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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)

AND

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

INTRODUCTION

Reference is made to the announcement of the Company dated 21 March 2017 and the circular of the Company dated 19 June 2019. The Company had on 25 March 2020 entered into 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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. The Company will despatch to the Shareholders a circular containing further details of the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022), letters from the Independent Board Committee and the Independent Financial Adviser, and a notice convening the EGM on or before 3 April 2020.

In view of Mr. LI Dongsheng's indirect interests in TCL Holdings, 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.

Out of the other Directors, Mr. WANG Cheng Kevin 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.

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.

INTRODUCTION

Reference is made to the announcement of the Company dated 21 March 2017 and the circular of the Company dated 19 June 2019. The Company had on 25 March 2020 entered into the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK), and the transactions contemplated thereunder constitute continuing connected transactions and major transaction of the Company.

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.

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 various of its 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 remained 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 date of this announcement, 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;
- (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:
- (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.

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.

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.

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) HK\$'000	For the year ended 31 December 2018 (audited) HK\$'000	For the nine months ended 30 September 2019 (for actual amount only)/ For the year ended 31 December 2019 (for original annual cap only) HK\$'000	For the year ending 31 December 2020 HK\$'000	For the year ending 31 December 2021 HK\$'000	For the year ending 31 December 2022 HK\$'000
<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.

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
- (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 circular to be despatched by the Company) 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.
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.

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.

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.

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).

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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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. The Company will despatch to the Shareholders a circular containing further details of the transactions contemplated under the Master Financial Agreement (TCL Holdings) (2020-2022), letters from the Independent Board Committee and the Independent Financial Adviser, and a notice convening the EGM on or before 3 April 2020.

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.

Out of the other Directors, Mr. WANG Cheng Kevin 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 date of this announcement, 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 date of this announcement, 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 Investments 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 Investments 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 the independent non-executive Directors whose views on the Master Financial Agreement (TCL Holdings) (2020-2022) will be set out in the circular to be despatched by the Company), 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.

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 announcement).

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 date of this announcement, 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

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.

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 (if any), as well as the election of Mr. HU Lihua as an executive Director and Mr. SUN Li as a non-executive Director.

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.

DEFINITIONS

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

“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;
“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);
“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;
“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 announcement;
“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 announcement 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 this announcement;
“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);
“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 announcement 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);
“TCL Tech Group”	TCL Tech and its Subsidiaries and any entity that may become Subsidiary of TCL Tech from time to time; and
“%”	percent.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 25 March 2020

The English translation of Chinese names or words in this announcement, 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.*

As at the date of this announcement, the Board comprises Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. HU Lihua 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.