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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 FINANCE LEASE (2022) AGREEMENT

INTRODUCTION

On 16 May 2022 (after trading hours), the Company entered into the Master Finance Lease (2022) Agreement with TCL Holdings and TCL Finance Lease (Zhuhai), which involved, among others, TCL Holdings Group (as lessor and financier) purchasing Leased Assets from the Group and providing Finance Lease Services to the Group's clients (as lessees) (under which TCL Holdings Group will purchase Leased Assets from the Group for leasing the same to such clients of the Group) and the Group providing certain guarantee in favour of TCL Holdings Group to secure the payment obligations of such clients, and the transactions contemplated under the Master Finance Lease (2022) Agreement constitute continuing connected transactions of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 1,297,135,288 Shares, representing approximately 51.98% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn are held as to 100% by TCL Holdings. TCL Finance Lease (Zhuhai) is an indirect wholly-owned subsidiary of TCL Holdings. 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. As TCL Holdings is the holding company of T.C.L. Industries (H.K.), whereas TCL Finance Lease (Zhuhai) is a fellow subsidiary thereof, each of them is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Finance Lease (2022) Agreement therefore constitute continuing connected transactions of the Company.

As the Master Finance Lease (2022) Agreement and the transactions under the Pilot Scheme took place within a 12-month period pursuant to Rule 14.22 of the Listing Rules and both are entered into with the same parties and of the same nature, the transactions under the Master Finance Lease (2022) Agreement and the Pilot Scheme shall be aggregated as a series of transactions.

Pursuant to the Listing Rules, as one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the transactions under the Pilot Scheme and with reference to the annual caps of the Master Finance Lease (2022) Agreement calculated on an aggregated basis exceeds 0.1% but all are less than 5%, the transactions contemplated thereunder are exempt from 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 under Rule 14.07 of the Listing Rules in respect of the transactions under the Pilot Scheme and with reference to the annual caps of the Master Finance Lease (2022) Agreement calculated on an aggregated basis are all less than 5%, the transactions contemplated thereunder are fully exempt from all disclosure requirements under Chapter 14 of the Listing Rules.

As the term of the individual agreements under the Master Finance Lease (2022) Agreement may exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to explain why the individual agreements under the Master Finance Lease (2022) Agreement require a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

INTRODUCTION

On 16 May 2022 (after trading hours), the Company entered into the Master Finance Lease (2022) Agreement with TCL Holdings and TCL Finance Lease (Zhuhai) and the transactions contemplated thereunder constitute continuing connected transactions.

BACKGROUND

In order to seize emerging opportunities arising from the prevailing trend of carbon neutrality and green and clean energy and leverage the Group's close relationship in vertical industry chain, extensive sales channels, strong financial resources and technology, the Group has been developing and expanding into diversified new businesses such as photovoltaic business. Under the current business model of the Group in the photovoltaic sector, the Group would provide one-stop services to business clients and individual client involving design, procurement, construction, assembly, operation and maintenance of photovoltaic power generators.

In view of the substantial capital investment required for building and maintenance of photovoltaic power generators, some of the potential clients, especially individual clients, may be in need of financial resources for financing the building of photovoltaic power generators. In order to offer convenient and affordable photovoltaic power generators and increase the Group's competitiveness, the Group will also offer finance matching services where necessary. Therefore, depending on the financial need of clients, the Group's business model will be different.

For potential clients which have adequate financial resources to purchase the photovoltaic generators (which are expected to be mainly business clients), the Group will enter into transactions with them directly and provide them with one-stop photovoltaic generator services. Such clients may involve members of TCL Holdings Group (details of which are set out in the other announcement of the Company dated 16 May 2022 in relation to the entering into of the master photovoltaic power construction services (2022) agreement between the Company and TCL Holdings) and other Independent Third Party business clients.

For potential clients that require financial support (which are expected to be usually individual clients), the Group will adopt an "Engineering, Procurement and Construction" (EPC) model, coupled with finance matching services by matching financiers with such potential clients. As TCL Holdings Group has rich experience in finance lease service in photovoltaic sector, the Group sees the business opportunity of taking advantage of its close connection with TCL Holdings Group and matching potential clients with members of TCL Holdings Group for obtaining financing from the latter. In the course of such matching, the Group may provide guarantee to secure the payment obligations of the potential clients in favour of TCL Holdings Group. The Group is of the view that covering finance matching in the one-stop services would further enhance the attractiveness and competitiveness of the Group's photovoltaic business.

A pilot scheme ("**Pilot Scheme**") of the aforesaid business model in respect of individual clients has been carried out since the first quarter of 2022. Under the Pilot Scheme, the Group on a case by case basis assisted its individual clients to design, construct and assemble photovoltaic power generators, and as part of the finance lease arrangement, the Group sold the photovoltaic power generators to TCL Finance Lease (Zhuhai) (as lessor and financier) which in turns leased the same to such individual clients of the Group. Upon the completion of the finance lease and after payment of nominal consideration, the legal title of the photovoltaic power generators will be transferred from TCL Finance Lease (Zhuhai) to those individual clients.

As the market reaction is satisfactory, the Group intends to expand the scale of the Pilot Scheme by reaching out to more potential clients and for such purpose the Company has entered into the Master Finance Lease (2022) Agreement to set out the framework for deepening the continuing co-operation between the Group and TCL Holdings Group to facilitate the finance matching services involving TCL Holdings Group. For the avoidance of doubt, as all applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions under the Pilot Scheme (whether on a standalone basis or an aggregated basis) were all less than 0.1%, the transactions thereunder were *de minimis* transactions which are fully exempt from all disclosure requirements under Chapters 14 and 14A of the Listing Rules.

MASTER FINANCE LEASE (2022) AGREEMENT

The material terms of the Master Finance Lease (2022) Agreement are summarised below:

- Date: 16 May 2022 (after trading hours)
- Parties: (i) The Company (for itself and on behalf of the Group);
- (ii) TCL Holdings (for itself and on behalf of TCL Holdings Group); and
- (iii) TCL Finance Lease (Zhuhai).
- Duration: From 16 May 2022 to 31 December 2022 (both days inclusive).

The term of any individual agreement to be entered into under the Master Finance Lease (2022) Agreement may vary on a case by case basis depending on commercial consideration for each case but in any event shall be no longer than 25 years. For the avoidance of doubt, no further individual agreements pursuant to the Master Finance Lease (2022) Agreement shall be entered into after the expiry or termination of the Master Finance Lease (2022) Agreement, provided that notwithstanding the termination or expiry of the Master Finance Lease (2022) Agreement, (i) any individual agreements entered into during the term of the Master Finance Lease (2022) Agreement shall remain in full force and effect; and (ii) the terms and conditions of the Master Finance Lease (2022) Agreement shall continue to apply to such individual agreements and for and only for such purpose and to such extent continue to be effective and binding.

Condition precedent: The Master Finance Lease (2022) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Finance Lease (2022) Agreement.

Major terms: **Sale and Lease Arrangement**

Each Seller (each being a subsidiary of the Group) may, after taking into account applicable pricing policies, at its absolute discretion, recommend suitable Lessees to the Lessors for leasing of Leased Assets. Upon receiving recommendation from the relevant Seller, the relevant Lessor (each being a member of TCL Holdings Group) may, at its absolute discretion, decide whether to provide Finance Lease Services to the relevant Lessee.

If the relevant Lessor decides to provide Finance Lease Services to the relevant Lessee, the relevant Lessor shall purchase the relevant Leased Asset from the relevant Seller and lease the relevant Leased Asset to the relevant Lessee, and the relevant Lessee shall authorise the transfer and deposit of all electricity income and subsidies (if any) generated by the relevant Leased Asset (“**Leased Asset Income**”) to the account designated by the relevant Lessor (“**Designated Account**”) for payment and discharge of relevant Lessee Payment Obligation. The relevant Lessor may also request the relevant Seller to purchase and maintain insurance policy with appropriate coverage on the relevant Leased Asset with the relevant Lessor as the beneficiary. The relevant Lessor, the relevant Seller and the relevant Lessee shall enter into individual agreement(s) for such finance lease arrangement, and the relevant Seller shall also enter into individual agreement(s) with the relevant Lessee for providing services in relation to the relevant Leased Asset (*Note 1*).

The terms and conditions (including but not limited to the purchase price of the relevant Leased Asset, the relevant Lessee Payment Obligation, other terms of the Finance Lease Services and (where applicable) terms of provision of other services in relation to the Leased Asset) of any sale of Leased Asset and provision of Finance Lease Services shall be agreed among the relevant Seller, Lessor and Lessee in writing as set out in the individual specific agreements from time to time, provided that the terms of such individual agreements shall be consistent with the terms of the Master Finance Lease (2022) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Guarantee Arrangement

The relevant Seller shall provide guarantee in favour of the relevant Lessor to secure the due performance of the relevant Lessee Payment Obligation by the Lessee. The form, terms and conditions of the guarantee shall be agreed among the relevant Seller, Lessor and Lessee in writing as set out in the individual specific agreements from time to time, provided that:

- (i) if the Leased Asset Income received in the Designated Account is insufficient to pay (and if the relevant Lessee is also unable to pay) the relevant Lessee Payment Obligation due and payable in any period (“**Payment Due**”), the relevant Lessor shall have the right to transfer and apply all or part of the relevant Security Deposits (if any) for payment of the remaining balance of relevant Payment Due (“**Payment Due Balance**”) (the relevant Lessor may request the relevant Seller to replenish Security Deposits pursuant to the term of the individual agreement); if the relevant balance of Security Deposits is insufficient to settle the Payment Due Balance, the relevant Lessor may request the relevant Seller as guarantor to pay the remaining balance of Payment Due Balance and/or pay and/or replenish Security Deposits;
- (ii) if any of the following types of event occur (details of such events shall be agreed among the relevant Seller, Lessor and Lessee and set out in the individual agreement):
 - (a) any event which, in the reasonable opinion of the relevant Lessor, the relevant Lessee and/or the relevant Seller, adversely affects in the long-term the relevant Leased Asset Income (including, without limitation, the failure of the Leased Asset to generate electricity continuously or normally for a reasonable period of time as agreed between the parties, the destruction or loss of the Leased Asset, the demolition or relocation of the premises where the Leased Asset situated, or other force majeure events);
 - (b) any event which shall adversely affect the ability of the relevant Lessee to repay or operate the Leased Asset;

- (c) the failure of the relevant Seller to pay or replenish the Security Deposits pursuant to the relevant written demand from the relevant Lessor in accordance with the individual agreement; or
- (d) any other event of fundamental breach as agreed between the relevant Lessor, the relevant Lessee and the relevant Seller in the individual agreement;

then the relevant Lessor shall be entitled to require the relevant Lessee to pay forthwith all outstanding Lessee Payment Obligation (whether due and payable or not) (“**Aggregate Arrears**”) within the period agreed in the individual agreement, and if the relevant Lessee fails to repay the Aggregate Arrears in full and on time as required by the relevant Lessor, the relevant Seller shall be liable to make up the balance of Aggregate Arrears, and upon the full settlement of the Aggregate Arrears, the relevant Lessor shall transfer the relevant Leased Asset together with all rights, interests and title thereunder to the relevant Seller and/or Lessee and/or designated person pursuant to the applicable provisions of the individual agreement; for the avoidance of doubt, the aforesaid arrangement does not prejudice the rights and entitlements of the relevant Seller against the relevant Lessee in respect of provision of guarantee; and

- (iii) the terms of such individual agreements shall be consistent with the terms of the Master Finance Lease (2022) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Security Deposits

As part of the abovementioned guarantee arrangement, the relevant Lessor has the right to request the relevant Seller to pay security deposits (“**Security Deposits**”) and to maintain the level of Security Deposits at certain amount (initially at 5% of the relevant Lease Amount but subject to regular review and adjustment by written consent between the relevant Lessor and the relevant Seller), which may be utilised for satisfying the relevant Lessee Payment Obligation due if the relevant Lessee failed to perform such obligations. The remaining Security Deposits (without interest) shall be refunded to the relevant Seller upon the end of the Lease Period and full performance of the Lessee Payment Obligation.

The maximum outstanding balance of Security Deposits paid by all Sellers from time to time under the Master Finance Lease (2022) Agreement shall be no more than 5% of the Aggregate Lease Amount.

Note 1:

As part of the business arrangement, the relevant Seller, Lessor and Lessee will typically enter into an agreement pursuant to which, among others, the relevant Seller will provide services (including but not limited to operation and maintenance services) relating to the relevant Leased Asset (“**Leased Asset Operation Services**”) to the relevant Lessee, and in return the relevant Lessee will pay service fees to the relevant Seller during the term of the lease under the relevant Finance Lease Services. As the Leased Asset Operation Services are expected to be of a revenue nature, conducted in the ordinary and usual course of business of the Group, and provided to Lessees which are Independent Third Parties, the transactions contemplated under are fully exempt from annual review, independent financial advice, Shareholders’ approval and all disclosure requirements under Chapter 14 of the Listing Rules. In the event the relevant Seller decides to provide Leased Asset Operation Services to a Lessee which subsequently becomes a connected person of the Company, the relevant transaction may become connected transactions of the Company under Chapter 14A of the Listing Rules, and in such circumstances the Company will comply with applicable requirements under the Listing Rules, including but not limited to publishing further announcements and/or obtaining Shareholders’ approval where necessary.

PRICING POLICY AND BASIS OF PRICE DETERMINATION

The price of each Leased Asset shall be agreed between the Group (as Seller) and the Lessees (which are Independent Third Parties) on arm’s length basis without involvement of TCL Holdings Group (as Lessor and financier), who will purchase the Leased Asset from members of the Group at the said agreed price as part of the finance lease arrangement.

The Group will match the Lessees with members of TCL Holdings Group if the overall terms and conditions of the Finance Lease Services offered by the relevant member of TCL Holdings Group to the relevant Lessee and the terms and conditions of the guarantee arrangement to be borne by the relevant member of the Group as proposed by the relevant member of TCL Holdings Group to the relevant member of the Group as a whole are no less favourable to the Group than those offered by Independent Third Parties financier (if any). The Group will take into account all relevant factors such as lease interest rates, repayment terms and guarantee amount. In particular, where the lease interest rate offered by TCL Holdings Group is higher than the then prevailing range of lease interest rate in the market, the Group will consider whether to proceed with the transactions contemplated under the Master Finance Lease (2022) Agreement based on a basket of factors, including but not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties financiers; (ii) the business strategy of the Group such as diversification of business and competition for market share; and (iii) the impact to the profitability of the Group, and in any event the Group shall only conduct transactions contemplated under the Master Finance Lease (2022) Agreement if it is in the interest of the Shareholders and the Group as a whole to do so. Each individual specific agreement under the Master Finance Lease (2022) Agreement shall be negotiated on an arm’s length basis.

INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control procedures to supervise the continuing connected transactions contemplated under the Master Finance Lease (2022) Agreement:

- (i) The Group will periodically collect market information from connected persons and Independent Third Parties and maintain such information under its internal database. Before each continuing connected transaction is to be carried out, the Group will compare the terms offered by the relevant connected person with the market data in its internal database to ensure the overall terms offered by such connected person are on normal commercial terms and no less favourable to the Group than those offered by Independent Third Parties.
- (ii) The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the finance director of the Group for review.
- (iii) Before conducting any transactions with connected persons, the finance department would confirm the utilisation status of the annual caps to ensure that the Group still has sufficient room under the annual caps for carrying out the relevant continuing connected transactions. The finance department would on a regular basis review the continuing connected transactions carried out during the period under review to assess (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Company's pricing policy; and (ii) the transactions amount during the month under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, the Company would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules including but not limited to revising the relevant annual caps before entering into the proposed transactions.

- (iv) Every time before conducting any continuing connected transactions, the relevant business unit of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the internal control unit and legal department of the Group for review and approval. The internal control unit and the legal department of the Group would review the terms of the proposed transaction and the draft individual agreement to be entered into to make sure that the terms are in compliance with the Master Finance Lease (2022) Agreement and the pricing policy of the Group and that the overall terms and conditions (including prices and payment terms) are no less favourable to the Group than those offered by Independent Third Parties. The transactions could only be carried out after the internal control unit and the legal department have separately given their approval therefor.
- (v) Upon receiving proposed offer from the potential client (i.e. Lessee) and TCL Holdings Group, the sales and marketing team of the Group will review the pricing terms and check with the relevant units for production capacity, production cost, service cost, pricing and confirm or negotiate the terms with the potential client and TCL Holdings Group. The proposed offer will be submitted to management for approval. The Group will only accept proposed offers from potential client and TCL Holdings Group when, in accordance with the results of the overall assessment, the proposed offer complies with the pricing policies as stated in the section headed “PRICING POLICY AND BASIS OF PRICE DETERMINATION” herein.

Annual review of the continuing connected transactions

- (i) The independent non-executive Directors shall review annually the Master Finance Lease (2022) Agreement and the transactions thereunder and confirm in the Company’s corresponding annual report that the Master Finance Lease (2022) Agreement and the transactions thereunder have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better; and
 - (c) according to the respective agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

- (ii) The auditor of the Company shall review annually the Master Finance Lease (2022) Agreement and the transactions thereunder and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) that the Master Finance Lease (2022) Agreement and the transactions contemplated thereunder:
 - (a) have received the approval of the Board;
 - (b) have been, in all material respects, in accordance with the pricing policies of the Group (for those agreements involving the provision of goods and/or services by the Group);
 - (c) have been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
 - (d) have not exceeded the caps.
- (iii) The Directors shall state in the Company's annual report whether its auditor has confirmed the matters stated in Rule 14A.56 of the Listing Rules.
- (iv) The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditor of the Company will not be able to confirm the matters under Rules 14A.55 and 14A.56 of the Listing Rules.
- (v) The Company shall allow, and shall ensure that the counterparties to the continuing connected transactions shall allow the Company's auditor sufficient access to the relevant records for the purpose of the auditor's review of the continuing connected transactions in accordance with the Listing Rules.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the Master Finance Lease (2022) Agreement for the year ending 31 December 2022:

Continuing Connected Transactions	For the year ending 31 December 2022 (Note 2) HK\$'000
Sale of Leased Assets	436,000
Aggregate actual amount paid under the guarantee arrangement (Note 1)	21,800
Maximum outstanding balance of Security Deposits (Note 1)	21,800

Notes:

1. As mentioned in the section headed “MASTER FINANCE LEASE (2022) AGREEMENT”, the term of any individual agreement entered into under the Master Finance Lease (2022) Agreement shall be no longer than 25 years, provided that no further individual agreements pursuant to the Master Finance Lease (2022) Agreement shall be entered into after the expiry or termination of the Master Finance Lease (2022) Agreement. Yet, notwithstanding such termination or expiry, (i) any individual agreements entered into during the term of the Master Finance Lease (2022) Agreement shall remain in full force and effect; and (ii) the terms and conditions of the Master Finance Lease (2022) Agreement shall continue to apply to such individual agreements and for and only for such purpose and to such extent continue to be effective and binding. Accordingly, the annual caps of (i) the aggregate actual amount paid under the guarantee arrangement and (ii) maximum outstanding balance of Security Deposits will continue to apply to all individual agreements notwithstanding the termination or expiry of the Master Finance Lease (2022) Agreement. In other words, during the period from the date of the Master Finance Lease (2022) Agreement until the expiry or termination of all individual agreements under the Master Finance Lease (2022) Agreement (which shall be no later than 31 December 2047, being 25 years after the expiry date of the Master Finance Lease (2022) Agreement), (i) the aggregate actual amount paid under the guarantee arrangement arising from all transactions under the Master Finance Lease (2022) Agreement shall not exceed the annual cap stated above (i.e. HK\$21.80 million); and (ii) the maximum outstanding balance of Security Deposits at any point of time arising from all transactions under the Master Finance Lease (2022) Agreement shall not exceed the annual cap stated above (i.e. HK\$21.80 million).
2. For the avoidance of doubt, the annual caps for the year ending 31 December 2022 cover the transaction amounts of the Pilot Scheme.

BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

The major factors for determining the proposed annual caps for the Master Finance Lease (2022) Agreement are set out below.

Sale of Leased Assets:

- (i) The expected business scope and projected demand from clients which require finance lease services offered by TCL Holdings Group under the photovoltaic business model as mentioned in the section headed “BACKGROUND” hereinabove, estimated based on the initial customer reaction during the course of the Pilot Scheme.
- (ii) The raw material prices and wages in relation to the design, construction and assembly of the Leased Assets.

Aggregate actual amount paid under the guarantee arrangement:

- (i) The probability of members of the Group being required to fulfil their guarantee obligations under the Master Finance Lease (2022) Agreement estimated based on industry and market data, multiplied by the annual cap of “Sale of Leased Assets”.

Maximum outstanding balance of Security Deposits:

- (i) The upper limit of the maximum outstanding balance of Security Deposits payable by all members of the Group (as Sellers) from time to time as stipulated in the Master Finance Lease (2022) Agreement, which shall at all times be no more than 5% of the Aggregate Lease Amount (i.e. the aggregate amount of sale of Leased Assets).

As aforementioned, the photovoltaic business is at a relatively early stage and hence it is difficult for the Group to accurately estimate the scale of transactions under the Master Finance Lease (2022) Agreement. Accordingly, the proposed annual caps under the Master Finance Lease (2022) Agreement may need to be revised as the Group’s business in the field further develops. In such circumstances, the Company will take all appropriate steps to comply with the relevant requirements under the Listing Rules including but not limited to obtaining Shareholders’ approval where necessary.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As mentioned in the section headed “BACKGROUND” above, the Group expanded into the field of photovoltaic business to further diversify its business scope and to leverage its close relationships in vertical business chain, extensive sales channels, strong financial resources and technology. In particular, on the one hand, in view of the policy of promoting renewable energy in the PRC, the extensive sales network of the Group allows it to reach numerous customers which have the potential demand for building photovoltaic power generators. On the other hand, the Group maintains good relationship with different suppliers which are able to provide necessary components for photovoltaic power generators at a relatively competitive terms and conditions. Further, given the close relationship between the Group and TCL Holdings Group, the Group is able to co-operate with TCL Holdings Group in providing financial support for potential clients which require finance lease services, hence vastly increasing the number of potential clients. By utilising the aforesaid advantages, the Group would be able to expand into the field of renewable energy and create new growth driver for the business of the Group. The Master Finance Lease (2022) Agreement serves as an essential business arrangement for the aforesaid photovoltaic business as it enables the Group to match potential clients with members of TCL Holdings Group for obtaining financing from the latter. In many scenarios, initial external funding is necessary for potential clients to consider building photovoltaic power generators. Accordingly, the co-operation with TCL Holdings Group with a view to attracting more potential clients is important for the initial development stage of the photovoltaic business of the Group.

Further, although the Group is required to provide guarantee in favour of the relevant members of TCL Holdings Group (as Lessors and financiers) to secure the payment obligations of the relevant Lessees under the Master Finance Lease (2022) Agreement, such payment obligations will generally be satisfied from the Leased Asset Income. Before entering into any agreements with potential clients for construction of photovoltaic systems, the Group will make an overall assessment of the suitability of the site and the expected efficiency and performance of the photovoltaic systems to be constructed, taking into account all relevant factors including but not limited to the geographical location, the latitude of the site, the duration of daylight hours, the area available for instalment of photovoltaic array, the solar irradiance, the interrelationship of the change of seasons with the daylight duration and solar irradiance, etc.. The aforesaid assessment will in turn form the basis for the Group to assess the Leased Asset Income and whether it could satisfy the payment obligations of the relevant Lessee under the finance lease arrangement. In addition, the insurance policy (if purchased and maintained by the relevant Seller upon request of the relevant Lessor), which can provide appropriate coverage on the relevant Leased Asset with the relevant Lessor as the beneficiary, may relieve the burden of the Group from the guarantee arrangement. Accordingly, the Group is of the view that the risk that it will be required to meet its guarantee obligations is under reasonable control of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Master Finance Lease (2022) Agreement, the transactions contemplated thereunder and the proposed annual cap are fair and reasonable, on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group, and in the interest of the Company and the Shareholders as a whole.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the term of the individual agreements under the Master Finance Lease (2022) Agreement may exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to issue an independent opinion which is stated below.

The Independent Financial Adviser has taken into account the following factors when formulating its independent opinion pursuant to Rule 14A.52 of the Listing Rules:

- (i) Given the long-term and capital-intensive nature of the photovoltaic project, the Group would usually negotiate with potential clients for a financing term of 15 years for their purchase of the Leased Assets, with such financing to be offered by TCL Holdings Group. By providing leasing solutions to these potential clients through a long-term leasing arrangement under the Master Finance Lease (2022) Agreement, the Group is able to reach out to more potential clients and secure more businesses;
- (ii) The term of the individual agreements under the Master Financial Lease (2022) Agreement was determined by the parties thereto upon arm's length negotiations with reference to, among other things, the estimated useful life of photovoltaic power equipment of approximately 25 years, which in the view of the Independent Financial Adviser is a reasonable ground for the longer duration of the individual agreements; and
- (iii) It will be unduly burdensome and unnecessarily costly on the part of the Group if the Group is to strictly comply with the three-year requirement pursuant to Rule 14A.52 of the Listing Rules with respect to the Master Finance Lease (2022) Agreement, as the Group will need to re-negotiate the terms of the individual agreements under the Master Finance Lease (2022) Agreement with not only TCL Holdings Group but also the then individual clients during the agreement renewal process.

Having considered the principal factors discussed above, the Independent Financial Adviser is of the view that (i) a term of longer than three years is required for the individual agreements under the Master Finance Lease (2022) Agreement; and (ii) it is a normal business practice for agreements with natures similar to the individual agreements under the Master Finance Lease (2022) Agreement to have a duration of more than three years.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 1,297,135,288 Shares, representing approximately 51.98% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn are held as to 100% by TCL Holdings. TCL Finance Lease (Zhuhai) is an indirect wholly-owned subsidiary of TCL Holdings. 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. As TCL Holdings is the holding company of T.C.L. Industries (H.K.), whereas TCL Finance Lease (Zhuhai) is a fellow subsidiary thereof, each of them is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Finance Lease (2022) Agreement therefore constitute continuing connected transactions of the Company.

As the Master Finance Lease (2022) Agreement and the transactions under the Pilot Scheme took place within a 12-month period pursuant to Rule 14.22 of the Listing Rules and both are entered into with the same parties and of the same nature, the transactions under the Master Finance Lease (2022) Agreement and the Pilot Scheme shall be aggregated as a series of transactions.

Pursuant to the Listing Rules, as one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the transactions under the Pilot Scheme and with reference to the annual caps of the Master Finance Lease (2022) Agreement calculated on an aggregated basis exceeds 0.1% but all are less than 5%, the transactions contemplated thereunder are exempt from 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 under Rule 14.07 of the Listing Rules in respect of the transactions under the Pilot Scheme and with reference to the annual caps of the Master Finance Lease (2022) Agreement calculated on an aggregated basis are all less than 5%, the transactions contemplated thereunder are fully exempt from all disclosure requirements under Chapter 14 of the Listing Rules.

As the term of the individual agreements under the Master Finance Lease (2022) Agreement may exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to explain why the individual agreements under the Master Finance Lease (2022) Agreement require a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

Notwithstanding the respective interest and/or roles of certain Directors in TCL Holdings Group, 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 Group are insignificant and that none of the TCL Associates are associates of any of the Directors, none of them is considered as having a material interest in the transactions contemplated under the Master Finance Lease (2022) Agreement, therefore all Directors are entitled to vote on the Board resolutions for considering and approving the Master Finance Lease (2022) Agreement pursuant to the Articles.

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 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 circular).

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 51.98% 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 <i>(Note)</i>	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.

As at the date of this announcement, TCL Finance Lease (Zhuhai) is an indirect wholly-owned subsidiary of TCL Holdings and is principally engaged in the business of lease, finance lease, acquisition of leased assets, green finance and provision of financing solutions.

DEFINITIONS

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

“Aggregate Lease Amount”	the aggregate Lease Amount of all Leased Assets under the Finance Lease Services during the term of the Master Finance Lease (2022) Agreement;
“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;
“Company”	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01070);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Finance Lease Services”	financing services under which the relevant Lessor (as lessor and financier) will directly purchase the relevant Leased Asset as required by the relevant Lessee and lease the same to the relevant Lessee for its use, while the relevant Lessee will perform Lessee Payment Obligation accordingly. During the term of the relevant Lease Period, the legal title of the relevant Leased Asset shall be vested in the relevant Lessor. Upon the expiry of the relevant Lease Period and due performance of Lessee Payment Obligation, the relevant Lessee has the option to purchase the Leased Asset together with the corresponding legal title from the relevant Lessor at a specific nominal price;
“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 Financial Adviser” or “Pelican Financial Limited”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise on the terms of the Master Finance Lease (2022) Agreement;
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries and their respective associates;
“IoT”	Internet of things;
“Lease Amount”	in respect of each Leased Asset, the principal rent payable by the relevant Lessee to the relevant Lessor under the Finance Lease Services;
“Leased Asset”	the subject of asset to be leased under the Finance Lease Services;
“Lease Period”	the lease period of the relevant Leased Asset under the Finance Lease Services;
“Lessee”	in respect of each Leased Asset, means the Independent Third Party entity recommended by the relevant member of the Group to the relevant member of TCL Holdings Group to which the relevant member of TCL Holdings Group will provide Finance Lease Services;
“Lessee Payment Obligation”	the relevant Lessee’s payment obligations owed to the relevant Lessor for leasing the relevant Leased Asset (including but not limited to Lease Amount, interest payable, default penalty (if any) and other reasonable expenses incurred by the relevant Lessor for the realisation of its debts and guarantee rights) under the Finance Lease Services;
“Lessor”	in respect of each Leased Asset, means the relevant member of TCL Holdings Group (including TCL Finance Lease (Zhuhai)) providing Finance Lease Services in the capacity of lessor;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;

“Master Finance Lease (2022) Agreement”	the master finance lease (2022) agreement dated 16 May 2022 entered into among the Company, TCL Holdings and TCL Finance Lease (Zhuhai);
“Pilot Scheme”	has the meaning ascribed thereto under the section headed “BACKGROUND” of this announcement;
“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;
“Security Deposits”	has the meaning ascribed thereto under the section headed “MASTER FINANCE LEASE (2022) AGREEMENT” of this announcement;
“Seller”	in respect of each Leased Asset, means the relevant member of the Group which the relevant member of TCL Holdings Group purchase the Leased Asset from;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(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;
“TCL Associates”	the associate(s) of TCL Holdings;
“TCL Finance Lease (Zhuhai)”	TCL Finance Lease (Zhuhai) Co., Ltd.* (TCL融資租賃(珠海)有限公司), a limited company established under the laws of the PRC and a subsidiary of TCL Holdings;
“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;

- “TCL Holdings Group” TCL Holdings and its subsidiaries and any entity that may become subsidiary of TCL Holdings from time to time, and for the purpose of this announcement excludes the Group and for the purpose of the Master Finance Lease (2022) Agreement and the transactions contemplated thereunder includes TCL Associates;
- “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, 16 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.*

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.