2020-2022)	For the year ending 31 December		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Holdings Deposit Services</i>			
Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)	1,544,000	1,791,000	2,077,000
<i>Holdings Credit Services</i>			
Maximum daily balances of outstanding loans (including interest receivables in respect of these loans)	3,500,000	3,500,000	3,500,000

Basis for determining the proposed annual caps and our analysis

As stated in the Board Letter, the proposed annual caps for Holdings Deposit Services are determined with reference to the historical amounts of the relevant transactions and taking into account the factors as set out in the section headed “Basis for determination of the proposed annual caps” in the Board Letter.

As mentioned in the above section headed “Background of the Master Financial Agreement (TCL Holdings) (2020-2022)” of this letter, prior to the Restructuring, all of TCL Tech, Finance Company (a subsidiary of TCL Tech) and Finance Company (HK) were connected persons of the Group and hence the original annual caps under the Master Financial Services (2017 Renewal) Agreement were shared among these counterparties. After the completion of the Restructuring, TCL Tech and Finance Company have ceased to be connected persons of the Company while TCL Holdings and Finance Company (HK) have remained to be connected persons of the Group. As such, in order to continue the transactions under Master Financial Services (2017 Renewal) Agreement, the Group had entered into a separate agreement, being the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK). As the Master Financial Agreement (TCL Holdings) (2020-2022) is a sub-division of the Master Financial Services (2017 Renewal) Agreement and that fewer counterparties will be involved, its proposed annual caps are smaller than the original annual caps and the actual transaction amounts under the Master Financial Services (2017 Renewal) Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meanwhile, the Company estimates that the proposed annual caps for Holdings Deposit Services for the three years ending 31 December 2022 will increase by about 16% per annum. According to the 2019 Interim Report, for the six months ended 30 June 2019, the Group's global TV sales volume increased year-on-year by about 17.9%, and that the Group had unaudited consolidated cash and bank balances of approximately HK\$6,818 million at 30 June 2019. Given that the Group's business is expected to continue to grow in the coming years and that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow, we concur with the Company that the Group's cash and bank balances are expected to have a stable increase and that its cash flow is expected to be strong especially at peak season of sales, leading the Group's demand for deposit services from TCL Holdings Financial Services Associates to increase up to the proposed annual caps at the peak season in the upcoming years. Given the above, we are of the view that it is reasonable to estimate that the maximum outstanding daily balances of deposits for the three years ending 31 December 2022 will increase by approximately 16% per annum, and we consider the proposed annual caps for Holdings Deposit Services as fair and reasonable.

Similarly, in determining the proposed annual caps for Holdings Credit Services for the three years ending 31 December 2022, we noted that the Group has considered its net cash position as at 30 June 2019 and the expectation of the growth of which as mentioned above. We noted that the Group has also considered its business needs and the maximum amount of exposure at any time it is prepared to assume for Holdings Credit Services in the context of its cash flow, as well as the repayment ability of Qualified Holdings Group, being approximately HK\$3,500,000,000, estimated based on the audited net asset value of the Qualified Holdings Group as of 31 December 2018. Given that (i) the proposed annual caps for Holdings Credit Services for each of the three years ending 31 December 2022 represent only about half of the Group's net cash as at 30 June 2019, and that the net cash position of the Group is expected to remain and improve following the previous trend; and (ii) the Qualified Holdings Group is expected to be able to fulfil its repayment obligations under the Holdings Credit Services, we are of the view that the proposed annual caps for Holdings Credit Services are fair and reasonable.

7. The reasons for and benefits of the Master Financial Agreement (TCL Holdings) (2020-2022)

As stated in the Board Letter, the Directors are of the view that the Master Financial Agreement (TCL Holdings) (2020-2022) would provide the Group with deposit services with favorable interest rates and flexibility in its funds management strategy, since Holdings Deposit Services to be provided by Finance Company (HK) and/or TCL Holdings Financial Services Associates shall be no less favorable than those offered by other independent financial institutions and shall be on normal commercial terms, and that the relevant members of the Group are not restricted from engaging other independent financial institutions for such Holdings Deposit Services. The Directors are also of the view that, since Finance Company (HK) has a thorough understanding of its operations and development needs, TCL Holdings Financial Services Associates (including Finance Company (HK)) will be more efficient in terms of processing transactions for the Group than other financial institutions given their close relationships.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon our discussion with the Company, we note that the Company expects more cash will be available for deposits with Finance Company (HK) and/or TCL Holdings Financial Services Associates and loans to members of the Qualified Holdings Group during years from 2020 to 2022. Therefore, it expects that there will be an increase in interest income to be earned from Finance Company (HK) and/or TCL Holdings Financial Services Associates and/or the Qualified Holdings Group in the same period, despite that such interest income is not expected to have any material impact on the Group's financial performance, especially when the interest income to be earned from Qualified Holdings Group is expected to only account for a small proportion of its earnings and assets in view of the proposed annual caps.

Nonetheless, we are of the view that the Master Financial Agreement (TCL Holdings) (2020-2022) would provide the Group with favorable deposit interest rates and interest income from lending as well as flexibility in its funds management strategy. Therefore, we consider the entering into of the Master Financial Agreement (TCL Holdings) (2020-2022) is fair and reasonable so far as the independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder and the proposed annual caps are fair and reasonable so far as the independent Shareholders are concerned and on normal commercial terms, and are entered into in the ordinary and usual course of business of the Group and they are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the independent Shareholders to vote in favor of the resolution(s) approving the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder and the proposed annual caps at the EGM. We also recommend the independent Shareholders to vote in favour of the resolution in relation to the Master Financial Agreement (TCL Holdings) (2020-2022), the transactions contemplated thereunder and the proposed annual caps at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles LI*
Managing Director

* *Charles LI is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. 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 balance sheet together with the notes on the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Company for the years ended 31 December 2018, 2017 and 2016 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019 together with the relevant notes to the financial statements of the Company can be found on pages 117-281 of the annual report of the Company for the year ended 31 December 2018, pages 105-223 of the annual report of the Company for the year ended 31 December 2017, and pages 97-207 of the annual report of the Company for the year ended 31 December 2016 and pages 3-45 of the interim report of the Company for the six months ended 30 June 2019. Please see below the hyperlinks to the aforesaid documents:

Annual report for the year ended 31 December 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn201904181133.pdf>

Annual report for the year ended 31 December 2017:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn201804201616.pdf>

Annual report for the year ended 31 December 2016:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0419/ltn20170419742.pdf>

Interim report for the six months ended 30 June 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0923/ltn20190923099.pdf>

2. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had total interest-bearing borrowings of approximately HK\$1,773,259,000, comprising (a) unsecured bank loans of approximately HK\$1,607,589,000; (b) unsecured trust receipt loans of approximately HK\$145,368,000; and (c) other loans of approximately HK\$20,302,000.

Lease obligations

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to ten years. As at 31 January 2020, the Group's total lease liabilities recognised under Hong Kong Financial Reporting Standards 16 under non-cancellable operating leases contracts were HK\$110,955,000.

Capital commitments and contingent liabilities

As at 31 January 2020, (a) the Group had capital commitments of approximately HK\$128,428,000 and HK\$249,658,000 which were contracted but not provided for and authorised but not contracted for, respectively; (b) provisions in the amount of HK\$708,368,000 for warranties and restructuring and HK\$6,561,000 for pending legal cases; and (c) the guarantees given to suppliers in connection with the payments of purchases by Subsidiaries of the Company amounted to HK\$31,074,000.

Pledge of assets

As at 31 January 2020, the Group had time deposits of HK\$5,888,000 pledged as the balance of performance and quality guarantees for the Group.

Save as aforesaid, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 31 January 2020.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration of the effect of the proposed renewal of major and continuing connected transactions and the financial resources available to the Group, including internally generated financial resources, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS

Adhering to the strategic theme of “extreme efficiency, product leadership and user experience”, the Group will continue to consolidate its leading position in the global layout, leverage its advantage in vertical industrial chain integration, enhance its global product competitiveness and Internet business capability, deepen the implementation of diversified business layout and development strategy in the coming years. The Group will also build a smart home ecosystem featuring “AI x IoT” and actively expand new profit growth opportunities. At the same time, the Group will vigorously make innovations in technologies, minimize costs, further consolidate intelligent manufacturing and actively propel digital transformation in order to continuously improve profitability and create greater value for shareholders.

1. *Leveraging the Advantages in the Vertical Integration of Industrial Chain to Propel the Continuous Leading Position in Product Technology*

The Group adheres to the corporate philosophy of taking technological innovation and product leadership as its core values. By always putting user needs as its first priority, the Group is committed to providing users with even more remarkably realistic watching experience. In the future, the Group will make full use of its unique advantages in the synergy of the vertically integrated industrial chain to vigorously propel the development of 65-inch, 75-inch and even larger-screen TVs with the strong support of CSOT’s 11th generation panel production line and continuously develop industry-leading high-end display technologies such as quantum dots, Mini LED and 8K to accelerate the launch of mid-to-high end products. At the same time, the Group will further strengthen the synergy among product technology, industrial chain, brand promotion and international business. With the advantages of its comprehensive global network and sales channel as well as its competitiveness in the overseas markets, the Group is dedicated to building TCL into an international leading brand of consumption and household electronics.

2. *Accelerating the Development of Global Internet Business, Strengthening Operational Capability and Serving Global Users*

Adhering to the “double +” strategy of “products + services, intelligence + Internet”, the Group will comprehensively enrich the content of the Internet business and further enhance the user experience, thus expanding its user base, enhancing user loyalty, strengthening its operational capability and improving the monetization capacity of Internet business. While vigorously improving the operation and profitability of Shenzhen Falcon Network Technology Co., Ltd.*(深圳市雷鳥網絡科技有限公司) (“**Falcon Network Technology**”), the Group will further deepen its strategic cooperation with overseas Internet business partners, establish a global Internet business user system and continuously improve the global Internet business operation and profitability by leveraging on its competitive advantages in overseas markets in order to further increase the Group’s profits.

3. *Enhancing the Business Competitiveness in the PRC Market, Further Developing High Potential Overseas Markets and Accelerating the Strategic Layout of Globalization*

The Group will accelerate its global strategic layout and further enhance its global competitiveness and brand influence. In the PRC market, the Group will firmly transform its business model, vigorously develop mid-to-high end products, optimize its product mix and channel structure, strengthen cost reduction and efficiency enhancement, and improve operating efficiency, so as to further enhance profitability. In overseas markets, the Group will continue to strengthen the global supply chain layout, consolidate and enhance the leading position in the North American markets, increase market share and profitability in the European markets, and further expand high potential emerging markets such as India, Russia and South America. At the same time, the Group will propel the upgrade of the international brand through localized sports and entertainment marketing strategies to further enhance the Group's global market share.

4. *Adopting Strategic Transformation of “Intelligentisation + Diversification” to Become a Global Leading Smart Technology Company*

On the basis of consolidating and upgrading the existing TV business, the Group will further expand diversified businesses including Smart AV, commercial display and smart home to enhance its overall profitability. In addition, in the context of 5G's entry into the practical phase and the rapid growth of smart home, the Group will seize the opportunity of product innovation and upgrade, increase investment in R&D, and enhance the “AI x IoT” capability building. Through building its capabilities of cloud, channel and terminal, the Company will develop an open IoT platform empowered by AI technology and centered on cloud platform to facilitate an interconnected, intelligent and healthy ecosystem, so as to achieve the interconnection of hardware, software and IoT scenarios. The Group will also provide users with video calls, smart interaction, remote services and comfortable healthy smart home experience, and strive to become a fast-growing global leading smart technology company with sustainable user operating revenue and create greater values for shareholders.

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

On 23 January 2019, the Group entered into a sale and purchase agreement with Shenzhen Qianhai Fende Industries Investment Company Limited* (深圳市前海芬德實業投資有限公司) (“**Qianhai Fende**”), an independent third party, pursuant to which the Group agreed to acquire an additional 15.56% equity interest in Falcon Network Technology, a former 44.44% owned associate of the Group, at the consideration of RMB420,120,000 (equivalent to approximately HK\$489,776,000). Falcon Network Technology and its Subsidiaries (together “**Falcon Network Technology Group**”) are principally engaged in research and development of software on smart TV devices and platform operation. The transaction was completed on 22 March 2019 and Falcon Network Technology became a 60% owned Subsidiary of the Group since then. For details of the transaction, please refer to the announcement of the Company dated 23 January 2019.

This equity transfer was considered as a business combination achieved in stages. The Group accordingly re-measured the fair value of its previously held equity interest in Falcon Network Technology Group at the step acquisition date and recognised a gain of HK\$787,394,000 in profit or loss for the period ended 30 June 2019. The Group has elected to measure the non-controlling interest in Falcon Network Technology Group at the non-controlling interest’s proportionate share of Falcon Network Technology Group’s identifiable net assets.

On 23 July 2019, Falcon Network Technology, a Subsidiary of the Company entered into the Exclusive Business Co-operation Agreement, the Exclusive Purchase Right Agreement, the Equity Pledge Agreement, the Authorisation Letters, the Confirmation Letters and the Spousal Consent Letters (collectively “**VIE Agreements**”) with Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.* (豪客數字娛樂科技(深圳)有限公司) (“**OPCO**” or “**Hawk Digital**”) and/or Mr. WANG Hao and Ms. ZHU Xiaojiang and/or their spouses. Through the VIE Agreements, Falcon Network Technology will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entering into of the VIE Agreements, the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group and the OPCO will become an indirect Subsidiary of the Company. For more details in relation to the VIE Agreements, please refer to the announcement of the Company dated 23 July 2019.

Falcon Network Technology and its Subsidiaries (including the OPCO) are principally engaged in research and development of software on smart TV devices, internet platform operation, valued-added telecommunications business and internet cultural business, which are restricted business under the PRC laws and regulations as stated in the announcement of the Company dated 23 July 2019.

On 1 November 2019, TCL Electronics (Huizhou) Co., Ltd.* (TCL電子(惠州)有限公司) (“**TCL Electronics (Huizhou)**”), an indirect wholly-owned Subsidiary of the Company) entered into a sale and purchase agreement with TCL Tech, pursuant to which TCL Tech agreed to sell, and TCL Electronics (Huizhou) agreed to acquire, 100% equity interest in Shenzhen Hawk Internet Company Limited* (深圳豪客互聯網有限公司) (“**Hawk Internet**”) at the cash consideration of RMB200,110,000 (equivalent to approximately HK\$222,322,000). Hawk Internet and its subsidiary(ies) are principally engaged in research and development of software on smart phone devices and internet operation in the PRC. The transaction was completed on 1 November 2019 and Hawk Internet became a 100% owned subsidiary of the Group since then. The purchase consideration for the acquisition was satisfied in the form of cash and paid on the date of completion.

There is no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring companies as a consequence of the aforesaid acquisitions.

Save as disclosed above, the Group has not made any acquisition after the date of the latest published audited accounts required to be disclosed in this circular pursuant to the Listing Rules.

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' AND CHIEF EXECUTIVES' 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 Directors	Number of ordinary Shares held			Number of underlying Shares held under equity derivatives			Approximate percentage of number of issued Shares (Note 2)
	Personal interests	Spouse interests	Other interests (Note 1)	Personal interests	Spouse interests	Total	
LI Dongsheng	55,394,385	2,429,752	868,655	7,312,235	504,895	66,509,922	2.80%
WANG Cheng Kevin (Note 3)	1,063,989	–	1,102,708	7,262,284	–	9,428,981	0.40%
YAN Xiaolin	207,537	–	81,456	1,970,324	–	2,259,317	0.10%
Albert Thomas DA ROSA, Junior	78,259	–	29,852	315,907	–	424,018	0.02%
LI Yuhao	24,000	–	–	–	–	24,000	0.001%
Robert Maarten WESTERHOF	14,926	–	29,852	315,907	–	360,685	0.02%
WANG Yijiang	14,460	–	29,852	242,260	–	286,572	0.01%
LAU Siu Ki	14,926	–	29,852	236,301	–	281,079	0.01%

(b) Interest in Associated Corporation of the Company – Long Positions

(i) *TCL Holdings*

Name of Director	Number of ordinary shares held	Approximate percentage of number of issued shares of TCL Holdings (Note 4)
LI Dongsheng (Note 5)	2,149,980,000	33.33%

(ii) *Tonly Electronics Holdings Limited (“Tonly Electronics”)* (Note 6)

Name of Directors	Number of ordinary shares held			Number of underlying shares held under equity derivatives			Approximate percentage of number of issued shares of Tonly Electronics (Note 8)
	Personal interests	Spouse interests	Other interests (Note 7)	Personal interests	Spouse interests	Total	
LI Dongsheng	859,701	144,547	41,049	137,500	23,416	1,206,213	0.44%
WANG Cheng Kevin	43,147	-	-	-	-	43,147	0.02%
YAN Xiaolin	38,612	-	11,803	46,271	-	96,686	0.04%

Notes:

- 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 also included.
- The percentages are calculated based on the number of issued Shares as at the Latest Practicable Date, being 2,371,274,404 Shares.
- Mr. WANG Cheng Kevin is also the chief executive officer of TCL Holdings.
- The percentage is calculated based on the number of issued shares of TCL Holdings as at the Latest Practicable Date, being 6,450,000,000 shares in issue, as informed by TCL Holdings.

5. Mr. LI Dongsheng is also a director of TCL Holdings. As at the Latest Practicable Date, Mr. LI Dongsheng was deemed to be interest in TCL Holdings via:
 - (a) Huizhou Lida Tiancheng Investment Co., Ltd.*(惠州礪達天成股權投資有限公司), which has a 3.1005% shareholding in TCL Holdings. Mr. LI Dongsheng owns more than 50% of equity interest in Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成股權投資有限公司); and
 - (b) 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)), which has a 30.2326% shareholding in TCL Holdings. 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)) is a limited partnership and Mr. LI Dongsheng owns more than 50% economic interest in 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)) as a limited partner. The general partner of 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)) is Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成股權投資有限公司), in which Mr. LI Dongsheng owns more than 50% equity interest as set out in (a) above.
6. Tonly Electronics is a Subsidiary of TCL Holdings and hence an associated corporation of the Company under Part XV of the SFO.
7. These interests are restricted 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.
8. The percentages are calculated based on the number of issued shares of Tonly Electronics as at the Latest Practicable Date, being 273,104,917 shares in issue, as informed by Tonly Electronics.

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. 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 2018 of the Group were made up.

4. 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).

5. 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 2018 (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 referred to in Paragraph 40 of the Appendix 1B of the Listing Rules.

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.

6. 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.

7. 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.

8. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Pelican Financial Limited	A licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO

Pelican Financial Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 1 April 2020 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Pelican Financial Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which have, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, of leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to 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 in the ordinary course of business, were entered into by the Company or any of its Subsidiaries which are or may be material:

- (a) the sale and purchase agreement dated 12 August 2019 entered into between TCL King Electrical Appliances (Chengdu) Company Limited* (TCL王牌電器(成都)有限公司) as seller and CSOT as purchaser for the transfer of 14% equity interest in Finance Company at a consideration of approximately RMB255 million;
- (b) the exclusive business co-operation agreement (獨家業務合作協議) entered into among Falcon Network Technology and Hawk Digital on 23 July 2019 for the provision of business support, technical services, consulting services and other services by Falcon Network Technology at a fee equivalent to all profits generated by Hawk Digital after deducting relevant costs, expenses and taxes;
- (c) the exclusive purchase right agreement (獨家購買權協議) dated 23 July 2019 entered into among Falcon Network Technology, Hawk Digital, Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 for the grant of an exclusive right to Falcon Network Technology to purchase or nominate any individuals/entities to purchase all or part of the equity interests in Hawk Digital at the lowest price permissible under the PRC Laws;
- (d) the equity pledge agreement (股份質押協議) entered into among Falcon Network Technology, Hawk Digital, Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 for the pledge in interests in Hawk Digital in favour of Falcon Network Technology to secure any payment by Hawk Digital to Falcon Network Technology;
- (e) the authorisation letter(s) entered into by each of Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 to unconditionally and irrevocably authorise Falcon Network Technology and its successor to exercise all the rights as a shareholder of Hawk Digital under the relevant PRC laws;
- (f) the confirmation letter(s) entered into by each of Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 regarding certain matters relating to their interests in Hawk Digital;
- (g) the spousal consent letter(s) entered into by the spouse of each of Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 regarding their rights relating to the interests in Hawk Digital due to their being the spouse of Mr. WANG Hao and Ms. ZHU Xiaojiang respectively;

- (h) the sale & purchase agreement entered into between TCL King Electrical Appliances (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司) as purchaser and Qianhai Fende Industries as seller on 23 January 2019 for the transfer of approximately 15.56% equity interest in Falcon Network Technology at a consideration of RMB420.12 million;
- (i) the articles of association of Gechuang Dongzhi Technology Co., Ltd.* (格創東智科技有限公司) entered into among Shenzhen TCL Digital Technology Co., Ltd.* (深圳TCL數字技術有限公司), TCL Tech, Ningbo Xingxing Jiuli Investment Management Partnership (Limited Partnership)* (寧波星興久力投資管理合夥企業(有限合夥)), Ningbo Juge Yingrui Investment Partnership (Limited Partnership)* (寧波聚格盈睿投資合夥企業(有限合夥)), CSOT and Mr. HE Jun (何軍) on 21 September 2018 in relation to the establishment of Gechuang Dongzhi Technology Co., Ltd.* (格創東智科技有限公司);
- (j) the sale and purchase agreement entered into between TCL King Electrical Appliance (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司) and TCL Intelligence Industry (Huizhou) Co., Ltd.* (TCL智慧工業(惠州)有限公司) on 20 July 2018 for the purchase of certain equipment at a consideration of RMB15,494,434.63;
- (k) the equity transfer agreement dated 1 June 2018 between TCL Tech, Ningbo Yuanheng Juyuan Investment Partnership (Limited Partnership)* (寧波元亨聚源投資合夥企業(有限合夥)) and Huizhou Guanlian Industrial Investment Co., Ltd. (惠州市冠聯實業投資有限公司) as vendors and TCL King Electrical Appliances (Huizhou) Company Limited* and Shenzhen TCL New Technology Company Limited* (深圳TCL新技術有限公司) (“**TCL New Technology**”) as purchasers in relation to the acquisition of TCL Commercial Information Technology (Huizhou) Co., Ltd.* (TCL商用信息科技(惠州)股份有限公司) at a consideration of RMB793,020,340.79;
- (l) the termination agreement entered into on 28 May 2018 among TCL Argentina Investments Holdings Limited, Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. with regard to the termination of the subscription agreement dated 28 November 2017 (Argentina time);
- (m) the subscription agreement entered into on 28 May 2018 among TCL Netherlands B.V. as subscriber, Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. as counter parties, pursuant to which TCL Netherlands B.V. shall subscribe for shares in Radio Victoria Fueguina S.A. and Sontec S.A. based on the net book value of the certain operating companies, after which (i) TCL Netherlands B.V. and RV TECH S.A. will own 15% and 85% respectively of the issued shares in Radio Victoria Fueguina S.A.; and (ii) TCL Netherlands B.V. and JWG S.A. will own 15% and 85% respectively of the issued shares in Sontec S.A.;
- (n) the shareholder agreement entered into on 29 June 2018 among TCL Netherlands B.V., Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A., pursuant to which TCL Netherlands B.V. would grant call option and lock-up option in certain operating companies to RV TECH S.A. and JWG S.A.;

- (o) the trademark licence agreement entered into on 29 June 2018 between TCL Netherlands B.V. as the licensor and Radio Victoria Fueguina S.A. as the licensee for the use of certain trademarks being the word “TCL” in connection with certain products in Argentina for a period of 50 years at an annual consideration of 2% of free on board price of relevant licensed products;
- (p) the capital increase agreement entered into among TCL New Technology, Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd.* (樂融致新電子科技(天津)有限公司), 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 for, among others, the capital contribution of RMB0.3 billion by TCL New Technology to Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd.*(樂融致新電子科技(天津)有限公司);
- (q) the sale and purchase agreement entered into between TCL New Technology as vendor and TCL Technology Industrial Park (Shenzhen) Co., Ltd.* (TCL科技產業園(深圳)有限公司) as purchaser on 10 May 2018 in relation to the transfer of certain assets and businesses at a consideration of RMB328,964,988.18; and
- (r) 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).

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong is 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 54, 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 three years ended 31 December 2016, 2017 and 2018 respectively;
- (c) the interim report of the Company for the six months ended 30 June 2019;
- (d) Master Financial Services (2017 Renewal) Agreement;
- (e) Master Financial Agreement (TCL Holdings) (2020-2022);
- (f) this Circular;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from Pelican Financial Limited, the text of which is set out in this circular;
- (i) the written consent from Pelican Financial Limited referred to in the section headed “**EXPERT AND CONSENT**” in this appendix;
- (j) each of the contracts as referred to in the section headed “**MATERIAL CONTRACTS**” in this appendix;
- (k) the circular of the Company dated 18 April 2019;
- (l) the circular of the Company dated 19 June 2019; and
- (m) the circular of the Company dated 22 November 2019.

APPENDIX III DETAILS OF DIRECTORS STANDING FOR ELECTION

Set out below are details of the Directors who are proposed to be elected at the EGM.

1. **Mr. HU Lihua (“Mr. HU”)**

Mr. HU, aged 47, is the chief financial officer of the Company since February 2019 up to the date hereof, and is currently a director of various Subsidiaries of the Company. Mr. HU graduated from the Central Radio and TV University (currently known as Open University of China) and Dongbei University of Finance and Economics and obtained a master’s degree in business administration at China Europe International Business School. Mr. HU is also a certified public accountant in the PRC. Mr. HU was the financial manager of TCL Computer Technology Co., Ltd. from August 2000 to September 2005, the financial controller of Huizhou TCL Mobile Communication Co., Ltd. from September 2005 to March 2012, the financial controller of CSOT from March 2012 to September 2013, and the chief financial officer of CSOT from September 2013 to January 2019. During Mr. HU’s tenure with CSOT, he experienced the successful construction of 6 semi-conductor display panel factories and the evolution of 3 factories reaching world-leading operational efficiency, and was a member of the core management team of CSOT and its Subsidiaries.

Mr. HU has entered into a service contract with the Company. In the capacity as an executive Director of the Company, Mr. HU will not be entitled to any Director’s fee, subject to review and adjustment as determined and approved by the remuneration committee of the Company. The emoluments to be received by Mr. HU will be determined based on the adopted remuneration policy reviewed by the remuneration committee of the Company, with reference to the Mr. HU’s qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar position.

Mr. HU will not be appointed for a specific term of office. If elected, Mr. HU, subject to the terms agreed otherwise which expire earlier, will be subject to rotation, removal, vacation or termination of their offices as Directors as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

Save as disclosed above,

- (i) Mr. HU did not hold any directorships in any listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and does not hold any other positions with the Company or other members of the Group;
- (ii) Mr. HU has no interest in the shares of the Company within the meaning of Part XV of the SFO and does not have any relationship with any other Directors, senior management or any substantial or controlling Shareholders of the Company; and
- (iii) there is no other information which is discloseable nor is/was Mr. HU involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(w) of the Listing Rules. The Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

2. Mr. SUN Li (“Mr. SUN”)

Mr. SUN, aged 42, is currently the chief technology officer of TCL Holdings since July 2019 up to the date hereof. He graduated from Shanghai Jiao Tong University with a master’s degree in engineering. With extensive experience in the communications industry, Mr. SUN has been deeply involved in artificial intelligence for many years. Mr. SUN worked at the mobile phone R&D department of Alcatel from March 2001 to 2004. Since joining TCL Communication Technology Holdings Limited in 2004, he had served as R&D department manager, pre-research department manager, director of software at global R&D centre and deputy general manager of global R&D centre and established a team engaged in smart phone software, a management system of global operators’ technological needs and a software platform for global operators from 2004 to July 2017. From August 2017 to June 2019, he was vice president of ThunderSoft (shares of which are listed on the Shenzhen Stock Exchange with the stock code 300496.SZ). During this period, Mr. SUN established the intelligent vision business group, focusing on camera technology, computer vision algorithms and artificial intelligence algorithms which were applied to mobile phones, IoT, automotive and industrial fields, and opened up new businesses for industrial visual detection based on deep learning.

Mr. SUN has entered into a letter of appointment with the Company. In the capacity as a non-executive Director, Mr. SUN will not be entitled to any Director’s fee, subject to review and adjustment in the absolute discretion by the Board after considering the recommendation by the remuneration committee of the Company. The emoluments to be received by Mr. SUN will be determined based on the adopted remuneration policy reviewed by the remuneration committee of the Company, with reference to the Mr. SUN’s qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar position.

If elected at the EGM, Mr. SUN will hold office until the conclusion of the annual general meeting of the Company of 2022. Mr. SUN, subject to the terms agreed otherwise which expire earlier, will also be subject to rotation, removal, vacation or termination of their offices as Directors as set out in the Articles or the disqualification to act as a Director under the Articles, the laws of the Cayman Islands and the Listing Rules.

Save as disclosed above,

- (i) Mr. SUN did not hold any directorships in any listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and does not hold any other positions with the Company or other members of the Group;
- (ii) Mr. SUN has no interest in the shares of the Company within the meaning of Part XV of the SFO and does not have any relationship with any other Directors, senior management or any substantial or controlling Shareholders of the Company; and
- (iii) there is no other information which is discloseable nor is/was Mr. SUN involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(w) of the Listing Rules. The Board is not aware of any other matters which need to be brought to the attention of the Shareholders.

OTHER INFORMATION

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

NOTICE OF EGM



TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of TCL Electronics Holdings Limited (the “**Company**”) will be held at 8/F., Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, on 20 April 2020, Monday, at 2:30 p.m., to consider and, if thought fit, pass the following ordinary resolution(s) (with or without modifications):

ORDINARY RESOLUTION(S)

1. “THAT

- (a) the Master Financial Agreement (TCL Holdings) (2020-2022) (as defined in the circular of the Company dated 1 April 2020), the terms and the transactions thereunder (a copy of the agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2022 as set out in the circular of the Company dated 1 April 2020 be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Financial Agreement (TCL Holdings) (2020-2022) or the transactions contemplated thereby.”

2. “THAT

Mr. HU Lihua be elected as an executive director of the Company.”

3. “THAT

Mr. SUN Li be elected as a non-executive director of the Company until the conclusion of the annual general meeting of the Company of 2022.”

On behalf of the Board

LI Dongsheng

Chairman

Hong Kong, 1 April 2020

NOTICE OF EGM

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the meeting, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed to the notice of the EGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. The record date for determining the entitlements of the shareholders of the Company to attend and vote at the EGM is 14 April 2020, Tuesday. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, by no later than 4:30 p.m. on 14 April 2020, Tuesday.
4. Where there are joint registered holders of any share of the Company, any one of such persons may vote at any meeting, either personally by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders, stand on the register in respect of the relevant joint holding.
5. Shareholders of the Company should note that the EGM will be held as scheduled when typhoon signal no. 8 (or above), black rainstorm warning signal or "extreme conditions" as defined under Chapter 1 of the Rules of the Exchange of The Stock Exchange of Hong Kong Limited is in force. In such event, shareholders of the Company should make their own decision as to whether they would attend the meeting under bad weather conditions bearing in mind their own situations and if they should choose to do so, they are advised to exercise care and caution.
6. In view of the recent development of the coronavirus epidemic caused by coronavirus disease 2019 (COVID-19), and in order to better protect the safety and health of the shareholders of the Company, a series of epidemic precautionary measures will be implemented at the venue of the EGM:
 - (i) compulsory body temperature check will be conducted for every person at the entrance of the venue of EGM. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue; and
 - (ii) every person is required to wear facial mask at the venue of the EGM.

NOTICE OF EGM

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

As at the date of this circular, the Board comprises Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. HU Lihua Michael as executive directors, Mr. Albert Thomas DA ROSA, Junior, Mr. SUN Li 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.