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) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL
AND
(3) THE NON-COMPETITION ARRANGEMENT

INTRODUCTION

The Business Transformation is comprised of the Acquisition and the Disposal.

In respect of the Acquisition:

Zhengjia Investment, TCL Industries and the Company entered into the Acquisition Agreement on 29 June 2020, pursuant to which the Company has conditionally agreed to acquire from Zhengjia Investment and Zhengjia Investment has conditionally agreed to transfer to the Company its entire interest in TCL Communication, representing all the issued shares of TCL Communication.

In respect of the Disposal:

(i) the Company and TCL Industries entered into the Disposal Agreement on 29 June 2020, pursuant to which TCL Industries has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer to TCL Industries its entire interest in Moka International, representing all the issued shares of Moka International;

(ii) TCL Tech, TCL Industries and the Company entered into the Deed of Termination (2020) on 29 June 2020, pursuant to which each of the parties has agreed to, among others, terminate the Deed of Non-Competition (1999) and the Variation Deeds; and

(iii) TCL Holdings, TCL Industries and the Company entered into the Deed of Non-Competition (2020) on 29 June 2020 in favour of the Company whereby each of TCL Holdings and TCL Industries has undertaken not to (save for the Exception as defined on page 39 of this announcement), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TVs and smart phones by themselves or their respective associates.

The Disposal and the Acquisition are inter-conditional. Upon completion, TCL Communication will become a wholly-owned Subsidiary of the Company and Moka International will cease to be a Subsidiary of the Company.

LISTING RULES IMPLICATIONS

Each of TCL Industries and Zhengjia Investment is a connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in relation to the transactions under each of the Acquisition and the Disposal exceed 5%, each of the Acquisition and the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent 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 Acquisition exceed 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Disposal exceed 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Each of TCL Holdings and TCL Industries is a connected person of the Company under the Listing Rules. Therefore, each of the Deed of Termination (2020) and the Deed of Non-Competition (2020) constitutes a connected transaction of the Company. The Deed of Termination (2020) and the Deed of Non-Competition (2020) are not conducted in the ordinary and usual course of business of the Company and are subject to the reporting, announcement and Independent Shareholders' Approval requirements under the Listing Rules accordingly.

APPROVAL FROM THE INDEPENDENT SHAREHOLDERS

The Company will seek approval from the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020) (including the respective transactions contemplated thereunder) at the EGM. The Company has appointed Somerley Capital Limited to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020) (including the respective transactions contemplated thereunder).

GENERAL INFORMATION

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 28 July 2020, Tuesday at 2:30 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Acquisition, the Disposal and the Non-Competition Arrangement.

A circular containing, among others, details on the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020), a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders and a notice of the EGM will be dispatched to Shareholders on or before 30 June 2020.

I. INTRODUCTION

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In respect of the Disposal:

(i) the Company and TCL Industries entered into the Disposal Agreement on 29 June 2020, pursuant to which TCL Industries has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer to TCL Industries its entire interest in Moka International, representing all the issued shares of Moka International;

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The Disposal and the Acquisition are inter-conditional. Upon completion, TCL Communication will become a wholly-owned Subsidiary of the Company and Moka International will cease to be a Subsidiary of the Company.

Each of TCL Industries and Zhengjia Investment is a connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios in relation to the transactions under each of the Acquisition and the Disposal exceed 5%, each of the Acquisition and the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent 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 Acquisition exceed 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Disposal exceed 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Each of TCL Holdings and TCL Industries is a connected person of the Company under the Listing Rules. Therefore, each of the Deed of Termination (2020) and the Deed of Non-Competition (2020) constitutes a connected transaction of the Company. The Deed of Termination (2020) and the Deed of Non-Competition (2020) are not conducted in the ordinary and usual course of business of the Company and are subject to the reporting, announcement and Independent Shareholders' Approval requirements under the Listing Rules accordingly.

II. BACKGROUND INFORMATION OF THE PARTIES

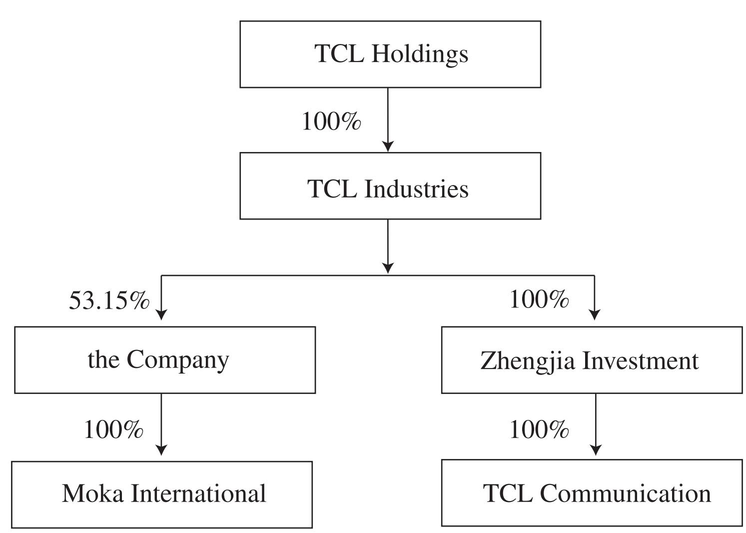
The Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets and distributes its products in all major markets globally. For more information on the Group, please visit its official website at http://electronics.tcl.com (the information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

TCL Holdings is an investment holding company with a diverse investment portfolio. Its investments are principally in the business of development, manufacturing and distribution of audio/video products, electronic products, communication equipment, home appliances, provision of cloud video conferencing services, intelligent manufacturing solutions, solid waste dismantling and disposal, development and leasing of building and industrial park, supply chain finance, etc. As at the date of this announcement, TCL Holdings, through its wholly-owned Subsidiary TCL Industries, held approximately 53.15% of the issued Shares of the Company and is the ultimate controlling shareholder of the Company.

TCL Industries is a wholly-owned Subsidiary of TCL Holdings and also an immediate holding company of Zhengjia Investment. Zhengjia Investment is a wholly-owned Subsidiary of TCL Industries and also an immediate holding company of TCL Communication.

TCL Tech is a technology innovation industry group focusing on semiconductor display and materials business, and develops its industrial finance and investment business through industry traction. CSOT, a Subsidiary of TCL Tech, is a leader in the global semiconductor display industry.

The relationship between the Company, TCL Holdings, TCL Industries and Zhengjia Investment is as follows:



Therefore, each of TCL Holdings, TCL Industries and Zhengjia Investment is a connected person of the Company under the Listing Rules. Each of the Acquisition, the Disposal and the Non-Competition Arrangement constitutes a connected transaction of the Company under the Listing Rules.

III. BUSINESS STRATEGIES OF THE GROUP AND REASONS FOR AND BENEFITS OF THE BUSINESS TRANSFORMATION

(A) Business Strategies of the Group

For years, the Group has been focusing on offering the best in class immersive experience both in terms of audio and picture quality to users. Nowadays, display has further embraced the role of smart display which can be controlled by users through various ways, such as voice, vision, gestures, etc., after installing various sensors. This signifies the transformation of TV, from a device for pastime to a smart display carrier in the living space that makes the rendering of more extensive and exciting Internet services possible. In this new era, we may refer TV as smart display. The smart display will be integrated with display applications for multiple scenarios and complement with each other perfectly, thus offering more colorful and personalized smart experience. In addition to the current video and music services, it will also expand into areas such as education, telemedicine and commercial display. And these Internet services bring a wide range of scenarios and possibilities to users thanks to the more robust sensors carried by the smart display and interconnectivity with smartphones and other devices.

With "AI x IoT" as the core, the Group is committed to becoming a leading global intelligent technology company by creating an all-scenario smart lifestyle user experience. The Group's brand TV sales worldwide reached 20.64 million units in 2019, firmly taking one of the top three positions worldwide. The Group is the only Chinese company in the industry with the advantages of vertical industry chain integration, and has been in collaboration with CSOT and access to various cutting-edge display technologies such as QLED, Mini LED and 8K. In 2019, revenue from the Group's Internet service worldwide totalled HK$626 million and operating profit contributed by the segment amounted to HK$317 million. The Group not only aspires to be a global leader in large display, picture quality and audio quality, but also strives to develop of AI x IoT, smart cameras, 5G and WiFi connectivity and becomes a large display expert who is fully aware of its clients' needs and is capable of providing the best picture quality and audio quality possible based on its in-house Android-based platform and smart interaction features. The Group is committed to achieving substantial growth in its smart TV market share and revenue from its Internet service over the next four years. Meanwhile, the Group will focus on developing devices and services for smart home, smart commercial display and mobile scenarios.

(B) Reasons for and Benefits of the Business Transformation

At present, some ICT companies regard mobile communication products as a fulcrum and opportunity to extend beyond their original industry and expand into the large display industry. These communications companies are attempting to create a new type of TV with their experience in mobile and content operation capabilities. The Company has always attached great importance to the integration of TV and mobile phone business, and has been continuously enhancing its cross-device integrated operation capability. It has also been undergoing continuous transformation to its product and service portfolio according to the everchanging users' habits. The interconnection among the screens of mobile phone, TV and commercial display will enable interactions and create dynamics between multiple scenarios and cross devices, and is expected to adapt to changes in users' habits, from focused and long hours usage to staggered and intermittent usage. The Business Transformation will help further leverage the Company's advantages in the area of industrial synergies.

Specifically, the Board considers that the Business Transformation will be beneficial to the Group in following areas:

(1) Business Transformation is instrumental to extending smart scenarios from home and office scenario to mobile and outdoor as well as the creation of all-scenario smart living experience and is one of the important initiatives of the "AI x IoT" strategic plan

TCL Communication Group is a global leading mobile device company and also provides Internet applications and services to its customers. Currently, TCL Communication Group operates two major international brands, TCL and Alcatel, with a wide range of best-selling and popular models and its products and services are distributed to and provided for more than 150 countries and regions worldwide. TCL Communication Group has attained world-class standards in product innovation, manufacturing and quality control. In addition to mobile phones, TCL Communication Group has formed a comprehensive product portfolio of communication IoT devices such as tablets, smart routing, smart CPE devices, smart monitoring and tracking devices, personal wearables, AR/VR, etc.. TCL Communication Group's multi-category product lines will complement the Group's inherent TV-based product line and realize product synergies in various vertical scenarios for home, office and personal users. The intelligent connectivity of large screens + small screens + wearable mobile devices will accelerate the Group's transformation into an industry leading provider of intelligent products and services and further advance the Group's "AI x IoT" strategy.

In addition, TCL Communication Group's extensive and well-diversified product portfolio extends intelligent scenarios from home and office scenario to outdoor, enabling enhanced intelligentization and convenient multi-screen human-computer interaction. Through the establishment of an all-scenario intelligent ecosphere, the Group can provide users with multi-scenario integrated solutions, which is conducive to further developing its "product + service" strategy.

(2) Further improving the infrastructure for building a smart living ecosystem

As mentioned in this sub-section above, the Group plans to focus on the further development of value-added services and apply its products to home, commercial and mobile scenarios to achieve smart connection and intelligent services. In 2019, the Group's global TCL brand TV sales reached 20.64 million units and the Group's cumulative activated users amounted to 42.34 million; TCL Communication Group's mobile device sales reached 27.80 million units. By combining over-the-top (OTT) device and services with mobile device, more interactive scenarios can be created, such as multi-screen interaction for information flow, a unified content service platform and a mega membership system. In addition, TCL Communication Group will not only strive for device innovation and further development for various scenarios in the customer-targeted smart device domain through technology research and development empowerment for smart TVs, but will also provide the infrastructure for a fully connected smart home environment with the smart router as the core, and such strategy is expected to provide users with more value-added services and to expand the Group's revenue stream from value-added services.

(3) Accelerate the development of commercial display business targeting business sector clients for mainstream scenarios such as remote work, and realize the interconnection of users' daily life and workplace scenarios

The domestic commercial display market has been on a continuous growth trend, with rapid product mix adjustment and rapid expansion of scenario applications. The market size of the eight major categories in the commercial display sector reached RMB78.9 billion in 2019 and is expected to exceed RMB100 billion in 2020 and reach RMB150 billion in 2023, with a CAGR of 25%. TCL's smart display business is focused on telecommuting, smart conferencing, education, business, scheduling, medical care and eldercare, transportation and other mainstream scenarios, which is in line with the Group's business philosophy and vision of offering all-scenario smart living experience for its users. The integration of TCL Communication Group with the Group's business and research and development capabilities will contribute to the acceleration of the Group's research and development and marketing strategies in the areas of hardware and software of commercial display and management platform for business sector clients, as well as the building of an agile "user-centered" development and delivery system. The addition of TCL Communication is conducive to the realization of TCL's "1+1+N" strategic planning (hardware platform + software platform + sub-scenario applications). TCL Communication will become the connecting hub for TCL's smart large screen and smart commercial display and will be committed to the further extension of scenarios and exploration of sub-scenarios, realizing multi-display interaction between user's daily life and workplace scenarios, and bringing people more efficient and convenient services in the areas of business management and daily life.

(4) A more focused business strategy of the Group that is fully devoted to the development of "product + service" under TCL's proprietary brands will be enabled by the Disposal

(a) In line with the Group's "AI x IoT" development strategy

In the era of the expeditious development of 5G technology, intelligentization and IoT have become the next hot trends and the Group has proactively taken various initiatives in developing smart home business based on its "AI x IoT' strategy. In order to further create all-scenario smart living experiences for users and establish a comprehensive smart ecosphere, divesting the ODM business will be conducive to focusing on the integration of technology, products and application scenarios of the our brand's core product line, which will help further implement the Group's "AI x IoT" strategy, accelerate the development of the Group's business inspired by intelligentization and IoT, and further develop and expand more scenarios and realize more possibilities.

(b) More focused business scope and concentrate on TCL's proprietary brands with exciting growth potential

The Group will focus on proprietary brands product business in the future. There are significant differences between the ODM business and the TCL brand products business in terms of business models and management and operations, and there exists a conflict of interest between the two businesses which can easily lead to inefficient resource allocation. The separation of proprietary brands business and the ODM business is beneficial to the Group's management efficiency and eliminate direct competition with ODM customers, which is a common practice among peers with ODM operations in the industry. Furthermore, the divestment of the ODM business is conducive to the Group's future focus on the development of the TCL brand and is expected to further strengthen the market recognition of TCL's proprietary brands.

(c) *The reasonable valuation implied in the Disposal will create better operating value for the Group*
Through this divestment, the Group can further focus its resources on the high-growth, highly profitable Internet operation service business, concentrating on the development of hardware + software + technology under its brands, conducting business with software users efficiently on the basis of brand synergy and technology interoperability, greatly enhancing the development potential of the high value-added Internet operation business, and creating remarkable synergies with various devices under its proprietary brands and opening up room for the Group's future growth.

(5) *Enormous synergies upon Business Transformation is conducive to value creation for Shareholders*

(a) *Synergies in terms of global footprint*
In 2019, the product sales of the Group and TCL Communication Group in overseas markets amounted to 13.46 million units and 25.88 million units, respectively. The Group and TCL Communication Group have remarkable complementarities in terms of overseas regional coverage and sales channels and can collaborate to develop global markets. After completion of the Business Transformation, the Group will also establish a comprehensive and stable smart device customer relationship with key operators in North America and Europe through TCL Communication Group, which will facilitate the penetration and expansion of the Group's products, including smart home products such as TV, into overseas markets, create economic moat and lead to focused collaboration to achieve breakthroughs into key markets overseas.

The Group's branded TVs have already enjoyed distinguished brand recognition overseas, and TCL Communication Group's products can leverage the notable recognition of the TCL TV brand in overseas markets to access more independent sales channels. Both parties can integrate branding and marketing resources and focus on the global promotion of the TCL brand, making TCL a leading brand of smart devices that young people around the world adore and trust. This will provide more room for TCL to expand its TVs and mobile phones business in the global market.

(b) *Synergies in terms of technology and product*
Nowadays, research and development for mobile phone represents the highest level of research and development capacity for smart devices. In the Group's strategic layout, both the research and development of innovative smart display devices for customer-targeted applications and that of business intelligent devices for business-targeted applications

will be iteratively upgraded and brought into line with latest mobile phone technology. As TCL Communication Group is one of the very few communications companies in the world that also holds patents for 2G-5G core technologies, the Business Transformation can further enhance the Company's deployment in the areas of smart products and smart connectivity. Operating system is the core of smart-rich media flow across displays. TCL Communication Group has developed its own ROM and these operating system platform accumulations can also be migrated to more displays in the future. Through a unified operating system, more features enabling restriction-free smart connectivity, inter-connectivity, security and artificial intelligence are expected to offer. Therefore, the integration of the Group's and TCL Communication Group's years of research and development and technology accumulation in their respective fields can accelerate the Group's product layout and iteration in the field of innovative equipment and create more distinct competitive advantages from other traditional home appliances enterprises.

TCL Communication Group possesses state-of-art hardware and software technologies for mobile phones while the Group possesses industry-leading smart display technologies. Both technological areas represent the most crucial technologies that are instrumental for the future development of smart hardware, smart homes and IoT. On the one hand, the Group's technological advantages in displays can enhance TCL Communication Group's competitive edge in handsets, tablets, wearable hardware and commercial display, allowing TCL Communication Group to become one of the very few mobile phone manufacturers with its screen display technologies among its peers. On the other hand, TCL Communication Group has various technical capabilities in communication and mobile phones, including Android operating system and embedded capabilities, 5G/WIFI/BLE Mesh wireless communication capabilities, camera imaging and voice multimedia capabilities, multi-screen and multi-device audio and video streaming capabilities, face, voice, fingerprint and other biometric identification capabilities and VR/AR and other innovative capabilities in the area of display and interaction. The extension of TCL Communication Group's technical capabilities to the smart and large display, smart home and IoT business will expedite the Group's development of intelligentization and IoT, and achieve sharing of research and development costs and technical empowerment for the Group's electronics products.

(c) *Financial synergies*

The development of 5G technology will drive the rapid development of the communications industry in the future, and the acquisition of TCL Communication Group will create significant growth opportunities to the Group's revenue and act as driving forces for rapid revenue growth in the future. Meanwhile, TCL Communication Group's gross margin reached 21.6% in 2019. Upon completion of the Acquisition, the Group's overall gross profit margin is expected to increase to nearly 20%, further enhancing the resilience in the Group's performance. The Group and TCL Communication Group have certain segments of supply chain that are in common, therefore Business Transformation is conducive to the optimization of the structure of logistics, capital flow and information flow, further enhancing the Group's profit growth potential.

Meanwhile, TCL Communication, a fellow subsidiary of the Group, shares the same or similar strategic direction and TCL corporate culture with the Group, therefore, the Acquisition of TCL Communication Group is expected to realize tremendous synergies both in terms of business cooperation and communication efficiency that would be unmatched by other comparable target companies. The Group's future development strategy is to focus on high brand premiums, thus growing sustainable service revenues. Disposing of asset-heavy and labour-intensive ODM businesses will propel the Group's agile transformation into an asset-light, high value-added business model that could deliver better returns for the Group and its Shareholders.

The Group's decision to dispose Moka International Group was made after careful assessment of the latter's overall strategic fit and business outlook. Although the ODM business has consistently been profitable, the ODM business has increasingly become challenging for the Group to manage as our TCL brand TVs compete directly with our certain customers resulting in significant conflict of interests. We believe the Disposal is in the best interest of the Group as such move will enable us to focus on developing our TCL brand products while maximizing shareholder value by re-deploying the sale proceeds to further strengthen our core business and capture growth in mobile communications. Similar actions were taken by several Taiwan-based electronics manufacturers that historically operated both a branded and ODM business, with examples including Wistron Corporation's spin-off of Wiwynn Corporation and ASUSTek Computer, Inc.'s spin-off of Pegatron Corporation, in order to resolve conflict of interests with their external customers.

As the Group's global sales of brand TVs already ranked among the top three globally in 2019, we have been reviewing our strategy and finding new sources that offer key synergy potential with our core business to further achieve our "AI x IoT" strategy. We have been also studying traditional and new coming competitors in our TV business, including Samsung, LG and Xiaomi. Samsung and LG both have their TV business and mobile phone business under a single listed company, and Xiaomi's entire product ecosystem is housed under the Xiaomi publicly listed company. Such structure is common in the industry to build a strong ecosystem and maximize synergies. TCL Communication Group offers a platform to realize our strategic goals and allow us to fully recognize the synergies with our TV business in market reach, distributions channels, customers, product and technology, and financial performance. It has become clear that in order to compete effectively in TV business and to create an all scenario display expert, we need to have TCL Communication under TCL Electronics.

When TCL Industries privatized TCL Communication in 2016, TCL Communication was faced with headwinds with challenging economic environment and unfavorable market conditions in some countries. Upon completion of privatisation, TCL Communication has conducted reforms through the implementation of a series of restructuring initiatives, such as selective market exit, sale channel restructuring, and other cost cutting initiatives. As the result, the business performance has shown significant improvement in the last 3 years, turning from HK$2.3 billion net loss in 2017 to net profit of HK$179 million in 2019. The fundamentals of TCL Communication are now on the solid footing while the overall market condition has also shifted in TCL Communication's favor, particularly with the emergence of 5G technology globally. The Group believes now is the right time to acquire TCL Communication as it is well-positioned to thrive in its target segments and fulfill our "AI x IoT" strategy after last three years' restructuring effort that put it on a solid foundation for growth and profitability.

In short, Business Transformation is an important part of the Group's strategic planning. It would facilitate the Group's extension of smart scenario from home to mobile and outdoor and commercial applications as well as providing users with an all-scenario smart living experience. Meanwhile, through Business Transformation, the Group will focus on its brand business and gain more dimensions in extending its global footprint, attain higher level of technology and product level, as well as more optimized revenue and cost structure, which is one step closer to realizing the corporate vision of "becoming the world's leading intelligent technology company".

The Directors believe that the proposed Business Transformation is beneficial for the Group's long-term strategic objectives and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. THE ACQUISITION

Acquisition Agreement

On 29 June 2020, Zhengjia Investment, TCL Industries and the Company entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire from Zhengjia Investment and Zhengjia Investment has conditionally agreed to transfer to the Company its entire interest in the issued shares of TCL Communication, representing all the shares of TCL Communication, at a consideration of RMB1.5 billion (or its equivalent in other currency(ies) at an exchange rate as mutually agreed between the vendor and purchaser), which is to be financed by the proceeds from the Disposal. Upon completion of the Acquisition, TCL Communication will become a wholly-owned Subsidiary of the Company.

The principal terms of the Acquisition Agreement are summarized below:

Date:	29 June 2020
Parties:	Zhengjia Investment, as vendor; TCL Industries, as covenantor; and the Company, as purchaser
Subject matter:	Pursuant to the terms and conditions of the Acquisition Agreement, the Company has conditionally agreed to acquire from Zhengjia Investment, Zhengjia Investment has conditionally agreed to transfer its 100% interest in the issued shares of TCL Communication to the Company.
Consideration:	The consideration is RMB1.5 billion (or its equivalent in other currency(ies) at an exchange rate as mutually agreed between the vendor and purchaser), which shall be settled by the Company using the proceeds from the Disposal on or before the Completion Date.

Conditions precedents:	Completion of the Acquisition is conditional upon the satisfaction of the following conditions precedents:

(i) warranties given by Zhengjia Investment in the Acquisition Agreement are true, accurate and not misleading as at the date of entering into the Acquisition Agreement and remain true, accurate and not misleading upon repetition of the same immediately before completion of the Acquisition under the Acquisition Agreement;

(ii) approval of the Acquisition Agreement and the transaction contemplated thereunder by the Independent Shareholders;

(iii) delivery by Zhengjia Investment of a Cayman Islands legal opinion in connection with TCL Communication in such form that is acceptable to the Company;

(iv) all consents, waivers, approvals, authorizations and clearances, if any, from any relevant governmental or regulatory authority or any relevant third party that are necessary for entering into and performance of the Acquisition Agreement having been obtained by Zhengjia Investment and the Company;

(v) completion of the due diligence on TCL Communication Group to the satisfaction of the Company; and

(vi) the Disposal Agreement having become unconditional, i.e. all conditions precedent, other than the condition precedent set out in (v) under the Disposal Agreement, are satisfied.

If any of the conditions precedent is not fulfilled or waived by Zhengjia Investment or as the case may be the Company before the Long Stop Date (or any other later date as Zhengjia Investment and the Company may agree in writing), the Acquisition Agreement shall be terminated and none of the parties (including TCL Industries) shall have any obligations and liabilities thereunder save for any antecedent breach of the terms thereof. Both Zhengjia Investment and the Company acknowledge that conditions precedent in (ii) and (vi) are not waivable.

As at the date of this announcement, conditions precedents set out in (iii) and (v) above have been satisfied.

Both Zhengjia Investment and the Company do not have any present intention to waive any of the above conditions precedent.

Covenants provided by TCL Industries:	By joining as a party to the Acquisition Agreement, TCL Industries covenanted to the Company that (i) the warranties given by Zhengjia Investment in the Acquisition Agreement are true, accurate and not misleading as at the date of entering into the Acquisition Agreement and remain true, accurate and not misleading upon repetition of the same immediately before completion of the Acquisition under the Acquisition Agreement; and (ii) TCL Industries will procure Zhengjia Investment to complete the Acquisition pursuant to the terms of the Acquisition Agreement.
Completion:	Completion of the Acquisition Agreement and the Disposal Agreement is inter-conditional (unless such conditions are waived by the Company) and will take place on the fifteenth Business Day (or such other later date as Zhengjia Investment and the Company may agree in writing) upon satisfaction or waiver, as the case may be, of all conditions precedents set out in each of the Acquisition Agreement and the Disposal Agreement.

Information on TCL Communication

(A) General Information

TCL Communication was incorporated in the Cayman Islands on 26 February 2004 and is principally engaged in investment holding.

TCL Communication was listed on the Main Board of the Stock Exchange from 27 September 2004 to 30 September 2016 (former stock code: 2618). In October 2016, TCL Industries completed the acquisition of all the shares then in issue of TCL Communication other than the shares held by TCL Industries (including scheme shares, outstanding share options and unallotted awarded shares) by way of a scheme of arrangement for a consideration of approximately HK$3.51 billion and the privatized TCL Communication then became a wholly-owned subsidiary of TCL Industries. The total costs and expense involved in the privatization of TCL Communication by TCL Industries amounted to approximately HK$3.53 billion.

On 19 October 2017, TCL Industries disposed of its 18%, 18% and 13% shareholding in TCL Communication to Unisplendour Technology Venture Capital Ltd., Oriente Grande Investment Fund L.P. and Vivid Victory Developments Limited for considerations of HK$180,000,000, HK$180,000,000 and HK$130,000,000 respectively. Accordingly, TCL Industries held 51% of TCL Communication.

On 14 June 2019, each of Oriente Grande Investment Fund L.P. and Unisplendour Technology Venture Capital Ltd. disposed of its respective 18% shareholding in TCL Communication to TCL Industries for considerations of approximately HK$215,300,000 and approximately HK$215,270,000 respectively. As a results TCL Industries held 87% of TCL Communication whereas Vivid Victory Developments Limited held 13% of TCL Communication upon completion of the said changes in shareholding.

On 19 July 2019, in view of the need to adjust the internal structure of TCL Industries, TCL Industries transferred its aggregate 87% direct shareholding in TCL Communication to Zhengjia Investment, its wholly-owned subsidiary, at the book value of the original investment cost of approximately HK$4,076,440,000. Accordingly, Zhengjia Investment held 87% of TCL Communication whereas Vivid Victory Developments Limited held 13% of TCL Communication upon completion of the said change in shareholding.

On 31 December 2019, Vivid Victory Developments Limited disposed of its aggregate 13% shareholding in TCL Communication to Zhengjia Investment for a consideration of approximately HK$172,530,000. As a result, Zhengjia Investment holds 100% of TCL Communication upon completion of the said change in shareholding.

(B) Business Information

Business Overview

TCL Communication Group is one of the world's leading mobile device companies, with major products including mobile phones, tablets, mobile connected devices, wearable devices and accessories. Meanwhile, TCL Communication Group also provides Internet applications and services to its users. Currently, TCL Communication Group provides a wide range of best-selling models and products and services to more than 150 countries and regions worldwide under two international brands – TCL and Alcatel.

Industry and Market Overview

According to the Mobile Economy Report published by the Global System for Mobile Communications Association (GSMA), as at 31 December 2019, mobile technologies and services generated 4.7% of GDP across the globe – a contribution that amounted to US$4.1 trillion of economic value added. By 2024, such contribution is expected to reach US$4.9 trillion, accounting for 4.9% of GDP, as countries around the world increasingly benefit from the improvements in productivity and efficiency brought about by the increased take-up of mobile services. Furthermore, GSMA expects that operators will invest around US$1.1 trillion worldwide between 2020 and 2025 in mobile capex, roughly 80% of which will be in 5G networks. As at the end of January 2020, mobile 5G is now commercially available from 46 operators in 24 countries or regions worldwide. By 2025, 5G will account for 20% of global connections.

Over the years, TCL Communication Group has established multiple research and development centers and an extensive sales network worldwide. TCL Communication's first 5G smartphone model has been handpicked by major carriers in North America, Europe, etc.. It is also one of the members in the China Mobile 5G Terminal Pioneer Industry Alliance that is conducting scale trials and user experience tests with carrier partner. As one of the very few communications companies in the world that also holds patents for 2G, 3G, 4G and 5G core technologies, TCL Communication Group is destined to further provide strong momentum for global economic output in the future.

Business Competitive Advantage

(1) Diversified product portfolio with leading market position in target market segments

TCL Communication Group is committed to offering the global consumers with an extensive product portfolio, with major products including mobile phones, tablets, mobile connected devices, wearable devices and accessories. Meanwhile, it also provides remarkable Internet applications and services.

TCL Communication Group is currently engaged in mobile device business under its two major brands, namely TCL and Alcatel, worldwide. TCL Communication Group has developed a number of best-selling models, and has been developing TCL's proprietary brand mobile phone business since 2019. Currently, TCL Communication Group's mobile phone business ranked number 12 globally in the fourth quarter of 2019, in particular, it ranked first in the entry-level market segment in the United States as well as ranked fourth in the entire price spectrum segment in the United States, Canada and Australia market (source: IDC Report).

(2) *Globalized marketing network*

TCL Communication Group has established a globalized marketing network underpinned by six core sales regions, namely North America, Latin America, Europe, Middle East and Africa, Asia Pacific and China, and has established long-term and solid strategic partnerships with leading global carriers such as Vodafone, Orange, as well as retail giants such as Walmart and Best Buy.

(3) *Innovation excellence*

TCL Communication Group has established various research and development centers around the world. With ample research projects and development equipment, TCL Communication Group is one of the very few communications companies in the world that own core patented technologies ranging from 2G to 5G.

(4) *State-of-art industrial chain layout and production capacity*

TCL Communication Group operates a global manufacturing base in Huizhou, Guangdong Province, the PRC and its overall annual capacity reaches 120 million units. The manufacturing base possesses world leading SMT production lines and MMI fully automatic testing systems. TCL Communication Group is one of the largest and most robust mobile phone manufacturing bases in the PRC. With its strong and highly efficient global supply chain, it always maintains its advantages in both quality and cost.

Furthermore, TCL Communication Group has established a comprehensive quality control system. It has obtained ISO 9001, ISO 14001, OHSAS 18001, SA8000, TL9000, GSV and other certifications and meets the standards and requirements of QC080000. It also has a number of internationally renowned suppliers as its solid backing. Meanwhile, TCL Communication Group has established a periodic follow-up management system to ensure that the procurement work is carried out strictly in accordance with the quality requirements and process specifications.

(5) *Highly efficient operating system*

TCL Communication Group has implemented a number of first-class processes such as industry-advanced and mature IPD and IPMS to build a highly efficient research and development, marketing and sales organization that can swiftly respond to and meet customers' needs. These fundamental processes enable TCL Communication to maintain highly efficient and low-risk operations and achieve remarkable commercial achievements.

In terms of operational asset efficiency, TCL Communication has promoted various factoring arrangements with banks, insurance companies and customers to accelerate the turnover of accounts receivable. TCL Communication has established long-term cooperation relationships with various global air freight forwarders to improve inventory turnover efficiency through stringent financial control and highly efficient supply chain management system.

Future Plans for Business Development

In 2019, TCL Communication Group redefined its "3074 Strategy" for the next four years, with the goal of strengthening its capabilities of serving end-users while furthering its development in the carrier market and is fully devoted to becoming a leading global mobile device provider.

TCL Communication Group will focus on the following three areas to achieve breakthroughs in the future:

(1) *Market selection:*

North America, Europe and Latin America will be the main sales regions, while other regions will gradually and steadily increase their scale after turnaround from loss. Building on the basis of strengthening its current business, TCL Communication Group will continue to strengthen its advantageous position in the carrier market, focus on targeted countries and key customers, and seize the opportunity of the carrier-centered market at the initial stage of 5G activation to enter the mid-to-high-end market through TCL brand 5G mobile phones, so as to build advantages and achieve breakthroughs by focusing its efforts.

(2) *Business segments:*

(i) Mobile phone business

TCL Communication will focus on 5G smartphones. We are committed to building a smart device brand that young people around the world would adore and trust. The 5G smartphone market has entered an explosive growth era since 2020 and 5G handset shipments will increase significantly in the future. In North America and Europe, the carrier channel remains its dominant position in the market, with retail as a complement sector, and e-commerce and other channels coming after. TCL Communication Group is already well prepared to grow its business in the 5G era. It has extensive experience and robust technological capability in providing customized services for carriers. Leveraging the technical advantages in terms of screens offered by CSOT and the Group and through the integration of vertical supply chains, we are able to satisfy the requirements of carriers to provide customized display development services. In 2020, TCL

Communication Group's 5G products have been awarded tenders as a supplier to various carriers in North America and Europe. Meanwhile, it is also expanding to other Tier 2 carriers and open channels by its models customized for carriers. Demand for smartphones in the mid- to high-end price segment is increasing year on year, especially in North America and Latin America. The number of Chinese suppliers targeting this price range is limited, and the development of certain Chinese suppliers in the United States is under certain constraints in the short term, therefore TCL Communication Group has a first mover advantage. TCL Communication Group is currently ranked as the fourth smartphone players in the United States and the number one leader among domestic manufacturers. It aims at capitalizing on the 5G market opportunities in North America and will focus on further breakthroughs in terms of product and market development. It will further increase its market share in Latin America and Europe by enhancing product competitiveness.

In the meantime, TCL Communication Group will maintain its current core Alcatel handset business scope and focus on the entry-level smartphone segment. By virtue of its strong partnerships with major global carriers, remarkable industrial manufacturing capabilities and outstanding quality control capabilities, TCL Communication Group was the number one manufacturer in the entry-level smartphone segment in North America in the fourth quarter of 2019. It also captured leading positions in a number of countries and regions, including Australia and Canada (source: IDC Report). In the future, TCL Communication Group will continue to strive to become the number one leader in the entry-level smartphone segment worldwide through the carrier market.

(ii) Smart connectivity business

TCL Communication Group's smart connectivity business mainly includes mobile MIFI, indoor CPE, Mesh, WIFI routers, as well as smart wearables and locators. With 13 years of long term research and development and technology accumulation in the field of communications connectivity, TCL Communication Group has established stable and satisfactory cooperation relationships with major telecom operators around the world. With the strong support of our team's experts in various fields, such as baseband, RF, antenna, heat dissipation, structure and industrial design, we have gradually built a leading research and development as well as supply chain system. Stable strategic partnerships such as Qualcomm, quality control for global Tier 1 carrier product and manufacturing capabilities, rapid and flexible customization capabilities, professional technical support and sales capabilities underpinned by local language expertise have contributed to the realization of global product distribution and after-sales service system as well as strong product and service competitiveness. We currently provide products, services and solutions to over 400 clients worldwide. With keen industry and market insights, we will seize growth opportunities in the industry and continue to grow our scale and profit. TCL Communication Group will continue to tap into new categories of IoT products, build service platforms, enable interconnectivity among mobile phones, tablets and other TCL branded products, provide integrated services for multiple product categories, and contribute to the implementation of "AI x IoT" strategy. As a result of the outbreak of the novel coronavirus pandemic since the beginning of this year, governments have ordered for the suspension of business activities and the closure of schools. The demand for smart connected devices such as wireless routers rose sharply in 2020 as a result of increased demand stemming from home office arrangement and online teaching.

(iii) Smart mobile display business

In 2020, the smart mobile display business sets its base over two regions, North America and the PRC, to strengthen the traditional tablet business and actively expand the smart education tablet business. The smart mobile display business achieved breakthrough growth in North America in the first quarter of 2020, with its performance improved and took the third place in the North American Android tablet market (source: IDC Report). Underpinned by its North American and PRC operations, the global market share of TCL's tablet products in the first quarter of 2020 recorded a significant increase when compared to that of 2019. With the launch of new products in the market in the third quarter of 2020, year-on-year growth expected to double for the full year.

(3) Core competency:

(i) Focus on DISPLAY GREATNESS (display + video), the flagship display is continuously introduced into the mid-to-high-end market at the fastest rate, create new screen shapes (curved/waterfall/foldable/wrappable) for mobile phones, improve the quality of mobile phone display, enrich the mobile phone screen functions, and continuously improve the video display effect through the NXTVISION display chip, so as to bring consumers the best product experience;

(ii) Keeping abreast of 5G technology development trends, providing customers with comprehensive solutions, launching mobile communication devices that support both Sub6 and mmWave, and providing a full range of customized solutions for network operators such as TMO/VZW/VDF/CMCC;

(iii) In IoT, TCL Communication Group will leverage its strengths in connectivity technology and extensive experience to achieve interconnectivity among various product categories, including home living, interactive sharing, entertainment experience, intelligent education, etc., providing one-stop solutions for customers and users;

(iv) In addition to the hardware business, TCL Communication Group will continue to strengthen the construction of the software ecosystem and consolidate total software solutions targeting the carrier market. continuously enhance the UE design, performance optimization and details embodying convenience, accessibility and the concept of user-friendly, and focus on multi-screen interaction, software display enhancement as well as investment and building up in the area of privacy and security, to create TCL ROM that offers industry-leading core experience as well as outstanding features and selling points;

(v) In terms of branding and marketing capabilities, TCL Communication Group will strive to build a smart device brand that young people around the world adore and trust, and create a new category of TCL smart devices by deeply integrating online and offline OMOs. TCL Communication Group will build content that is mind-inspiring as well as create a cultural icon for young people around the world, establish a global BD resource pool, and connect with the top traffic channels on the Internet.

Although certain mainstream products of TCL Communication are on the list of Chinese products subject to tariffs in the midst of the United States-China trade war, the relevant list has since been suspended or such mainstream products have already been excluded from the list. Accordingly, as at the date of this announcement, no tariff has been imposed on TCL Communication's mainstream products. In response to the potential impact of the United States-China trade war in the future, TCL Communication has strategically increased its production capacity in India and its local plant has commenced operation in the third quarter of 2019. Furthermore, the United States sanctions against Chinese companies mainly focus on some particular products or particular companies. Accordingly, the Company believes that the United States-China trade war and the United States sanctions against Chinese companies will not have significant negative impact on TCL Communication in the foreseeable future, and TCL Communication is well positioned to respond to the foregoing.

(C) Financial Information

The following is certain consolidated financial information of TCL Communication Group for the years ended 31 December 2017, 2018 and 2019 and as at 31 December 2017, 2018 and 2019, which is derived from the audited report of TCL Communication Group for the relevant years prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December		
	2017	2018	**2019**
	HK$'000	*HK$'000*	***HK$'000***
Revenue	17,168,345	14,835,003	**12,216,404**
Profit/(loss) before tax	(2,254,200)	(388,789)	**190,019**
Profit/(loss) after tax	(2,347,946)	(505,468)	**178,859**

	As at 31 December		
	2017	2018	**2019**
	HK$'000	*HK$'000*	***HK$'000***
Total assets	10,836,329	8,317,511	**10,606,534**
Net asset/(liabilities)	65,572	(770,793)	**(778,819)**

The carrying amount of TCL Communication Group's net liabilities as at 31 December 2019 was approximately HK$779 million, of which:

(i) the carrying amount of assets of TCL Communication Group are stated at historical cost, rather than their respective fair prices in the market. According to the Independent Valuer's valuation report, there is an appreciation of approximately HK$1.64 billion in the aggregate fair value of immovable properties, equity investments and intangible assets such as patents and customer relationships currently held by TCL Communication Group when compared to historical costs;

(ii) decrease in other reserves in the amount of approximately HK$993 million was resulted from the acquisition of equity interests in a fellow subsidiary, which is principally responsible for the mobile phone sales business in the PRC and under the control of the same ultimate parent company, in 2017 and the acquisition was accounted for using the pooling of interests method. The fellow subsidiary recorded a net liabilities position prior to the acquisition. As the transaction was a one-off acquisition and TCL Communication Group has made a downsizing adjustment and significant revitalisation of the business, it is expected to have very limited impact on TCL Communication Group's future operations and no adverse impact on net assets; and

(iii) TCL Communication Group is a global enterprise with assets located all over the world. In view of the depreciation of various currencies such as the RMB, Mexican peso and Euro against the Hong Kong dollar in recent years, loss on translation of financial statements presented in foreign currency of approximately HK$985 million was recorded upon the book values of major assets in China, Mexico, Europe and other countries being translated to Hong Kong dollar from their respective local currency. The loss on translation of financial statements presented in foreign currency is non-cash and unrealized loss in nature. Unless such assets are disposed of, the above loss on translation of financial statements presented in foreign currency will not have any material adverse effect on TCL Communication Group's operations. In addition, loss on translation of financial statements presented in foreign currency reflects the prevailing depreciation of the respective local currency against the Hong Kong dollar, and such loss on translation of financial statements presented in foreign currency may reduce or turn into profit if the respective local currency appreciates against the Hong Kong dollar in the future.

TCL Communication Group has completed its internal business transformation by three-years' efforts. Over the past three years, TCL Communication Group has shown year-over-year gross profit margin improvement, continuing decline in selling and distribution expenses as a percentage of revenue and continuous increase in net profit and TCL Communication has turned around from loss to profit. Meanwhile, TCL Communication Group has further improved its product technology. Looking forward, with the opportunity of the advent of 5G era, it is expected that TCL Communication Group will take advantage of its integrated production layout and globalized marketing network to further enhance its market share.

In addition, according to the "Asset Evaluation Practicing Standards – Enterprise Value" issued by the China Appraisal Society, the discounted cash flow (DCF) method is commonly used in the valuation of enterprise value. DCF is a method of appraising asset value by discounting the expected income (net cash flow) of the enterprise in future. The basic conditions for the application of this method include the followings: the enterprise possesses all bases and conditions to operate its business as a going concern; there is a positive correlation between operation and income; and future income and risks are predictable and quantitative. The approach was adopted by the Valuer and the valuation conclusion of the valuation of TCL Communication Group based on income approach was primarily derived from the DCF approach.

(1) The enterprise possesses all bases and conditions to operate its business as a going concern

TCL Communication Group experienced a consecutive decline in revenue from 2017 to 2019, which was primarily due to TCL Communication Group's business restructuring in various overseas sales regions and the selective exit of unprofitable businesses in the past three years which have led to a decline in revenue in the short to medium term. However, TCL Communication's operations continued to improve in 2018 and 2019 following a significant loss in 2017:

(i) Gross profit margin improving year by year

TCL Communication Group's gross profit margin increased from 15.3% in 2017 to 21.6% in 2019, which is mainly attributable to TCL Communication Group's business focus on regions with high gross profit margin; strategic reduction of business in some countries such as Mexico where the price competition was fierce; continued implementation of cost reduction measures throughout the value chain; improvement in product mix; enhanced PSI management and channel inventory risk control to reduce subsidies for price reduction and losses arising from price reduction.

TCL Communication Group has vigorously implemented cost reduction measures throughout its value chain in recent years and gained cost advantages through various cost reduction measures, including: product design optimization, supply chain optimization, manufacturing process optimization, changes in operating models, etc..

Based on the financial data of 2018 and 2019, TCL Communication Group's measures to improve gross profit margin were effective as evidenced by the fact that its gross profit margin increased by 5.4% to 20.7% in 2018 while its gross profit margin in 2019 increased by approximately 1% to 21.6% as compared to 2018.

(ii) Selling and distribution expenses as a percentage of revenue on a continuous decline

TCL Communication Group recorded significant losses in 2017 as a result of excessive burdens of expense, and TCL Communication Group has introduced significant reforms since the second half of 2017. TCL Communication Group's selling and distribution expenses continued to decline, with its selling and distribution expenses as a percentage of revenue decreased from 10.7% in 2017 to 6.6% in 2019. TCL Communication introduced changes to business model to lower its selling and distribution expenses. Details are as follow:

Reduce or abolish local organizations to promote further optimization of expenses; take specific measures include marketing and retail activities to focus on product marketing, reduce investment for retail marketing, and strictly control advertising in traditional media and sponsorships; develop marketing plans to match new product launch schedule and sales progress, and control the pace in deploying marketing expenses; establish acceptance standards and rules for marketing services to improve input and output efficiency.

(iii) *Continued increase in net profit*

Despite the continued decline in TCL Communication Group's revenues from 2017 to 2019, through the implementation of a series of reforms introduced by TCL Communication's management, the deterioration in operating conditions has been halted since 2017 and continuous improvement was recorded in 2018 and 2019. As a result, TCL Communication Group has significantly improved from HK$2.3 billion net loss in 2017 to net profit of HK$179 million in 2019.

In summary, the continuous decline in revenue in 2018 and 2019 was due to TCL Communication Group's proactive exit of certain unprofitable businesses. With the continuous improvement in TCL Communication Group's gross profit margin and expense to revenue ratio, TCL Communication Group successfully recorded a turnaround from loss to profit in 2019. Therefore, TCL Communication Group possesses the basis and conditions to continue as a going concern.

(2) There is a positive correlation between operation and income; and future income and risks are predictable and quantitative

The basis and assumptions relating to the operations of TCL Communication in preparing the future earnings forecasts used in the DCF method are based on the actual operating conditions of TCL Communication Group in 2019 and the future business plans of TCL Communication Group prepared by the directors of TCL Communication Group.

(i) In preparing the future earnings forecasts, the future revenue forecast was prepared based on the revenue in 2019, taking into account the macro environment, industry trends, market capacity, future business planning of TCL Communication Group and specific operating measures.

(ii) The forecast of future costs and expenses is based on the cost and expense rates in 2019, and for the sake of prudence, revenue-related variable costs and expenses are considered at the rates in 2019. The earnings forecast has been prepared without regard to the factor that TCL Communication's current implementation of a series of cost-cutting and cost-control measures is more likely than further to reduce TCL Communication Group's cost and expense levels in the year(s) under forecast.

(iii) For the forecast of research and development costs, considering the assumption that "the products could maintain a leading position in terms of technologies employed, with necessary investment in research and development", the research and development costs as a percentage of revenue in the years under forecast are maintained at the same level as in 2019, with increase in research and development investment in the same proportion as the revenue growth in the years under forecast.

Based on the above, after reviewing the profit forecast prepared by TCL Communication, the Directors is of the view that the profit forecast have fully considered the potential benefits and risks of TCL Communication's future operations and therefore the assumptions and basis for the valuation of TCL Communication Group by DCF method are fair and reasonable.

Basis of the Consideration

The consideration under the Acquisition Agreement was determined after negotiations between the parties on an arm's length basis and taking into account various factors, including:

(i) the fair market value of the 100% interest in TCL Communication Group as at 31 December 2019, being the Valuation Benchmark Date, of RMB1,590,711,300 as assessed by the Independent Valuer using the income approach, specifically the discounted cash flow method, which has taken into account TCL Communication Group's discounted cash flow projections; the intrinsic value of immovable properties, equity investments and intangible assets such as patents and customer relationships that are currently held by TCL Communication Group is fairly reflected in the valuation conclusion but not fairly reflected in TCL Communication Group's net asset value;

(ii) TCL Communication Group has implemented business transformation and selectively exited unprofitable operations in various overseas sales regions including Lithuania, Israel, Finland, Thailand, Singapore, Paraguay, Algeria, Palestine etc. over the past three years. As at the date of this announcement, TCL Communication Group had completed the transformation and exit plan. This laid a solid foundation to significantly enhance TCL Communication Group's profitability;

(iii) TCL Communication Group undertook large-scale business transformation across its global operations and achieved a turnaround to profit in 2019. It has been focusing its operations on its core and key markets. The Company believes that TCL Communication Group will bring tremendous value to the Group in the future through its development plans, as detailed in the section headed "Future Business and Development Plans" in the Letter from the Board; and

(iv) the prospects of the business engaged in by TCL Communication Group, as detailed in the section headed "Information on TCL Communication" in this announcement.

Based on the foregoing, the Directors (excluding the independent non-executive Director who will express their views after considering the advice from the Independent Financial Advisor) consider that the above consideration is fair and reasonable.

Post-acquisition Corporate Governance

After completion of the Acquisition, the ownership of TCL Communication will be changed. The Company has no current intention to appoint new members to the board of directors of TCL Communication as the Company expects that TCL Communication's existing key management and employees will continue to play a critical role in the future development of TCL Communication Group.

As at the date of this announcement, the Company has no concrete plan regarding TCL Communication Group's share incentives arrangement after completion of the Acquisition.

Financial Effects of the Acquisition

Upon completion of the Acquisition, TCL Communication will become a wholly-owned Subsidiary of the Company and the financial information of TCL Communication Group will be consolidated into the accounts of the Group. The unaudited pro forma financial information of the Group upon completion of the Acquisition to illustrate the effect of the acquisition of the entire issued share capital of TCL Communication, as if the Acquisition had taken place on 31 December 2019, will be included in the circular to be despatched to Shareholders.

Assets and liabilities

As at 31 December 2019, the latest published audited consolidated total assets, total liabilities and net assets of the Group amounted to approximately HK$33.32 billion, HK$21.38 billion and HK$11.94 billion respectively. Based on the unaudited pro forma financial information of the Group upon completion of the Acquisition which is to be included in the circular to be despatched to Shareholders, taking into account the Completion had taken place on 31 December 2019, the unaudited pro forma consolidated total assets, total liabilities and net assets of the Group upon completion of the Acquisition would have been approximately HK$44.90 billion, HK$32.97 billion and HK$11.93 billion respectively as a result of the Acquisition.

Earnings

According to the accountants' report of TCL Communication Group (details of which will be included in the circular to be despatched to Shareholders), the audited consolidated profit after tax of TCL Communication Group for the year ended 31 December 2019 was approximately HK$179 million.

As the financial results of TCL Communication Group will be consolidated with those of the Group after Completion, the earnings of the Group upon completion of the Acquisition will be affected by the performance of TCL Communication Group in the future. It is expected that the Acquisition would bring in a diversity of revenue to the Group upon completion of the Acquisition.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro form financial information of the Group upon completion of the Acquisition will be included in the circular to be dispatched to Shareholders.

V. THE DISPOSAL AND THE NON-COMPETITION ARRANGEMENT

A. Disposal Agreement

On 29 June 2020, the Company and TCL Industries entered into the Disposal Agreement, pursuant to which TCL Industries has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer to TCL Industries its entire interest in Moka International, representing all the shares of Moka International, at a consideration of RMB2.5 billion (or its equivalent in other currency(ies) at an exchange rate as mutually agreed between the vendor and purchaser), which is to be satisfied in cash. Upon completion of the Disposal, Moka International will cease to be a Subsidiary of the Company.

The principal terms of the Disposal Agreement are summarized below:

Date:	29 June 2020
Parties:	the Company, as vendor; and TCL Industries, as purchaser
Subject matter:	Pursuant to the terms and conditions of the Disposal, the TCL Industries has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer its 100% interest in Moka International to TCL Industries.

Consideration:	The consideration is RMB2.5 billion (or its equivalent in other currency(ies) at an exchange rate as mutually agreed between the vendor and purchaser), which shall be settled by TCL Industries in cash on or before the Completion Date.
Conditions precedents:	Completion of the Disposal is conditional upon the satisfaction of the following conditions precedents:

(i) warranties given by the Company in the Disposal Agreement are true, accurate and not misleading as at the date of entering into the Disposal Agreement and remain true, accurate and not misleading upon repetition of the same immediately before completion of the Disposal under the Disposal Agreement;

(ii) approval of the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders;

(iii) all consents, waivers, approvals, authorizations and clearances, if any, from any relevant governmental or regulatory authority or any relevant third party that are necessary for entering into and performance of the Disposal Agreement having been obtained by both parties;

(iv) the Deed of Termination (2020) and the Deed of Non-Competition (2020) having been approved by the Independent Shareholders; and

(v) the Acquisition Agreement having becoming unconditional, i.e. all conditions precedent, other than the condition precedent set out in (vi) under the Acquisition Agreement, are satisfied.

If any of the conditions precedent is not fulfilled or waived by the other party before the Long Stop Date (or any other later date as the parties may agree in writing), the Disposal Agreement shall be terminated and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breach of the terms thereof. The parties acknowledge that conditions precedent in (ii), (iv) and (v) are not waivable.

As at the date of this announcement, none of the conditions precedents set out above has been satisfied.

The parties do not have any present intention to waive any of the above conditions precedent.

Completion:	Completion of the Disposal Agreement and the Acquisition Agreement are inter-conditional (unless such conditions are waived by TCL Industries) and will take place on the fifteenth Business Day (or such other later date as the parties may agree in writing) upon satisfaction or waiver, as the case may be, of all conditions precedents set out in each of the Acquisition Agreement and the Disposal Agreement.

Information on Moka International

(A) General Information

Moka International was incorporated in the British Virgin Islands in February 2013 and is principally engaged in the research and development, procurement, production and sales of TV and related products.

(B) Business Information

Established in 2013 by the Group's investment, Moka International Group has been focusing on the TV ODM business, with remarkable research and development capability, industrial capability and product delivery capability as well as well-established quality control system. Its ODM clients include first-tier clients in the domestic and international markets. Moka International Group's shipments in 2019 amounted to 11.36 million units and its production and operation are in good condition.

Moka International Group has established manufacturing bases in Huizhou, Mexico and India. The intelligent manufacturing base in Tonghu, Huizhou has formally commenced operation since April 2020. The manufacturing base in India is currently under construction which is expected to be completed within the year.

Currently, Moka International Group has a workforce of approximately 5,500 employees. The focus of its main technological directions is the research and development of manufacturing technologies related to its ODM business. At present, Moka International Group has a comprehensive ODM product matrix with products covering all sizes from 19" to 86" and capable of providing various tailored mid- to high-end product solutions including curved screen, quantum dot, bezel-less display, Linux and Android compatibility according to clients' needs.

The Group will not involve in the TV ODM business after completion of the Disposal. After the Disposal, the Company will be engaged in the manufacture, distribution and sales of TCL brand TVs aiming for higher profitability and more rapid growth across the globe, operation of Internet TV business for continuous growth in revenue and profit, as well as expansion of commercial display and smart home businesses to take the lead in "AI x IoT" strategic layout and realise the interconnection of hardware, software and IoT in various scenarios so as to become a global leading intelligent technology enterprise in the smart display industry.

(C) Financial Information

The following is certain consolidated financial information of Moka International Group for the years ended 31 December 2018 and 2019 and as at 31 December 2018 and 2019, which is derived from the audited report of Moka International Group for the relevant years prepared in accordance with PRC Financial Reporting Standards:

	For the year ended 31 December	
	2018	**2019**
	RMB'000	***RMB'000***
Revenue	9,433,999	**10,496,215**
Profit before tax	270,696	**382,874**
Profit after tax	235,701	**320,987**

	As at 31 December	
	2018	**2019**
	RMB'000	***RMB'000***
Total assets	5,740,334	**7,339,682**
Net asset	429,218	**640,378**

Basis of the Consideration

The consideration under the Disposal Agreement was determined after negotiations between the parties on an arm's length basis and taking into account various factors, including:

(i) the fair market value of the 100% interest in Moka International as at 31 December 2019, being the Valuation Benchmark Date, of RMB2,469,621,100 as assessed by the Independent Valuer using the income approach, specifically the discounted cash flow method, which has taken into account Moka International Group's discounted cash flow projections;

(ii) the historical operating results of Moka International Group; and

(iii) factors such as the outlook of the business in which Moka International Group is engaged.

According to the valuation report on Moka International Group, the valuation of Moka International Group was valued, as at the valuation benchmark date of 31 December 2019, at RMB2,469,621,100 by adopting the income approach and RMB2,507,047,100 by adopting the market approach.

According to the Valuer, as the business operations of Moka International Group are more influenced by the global macroeconomic situation, the economies of various countries, the market environment and the competitive situation in the market. The income approach is the judgment of the value of the valuated entity after a comprehensive analysis of its internal business operation and external market environment, combined with the valuated entity's historical profit condition, the forecast of future business development and many other factors. The valuation results can better reflect the value of shareholders' equity interest in the enterprise. With the market approach, valuation is indirectly determined by referring to the equity transactions of peers and the valuation results are affected more by the volatility of the stock market.

Taken into account the special features relevant to the valuation, the Valuer has arrived at the valuation conclusion based on income approach.

Based on the valuation conclusion of the valuation report on Moka International Group, the Directors are of the view that the income approach recommended by the Valuer can better reflect the value of the shareholders' equity interest in the enterprise.

Based on the foregoing, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Advisor) consider that the valuation based on income approach can better reflect the shareholders' equity in Moka International and therefore are of the view that the setting of above consideration at RMB2.5 billion is fair and reasonable to the Company and its Shareholders as a whole.

Financial Effects of the Disposal

Based on the information available, the Group estimates to recognize an unaudited gain of approximately HK$1,979 million from the Disposal, calculated as the difference between consideration for the Disposal receivable by the Group and the net book value of approximately HK$714 million of Moka International Group as at 31 December 2019.

Upon the completion of the Disposal, Moka International will cease to be a Subsidiary of the Company and the financial results of Moka International Group will no longer be consolidated into the Group's financial statements. It is expected that the total assets of the Group would increase by approximately HK$1,668 million and the total liabilities of the Group would decrease by approximately HK$405 million upon the completion of the Disposal. As mentioned above, the expected gain from the Disposal of approximately HK$1,979 million would have an immediate positive impact on the earnings of the Group as at 31 December 2019.

The actual gain as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of Moka International on the Completion Date and the review by the Group's auditors upon finalization of the consolidated financial statements of the Group.

Use of Proceeds

The Group will further deliver its vision of building an "all-scenario smart lifestyle", focus on TCL's global brand business and enhance the revenue and profitability of value-added services. Therefore, the net proceeds from the Disposal of Moka International, net of the consideration of the Acquisition, of approximately RMB1 billion will be used as follows:

1. Increase investment in research and development to enhance product experience: smart TVs and smartphones will take center stage in the forthcoming smart space era. The Company will focus on the development of 5G, interconnectivity, edge computing, the application of advanced sensors, cloud platform and other related technologies to manage and organize the smart devices under all-scenarios so as to provide consumers with a more comprehensive and more tailor-made experience of smart space, accelerating the Group's development in the area of intelligentization and IoT;

2. Increase market share of TCL brand business: to promote the TCL brand globally and build a leading smart device brand that users adore and trust, including but not limited to strengthening the branding and marketing team, establishing a global network of TCL brand stores and enhancing the recognition and reputation of the TCL brand; and

3. Strengthen value-added service capability: further expand the platform's content resources, focusing on home entertainment, online education, AI fitness, video communication, eldercare and healthcare, multi-screen interaction, application distribution and other Internet value-added services. In the future, the Group will strive to further enhance the profit contribution from its application services and broaden its economic moat.

4. Focus on the strategic deployment in the smart commercial display sector: focus on remote office, smart conferencing, education, business, scheduling, medical care and eldercare, transportation and other mainstream scenarios, further strengthen its investments in hardware platform, software platform and sub-scenario applications based on its original layout to build the industry leading smart commercial display platform.

B. Non-competition Arrangement

Historical Background of the Non-Competition Arrangement among TCL Tech, TCL Industries and the Company

Pursuant to the Deed of Non-Competition (1999), TCL Tech and TCL Industries have undertaken not to (save for the Exception as defined on page 39 of this announcement), directly or indirectly, carry on or be engaged or interested in the manufacture, assembly, distribution and maintenance of audio-visual products, white goods and products relating to Internet related information technology from time to time. Pursuant to the First Variation Deed (2002), the manufacture, assembly, distribution and maintenance of white goods have been excluded from the scope of the Original Restricted Activity. Please refer to the circular of the Company dated 24 May 2002 for details.

To implement the spin-off plan of Tonly Electronics, the Company sought for (and has obtained) its Shareholders' approval for further amendment to the Deed of Non-Competition (1999) (as amended) by way of the entering into the Second Variation Deed (2013) with TCL Tech and TCL Industries. Pursuant to the Second Variation Deed (2013), the Company agreed to exclude the research and development, manufacturing and sales relating to audio-visual products (excluding TV sets) from the scope of the Original Restricted Activity. Please refer to the circular of the Company dated 17 July 2013 for details.

To implement the capital increase of Huizhou Kuyu Network Technology Co. Ltd., the Company sought for (and has obtained) its Shareholders' approval for further amendment to the Deed of Non-Competition (1999) (as amended) by way of the entering into the Third Variation Deed (2014) with TCL Tech and TCL Industries. Pursuant to the Third Variation Deed (2014), the Company agreed that the scope of the Original Restricted Activity shall only cover the manufacture and assembly of TV sets. Please refer to the circular of the Company dated 27 May 2014 for details.

The following table further illustrates the changes of the scope of the Original Restricted Activity under the Deed of Non-Competition (1999), the First Variation Deed (2002), the Second Variation Deed (2013) and the Third Variation Deed (2014).

	Audio-visual products				White good				Products relating to internet-related information technology from time to time			
	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance	Manufacture	Assembly	Distribution	Maintenance
Deed of Non-Competition (1999)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
First Variation Deed (2002)	✓	✓	✓	✓	X	X	X	X	✓	✓	✓	✓
Second Variation Deed (2013)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X (except TV sets)	X	X	X	X	✓	✓	✓	✓
Third Variation Deed (2014)	X (except TV sets)	X (except TV sets)	X	X	X	X	X	X	X	X	X	X

Background of and Reasons for the Deed of Termination (2020) and the Deed of Non-Competition (2020)

On 7 December 2018, TCL Tech and its affiliates entered into a restructuring agreement with TCL Holdings to transfer its smart terminal and ancillary businesses in the area of consumer electronics and home appliances to TCL Holdings. As of 31 March 2019, legal ownership of all assets in the business restructuring was transferred to TCL Holdings. Following completion of such restructuring, TCL Tech ceased to be the ultimate controlling shareholder of the Company. TCL Tech does not, directly or indirectly, hold any interest in the Company. Therefore, on 29 June 2020, TCL Tech, TCL Industries and the Company entered into the Deed of Termination (2020) to terminate the Deed of Non-Competition (1999) and the Variation Deeds. However, for so long as the Deed of Non-Competition (2020) is in force, TCL Tech shall continue not to, and shall continue to procure its subsidiaries and associates not to (save for the Exception as defined on page 39 of this announcement), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TV sets bearing TCL brand.

To improve the delineation of business between the Group and TCL Industries upon the Business Transformation, and to clarify and rationalize their respective business positioning and relationships among themselves, on 29 June 2020, TCL Holdings, TCL Industries and the Company entered into the Deed of Non-Competition (2020) in favour of the Company. Pursuant to the Deed of Non-Competition (2020), TCL Holdings and TCL Industries have undertaken that they and their respective associates will not (save for the Exception as defined on page 39 of this announcement), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TVs and smart phones.

Deed of Termination (2020)

The principal terms of the Deed of Termination (2020) are summarised below:

Date:	29 June 2020
Parties:	TCL Tech; TCL Industries; and the Company (collectively, the "**Parties**").
Subject matter:	The Deed of Non-Competition (1999) and the Variation Deeds will be terminated unanimously among the Parties thereto. However, for so long as the Deed of Non-Completion (2020) is in force, TCL Tech shall continue not to, and shall continue to procure its subsidiaries and associates not to (save for the Exception as defined on page 39 of this announcement), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TV sets bearing TCL brand.
Conditions precedent:	The Deed of Termination (2020) and the rights and obligations thereunder are subject to and conditional upon the satisfaction of the following: (i) the Deed of Non-Competition (2020) being approved by the Independent Shareholders at the EGM; (ii) the Deed of Termination (2020) being approved by the Independent Shareholders at the EGM; and (iii) completion of the Disposal of 100% equity interest in Moka International according to the terms of the Disposal Agreement. If the conditions precedent set out above are not fulfilled on or before 31 December 2020 or such later date as may be agreed by the Parities, the Deed of Termination (2020) shall be terminated with immediate effect and the Deed of Non-Competition (1999) and the Variation Deeds shall continue to be effective and binding on the Parties.

Deed of Non-Competition (2020)

The principal terms of the Deed of Non-Competition (2020) are summarised below:

Date:	29 June 2020
Parties:	TCL Holdings; TCL Industries; and the Company
Non-competition undertaking:	TCL Holdings and TCL Industries (collectively, the "**Covenantors**") have undertaken that they and their respective associates will not (save for the Exception as defined below), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TVs and smart phones. Notwithstanding the undertaking above, there is no restriction on the Covenantors either directly or indirectly holding or being interested in shares or other securities in any company which is engaged or interested in any Restricted Activity (the "**Subject Company**") provided that such shares or securities are listed on a stock exchange and the aggregate number of shares held by the Covenantor or in which they are interested does not amount to more than 15% of the issued shares of the Subject Company (the "**Exception**").
Conditions precedent:	The Deed of Non-Competition (2020) and the rights and obligations thereunder are subject to and conditional upon the satisfaction of the following: (i) the Deed of Termination (2020) being approved by the Independent Shareholders at the EGM; (ii) the Deed of Non-Competition (2020) being approved by the Independent Shareholders at the EGM; and (iii) completion of the Disposal of 100% equity interest in Moka International according to the terms of the Disposal Agreement.
Termination:	The Deed of Non-Competition (2020) will terminate immediately and permanently upon the occurrence of the following events:

(i) the aggregate shareholding of the Covenantors in the Company is less than 30% of the entire issued share capital of the Company; or

(ii) the Shares of the Company cease to be listed and traded on the Stock Exchange; or

(iii) the principal business of the Group ceases to be the Restricted Activity.

Measures to be taken: For good corporate governance practices, in relation to compliance with the terms of the Deed of Non-Competition (2020), TCL Holdings, TCL Industries and the Company, as the case may be, shall adopt the following measures respectively:

(i) Each of TCL Holdings and TCL Industries shall make a semi-annual confirmation to the Company regarding their respective compliance with the Deed of Non-Competition (2020) and disclosure in this regard will be made in the interim or annual reports of the Company;

(ii) The independent non-executive Directors of the Company shall review the information provided by TCL Holdings and TCL Industries in respect of their respective compliance and implementation of the Deed of Non-Competition (2020) as required under (i) above;

(iii) Each of TCL Holdings and TCL Industries shall provide all information necessary for the review by the independent non-executive Directors of the Company as required under (ii) above and the implementation of the Deed of Non-Competition (2020); and

(iv) The Company shall disclose decisions on matters reviewed by its independent non-executive Directors in relation to the compliance and implementation of the Deed of Non-Competition (2020) either through its interim or annual report, or by way of announcements to the public (as the case may be).

As mentioned above, the non-competition undertaking contained in the Deed of Non-Competition (2020) will not be applicable if the Covenantors own less than 15% of the issued shares of the Subject Company. The Directors consider that, as a starting point, the Covenantors should be restricted from owning the controlling stake in any Subject Company, which would normally require them to own 30% of more of the issued shares of the Subject Company. The setting of 15% threshold, which is far below the threshold of an associated company (i.e. 20%), is in line with the previous arrangement as in the Deed of Non-Competition (1999) and the Variation Deeds. As such, the Directors consider that the setting of 15% threshold is fair and reasonable in protecting the Company's interest.

Having considered, among other things, the foregoing reasons for and benefits of the Business Transformation, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Advisor) are of the opinion that the terms of relevant agreements are normal commercial terms and are fair and reasonable and that the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020), are in the interests of the Company and the Shareholders as a whole.

VI. FINANCIAL EFFECTS OF BUSINESS TRANSFORMATION

Upon completion of the Acquisition, TCL Communication will become a wholly-owned Subsidiary of the Company and the financial results, assets and liabilities of TCL Communication Group will be consolidated with the financial results, assets and liabilities of the Group. Upon completion of the Disposal, Moka International will cease to be a Subsidiary of the Company and the financial results of Moka International Group will no longer be consolidated into the financial statements of the Group.

Assets and liabilities

Based on the unaudited pro forma financial information of the Group upon Completion of Business Transformation (details of which will be included in the circular to be despatched to Shareholders), if the Business Transformation had taken place on 31 December 2019, the total assets of the Group would have increased from approximately HK$33.32 billion to approximately HK$46.57 billion and the total liabilities would have increased from approximately HK$21.39 billion to approximately HK$32.57 billion, resulting in an overall increase in the consolidated total net assets from approximately HK$11.94 billion as at 31 December 2019 to approximately HK$14.00 billion upon Completion.

Earnings

As set out in the section headed "Business Strategies of the Group and Reasons for and Benefits of the Business Transformation", taken into account (a) the Acquisition of TCL Communication will promote diversification in the Group's revenue streams and enhance the Group's profitability; (b) the Disposal of Moka International will enable the Group to focus on the development of the TCL brand business in the future; and (c) the Business Transformation is expected to bring synergies to the Group which would enhance the Group's financial results. The Board is of the view that the Business Transformation will enhance the long-term financial results of the Group and will be beneficial to the Group in the long run.

VII. CONTINUING CONNECTED TRANSACTIONS

There are currently certain transactions between the Group, TCL Holdings and its associates. Such transactions include sale and purchase of products, provision of services, brand promotion expenses, rental and finance services, etc.

After completion of the Acquisition, TCL Communication will become a wholly-owned Subsidiary of the Company and the existing on-going transactions between TCL Communication Group with TCL Holdings and TCL Industries and their respective associates will become continuing connected transactions of the Company.

The Company will as soon as reasonably practicable review the status and scale of the ongoing connected transactions between the Group (including TCL Communication Group) and TCL Holdings and TCL Industries and their respective associates, and will publish announcement and seek Independent Shareholders' approval in compliance with the requirements under Chapter 14A of the Listing Rules. If the continuing connected transactions would require Independent Shareholders' approval, such transaction shall not become effective until and unless Independent Shareholders' approval has been obtained.

VIII. BOARD APPROVAL

As at the date of this announcement, TCL Holdings is an associate of Mr. LI Dongsheng, the chairman and executive Director of the Company, under Chapter 14A of the Listing Rules. Mr. LI Dongsheng has 33.33% equity interest in TCL Holdings indirectly held via 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)).

In view of Mr. LI Dongsheng's indirect interests in TCL Holdings as mentioned above, he did not vote in the board meeting during which the Board approved the Acquisition, the Disposal and the Non-Competition Arrangement. To avoid any potential conflict of interests, Mr. LI Dongsheng will abstain from voting in respect of the resolutions relevant to the Acquisition, the Disposal and the Non-Competition Arrangement at the EGM.

Out of the other Directors, Mr. WANG Cheng Kevin is also the chief executive officer of TCL Holdings and the chief executive officer and director of TCL Communication, whereas Mr. HU Lihua is the financial controller of TCL Holdings and Mr. SUN Li is the chief technology officer of TCL Holdings. Notwithstanding their offices held in TCL Holdings, as none of them holds directorship in TCL Holdings or has a personal interest in the Acquisition and/or the Disposal, their respective direct or indirect interests in TCL Holdings are insignificant and that none of the associates of TCL Holdings 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 Acquisition, the Disposal and the Non-Competition Arrangement. However, for good corporate governance, Mr. WANG Cheng Kevin has abstained from voting on the relevant board resolutions. Therefore, all the Directors (other than Mr. LI Dongsheng and Mr. WANG Cheng Kevin) are entitled to vote on such board resolutions according to the Company's articles of association.

IX. 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 also a connected person of the Company under Chapter 14A of the Listing Rules. Zhengjia Investment is a wholly-owned Subsidiary of TCL Industries and therefore also a connected person of the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the transactions under each of the Acquisition and the Disposal exceed 5%, each of the Acquisition and the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent 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 Acquisition exceed 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Disposal exceed 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Each of TCL Holdings and TCL Industries is a connected person of the Company under the Listing Rules. Therefore, each of the Deed of Termination (2020) and the Deed of Non-Competition (2020) constitutes a connected transaction of the Company. The Deed of Termination (2020) and the Deed of Non-Competition (2020) are not conducted in the ordinary and usual course of business of the Company and are subject to the reporting, announcement and Independent Shareholders' Approval requirements under the Listing Rules accordingly.

As at the date of this announcement, TCL Holdings, through its wholly-owned subsidiary TCL Industries, indirectly held 1,260,358,288 Shares, representing approximately 53.15% of the total number of issued Shares. Mr. LI Dongsheng and his spouse together held 58,277,385 Shares, representing approximately 2.46% of the total number of issued Shares as at the date of this announcement. Mr. WANG Cheng Kevin held 1,204,084 Shares, representing approximately 0.05% of the total number of issued Shares as at the date of this announcement. TCL Holdings, TCL Industries, Mr. LI Dongsheng and Mr. WANG Cheng Kevin and their respective associates will abstain from voting in respect of ordinary resolutions to be put forward at the EGM for approving the Acquisition, the Disposal and the Non-Competition Arrangement.

Save as aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the ordinary resolutions in respect of the Acquisition, the Disposal and the Non-Competition Arrangement to be put forward at the EGM.

X. DIRECTORS' CONFIRMATION RELATING TO PROFIT FORECAST

As disclosed in this announcement, China United Assets Appraisal Group Co., Ltd. (the "**Independent Valuer**") was engaged to evaluate the market value of each of TCL Communication and Moka International. The Valuer has adopted the income approach as the valuation method. Therefore, the valuation report of each of TCL Communication (the "**Valuation Report of TCL Communication Group**") and Moka International (the "**Valuation Report of Moka International Group**") prepared by the Independent Valuer constitutes a profit forecast under Rule 14.61 of the Listing Rules. As such, the requirements under Rules 14A.68(7) and 14.62 of the Listing Rules are applicable.

Ernst & Young, the Company's auditors, has examined the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, on which the Valuation Report of TCL Communication Group and the Valuation Report of Moka International Group was based.

Ernst & Young has reported to the Directors in respect of the compilation, in accordance with the assumptions described above, of the discounted future estimated cash flows in connection with the valuation of 100% interest in TCL Communication (the "**TCL Communication Group Profit Forecast**") and 100% of Moka International (the "**Moka International Profit Forecast**") prepared by the Independent Valuer as respectively set out in the Valuation Report TCL Communication Group and the Valuation Report of Moka International Group. The Directors are solely responsible for the bases and assumptions set out in each of TCL Communication Profit Forecast and Moka International Profit Forecast and the work performed by Ernst & Young has not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and expressed no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus each of TCL Communication Profit Forecast and Moka International Profit Forecast, was based.

The Directors have reviewed the bases and assumptions based upon which each of Valuation Report of TCL Communication Group and the Valuation Report of Moka International was prepared by the Independent Valuer. The Directors have also considered the letters from Ernst & Young. On the basis of the foregoing, the Directors have confirmed that they are satisfied that the valuation of the shareholders' interest in each of TCL Communication and Moka International has been made after due and careful enquiry.

A report from Ernst & Young dated 29 June 2020 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules relating to each of TCL Communication Group Profit Forecast and Moka International Profit Forecast have been submitted to the Stock Exchange.

The bases and assumptions set out in each of TCL Communication Profit Forecast and Moka International Profit Forecast are included Appendix I and Appendix II, respectively, to this announcement.

Full text of the report from Ernst & Young and the letter from the Board on TCL Communication Profit Forecast are included in Appendix III and Appendix IV, respectively, to this announcement.

Full text of the report from Ernst & Young and the letter from the Board on Moka International Profit Forecast are included in Appendix V and Appendix VI, respectively, to this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Valuer is a third party independent of the Company and its connected persons.

Experts and Consents

The following are the qualifications of the experts who have given their opinion and advice included in this announcement.

Name	**Qualification**
China United Assets Appraisal Group Co., Ltd.	Independent Valuer
Ernst & Young	Certified Public Accountants in Hong Kong

To the best knowledge, information and belief of the Directors, as at the date of this announcement, each of the above mentioned experts was not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the date of this announcement, each of the above mentioned experts did not have any direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

Each of the experts mentioned above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter, report or statement(s) and all references to its name and logo in the form and context in which it appears.

XI. APPROVAL FROM THE INDEPENDENT SHAREHOLDERS

The Company will seek approval from the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020) (including the respective transactions contemplated thereunder) at the EGM. The Company has appointed Somerley Capital Limited to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020) (including the respective transactions contemplated thereunder).

XII. GENERAL INFORMATION

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 28 July 2020, Tuesday at 2:30 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Acquisition, the Disposal and the Non-Competition Arrangement.

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 22 July 2020, Wednesday. 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 22 July 2020, Wednesday.

A circular containing, among others, details on the Acquisition Agreement, the Disposal Agreement, the Deed of Termination (2020) and the Deed of Non-Competition (2020), a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders will be dispatched to Shareholders on or before 30 June 2020.

XIII. DEFINITIONS

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

"Acquisition"	the acquisition of 100% equity interest in TCL Communication as contemplated under the Acquisition Agreement;
"Acquisition Agreement"	the conditional share transfer agreement dated 29 June 2020 entered into between Zhengjia Investment, TCL Industries and the Company relating to the acquisition of 100% interest in the issued shares of TCL Communication by the Company from Zhengjia Investment;
"AI x IoT"	Artificial Intelligence x Internet of Things, the Company's strategy;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day"	a day (other than Saturdays, Sundays or days on which a typhoon signal No. 8 or ''black'' rainstorm signal is hoisted in Hong Kong) on which banks are generally open for business in Hong Kong;
"Business Transformation"	collectively, the transactions contemplated under the Acquisition and the Disposal;
"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);

"Completion Date"	the fifteenth Business Day (or such other later date as the parties may agree in writing) following the satisfaction or waiver, as the case may be, of all conditions precedent set out in each of the Acquisition Agreement and the Disposal Agreement;
"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), a company established under the laws of the PRC with limited liability and a Subsidiary of TCL Tech;
"Deed of Non-Competition (1999)"	the deed executed by TCL Tech, TCL Electronics Corporation (deregistered on 29 January 2002) and TCL Industries on 15 November 1999 in favour of the Company whereby each of TCL Tech, TCL Electronics Corporation and TCL Industries has undertaken not to, directly or indirectly, carry on or be engaged or interested in certain restricted activities, which were disclosed in the Company's prospectus dated 17 November 1999;
"Deed of Non-Competition (2020)"	the deed executed by TCL Holdings, TCL Industries and the Company on 29 June 2020 in favour of the Company whereby each of TCL Holdings and TCL Industries has undertaken not to (save for the Exception as defined on page 39 of this announcement), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TVs and smart phones;
"Deed of Termination (2020)"	the deed executed by TCL Tech, TCL Industries and the Company on 29 June 2020 pursuant to which the parties agreed to terminate the Deed of Non-Competition (1999), the First Variation Deed (2002), the Second Variation Deed (2013) and the Third Variation Deed (2014);
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of 100% equity interest in Moka International as contemplated under the Disposal Agreement;
"Disposal Agreement"	the conditional share transfer agreement dated 29 June 2020 entered into between TCL Industries and the Company relating to the disposal of the 100% interest in the issued shares of Moka International by the Company to TCL Industries;

"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 28 July 2020, Tuesday at 2:30 p.m. for the purposes of considering, and if thought fit, approving (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Disposal Agreement and the transactions contemplated thereunder; and (iii) the Non-Competition Arrangement;
"First Variation Deed (2002)"	the variation deed entered into among TCL Tech, TCL Industries and the Company on 10 June 2002, for purpose of modifying the scope of the Original Restricted Activity;
"Group"	the Company and its Subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of reviewing the terms of the Acquisition Agreement and the transactions contemplated thereunder, the Disposal Agreement and the transactions contemplated thereunder and the Non- Competition Arrangement;
"Independent Financial Adviser" or "Somerley Capital Limited"	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, the Disposal Agreement and the transactions contemplated thereunder and the Non-Competition Arrangement;
"Independent Shareholders"	Shareholders of the Company (other than TCL Holdings, TCL Industries, Mr. LI Dongsheng, Mr. WANG Cheng Kevin and their respective associates, and any Shareholders who are involved in, or interested in the Acquisition, the Disposal and the Non-Competition Arrangement);

"Independent Shareholders' Approval"	the approval for the Acquisition, the Disposal and the Non-Competition Arrangement to be obtained from the Independent Shareholders at the EGM;
"Independent Valuer"	China United Assets Appraisal Group Co., Ltd.;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 December 2020;
"Moka International"	Moka International Limited, a company incorporated in the British Virgin Islands and a wholly-owned Subsidiary of the Company;
"Moka International Group"	Moka International and its Subsidiaries;
"Non-Competition Arrangement"	collectively, the termination of the existing non-competition arrangement and in terms set out in the Deed of Termination (2020) and the commencement of the new non-competition arrangement and in terms set out in the Deed of Non-Competition (2020);
"ODM"	original design manufacture;
"Original Restricted Activity"	manufacture, assembly, distribution and maintenance of audio-visual products, white goods and products relating to internet related information technology from time to time;
"PRC" or "China"	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;
"Restricted Activity"	manufacture and assembly of TCL brand TVs and smart phones;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Variation Deed (2013)"	the variation deed dated 15 July 2013 entered into among TCL Tech, TCL Industries and the Company for the purpose of further modifying the scope of the Original Restricted Activity;

"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 Independent Shareholders of the Company approve the transactions contemplated under the Acquisition Agreement, the transactions contemplated under the Disposal Agreement and the Non-Competition Arrangement;
"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 brand TVs and smart phones"	TVs and smart phones bearing TCL brand or other brands owned or used by the Group;
"TCL Communication"	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands and a direct wholly-owned Subsidiary of Zhengjia Investment;
"TCL Communication Group"	TCL Communication and its Subsidiaries;
"TCL Holdings"	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), a joint stock company established under the laws of the PRC and the ultimate controlling shareholder of the Company;
"TCL Industries"	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, 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), a joint stock company established under the laws of the PRC, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100);

"Third Variation Deed (2014)"	the variation deed dated 24 April 2014 entered into among TCL Tech, TCL Industries and the Company for the purpose of further modifying the scope of the Original Restricted Activity;
"Tonly Electronics"	Tonly 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: 01249);
"TV(s)"	television sets;
"US$"	the United States dollar, the lawful currency of United States of America;
"Valuation Benchmark Date"	31 December 2019;
"Variation Deeds"	collectively the First Variation Deed (2002), the Second Variation Deed (2013) and the Third Variation Deed (2014);
"Zhengjia Investment"	Zhengjia Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned Subsidiary of TCL Industries and the immediate holding company of TCL Communication; and
"%"	percentage.

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

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 29 June 2020

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.

Appendix I

(The bases and assumptions set out in each of TCL Communication Profit Forecast)

The fair market value of 100% equity interests in TCL Communication of RMB1,590,711,300 as at 31 December 2019 (being the Valuation Benchmark Date) was appraised by the Independent Valuer, which represents the valuation by using discounted cash flow method (income approach) as guideline.

Since the discounted cash flow method has taken into account the discounted cash flow projections of TCL Communication Group (the "**TCL Communication Group Profit Forecast**" or "**TCL Communication Group Discounted Cash Flows**"), TCL Communication Group Profit Forecast constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Set out below is the information in relation to TCL Communication Group Profit Forecast:

Bases and Assumptions

(1) GENERAL ASSUMPTIONS

1. Transactional assumption

Under the transactional assumption, it is assumed that all assets being valued are in the process of being transacted, and the independent valuer carries out the valuation based on the transactional conditions of the valuated assets in a simulated market. Transactional assumption is the most fundamental precedent assumption under which the asset valuation can proceed.

2. Open market assumption

Under the open market assumption, it is assumed that the two parties of the assets being transacted, or proposed to be transacted in the market, have equal status with ample opportunities and time in obtaining sufficient market information, such that rational judgements can be made in respect of the functions, usages and transactional prices of the assets. Open market assumption is based on assets being able to be publicly traded in the market.

3. Assumption of continuous use of assets

The assumption of continuous use of assets means that when the valuation is conducted, it is assumed that the valuated assets will be used continuously according to their current uses and methods of usage, as well as their scales, frequencies and environment. In the case of altered usage, the corresponding valuation method, parameters and references should be determined.

(2) SPECIAL ASSUMPTIONS

1. The valuated entity would continue to operate as a going concern after the valuation benchmark date;

2. There would be no significant change in the political, economic and social conditions of the countries and regions where the valuated entity locates after the valuation benchmark date;

3. There would be no significant change, other than those as known to the public, in the macroeconomic, industrial and regional development policies of the countries and regions where the valuated entity is located after the valuation benchmark date;

4. There would be no significant change, other than those as known to the public, in the basis and rates of taxation and policy levies in relation to the valuated entity after the valuation benchmark date;

5. As at the valuation benchmark date, the valuated entity and its subsidiaries did not have any litigations and contingencies that might affect their subsequent operations or valuation results, except for those as disclosed in the valuation report;

6. The management of the valuated entity would be responsible, stable, and competent after the valuation benchmark date; and the products of the entity could maintain a leading position in terms of technologies employed, with necessary investment in research and development;

7. The valuated entity would comply with relevant laws and regulations, and there would be no material non-compliance matters that might affect the Company's development and realization of revenue;

8. The accounting policies adopted by the valuated entity after the valuation benchmark date would be consistent with those used in the preparation of the valuation report in all material aspects;

9. The basic information and financial information provided by the Appointer and the valuated entity were true, accurate and complete;

10. There would be no significant change in the business scope and business model of the valuated entity after the valuation benchmark date, other than those as disclosed in the valuation report, on the basis of the existing management method and level;

11. The asset composition, the structure of main business, the revenue and cost structure, marketing strategy and cost control of the Subject of Valuation during the future forecast period would remain consistent with those before and after the reference date, and would change in accordance with the scale of its business;

12. During the future operation periods, the expense structure for respective periods of the Subject of Valuation would not be materially different from the existing one, and would change in accordance to its business scale. The financial expenses as referred to by this valuation represent the finance cost incurred by the entity to fund its normal operation or construction during its production and operation. In view of frequent or significant changes in the monetary funds or bank deposits of an entity during its production and operation, the interest income from deposits was not taken into account in the valuation, and neither were contingent profit or loss other than interest-bearing liabilities;

13. The valuation only covered the items as shown in the valuation application form provided by the Appointer and the valuated entity, and does not include contingent assets and contingent liabilities that might exist other than those as contained in the list provided by the Appointer and the valuated entity;

14. No force majeure that would have a material adverse effect on the valuated entity after the valuation benchmark date.

Appendix II

(The bases and assumptions set out in each of Moka International Profit Forecast)

The fair market value of 100% equity interests in Moka International Group of RMB2,469,621,100 as at 31 December 2019 (being the Valuation Benchmark Date) was appraised by the Independent Valuer, which represents the valuation by using discounted cash flow method (income approach) as guideline.

Since the discounted cash flow method has taken into account the discounted cash flow projections of Moka International Group (the "**Moka International Group Profit Forecast**" or "**Moka International Group Discounted Cash Flows**"), Moka International Group Profit Forecast constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Set out below is the information in relation to Moka International Group Profit Forecast:

Bases and Assumptions

(1) GENERAL ASSUMPTIONS

1. Transactional assumption

Under the transactional assumption, it is assumed that all assets being valued are in the process of being transacted, and the independent valuer carries out the valuation based on the transactional conditions of the valuated assets in a simulated market. Transactional assumption is the most fundamental precedent assumption under which the asset valuation can proceed.

2. Open market assumption

Under the open market assumption, it is assumed that the two parties of the assets being transacted, or proposed to be transacted in the market, have equal status with ample opportunities and time in obtaining sufficient market information, such that rational judgements can be made in respect of the functions, usages and transactional prices of the assets. Open market assumption is based on assets being able to be publicly traded in the market.

3. Assumption of continuous use of assets

The assumption of continuous use of assets means that when the valuation is conducted, it is assumed that the valuated assets will be used continuously according to their current uses and methods of usage, as well as their scales, frequencies and environment. In the case of altered usage, the corresponding valuation method, parameters and references should be determined.

(2) SPECIAL ASSUMPTIONS

1. The valuated entity would continue to operate as a going concern after the valuation benchmark date;

2. There would be no significant change in the political, economic and social conditions of the countries and regions where the valuated entity locates after the valuation benchmark date;

3. There would be no significant change, other than those as known to the public, in the macroeconomic, industrial and regional development policies of the countries and regions where the valuated entity is located after the valuation benchmark date;

4. There would be no significant change, other than those as known to the public, in the basis and rates of taxation and policy levies in relation to the valuated entity after the valuation benchmark date;

5. As at the valuation benchmark date, the valuated entity and its subsidiaries did not have any litigations and contingencies that might affect their subsequent operations or valuation results, except for those as disclosed in the valuation report;

6. The management of the valuated entity would be responsible, stable, and competent after the valuation benchmark date; and the products of the entity could maintain a leading position in terms of technologies employed, with necessary investment in research and development;

7. The valuated entity would comply with relevant laws and regulations, and there would be no material non-compliance matters that might affect the Company's development and realization of revenue;

8. The accounting policies adopted by the valuated entity after the valuation benchmark date would be consistent with those used in the preparation of the valuation report in all material aspects;

9. The basic information and financial information provided by the Appointer and the valuated entity were true, accurate and complete;

10. There would be no significant change in the business scope and business model of the valuated entity after the valuation benchmark date, other than those as disclosed in the valuation report, on the basis of the existing management method and level;

11. The asset composition, the structure of main business, the revenue and cost structure, marketing strategy and cost control of the Subject of Valuation during the future forecast period would remain consistent with those before and after the reference date, and would change in accordance with the scale of its business;

12. During the future operation periods, the expense structure for respective periods of the Subject of Valuation would not be materially different from the existing one, and would change in accordance to its business scale. The financial expenses as referred to by this valuation represent the finance cost incurred by the entity to fund its normal operation or construction during its production and operation. In view of frequent or significant changes in the monetary funds or bank deposits of an entity during its production and operation, the interest income from deposits was not taken into account in the valuation, and neither were contingent profit or loss other than interest-bearing liabilities;

13. The valuation only covered the items as shown in the valuation application form provided by the Appointer and the valuated entity, and does not include contingent assets and contingent liabilities that might exist other than those as contained in the list provided by the Appointer and the valuated entity;

14. No force majeure that would have a material adverse effect on the valuated entity after the valuation benchmark date.

Appendix III

(Full text of the report from Ernst & Young on TCL Communication Profit Forecast)

EY 安永

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

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29 June 2020

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

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS "TCL COMMUNICATION GROUP")

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "Forecast") on which the valuation dated 29 June 2020 prepared by China United Assets Appraisal Group Co., Ltd. in respect of TCL Communication Group as at 31 December 2019 is based. The valuation is set out in the announcement of TCL Electronics Holdings Limited (the "Company") in connection with the acquisition of TCL Communication Group. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibilities

The directors of the Company (the "Directors") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "Assumptions"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix I "Bases and Assumptions" of the announcement of the Company dated 29 June 2020.

Our Independence and Quality Control

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

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

Reporting Accountants' responsibilities

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

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

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of TCL Communication Group. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

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

Yours faithfully,

Ernst & Young

Certified Public Accountants
Hong Kong

Appendix IV

(Full text of the letter from the Board on TCL Communication Profit Forecast)

TCL ELECTRONICS HOLDINGS LIMITED
TCL 電 子 控 股 有 限 公 司

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

29 June 2020

To the Shareholders

Dear Sir or Madam,

Re: Major and Connected Transaction – Acquisition of 100% Equity Interest in TCL Communication

Reference is made to the determination of market value of TCL Communication Technology Holdings Limited ("**TCL Communication**") dated 29 June 2020 (the "**Valuation Report**") prepared by China United Assets Appraisal Group Co., Ltd. (the "**China United**") in relation to the valuation of TCL Communication as at 31 December 2019 (the "**Valuation**"). The Valuation was performed based on the income approach which taken into account the discounted cash flow projections of TCL Communication Group, (the "**TCL Communication Group Forecast**"), and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed and considered the TCL Communication Group Forecast including the bases and assumptions upon which the TCL Communication Group Forecast was based and reviewed and considered the Valuation for which China United is responsible. We have also considered the letter dated 29 June 2020 from Ernst & Young, so far as the calculations are concerned, whether the TCL Communication Group Forecast have been properly complied in all material respects in accordance with the bases and assumptions adopted by the China United as set out in the Valuation. We have noted that the TCL Communication Group Forecast in the Valuation is mathematically accurate.

On the basis of the foregoing, we are of the opinion that the Valuation Report prepared by the China United has been made after due and careful enquiry.

Yours faithfully,
On behalf of the Board
LI Dongsheng
Chairman

Appendix V

(Full text of the report from Ernst & Young on Moka International Profit Forecast)

EY 安永

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Central, Hong Kong

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29 June 2020

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

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF MOKA INTERNATIONAL LIMITED AND ITS SUBSIDIARIES (HEREINAFTER COLLECTIVELY REFERRED TO AS "MOKA INTERNATIONAL GROUP")

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "Forecast") on which the valuation dated 29 June 2020 prepared by China United Assets Appraisal Group Co., Ltd. in respect of Moka International Group as at 31 December 2019 is based. The valuation is set out in the announcement of TCL Electronics Holdings Limited (the "Company") in connection with the disposal of Moka International Group. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibilities

The directors of the Company (the "Directors") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "Assumptions"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix II "Bases and Assumptions" of the announcement of the Company dated 29 June 2020.

Our Independence and Quality Control

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

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

Reporting Accountants' responsibilities

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

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

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Moka International Group. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

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

Yours faithfully,

Ernst & Young

Certified Public Accountants
Hong Kong

Appendix VI

(Full text of the the letter from the Board on Moka International Profit Forecast)

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

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

29 June 2020

To the Shareholders

Dear Sir or Madam,

Re: Major and Connected Transaction – Disposal of 100% Equity Interest in Moka International

Reference is made to the determination of market value of Moka International Limited ("**Moka International**") dated 29 June 2020 (the "**Valuation Report**") prepared by China United Assets Appraisal Group Co., Ltd. (the "**China United**") in relation to the valuation of Moka International as at 31 December 2019 (the "**Valuation**"). The Valuation was performed based on the income approach which had taken into account the discounted cash flow projections of Moka International Group, (the "**Moka International Group Forecast**"), and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed and considered the Moka International Group Forecast including the bases and assumptions upon which the Moka International Group Forecast was based and reviewed and considered the Valuation for which China United is responsible. We have also considered the letter dated 29 June 2020 from Ernst & Young, so far as the calculations are concerned, whether the Moka International Group Forecast have been properly complied in all material respects in accordance with the bases and assumptions adopted by the China United as set out in the Valuation. We have noted that the Moka International Group Forecast in the Valuation is mathematically accurate.

On the basis of the foregoing, we are of the opinion that the Valuation Report prepared by the China United has been made after due and careful enquiry.

Yours faithfully,
On behalf of the Board
LI Dongsheng
Chairman