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## **TCL ELECTRONICS HOLDINGS LIMITED**

### **TCL 電子 控 股 有 限 公 司**

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

### **DISCLOSEABLE TRANSACTION**

#### **(1) ACQUISITION OF EQUITY INTEREST IN SEMP TCL**

### **CONNECTED TRANSACTIONS**

#### **(2) GRANT OF PUT OPTION AND CALL OPTION**

**AND**

#### **(3) ACQUISITION OF PROPERTY AND EQUIPMENT**

#### **THE ACQUISITION**

The Board is pleased to announce that on 3 June 2020 (São Paulo time) (i.e. 3 June 2020, Hong Kong time after trading hours), TCL NL, STA, SEMP TCL, ABH and OCE (each of TCL NL and OCE being an indirect wholly-owned subsidiary of the Company) entered into the Share Purchase Agreement, pursuant to which, among others, STA conditionally agreed to sell and TCL NL conditionally agreed to acquire the Sale Shares, representing 40% of the entire equity interest of SEMP TCL at the Consideration, which is subject to a maximum price of R\$325,407,278.84 (equivalent to approximately HK\$484,922,000).

As at the date of the Share Purchase Agreement, SEMP TCL was owned 40% and 60% by OCE and STA respectively. TCL NL will acquire from OCE the entire equity interests held by OCE in SEMP TCL on the Closing Date. Therefore, upon Closing, SEMP TCL will be owned 80% and 20% by the Group (via TCL NL) and STA respectively, hence SEMP TCL will become an indirect subsidiary of the Company and the results, assets and liabilities of SEMP TCL will be consolidated into the accounts of the Group.

Pursuant to the terms of the Share Purchase Agreement, among others, (i) TCL NL, STA, SEMP TCL and ABH shall enter into the Shareholders’ Agreement upon Closing; and (ii) TCL NL, STA, SEMP TCL, OCE and ABH shall enter into the Property Sale and Purchase Agreement on 3 June 2020, and STA, SEMP TCL and SUFRAMA shall enter into the Property Definitive Deed upon Closing.

## **SHAREHOLDERS' AGREEMENT**

Pursuant to the Shareholders' Agreement, among others, (i) STA will grant the Call Option to TCL NL (or its designated assignee), pursuant to which TCL NL (or its designated assignee) will have the right to purchase from STA, and STA will be obligated to sell to TCL NL (or its designated assignee), all but not less than all Option Shares at the Call Option Exercise Price, which is subject to a maximum price of R\$134,920,947.95 (equivalent to approximately HK\$201,059,000); and (ii) TCL NL will grant the Put Option to STA, pursuant to which STA will have the right to sell to TCL NL (or its designated assignee), and TCL NL (or its designated assignee) will be obligated to purchase from STA, all but not less than all Option Shares at the Put Option Exercise Price, which is subject to a maximum price of R\$134,920,947.95 (equivalent to approximately HK\$201,059,000).

## **PROPERTY SALE AND PURCHASE AGREEMENT**

Pursuant to the Property Sale and Purchase Agreement, STA conditionally agreed to sell to SEMP TCL, and SEMP TCL conditionally agreed to acquire from STA, the Manaus Property and the Equipment at the total consideration of R\$55,000,000 (equivalent to approximately HK\$81,961,000), net of the real property transfer tax of Brazil.

## **LISTING RULES IMPLICATIONS**

### **The Acquisition**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Immediately after the Closing, SEMP TCL will be owned as to 80% by TCL NL, and hence will become an indirect subsidiary of the Company. Each of STA (as a shareholder holding a 20% equity interest in SEMP TCL) and ABH (the sole shareholder of STA) will then become a connected person of the Company at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules.

### **Shareholders' Agreement**

The grant of each of the Call Option and the Put Option under the Shareholders' Agreement would be treated as a transaction and classified by reference to the percentage ratios (as defined under the Listing Rules) pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules.

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

The exercise of the Put Option is not at the discretion of TCL NL. According to Rules 14.74(1) and 14A.79(1) of the Listing Rules, on the grant of the Put Option to STA, the transaction will be classified as if the Put Option had been exercised. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of Put Option exceed 1% but all are less than 5%, the grant of Put Option is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the avoidance of doubt, if aggregated under Rule 14.22 of the Listing Rules, one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and the grant of the Put Option exceed 5% but all are less than 25% and hence the transactions if aggregated remain a discloseable transaction for the purpose of Chapter 14 of the Listing Rules. The Board has approved the Acquisition and the grant of Put Option, and the independent non-executive Directors have also confirmed that the terms of the Acquisition and grant of Put Option are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, by virtue of Rule 14A.101 of the Listing Rules, the Acquisition and the grant of Put Option are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and Shareholders' approval requirements.

### **Property Sale and Purchase Agreement**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Property Sale and Purchase Agreement exceed 1% but all are less than 5%, the transactions under the Property Sale and Purchase Agreement are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board is pleased to announce that on 3 June 2020 (São Paulo time) (i.e. 3 June 2020, Hong Kong time after trading hours), TCL NL, STA, SEMP TCL, ABH and OCE (each of TCL NL and OCE being an indirect wholly-owned subsidiary of the Company), entered into the Share Purchase Agreement, pursuant to which, among others, STA conditionally agreed to sell and TCL NL conditionally agreed to acquire the Sale Shares, representing 40% of the entire equity interest of SEMP TCL at the Consideration, which is subject to a maximum price of R\$325,407,278.84 (equivalent to approximately HK\$484,922,000).

As at the date of the Share Purchase Agreement, SEMP TCL was owned as to 40% and 60% by OCE and STA respectively. TCL NL will acquire from OCE the entire equity interests held by OCE in SEMP TCL on the Closing Date. Therefore, upon Closing, SEMP TCL will be owned 80% and 20% by the Group (via TCL NL) and STA respectively, hence SEMP TCL will become an indirect subsidiary of the Company and the results, assets and liabilities of SEMP TCL will be consolidated into the accounts of the Group.

Pursuant to the terms of the Share Purchase Agreement, among others, (i) TCL NL, STA, SEMP TCL and ABH shall enter into the Shareholders' Agreement upon Closing; and (ii) TCL NL, STA, SEMP TCL, OCE and ABH shall enter into the Property Sale and Purchase Agreement on 3 June 2020, and STA, SEMP TCL and SUFRAMA shall enter into the Property Definitive Deed upon Closing.

## THE ACQUISITION

The principal terms of the Share Purchase Agreement in relation to the Acquisition are summarised below:

### Share Purchase Agreement

**Date:** 3 June 2020

**Parties:**

- (i) TCL NL (as purchaser);
- (ii) STA (as seller);
- (iii) SEMP TCL (as intervening-consenting party);
- (iv) ABH (as intervening-consenting party); and
- (v) OCE (as intervening-consenting party).

**Subject Matter of the Acquisition:** The Sale Shares, representing 40% of the entire equity interest of SEMP TCL as at the date of the Share Purchase Agreement and Closing.

**Consideration:**

The Consideration for the Acquisition shall be the base purchase price of approximately R\$284,626,474.77 (equivalent to approximately HK\$424,150,000) (“**Base Purchase Price**”), plus or minus adjustments as specified below (“**Purchase Price Adjustments**”), provided that in any event the Consideration (including Purchase Price Adjustments and/or interest at CDI Rate for the post-closing payment of the Consideration, if any) shall not exceed R\$325,407,278.84 (equivalent to approximately HK\$484,922,000).

**Purchase Price Adjustments:**

The Purchase Price Adjustments are as follows:

- (i) Upfront P&L Adjustment;
- (ii) Interim P&L Adjustment; and
- (iii) the Contingencies Adjustment.

**Payment Terms:**

The Consideration shall be paid by TCL NL in three instalments as follows:

*Upfront payment:*

25% of Base Purchase Price, plus or minus the full amount of the Upfront P&L Adjustment, shall be paid by TCL NL to STA on the Upfront Payment Date;

*Closing payment:*

62.5% of Base Purchase Price, plus or minus the full amount of the Interim P&L Adjustment, shall be paid by TCL NL to STA on the Closing Date; and

*Post-Closing Payment:*

12.5% of Base Purchase Price, plus interest on such amount accrued at CDI Rate from the Closing Date to the Final Sale Shares Payment Date, plus or minus the Contingencies Adjustment, shall be paid by TCL NL to STA on the Final Sale Shares Payment Date.

**Conditions Precedent:**

The Closing of the Acquisition is conditional upon the satisfaction or waiver (if applicable) of the following conditions on or before the Closing Date, provided that if Closing shall not have occurred on or before the Dropdead Date solely because of antitrust approval set out in item (a) below not having been obtained, then no party shall be entitled to terminate the Share Purchase Agreement prior to the Extended Dropdead Date:

- (a) The Acquisition shall have been approved by the Brazilian Antitrust Authority without any condition or restriction, and the legal opposition term of 15 days as from the publication of the decision of the Brazilian Antitrust Authority's decision in the official gazette shall have elapsed without any further condition or change;
- (b) No governmental authority or arbitral tribunal with powers over any of the parties shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other action or order (whether temporary, preliminary or permanent) on or before the Closing Date that has the effect of (i) making the Acquisition illegal, null or void, in whole or in part; or (ii) restraining or prohibiting the consummation of the Acquisition, provided, however, that the relevant party affected by any such order or injunction shall have used its best efforts to have any such order or injunction vacated and lifted;
- (c) The Company shall have duly complied with all applicable requirements (including, but not limited to, obtaining of Shareholders' approval (if required) and compliance with disclosure requirements) under the Listing Rules in relation to the Acquisition and the transactions contemplated under the Share Purchase Agreement, Shareholders' Agreement and/or any other documentation relating thereto;

- (d) No proceeding shall be pending against TCL NL, STA, SEMP TCL, OCE or ABH which seeks to delay or prevent the consummation of the Acquisition, or seeks monetary damages from any of those mentioned above by reason of the consummation of the Acquisition, or, if resolved adversely to any of those mentioned above, would restrict or limit the ability of TCL NL to hold the Sale Shares, or the ability of SEMP TCL to operate the business as currently conducted or consummate timely the transactions contemplated;
- (e) No event, change, circumstance, effect or other matter has occurred that has had or would potentially have, either individually or in the aggregate with all other events, changes, circumstances, effects or other matters, with or without notice, lapse of time or both, a material adverse effect;
- (f) The representations and warranties of STA, SEMP TCL and ABH shall be true, correct and complete in all material respects as of the date of the Share Purchase Agreement and as of the Closing Date, as if they were provided as of the Closing Date;
- (g) The representations and warranties of TCL NL and OCE shall be true, correct and complete in all material respects as of the date of the Share Purchase Agreement and as of the Closing Date, as if they were provided as of the Closing Date;
- (h) SEMP TCL or its subsidiaries, as applicable, shall have received all authorisations, consents and approvals of specified third parties and such required approvals shall be valid and in effect as of the Closing Date; and
- (i) All agreements and covenants contained in the Share Purchase Agreement to be performed or complied with on or before the Closing Date by STA, SEMP TCL, TCL NL, OCE and/or ABH will have been performed or complied with in all material respects.



The conditions precedent to Closing set out in items (a), (b) and (c) above shall not be waived by any of TCL NL or STA. The conditions precedent to Closing set out in items (d) and (i) (in relation to breaches by STA, SEMP TCL and ABH), and (e), (f) and (h) may only be waived by TCL NL. The conditions precedent to Closing set out in items (d), (e) and (i) (in relation to breaches by TCL NL), and item (g) above may only be waived by STA.

**Dropdead Date and Extended Dropdead Date:**

The conditions precedent to Closing shall be required to be fulfilled and the Closing shall occur no later than the Dropdead Date. If Closing has not occurred by the Dropdead Date, then within 10 days of the Dropdead Date, each of TCL NL and STA shall be entitled to terminate the Share Purchase Agreement upon simple notice to the other, without any further charge or penalty, subject to the provisions set forth in article 129 of the Brazilian Civil Code of Brazil, provided that such right to terminate the Share Purchase Agreement shall not be available to a party who caused the Closing not to occur by the Dropdead Date through a breach of any representation, warranty, covenant or agreement, including the failure to fulfil any conditions precedent to Closing for which such party was responsible.

If Closing shall not have occurred on or before the Dropdead Date exclusively due to the antitrust approval (as stated in conditions precedent (a) above) not having been obtained (and all other conditions precedent to Closing having been fulfilled or waived (other than those conditions precedent to Closing that are to be satisfied on Closing)), then no party shall be entitled to terminate the Share Purchase Agreement prior to the Extended Dropdead Date.



**Closing:**

Once all conditions precedent to Closing are fulfilled or verified (or otherwise waived as permitted under the Share Purchase Agreement), the parties will be required to consummate the Acquisition.

The Closing shall take place at the Closing Date, which shall be no later than the Dropdead Date (or the Extended Dropdead Date, as the case may be). On the Closing Date, among the others, (i) TCL NL and STA shall execute share transfer form and SEMP TCL shall register in the share register book the ownership of the Sale Shares by TCL NL, implementing, perfecting and formalising the transfer of all Sale Shares to TCL NL; (ii) TCL NL, STA, SEMP TCL and ABH shall enter into the Shareholders' Agreement; (iii) STA, SEMP TCL and SUFRAMA shall enter into the Property Definitive Deed (*see Note 1*); (iv) STA, SEMP TCL, OCE and ABH shall enter into the Sublease Agreement (*see Note 2*); (v) TCL NL, STA, SEMP TCL, OCE, ABH and TOH shall enter into the Joint Venture First Amendment Agreement (*see Note 3*); and (vi) TCL NL, STA, SEMP TCL, ABH, OCE and SEMP S.A. shall enter into the Trademark License Agreement (*see Note 4*).

*Note 1:*

*Pursuant to existing Brazil laws and regulations, SUFRAMA, a local governmental authority of Brazil, is required to be included as a contracting party to the Property Definitive Deed for it to take effect. In any event, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SUFRAMA is an Independent Third Party.*

*Note 2:*

*Pursuant to the Sublease Agreement, SEMP TCL (as sub-lessee) will sublease the Cajamar Properties from STA (as sub-lessor) for a term of three years commencing from the date of the Sublease Agreement, which may be extended upon mutual agreement by SEMP TCL and STA. Pursuant to HKFRS 16, the Cajamar Properties leased under the Sublease Agreement will be recognised as right-of-use assets, and the transaction contemplated under the Sublease Agreement will be recognised as an acquisition of right-of-use assets. The right-of-use asset represents the right to use the underlying leased asset over the lease term and the lease liability represents the obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Sublease Agreement, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the shorter of the useful life of the asset and the lease term, and (ii) interest expenses amortised from the lease liability over the lease term. As the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transactions under the Sublease Agreement are all less than 1%, the transactions contemplated thereunder are fully exempt from annual review, independent financial advice, Shareholders' approval and all disclosure requirements under Chapters 14 and 14A of the Listing Rules.*

Note 3:

*Pursuant to the Joint Venture First Amendment Agreement, the terms and conditions of the Joint Venture Agreement will be amended such that relevant provisions of rights granted to and covenants made by the parties thereof in the Joint Venture Agreement will be superseded by corresponding provisions of the Shareholders' Agreement.*

Note 4:

*Pursuant to the Trademark Licence Agreement, SEMP S.A. (a wholly-owned subsidiary of STA and hence a connected person of the Company at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules after Closing) agrees to grant to SEMP TCL an exclusive license to use certain trademarks of SEMP S.A. for an initial term of three years commencing from the date of the Trademark Licence Agreement (royalty-free during the initial term), with an option for SEMP TCL to extend the trademark licence with respect to TV products for a period of not less than five years. As the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transactions under the Trademark Licence Agreement for the initial term of three years are all less than 1%, the transactions contemplated thereunder are fully exempt from annual review, independent financial advice, Shareholders' approval and all disclosure requirements under Chapters 14 and 14A of the Listing Rules. In the event SEMP TCL decides to extend the trademark licence with respect to TV products in accordance with the terms and conditions of the Trademark Licence Agreement, the Company will comply with applicable requirements under the Listing Rules.*

## **SHAREHOLDERS' AGREEMENT**

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

- Date:** To be entered on the Closing Date
- Parties:**
- (i) TCL NL;
  - (ii) STA;
  - (iii) SEMP TCL (as intervening-consenting party);  
and
  - (iv) ABH (as intervening-consenting party).
- Call Option:** STA agrees to grant the Call Option to TCL NL (or its designated assignee), pursuant to which TCL NL (or its designated assignee) has the right to purchase from STA, and STA shall be obligated to sell to TCL NL (or its designated assignee), all but not less than all Option Shares (representing a 20% equity interest in SEMP TCL held by STA after Closing), at the Call Option Exercise Price.

The Call Option may be exercised upon delivery of a written notice to STA at least 30 days in advance of the Call Option Closing Date.

**Call Option premium and exercise price:**

No premium is payable for accepting the Call Option.

The Call Option Exercise Price shall be the Call Option Base Price, subject to further adjustments (“**Call Option Exercise Price Adjustments**”), provided that in any event the Call Option Exercise Price (including Call Option Exercise Price Adjustments) shall not exceed R\$134,920,947.95 (equivalent to approximately HK\$201,059,000).

The Call Option Exercise Price Adjustments are as follows:

- (a) *plus* the greater of (i) interest on the Call Option Base Price accrued at the corresponding CDI Rate from the date of the Shareholders’ Agreement until the Call Option Closing Date, on a *pro rata temporis* basis; or (ii) the accumulated amount of dividends payable in respect of the Option Shares as of the Call Option Closing Date;
- (b) *plus or minus* the Call Option Contingencies Adjustment;
- (c) *minus* any dividends paid and/or declared, but not yet paid, to STA in the period from the date of the Shareholders’ Agreement to the Call Option Closing Date.

The Call Option Exercise Price shall be paid in one lump sum on the Call Option Closing Date.

**Call Option exercise period:**

Any time from the date of Shareholders’ Agreement to the Expiration Date, provided that the Put Option has not then been exercised by STA.

**Put Option:**

TCL NL agrees to grant the Put Option to STA, pursuant to which STA has the right to sell to TCL NL (or its designated assignee), and TCL NL (or its designated assignee) shall be obligated to purchase from STA, all but not less than all Option Shares (representing a 20% equity interest in SEMP TCL held by STA after Closing) at the Put Option Exercise Price.

The Put Option may be exercised upon delivery of a written notice to TCL NL at least 30 days in advance of the Put Option First Closing Date.

**Put Option premium  
and exercise price:**

No premium is payable for accepting the Put Option.

The Put Option Exercise Price shall be the Put Option Base Price, subject to further adjustments (“**Put Option Exercise Price Adjustments**”), provided that in any event the Put Option Exercise Price (including Put Option Exercise Price Adjustments) shall not exceed R\$134,920,947.95 (equivalent to approximately HK\$201,059,000).

The Put Option Exercise Price Adjustments are as follows:

- (a) *plus* the greater of (i) interest on the Put Option Base Price accrued at the corresponding CDI Rate from the date of Shareholders’ Agreement until the respective Put Option First Closing Date and Put Option Second Closing Date, on a *pro rata temporis* basis; or (ii) the accumulated amount of dividends payable in respect of the Option Shares as of the respective Put Option First Closing Date and Put Option Second Closing Date, as the case may be;
- (b) *plus or minus* the Put Option Contingencies Adjustment;
- (c) *minus* any dividends paid and/or declared but not yet paid to STA in the period from the date of the Shareholders’ Agreement to the Put Option First Closing Date, and/or from the Put Option First Closing Date to the Put Option Second Closing Date (as the case may be).

The Put Option Exercise Price shall be paid to STA by TCL NL (or its designated assignee) in two instalments. The first instalment, being 50% of the Put Option Base Price (subject to Put Option Exercise Price Adjustments), shall be paid on the Put Option First Closing Date. The second instalment, being the remaining 50% of the Put Option Base Price (subject to Put Option Exercise Price Adjustments), shall be paid on the Put Option Second Closing Date.

**Put Option exercise period:** Upon the occurrence of a put option acceleration event (“**Put Option Acceleration Event**”), or at any time from the second anniversary of the date of the Shareholders’ Agreement to the Expiration Date, provided that the Call Option has not then been exercised by TCL NL (or its designated assignee).

Each of the following events is a Put Option Acceleration Event:

- (i) winding-up, dissolution, liquidation or any form of insolvency proceedings affecting SEMP TCL (including, without limitation, extrajudicial or judicial recovery);
- (ii) merger, spin-off, amalgamation or any similar act of corporate reorganisation or corporate restructuring of SEMP TCL involving any legal entity other than TCL NL, STA, SEMP TCL, ABH and their respective Affiliates; and
- (iii) any transaction or event caused by, or related to, TCL NL and/or SEMP TCL, which occurs after the date of the Shareholders’ Agreement, which may reasonably be expected to materially restrict or otherwise prevent the ability of STA to transfer the Option Shares to TCL NL (or its designated assignee).

**Board composition:** The board of directors of SEMP TCL shall be composed of up to five members.

As from the date of the Shareholders' Agreement and until the earlier of the date on which the Call Option or the Put Option is exercised and the Expiration Date, STA shall be entitled to appoint one director (and his alternate) (which shall be either ABH or his grandson). The remaining directors and their respective substitutes shall be appointed by the shareholder(s) representing the majority of the shares (i.e. TCL NL). The chairman of the board shall be appointed by TCL NL.

**Restriction on transfer of shares and creation of liens:**

Transfer of the shares of SEMP TCL will be subject to customary first right of refusal by the other existing shareholder(s) of SEMP TCL. TCL NL shall have drag-along rights over the shares held by STA if TCL NL wishes to transfer its shares in SEMP TCL. STA shall have tag-along rights in the event that TCL NL transfers its shares to a third party other than an Affiliate of TCL NL.

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

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

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

STA shall not create any liens on its respective shares in SEMP TCL in any way without the prior written consent of TCL NL.

**Guarantee:**

On the Call Option Closing Date or on the Put Option First Closing Date and the Put Option Second Closing Date, as the case may be, STA shall provide and deliver to SEMP TCL a guarantee in favour of SEMP TCL (and its subsidiaries) and TCL NL, with a guaranteed amount equivalent to, as the case may be: (i) the Call Option Exercise Price payable to STA on the Call Option Closing Date; or (ii) the first instalment of the Put Option Exercise Price payable to STA on the Put Option First Closing Date; or (iii) the second instalment of the Put Option Exercise Price payable to STA on the Put Option Second Closing Date. The guaranteed amount, in each case, shall be adjusted annually in accordance with the applicable Selic rate of Brazil (or any interest rate that may replace it).

The guarantee shall be exclusively for the purpose of covering any losses suffered by SEMP TCL, its subsidiaries and/or TCL NL during the period from the Call Option Closing Date/Put Option First Closing Date/Put Option Second Closing Date (as the case may be) to the fifth anniversary of the Closing Date (can be extended for a period that will be sufficient to cover losses of ongoing or outstanding claim, if any), for which SEMP TCL is required to be indemnified by STA under the Share Purchase Agreement.

In the event STA fails to present the guarantee, TCL NL shall be entitled to (i) acquire the Option Shares required to be transferred by STA to TCL NL on the Call Option Closing Date/Put Option First Closing Date/Put Option Second Closing Date, as the case may be, with the corresponding transfer to TCL NL of title and ownership; and (ii) hold back the full amount of Call Option Exercise Price or the relevant instalment of Put Option Exercise Price, as the case may be, which shall only become due and payable by TCL NL on the fifth Business Day following the actual delivery of the guarantee by STA.



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

### **PROPERTY SALE AND PURCHASE AGREEMENT**

The principal terms of the Property Sale and Purchase Agreement are summarised below:

**Date:** 3 June 2020

**Parties:**

- (i) SEMP TCL (as purchaser);
- (ii) STA (as seller);
- (iii) TCL NL (as intervening-consenting party);
- (iv) OCE (as intervening-consenting party); and
- (v) ABH (as intervening-consenting party).

**Subject matter to be acquired:**

- (i) the Manaus Property; and
- (ii) the Equipment.

**Consideration:** The total consideration for the Manaus Property and the Equipment is R\$55,000,000 (equivalent to approximately HK\$81,961,000) (net of Brazil real property transfer tax), which shall be paid in two instalments by SEMP TCL to STA (see below).

**Payment terms:**

The first instalment of R\$44,000,000 (equivalent to approximately HK\$65,569,000) shall be paid on the date of execution of the Property Definitive Deed. The second instalment of R\$11,000,000 (equivalent to approximately HK\$16,392,000) shall be paid on the later of (i) the fifth Business Day following the delivery of the updated land titles evidencing the fulfilment of rectification of land titles pertaining to the Manaus Property by STA (see below); and (ii) the date of execution of the Property Definitive Deed pursuant to the terms and subject to the conditions set forth in the Property Sale and Purchase Agreement.

STA undertakes to rectify, within four months from the date of the Property Sale and Purchase Agreement (subject to extension if such rectification has not been completed within the prescribed period due to delays exclusively attributable to public authorities/public registry, provided that STA has taken all reasonable measures to conclude the rectification within four months), at its own costs and expenses, the land titles pertaining to the Manaus Property to reflect the existing built-up area. If the initial four-month period is extended, the second instalment shall be paid together with the interest thereon at the CDI Rate from the end of such four-month period to the date of actual payment.

**Conditions precedent**

The completion of the Property Sale and Purchase Agreement is conditional upon the Closing in accordance with the terms and conditions of the Share Purchase Agreement.

**Transfer of the subject matter to be acquired:**

The title and full possession of the Manaus Property and the Equipment shall pass from STA to SEMP TCL upon the execution of the Property Definitive Deed and the payment of the first instalment of the consideration, provided that the failure to pay the second instalment shall cause the dissolution of the transaction under the Property Sale and Purchase Agreement.

**Completion:**

Upon satisfying the conditions precedent, STA, SEMP TCL and SUFRAMA shall execute the Property Definitive Deed on the Closing Date.

## FINANCIAL INFORMATION

### Financial Information of SEMP TCL

Set out below is the financial information of SEMP TCL for the year ended 31 December 2018 and 31 December 2019 as extracted from SEMP TCL's audited consolidated financial statements prepared in accordance with the generally accepted accounting principles of Brazil, which are in compliance with the International Financial Reporting Standards:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>R\$ '000</i>	<i>R\$ '000</i>
Revenue	1,385,825	1,291,179
Net profit before tax	592	20,371
Net profit/(loss) after tax	(2,107)	12,365
	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>R\$ '000</i>	<i>R\$ '000</i>
Total assets	1,385,052	1,298,609
Net assets	490,501	491,699

### Financial Information of the Manaus Property and the Equipment

According to the valuation report prepared by Duff & Phelps, an independent valuation firm, the valuation of the Manaus Property as at 31 October 2019 was R\$50,966,700 under the cost approach (equivalent to approximately HK\$75,951,000). According to the valuation report prepared by Avaliações e Engenharia Limitada., an independent valuation firm, the Equipment had a market value of R\$6,037,534 (equivalent to approximately HK\$8,997,000) as at 31 January 2020.

The original investment cost of the land on which the Manaus Property was built and the construction cost of the Manaus Property were R\$10,087.43 and R\$16,372,332.28 respectively (equivalent to approximately HK\$15,000 and HK\$24,398,000 respectively). The original acquisition cost of the Equipment was R\$62,146,301.80 (equivalent to approximately HK\$92,610,000).

## **BASIS OF THE CONSIDERATION**

### **The Acquisition, Call Option and Put Option**

The consideration for the Acquisition and the respective exercise price of the Call Option and the Put Option were determined after arm's length negotiations between TCL NL and STA having considered, among others:

- (i) the net asset value of SEMP TCL as at 31 December 2019;
- (ii) the reputation, market position and historical performance of SEMP TCL;
- (iii) the room for growth and profitability of SEMP TCL after the Acquisition;
- (iv) that STA, the existing shareholder of SEMP TCL, has developed a mature operation layout in terms of human resource, sales network, social relation and client base through more than 70 years of operation, which SEMP TCL and the Group may continue to take advantage of after the Acquisition; and
- (v) other factors set out in "Reasons for and Benefits of the Agreements" below.

The consideration for the Acquisition and the respective exercise price of the Call Option and the Put Option will be settled in cash and funded by internal resources of the Group.

### **Property Sale and Purchase Agreement**

The consideration of the Manaus Property and the Equipment was determined after arm's length negotiations with reference to (i) the valuation of the Manaus Property and the Equipment; and (ii) comparable properties and equipment of similar nature in the prevailing market. The consideration will be settled in cash and funded by internal resources of the Group.

## **REASONS FOR AND BENEFITS OF THE AGREEMENTS**

### **The Acquisition, Call Option and Put Option**

The Group has been proactively promoting intelligentisation, globalisation, research and development innovation, and "AI x IoT" strategic transformation. Taking advantage of its leading position in the industry, the Group also focused on developing smart TV, Internet services, smart home and commercial display systems based on household and commercial scenarios. The Group has always been following its globalised brand strategy through accelerating business layout in key overseas markets, improving product competitiveness, and optimising product mix and sales channels.

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

SEMP TCL is principally engaged in the business of manufacture and sale of consumer home appliances, which major products include small home appliances such as TV, air-conditioner, mobile phone and speaker, with the manufacture and sale of TV being its major business. Since its establishment in 2016, SEMP TCL's TV business has grown rapidly, with its total sales volume in 2019 exceeding 1 million sets.

The TV and air-conditioner market of Brazil has shown a growing trend since 2016. It is expected that the TV market of Brazil will expand progressively in the coming years. In order to take advantage of the growing trends, the Group intended to acquire from STA further equity interest in SEMP TCL through the Acquisition so that the Group will be able to control the operation of SEMP TCL to fully implement the Group's market strategy.

The Acquisition will enhance the Group's advantages in vertical integration of the entire TV industry and multi-category synergy. The Group may also increase its market share rapidly with the help of the local accumulation of SEMP TCL over the years, as well as its professional team and advanced local manufacturing capabilities. It is expected that the Acquisition will also increase the brand share and market influence of the Group in Brazil. The Group may also increase the sales volume and channel coverage of air conditioners by taking advantage of current TV channels.

The grant of the Put Options to STA will protect STA's minority interest in SEMP TCL with a view to aligning its interest with those of SEMP TCL, which will in turn benefit the Group as a whole, whilst the Call Option provides the Group with the opportunity to acquire complete control of SEMP TCL in future.

The terms of the Share Purchase Agreement and the Shareholders' Agreement were determined after arm's length negotiations between the parties thereto and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Share Purchase Agreement and the Shareholders' Agreement are fair and reasonable; and (ii) the entering into of the Share Purchase Agreement and the Shareholders' Agreement is in the interests of the Company and the Shareholders as a whole.

## **Property Sale and Purchase Agreement**

In 2016, SEMP TCL and STA entered into two lease agreements, pursuant to which the Manaus Property and the Equipment were leased to SEMP TCL and SEMP TCL has been occupying the Manaus Property as its major manufacturing site and operating the Equipment since 2016. The annual production capacity of the manufacturing site reaches 1.4 million sets of TV screens, and 0.2 million sets of air-conditioners.

In light of the significance of the Manaus Property and the Equipment to the operation of SEMP TCL, the purchase of the Manaus Property and the Equipment allows SEMP TCL to operate without placing reliance on an external third-party. It will also allow SEMP TCL to better control the manufacturing costs and enhance the stability and flexibility of its supply lines.

The terms of the Property Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Property Sale and Purchase Agreement are fair and reasonable; (ii) the Property Sale and Purchase Agreement was entered into on normal commercial terms; and (iii) the entering into of the Property Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in each of the Agreements, thus none of the Directors has abstained from voting on the Board resolutions approving each of the Agreements and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

### **The Acquisition**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Immediately after the Closing of the Acquisition, SEMP TCL will be owned 80% by TCL NL and hence will become an indirect subsidiary of the Company. Each of STA (as a shareholder holding a 20% equity interest in SEMP TCL) and ABH (the sole shareholder of STA), will then become a connected person of the Company at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules.

## **Shareholders' Agreement**

The grant of each of the Call Option and the Put Option under the Shareholders' Agreement would be treated as a transaction and classified by reference to the percentage ratios (as defined under the Listing Rules) pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules.

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

The exercise of the Put Option is not at the discretion of TCL NL. According to Rules 14.74(1) and 14A.79(1) of the Listing Rules, on the grant of the Put Option to STA, the transaction will be classified as if the Put Option had been exercised. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of Put Option exceed 1% but all are less than 5%, the grant of Put Option is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the avoidance of doubt, if aggregated under Rule 14.22 of the Listing Rules, one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and the grant of the Put Option exceed 5% but all are less than 25% and hence the transactions if aggregated remain a discloseable transaction for the purpose of Chapter 14 of the Listing Rules. The Board has approved the Acquisition and the grant of Put Option, and the independent non-executive Directors have also confirmed that the terms of the Acquisition and grant of Put Option are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, by virtue of Rule 14A.101 of the Listing Rules, the Acquisition and the grant of Put Option are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and Shareholders' approval requirements.



## **Property Sale and Purchase Agreement**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Property Sale and Purchase Agreement exceeds 1% but all are less than 5%, the transactions under the Property Sale and Purchase Agreement are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION OF THE PARTIES**

The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including TV 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).

SEMP TCL is a company established by OCE and STA in Brazil, which is principally engaged in the business of manufacture and sale of TV sets and air-conditioners. TCL NL will acquire from OCE the entire equity interests held by OCE in SEMP TCL on the Closing Date. As at the date of this announcement, OCE, TCL NL and STA are interested in SEMP TCL as to 40%, 0% and 60% respectively. After the completion of the Acquisition, the Company will be interested in 80% of the total number of issued shares of SEMP TCL through TCL NL.

STA is principally engaged in the business of manufacture and sale of TV sets and air-conditioners. The sole shareholder and ultimate beneficial owner of STA is ABH. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of STA and its ultimate beneficial owner (i.e. ABH) is an Independent Third Party prior to the entering into of the Share Purchase Agreement.

ABH is the sole shareholder of STA, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ABH is an Independent Third Party prior to the entering into of the Share Purchase Agreement.

## DEFINITIONS

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

“ABH”	Affonso Brandão Hennel, a Brazilian citizen, the sole shareholder of STA
“Acquisition”	the acquisition of the Sale Shares pursuant to and subject to the terms and conditions of the Share Purchase Agreement
“Affiliated Entity”	any entity Controlling, Controlled by, or under common Control with SEMP TCL
“Affiliate(s)”	jointly or individually, in relation to any legal entity, (a) any legal entity that, directly or indirectly, Controls, is Controlled by or is under common Control with such party; (b) any other legal entity who is at such time an officer, manager or director of, or direct or indirect beneficial holder of equity interest of such specified legal entity; and/or (c) in relation to any of the legal entity in (a) or (b) above, his/her parent, spouse, child, lineal heirs and collateral descendants up to the third degree, natural or adopted (including respective spouses), as well as any company that, directly or indirectly, is Controlled by any such heirs or descendants
“Agreements”	collectively the Share Purchase Agreement, Shareholders’ Agreement, and the Property Sale and Purchase Agreement
“Board”	the Board of Directors of the Company
“Brazil”	the Federative Republic of Brazil

“Business Day”	in general means 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; but for the purpose of the Agreements, “Business Day” means a day that is not a bank holiday in the city of São Paulo, State of São Paulo, Brazil, in the city of Amsterdam, the Netherlands, and in Hong Kong
“Cajamar Properties”	five plots of land with a total area of 407,847 square meters, located at Km 39.5, Rodovia Anhanguera, in the city of Cajamar, State of São Paulo, Brazil, and respective buildings and constructions, with a total built-up area of 40,283.22 square metres, subject to the land titles Nos. 1,898, 5,487, 5,488, 580 and 581 of the 2nd Real Estate Registry Office of the city of Jundiaí, State of São Paulo, Brazil
“Call Option”	the right to be granted to TCL NL (or its designated assignee) to purchase from STA and require STA to sell to TCL NL (or its designated assignee) all Option Shares at the Call Option Exercise Price on the Call Option Closing Date pursuant to the Shareholders’ Agreement
“Call Option Base Price”	equivalent to the sum of the base option price of approximately R\$98,147,060.26 (equivalent to approximately HK\$146,259,000) plus or minus 20% of net profit or loss after tax, as the case may be, of SEMP TCL ascertained for the period from 31 December 2019 to the end of the month preceding the Closing Date
“Call Option Closing Date”	the closing of the purchase and sale of Option Shares resulting from the exercise of the Call Option, which shall occur by no less than 30 days nor more than 60 days after the date of delivery of written notice by TCL NL to STA specifying the exercise of Call Option

“Call Option Contingencies Adjustment”	equivalent to the net positive amount of all indemnities that may become due by TCL NL, or the net positive amount of all indemnities that may become due by STA, as the case may be, under the Share Purchase Agreement, accrued in relation to the period from the Final Sale Shares Payment Date to the Call Option Closing Date
“Call Option Exercise Price”	the price payable in connection with the exercise of the Call Option
“CDI Rate”	means the average daily rate for interbank deposits, referred to as “DI Rate – extra group operations”, expressed as an annual percentage based on a year of 252 days, calculated and published on a daily basis by B3 S.A. – Brasil Bolsa Balcão, or any other reference rate of the Brazilian National Financial System that may replace it
“Closing”	the completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement
“Closing Date”	the date on which Closing takes place, which shall be either (i) on the last Business Day of any given month, provided that the Closing Notice has been delivered on or before the 15th day of such month; or (ii) if the Closing Notice has been delivered on or after the 16th day of any given month, then no later than the 20th day of the following month, provided that in any event Closing shall not occur prior to 15 July 2020
“Closing Notice”	the notification by TCL NL and STA to each other confirming that conditions precedent to Closing have been fully complied with and verified (or waived, as the case may be), which shall be made within two Business Days after the conditions precedent to Closing have been complied with and verified (or otherwise waived, as the case may be)
“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
“Consideration”	the consideration for the Sale Shares
“Contingencies Adjustment”	equivalent to the net positive amount of all indemnities that may become due by TCL NL, or the net amount of all indemnities that may become due by STA, as the case may be, under the Share Purchase Agreement, accrued in relation to the period from the Closing Date to the Final Sale Shares Payment Date
“Control”	including all of its variations, including “Controlling”, “Controlled” and “under common Control”, when used with respect to a legal entity, means the possession or beneficial ownership of voting interests in a legal entity that permanently assures, directly or indirectly, (i) the majority of the votes at all shareholders’ meetings; (ii) the power to elect the majority of the board of directors and statutory executive officers of such person; or (iii) the possession of the power to, directly or indirectly, direct or cause the direction of management or policies (whether through ownership of securities, partnership or other ownership interests, by contract or otherwise) of such legal entity
“Director(s)”	the director(s) of the Company
“Dropdead Date”	the end of the sixth month after the date of the Share Purchase Agreement
“Equipment”	all the equipment, furniture, fixtures, hardware, systems, vehicles, computers, tools, dunnages, spare parts, machines and tooling, and other tangible or corporeal personal or moveable property that are not considered real or immovable property under applicable law, in all cases either located in the Manaus Property or otherwise used in connection with the activities performed by SEMP TCL therein, or in the Cajamar Properties
“Extended Dropdead Date”	the date falling four months after the Dropdead Date
“Expiration Date”	the third anniversary of the date of the Shareholders’ Agreement

“Final Sale Shares Payment Date”	the date on which the Post-Closing Payment for the Acquisition shall be made by TCL NL to STA pursuant to the terms of the Share Purchase Agreement, which shall be within 10 Business Days of the date that falls 6 months following the Closing Date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Third Party”	a party who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“Interim P&L Adjustment”	equivalent to the net profit or loss after tax, as the case may be, of SEMP TCL ascertained for the period during Interim P&L Adjustment Period, multiplied by 40%
“Interim P&L Adjustment Period”	the period from the end of the Upfront P&L Adjustment Period until the end of the month immediately preceding the Closing Date
“Joint Venture Agreement”	the joint venture agreement entered into among OCE, STA, ABH and TOH in relation to SEMP TCL on 24 June 2016
“Joint Venture First Amendment Agreement”	the first amendment to the joint venture agreement to be entered into among TCL NL, STA, SEMP TCL, ABH and OCE in relation to SEMP TCL on the Closing Date
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange

“Manaus Property”	two plots of land, with an aggregate area of 56,774.22 square metres, located at Rua Iça, No. 500, Anexo B, Distrito Industrial I, ZIP Code 69.075-090, in the city of Manaus, State of Amazonas, Brazil, and all respective buildings and constructions, subject to the land titles (matrículas) numbered 5,172 and 5,173 of the 4th Real Estate Registry Office of Manaus, State of Amazonas, Brazil
“OCE”	TCL Overseas Consumer Electronics Limited, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Option Shares”	the 20% equity interest in SEMP TCL held by STA which is the subject of the Call Option and Put Option upon the Closing and the entering into of the Shareholders’ Agreement
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this announcement
“Property Definitive Deed”	the public deed of purchase and sale of the property in respect of the Manaus Property and the Equipment to be entered into among STA, SEMP TCL and SUFRAMA on the Closing Date
“Property Sale and Purchase Agreement”	the private instrument of commitment of sale and purchase of real estate and equipment entered into among SEMP TCL, STA, TCL NL, OCE and ABH on 3 June 2020
“Put Option”	the right to be granted to STA to sell to TCL NL (or its designated assignee) and require TCL NL (or its designated assignee) to purchase from STA all Option Shares in SEMP TCL at the Put Option Exercise Price upon the Put Option First Closing Date and Put Option Second Closing Date pursuant to the Shareholders’ Agreement



“Put Option Base Price”	equivalent to the sum of the base option price of approximately R\$98,147,060.26 (equivalent to approximately HK\$146,259,000) plus or minus 20% of net profit or loss after tax, as the case may be, of SEMP TCL ascertained for the period from 31 December 2019 to the end of the month immediately preceding the Closing Date
“Put Option Contingencies Adjustment”	equivalent to the net positive amount of all indemnities that may become due by TCL NL, or the net positive amount of all indemnities that may become due by STA, as the case may be, under the Share Purchase Agreement, accrued in relation to the period from the Final Sale Shares Payment Date to the respective Put Option First Closing Date or Put Option Second Closing Date (as the case may be)
“Put Option Exercise Price”	the price payable in connection with the exercise of the Put Option
“Put Option First Closing Date”	the first closing of the purchase and sale of Option Shares resulting from the exercise of the Put Option, which shall occur by no less than 30 days nor more than 60 days after the date of delivery of written notice by STA to TCL NL specifying the exercise of Put Option
“Put Option Second Closing Date”	the second closing of the purchase and sale of Option Shares resulting from the exercise of the Put Option, which shall occur at any date that may be determined by TCL NL but in any event by no later than 10 Business Days following the Expiration Date
“R\$”	Brazilian Reais, the lawful currency of Brazil

“Restricted Activities”	engage or invest in, incorporate, set up, own, manage, join, operate, finance, control, or participate in the ownership, management, operation, financing or control of, or have any equity or financial interest in, or acquire any right to share in the profits of, be employed by, associated with, lend its name to, or render services to, any legal entity (other than SEMP TCL and its subsidiaries) engaged in or otherwise exploiting SEMP TCL’s competing business in Brazil of producing and selling TV products, mobile telephones, air-conditioners, audio products and small domestic appliances, plus any additional products jointly agreed in writing by the parties to the Shareholders’ Agreement
“Sale Shares”	61,120,000 common shares in SEMP TCL held by STA, representing 40% of SEMP TCL’s total and voting capital of 152,800,000 common shares as at the date of the Share Purchase Agreement
“SEMP S.A.”	SEMP S.A., a company incorporated under the laws of Brazil with limited liability and a wholly-owned subsidiary of STA
“SEMP TCL”	SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A., a company incorporated under the laws of Brazil with limited liability
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among TCL NL, STA, SEMP TCL and ABH after the completion of the Acquisition
“Share Purchase Agreement”	the share purchase agreement entered into among TCL NL, STA, SEMP TCL, ABH and OCE on 3 June 2020
“Shareholder(s)”	holder(s) of share(s) of the Company
“STA”	SEMP Amazonas S.A., a company incorporated under the laws of Brazil with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sublease Agreement”	the sublease agreement for non-residential purposes and other covenants to be entered into among SEMP TCL, STA, OCE and ABH on the Closing Date
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“SUFRAMA”	Superintendência da Zona Franca de Manaus (Manaus Free Trade Zone Authority), a local governmental authority of Brazil
“TCL NL”	TCL Netherlands B.V., a company established under the laws of the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Company
“TOH”	TCL Overseas Holdings Limited, a company established under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“TV(s)”	television(s)
“Trademark Licence Agreement”	the trademark licence agreement to be entered into among SEMP S.A., SEMP TCL, STA, TCL NL, ABH and OCE on the Closing Date
“Upfront Payment Date”	<p>the date on which upfront payment shall be made by TCL NL to STA after confirmation by TCL NL and STA that the conditions precedent (a) and (c) under the Share Purchase Agreement (as listed out under the sub-heading “Share Purchase Agreement” of the section “The Acquisition” hereinabove) have been duly satisfied, which:</p> <ul style="list-style-type: none"> <li>(i) if such confirmation occurs on or before the 15th day of the month, shall be the last Business Day of that month; and</li> <li>(ii) if such confirmation occurs on or after the 16th day of the month, shall be no later than the 20th day of the following month,</li> </ul> <p>provided that, in each case, the conditions precedent (b), (d), (e) and (f) under the Share Purchase Agreement are satisfied as of such payment date</p>

“Upfront P&L Adjustment”	equivalent to the net profit or loss after tax, as the case may be, of SEMP TCL ascertained for the Upfront P&L Adjustment Period, multiplied by 40%
“Upfront P&L Adjustment Period”	the period from 31 December 2019 until the end of the month immediately preceding the Upfront Payment Date
“%”	per cent

On behalf of the Board  
**LI Dongsheng**  
*Chairman*

Hong Kong, 3 June 2020

*For the purposes of this announcement, the exchange rate of R\$1.00 = HK\$1.4902 has been used for currency translation (rounded to the nearest thousand), where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in R\$ or HK\$ has been, could have been or may be converted at such a rate.*

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