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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)

CONNECTED TRANSACTION

ACQUISITION OF EQUITY INTEREST IN

TCL DIGITAL TECHNOLOGY (SHENZHEN) COMPANY LIMITED

THE ACQUISITION

The Board is pleased to announce that on 13 May 2022 (after trading hours), the Purchaser, a subsidiary of the Company, entered into the Acquisition Agreement with T.C.L. Industries (H.K.), pursuant to which T.C.L. Industries (H.K.) conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 100% of the equity interest in and of the Target Company at the cash consideration of RMB116,030,900 (equivalent to approximately HK\$137,589,000). Upon Completion, the Target Company will become a subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 1,296,135,288 Shares, representing approximately 51.94% of the total number of issued Shares, are held by T.C.L. Industries (H.K.). As such, T.C.L. Industries (H.K.) is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 0.1% but all are less than 5%, the Acquisition is 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 and announcement requirements under Chapter 14A of the Listing Rules.

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The principal terms of the Acquisition Agreement are summarised below:

Acquisition Agreement

Date:	13 May 2022 (after trading hours)
Parties:	(i) T.C.L. Industries (H.K.) (as vendor); and (ii) the Purchaser (as purchaser).
Subject matter of the Acquisition:	The Target Equity Interest, being 100% of the equity interest of the Target Company.
Consideration and payment terms:	The Consideration for the Acquisition shall be RMB116,030,900 (equivalent to approximately HK\$137,589,000) in cash, which shall be settled in the following manner: (i) the Purchaser shall pay 51% of the Consideration (i.e. RMB59,175,759) to T.C.L. Industries (H.K.) within 90 days from the date of the Acquisition Agreement; and (ii) the Purchaser shall pay the remaining 49% of the Consideration (i.e. RMB56,855,141) to T.C.L. Industries (H.K.) within 2 years from the date of the Acquisition Agreement.
Conditions precedent and Completion:	The Completion shall take place upon the fulfilment of the following conditions precedent: (i) the parties having completed all necessary internal procedures in respect of the Acquisition and the Acquisition Agreement and having delivered to each other the relevant internal resolutions and/or documents (including but not limited to board resolutions and/or shareholders' resolutions); and

- (ii) the Purchaser having provided to T.C.L. Industries (H.K.) all documents required by applicable laws, regulations and regulatory bodies in relation to the Acquisition and the Acquisition Agreement (if any).

The Completion shall take place no later than 31 May 2022, provided that if the Completion cannot take place by 31 May 2022, T.C.L. Industries (H.K.) is entitled to elect (i) to postpone the Completion date to any other date by giving written notice to the Purchaser; or (ii) to terminate the Acquisition Agreement by giving written notice to the Purchaser.

Upon Completion, the Purchaser shall be entitled to the rights and obligations corresponding to the owner of the Target Equity Interest, and the Target Company shall update its register of shareholders to reflect the shareholdings of the Purchaser in the Target Company.

Following Completion, T.C.L. Industries (H.K.) shall co-operate with the Purchaser and the Target Company to complete the formalities required for the transfer of the Target Equity Interest in accordance with the relevant laws and regulations, including but not limited to completing the registration of industrial and commercial changes.

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Purchaser and T.C.L. Industries (H.K.) with reference to the valuation of the net assets of the Target Company as at 31 December 2021 in the amount of approximately RMB116 million as set out in the valuation report prepared by an independent valuer in the PRC using asset-based approach, the book value of the Target Group as at 31 December 2021, the operations and financial conditions of the Target Group and its future prospects.

The Purchaser intends to fund the Consideration by internal resources of the Group.

INFORMATION ON THE TARGET COMPANY AND THE TARGET GROUP

General Information

The Target Company is a limited liability company established under the laws of PRC and T.C.L. Industries (H.K.) acquired the entire equity interest of the Target Company in 2010 at a consideration of RMB41,500,000.

As at the date of this announcement, the Target Company has one wholly-owned subsidiary established in the PRC. The Target Company and its subsidiary are principally engaged in investment holding. Such investments include equity interests in various companies which are principally engaged in the business of development, manufacturing and distribution of LED modules, various wireless modules, smart display products, optoelectronic panels, structural components, circuit boards, metallic components and precision components, provision of advisory services, etc. The investments are held by the Target Company directly or through its wholly-owned subsidiary.

Financial Information

Set out below is the financial information of the Target Group for the financial years ended 31 December 2021 and 31 December 2020 as extracted from the Target Group's audited consolidated financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Net profit before tax	46,274	30,553
Net profit after tax	46,278	30,545
	Balance as at	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	287,442	235,144
Net assets	43,864	111,086

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in, among others, research and development, manufacture and sale of consumer electronic products. In recent years, the rising prices of raw materials such as panels and chips exert pressure on operations across the industry and affected the profitability of the Group.

The Target Group holds equity interests in some of the major suppliers of raw materials of the Group, including but not limited to suppliers of wireless connection modules, LED display modules, multi-layer printed circuit boards, precise metallic components, precision metal stamping, plastic injection components and optoelectronics components. The Group believes that the Acquisition is conducive to the development of co-operative relationships with the relevant suppliers, strengthen the stability and promote synergy of the Group's supply chain, which in turn assists the Group to safeguard against the surging raw material prices and fierce competition for raw materials.

Further, as the business performance of the investees of the Target Group is promising, the Group believes that the continuous growth of the investees of the Target Group will enhance the profits of the Target Group in the future and hence also further contribute to the results of the Group.

In light of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition and the Acquisition Agreement, although not in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms or better, and in the interest of the Company and the Shareholders as a whole.

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As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 0.1% but all are less than 5%, the Acquisition is 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 and announcement requirements under Chapter 14A of the Listing Rules.

Notwithstanding the respective interest and/or roles of certain Directors in TCL Holdings (the sole shareholder of T.C.L. Industries (H.K.)), in particular, as at the date of this announcement, (i) Ms. DU Juan is also a director and the chief executive officer of TCL Holdings; (ii) Mr. WANG Cheng is also a director of TCL Holdings; (iii) Mr. HU Dien Chien is also the chief financial officer of TCL Holdings; and (iv) Mr. SUN Li is also the chief technology officer of TCL Holdings, as their respective direct or indirect interests in TCL Holdings are insignificant, none of them is considered as having a material interest in the Acquisition, therefore all Directors are entitled to vote on the Board resolutions for considering and approving the Acquisition pursuant to the Articles.

GENERAL INFORMATION OF THE PARTIES

The Group is principally engaged in the research and development, manufacture and sale of consumer electronic products such as smart screens and mobile communication devices and independently develops home Internet services. The Group actively transforms and innovates under the strategy of "Value Led by Brand with Relative Cost Advantage". Focusing on the mid-to-high-end markets around the world, the Group strives to consolidate the "intelligent IoT ecosystem" strategy with all-category layout and is committed to providing users with an all scenario smart and healthy life while developing into a world-leading smart technology company. 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).

The Purchaser is a company established under the laws of the PRC with limited liability and an indirect subsidiary of the Company. The Purchaser is an investment holding company and its investment is principally in the business of commercial displays and smart home business.

T.C.L. Industries (H.K.) is an investment holding company. Its investments are principally in the business of manufacture and distribution of smart screens, audio-visual products and mobile phones, property and development and distribution of digital and other electronic products. As at the date of this announcement, T.C.L. Industries (H.K.) held approximately 51.94% of the issued Shares and is the immediate controlling shareholder of the Company and a wholly-owned subsidiary of TCL Holdings.

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 51.94% 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))	33.33%
Ningbo Lida Zhiheng Enterprise Management Partnership (Limited Partnership)* (寧波礪達致恒企業管理合夥企業(有限合夥))	23.26%
Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂(上海)投資中心(有限合夥))	18.60%
Huizhou State-owned Asset Management Co., Ltd.* (惠州市國有資產管理有限公司)	9.30%
Xiaomi Technology Co., Ltd.* (小米科技有限責任公司)	9.30%
Beijing Xinrunheng Equity Investment Partnership (L.P.)* (北京信潤恒股權投資合夥企業(有限合夥))	4.65%
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))	1.55%
Total ^(Note)	100.00%

Note:

The figures shown in the above table were subject to rounding adjustment, accordingly the total figure may not be an arithmetic aggregation of the figures preceding it.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity Interest by the Purchaser from T.C.L. Industries (H.K.) subject to and in accordance with the Acquisition Agreement;
“Acquisition Agreement”	the equity transfer agreement dated 13 May 2022 entered into between the Purchaser and T.C.L. Industries (H.K.);
“Articles”	the articles of association of the Company as amended from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the Board of Directors of the Company;
“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”	completion of the Acquisition in accordance with terms and conditions of the Acquisition Agreement;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Consideration”	the consideration of the Acquisition of RMB116,030,900 (equivalent to approximately HK\$137,589,000) payable by the Purchaser to T.C.L. Industries (H.K.) in accordance with the terms of the Acquisition Agreement;
“Director(s)”	the director(s) of the Company;
“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;
“LED”	light-emitting diode;

“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“Purchaser”	TCL Electronics (Huizhou) Co., Limited* (TCL電子(惠州)有限公司), a company established under the laws of the PRC and a subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of share(s) of the Company;
“smart screen(s)”	mainly refers to smart television(s);
“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;
“Target Company”	TCL Digital Technology (Shenzhen) Company Limited* (TCL數碼科技(深圳)有限責任公司), a company established under the laws of the PRC;
“Target Equity Interest”	100% equity interest in and of the Target Company held by T.C.L. Industries (H.K.) immediately prior to the entering into of the Acquisition Agreement;
“Target Group”	the Target Company and its subsidiary(ies);
“TCL Holdings”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), formerly known as TCL Industries Holdings (Guangdong) Inc.* (TCL實業控股(廣東)股份有限公司), a joint stock limited company established under the laws of the PRC;

“T.C.L. Industries (H.K.)” T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, an immediate controlling Shareholder, and a wholly-owned subsidiary of TCL Holdings; and

“%” per cent.

On behalf of the Board
DU Juan
Chairperson

Hong Kong, 13 May 2022

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.*

For the purposes of this announcement, the exchange rate of RMB1.00 = HK\$1.1858 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such a rate.

As at the date of this announcement, the Board comprises Ms. DU Juan, Mr. YAN Xiaolin and Mr. HU Dien Chien as executive Directors, Mr. WANG Cheng, 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.