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TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

CONTINUING CONNECTED TRANSACTIONS MASTER FINANCING SERVICES (2021-2022) AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 9 June 2021 (Hong Kong time after trading hours), the Company entered into the Agreement with TCL Holdings and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Pursuant to the Agreement, any TCL Electronics Qualified Members may from time to time in its absolute discretion request Financing Services from TCL Holdings Financial Services Associates.

LISTING RULES IMPLICATIONS

As at the date of the announcement, 1,260,358,288 Shares, representing approximately 51.02% of the total number of issued Shares, were held by T.C.L. Industries (H.K.), which in turn were held as to 100% by TCL Holdings. As such, TCL Holdings is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Agreement calculated under Rule 14.07 of the Listing Rules exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempt from the circular (including independent financial advice) and Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios with reference to the annual caps of the Agreement calculated under Rule 14.07 of the Listing Rules are all less than 5%, the transactions contemplated thereunder are fully exempt from all disclosure requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

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MASTER FINANCING SERVICES (2021-2022) AGREEMENT

The material terms of the Agreement are set out below:

- Date: 9 June 2021
- Parties:
- (i) the Company (for itself and on behalf of its subsidiaries) (as the borrower); and
 - (ii) TCL Holdings (for itself and on behalf of its associates) (as the lender)
- Duration: From 9 June 2021 to 31 December 2022 (both dates inclusive)
- Major terms: Any TCL Electronics Qualified Members may from time to time and in its absolute discretion request Financing Services from TCL Holdings Financial Services Associates.

TCL Holdings Financial Services Associates and the relevant TCL Electronics Qualified Members may enter into specific agreements in respect of any Financing Services to be provided with a view to setting out the detailed terms of the transactions as long as such terms comply with the requirements of the Listing Rules and the Agreement.

TCL Holdings Financial Services Associates may request TCL Electronics Qualified Members to provide security to TCL Holdings Financial Services Associates in respect of the Financing Services provided by TCL Holdings Financial Services Associates.

- The Company's undertakings: The Company undertakes with TCL Holdings, among others, that in case the relevant TCL Electronics Qualified Members are unable to repay the relevant loans (including the interests) under the Financing Services provided by TCL Holdings Financial Services Associates ("**Outstanding Loans**") to the relevant TCL Holdings Financial Services Associates, the Company will (and the relevant TCL Holdings Financial Services Associates are entitled to request the Company to) repay the Outstanding Loans for the relevant TCL Electronics Qualified Members.
- TCL Holdings' undertakings: TCL Holdings undertakes with the Company, among others, that:
1. it will procure TCL Holdings Financial Services Associates to perform its obligations under the Agreement; and
 2. in case TCL Holdings Financial Services Associates experience any financial difficulties, TCL Holdings will, subject to the applicable laws and regulations and internal approvals, inject capital to TCL Holdings Financial Services Associates based on the needs of TCL Holdings Financial Services Associates.
- Pricing policy and basis of price determination: If TCL Holdings Financial Services Associates decide to provide any Financing Services to a TCL Electronics Qualified Member, the interest rates charged by TCL Holdings Financial Services Associates shall be within the range of prevailing market rates for the same type of financing services, and the overall terms and conditions (including but not limited to the timeliness and processing efficiency of financing as well as the interest rates) offered by TCL Holdings Financial Services Associates as a whole in respect of the Financing Services shall not be less favourable than those offered by other major commercial banks and/or relevant financial institutions located in the place where the relevant TCL Electronics Qualified Member is located in respect of the same type of financing services and by TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group) with the same credit rating in respect of same type of financing services, and shall be on normal commercial terms.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the Agreement for the years ending 31 December 2021 and 31 December 2022:

| | For the year ending 31 December 2021 HK\$'000 | For the year ending 31 December 2022 HK\$'000 |
|---|--|--|
| Continuing Connected Transactions | | |
| Financing Services | | |
| – Facility limit (<i>Note</i>) | 591,000 | 620,000 |
| – Interest and handling fees | 3,000 | 3,100 |
| – Maximum daily balance of value of security provided for Financing Services (including cash deposits, financial instruments, receivables, machinery or equipment etc.) | 591,000 | 620,000 |
| | <u>591,000</u> | <u>620,000</u> |

Note:

The facility limit includes facility amount with security (including but not limited to facility amount from factoring facility (recourse and without-recourse) and bill discounting facility, facility with cash deposits or other assets as collaterals). For the avoidance of doubt, the facility limit excludes the facility amount without security provided by TCL Holdings Financial Services Associates to the TCL Electronics Qualified Members which, if conducted on normal commercial terms or better, are fully exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules.

BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

TCL Holdings Financial Services Associates have not provided similar Financing Services to TCL Electronics Qualified Members historically.

The major basis and assumption for determining the proposed annual caps in relation to the Financing Services are set out below:

- (i) the expected financial needs of TCL Electronics Qualified Members in terms of obtaining Financing Services from TCL Holdings Financial Services Associates;
- (ii) the business capacity of TCL Holdings Financial Services Associates;
- (iii) the prevailing market conditions of the interests and/or fees charged for comparable Financing Services; and
- (iv) the estimated fluctuation in exchange rate between Renminbi and HK\$ during the term of the Agreement.

REASONS FOR AND BENEFITS OF THE AGREEMENT

Historically, the Group has received similar financing services from various commercial banks and/or financial institutions. In view of the Group's continuous expansion of business, the entering into of the Agreement would enable the Group to expand its financial channels, accelerate the efficiency of asset turnover and optimise its financial structure, as well as improve the efficiency of its capital usage. In particular, upon entering into of the Agreement, TCL Electronics Qualified Members may obtain financing from TCL Holdings Financial Services Associates as an alternative source especially when the commercial banks or financial institutions are unable to provide sufficient financing resources to satisfy the business needs of the Group.

Further, the Agreement would provide flexible and comprehensive finance and treasury services to all TCL Electronics Qualified Members. As TCL Holdings Financial Services Associates are familiar with the business and operation of the TCL Electronics Qualified Members, it is expected that TCL Holdings Financial Services Associates will be more efficient than other financial institutions in terms of processing transactions for TCL Electronics Qualified Members given their close relationships and hence will be able to satisfy the financing needs of TCL Electronics Qualified Members in a more timely manner. TCL Holdings Financial Services Associates will also be able to provide various tailor-made Financing Services which will better accommodate the business operations of TCL Electronics Qualified Members and facilitate the management of upstream and downstream industry chain of the Group.

The Company also believes that TCL Holdings Financial Services Associates, which include financial institutions duly established in or outside the PRC and the pricing policies and the operation of which are subject to guidelines issued by the relevant authorities where such financial institutions are duly established, may also be able to obtain cost-efficient financing from other financial institutions at lower interest rates by taking advantage of their economies of scale which TCL Electronics Qualified Members may not be able to enjoy if the latter directly borrow from such other financial institutions. It is expected that TCL Electronics Qualified Members may in turn obtain financing from TCL Holdings Financial Services Associates at lower interest rates and/or more favourable terms than those of corporate commercial loans offered by other financial institutions.

As far as the Directors are aware, TCL Holdings Financial Services Associates have established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations. Meanwhile, the Group will also adopt reasonable internal control procedures and corporate governance measures in relation to its utilisation of the Financing Services provided by TCL Holdings Financial Services Associates.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interest of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

Before conducting any transactions contemplated under the Agreement or entering into any specific agreement pursuant thereto, the treasury department, legal department and finance department of the Group would review the terms of the proposed transactions and the draft specific agreements to ensure that the transactions would be conducted in accordance with the terms of the Agreement and the specific agreements thereunder and in accordance with the Company's pricing policy.

The business department(s) will consider the overall terms (including but not limited to the interest rates, handling fees and payment terms) from comprehensive perspectives and endeavour to obtain quotations of comparable financing services provided by Independent Third Parties and make comparisons (if applicable). If there are no comparable terms offered to the Group by other Independent Third Parties for comparable financing services, the overall terms of the individual agreements shall then be determined after negotiations at arms' length between the parties and shall be on normal commercial terms. The transactions could only be carried out after the relevant departments of the Group have separately given their approval therefor.

The Company will closely monitor the transaction amounts pursuant to the Agreement by preparing management accounts for continuing connected transactions and designating specialists for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis to ensure the transaction amounts would not exceed the proposed annual caps.

The independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm the transaction amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are carried out according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

Please also refer to the paragraph headed "pricing policy and basis of price determination" in the section "Master Financing Services (2021-2022) Agreement" above.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 1,260,358,288 Shares, representing approximately 51.02% of the total number of issued Shares, were held by T.C.L. Industries (H.K.), which in turn were held as to 100% by TCL Holdings. As such, TCL Holdings is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Agreement calculated under Rule 14.07 of the Listing Rules exceeds 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempt from the circular (including independent financial advice) and Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Mr. LI Dongsheng is deemed to have indirectly held approximately 33.33% equity interest in TCL Holdings 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, he did not vote in the Board meeting during which the Board approved the Agreement to avoid any potential conflict of interests. Out of the other Directors, Mr. WANG Cheng is also the chief executive officer of TCL Holdings, whereas Mr. HU Dien Chien is also the chief financial officer of TCL Holdings and Mr. SUN Li is the chief technology officer of TCL Holdings. Nevertheless, notwithstanding their offices held in TCL Holdings, none of them or the other Directors are considered as having a material interest in the Agreement. Therefore, all Directors other than Mr. LI Dongsheng are entitled to vote on the relevant Board resolutions pursuant to the Company's articles of association.

As the applicable percentage ratios with reference to the annual caps of the Agreement calculated under Rule 14.07 of the Listing Rules are all less than 5%, the transactions contemplated thereunder are fully exempt from all disclosure requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES

The Group is principally engaged in the research and development, manufacturing and sale of consumer electronic products such as smart screens and mobile communication devices and independently develops home Internet services. The Group helps users to live a smart and healthy life covering household, mobile and commercial scenarios and is devoted to becoming a world-leading smart technology company with smart display as the core strategy and "AI x IoT" as technological driver. 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 T.C.L. Industries (H.K.), held approximately 51.02% of the issued Shares and is the ultimate controlling shareholder of the Company. As at the date of this announcement, the shareholding structure of TCL Holdings is as follows:

| Shareholders | Approximate Shareholding |
|--|---------------------------------|
| Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合夥企業 (有限合夥)) | 33.3333% |
| Suning.com Co., Ltd.* (蘇寧易購集團股份有限公司) | 23.2558% |
| Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂(上海)投資中心 (有限合夥)) | 18.6047% |
| Huizhou State-owned Asset Management Co., Ltd.* (惠州市國有資產管理有限公司) | 9.3023% |
| Xiaomi Technology Co., Ltd.* (小米科技有限責任公司) | 9.3023% |
| Beijing Xinrunheng Equity Investment Partnership (L.P.)* (北京信潤恒股權投資合夥企業 (有限合夥)) | 4.6512% |
| Shenzhen Qifu Guolong Small and Medium Micro-Enterprise Equity Investment Fund Partnership (L.P.)* (深圳市啓賦國隆中小微企業股權投資基金合夥企業 (有限合夥)) | 1.5504% |
| Total | 100.0000% |

DEFINITIONS

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

| | |
|----------------|---|
| “Agreement” | the master financing services (2021-2022) agreement dated 9 June 2021 entered into between the Company and TCL Holdings |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |

| | |
|--------------------------------|---|
| “Company” | TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 01070) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Financing Services” | the financing services to be provided by TCL Holdings Financial Services Associates from time to time in accordance with the Agreement, which include but are not limited to guarantees (such as shipping guarantees), receivables factoring (recourse and without-recourse), bill discounting, inbound guarantee (offshore guarantees for onshore loans) and outbound guarantee (onshore guarantee for offshore loans) |
| “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 People’s Republic of China |
| “Independent Third Party(ies)” | a party who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons |
| “IoT” | Internet of things |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time |
| “PRC” | the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this announcement |
| “Share(s)” | ordinary share(s) of HK\$1.00 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

| | |
|--|---|
| “subsidiary(ies)” | any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly |
| “TCL Electronics Qualified Member(s)” | such member(s) of the Group to which TCL Holdings Financial Services Associates will be allowed to provide Financing Services |
| “TCL Holdings” | TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), a joint stock limited company established under the laws of the PRC and the ultimate controlling shareholder of the Company |
| “TCL Holdings Associates” | the existing associate(s) of TCL Holdings and any entity that may become an associate of TCL Holdings from time to time during the term of the Agreement |
| “TCL Holdings Financial Services Associates” | TCL Holdings and TCL Holdings Associates which carry on businesses in Financing Services |
| “TCL Holdings Group” | TCL Holdings and its subsidiaries and any entity that may become a subsidiary of TCL Holdings from time to time, and for the purpose of this announcement excludes the Group but includes TCL Holdings Associates |
| “T.C.L. Industries (H.K.)” | 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 |
| “%” | per cent |

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 9 June 2021

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.*

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