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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 PHOTOVOLTAIC POWER CONSTRUCTION SERVICES (2022) AGREEMENT**

#### **INTRODUCTION**

On 16 May 2022 (after trading hours), the Company entered into the Agreement with TCL Holdings, pursuant to which the Group will provide Construction Services and Operation and Maintenance Services to TCL Holdings Group and the transactions contemplated thereunder 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. 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.), it 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 Agreement therefore constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules calculated with reference to the annual caps of the Agreement 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.

**INTRODUCTION**

As set out in the Company’s another announcement of 16 May 2022, the Group offers a range of services under its photovoltaic business to its clients covering individual clients and business clients.

On 16 May 2022 (after trading hours), the Company entered into the Agreement with TCL Holdings, pursuant to which the Group will provide Construction Services and Operation and Maintenance Services to TCL Holdings Group and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

**MASTER PHOTOVOLTAIC POWER CONSTRUCTION SERVICES (2022) AGREEMENT**

The material terms of the Agreement are summarised below:

- Date: 16 May 2022 (after trading hours)
- Parties:
  - (i) The Company (for itself and on behalf of the Group); and
  - (ii) TCL Holdings (for itself and on behalf of TCL Holdings Group).
- Duration: From 16 2022 to 31 December 2022 (both days inclusive).
- Condition precedent: The Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Agreement.
- Major terms:
 

**Construction Services**

Each member of TCL Holdings Group may from time to time at its absolute discretion request members of the Group to provide Construction Services in its ordinary and usual course of business, and the relevant member of the Group may at its absolute discretion decide whether to provide Construction Services to the relevant member of TCL Holdings Group.

Subject to the consent of the relevant member of TCL Holdings Group, the relevant member of the Group may sub-contract work under the Construction Services in accordance with the relevant terms of the individual agreements under the Agreement, provided that the Company shall ensure that all applicable requirements under the Listing Rules (if any) have been complied with before sub-contracting any work.

The terms and conditions (including service fees, payment terms, scope of work, materials required, insurance, quality warranty, standard of completion inspection, etc.) of any Construction Services conducted pursuant to the Agreement shall be agreed between relevant member(s) of the Group and TCL Holdings Group in writing by individual agreement(s) from time to time. The terms of such individual agreements shall be consistent with the Agreement save and except for the clauses regarding applicable law and dispute resolution.

The service fees for Construction Services shall be payable in accordance with the payment terms and time as specified in the individual agreements.

### **Operation and Maintenance Services**

Each member of TCL Holdings Group may from time to time at its absolute discretion request members of the Group to provide Operation and Maintenance Services in its ordinary and usual course of business, and the relevant member of the Group may at its absolute discretion decide whether to provide Operation and Maintenance Services to the relevant member of TCL Holdings Group.

The terms and conditions (including service fees, payment terms and scope of work, etc.) of any Operation and Maintenance Services conducted pursuant to the Agreement shall be agreed between relevant member(s) of the Group and TCL Holdings Group in writing by individual agreement(s) from time to time. The terms of such individual agreements shall be consistent with the Agreement save and except for the clauses regarding applicable law and dispute resolution.

The service fees for Operation and Maintenance Services shall be payable in accordance with the payment terms and time as specified in the individual agreements.

Pricing policy and basis of price determination: The overall terms and conditions (including but not limited to service fees) as a whole of the Construction Services and Operation and Maintenance Services offered by the relevant member of TCL Holdings Group to the relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms. Each individual agreement shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors including the service fees, prices of raw materials and equipment for the relevant projects, staff cost, business development plans of the Group and the fair market price ranges and pricing terms of service of identical, or (if that is not available) of comparable or similar type, scale, quality, specifications, required time, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

#### **INTERNAL CONTROL PROCEDURES AND PRICING POLICIES**

In addition to the pricing policy disclosed under the section headed "MASTER PHOTOVOLTAIC POWER CONSTRUCTION SERVICES (2022) AGREEMENT" above, the Company has also adopted the following internal control procedures and pricing policies to supervise the continuing connected transactions contemplated under the 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 department of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit 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 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) In order to maintain a fair assessment of the overall terms, when a member of the Group is requested to provide Construction Services and/or Operation and Maintenance Services to TCL Holdings Group, the Group will obtain quotations for comparable or similar services from at least two Independent Third Parties whom the Group considers are able to provide the required services of satisfactory quality and at satisfactory standard (or, if not available or if it is unduly burdensome and costly to do so, the Group will compare the offer for TCL Holdings Group with those quotations offered by the Group to Independent Third Parties for comparable or similar services), to make sure that the service fees and terms and conditions as a whole to be offered by the Group under the contract for Construction Services and/or Operation and Maintenance Services (as the case may be) are no less favourable to the Group than those offered to the Group by Independent Third Parties or no more favourable to TCL Holdings Group than those offered by the Group to Independent Third Parties (as the case may be) for comparable or similar services under prevailing local market conditions. To the extent where there are no similar or comparable services from Independent Third Parties, the Group will obtain quotation information from TCL Holdings Group to

ensure that the prices payable by TCL Holdings Group to the Group shall be no less favourable than those payable by TCL Holdings Group to Independent Third Parties. The Group may also make reference to the open bidding information of similar services or projects to ensure that the pricing of the Construction Services and/or Operation and Maintenance Services is within market range.

- (vi) The Group would also from time to time identify further Independent Third Parties whom it considers are capable of providing the required services of satisfactory quality and at satisfactory standard, and obtain quotations for the required Construction Services and/or Operation and Maintenance Services from them upon identification.

#### **Annual review of the continuing connected transactions**

- (i) The independent non-executive Directors shall review annually the Agreement and the transactions thereunder and confirm in the Company's corresponding annual report that the 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 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 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 for the transactions contemplated under the Agreement for the year ending 31 December 2022:

<b>Continuing Connected Transactions</b>	<b>For the year ending 31 December 2022 <i>HK\$'000</i></b>
<b>Construction Services</b>	
Service fees to be received by the Group	426,000
<b>Operation and Maintenance Services</b>	
Service fees to be received by the Group	10,000

### **BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS**

The Group has not provided services of the same nature as Construction Services and/or Operation and Maintenance Services to TCL Holdings Group historically.

The major factors for determining the proposed annual caps for the Agreement are set out below:

- (i) the projected demand for Construction Services for the year ending 31 December 2022, in particular, the expected demand arising from the policies of central government of the PRC of reducing carbon emission and achieving carbon neutrality, as well as the policies of encouraging building of photovoltaic power stations by providing subsidies;
- (ii) the projected demand for Operation and Maintenance Services, which is expected to be proportional to the demand for Construction Services for the year ending 31 December 2022 as the Group anticipates that TCL Holdings Group would engage the Group's Operation and Maintenance Services for all the photovoltaic power facilities built under the Construction Services; and

- (iii) the projected price of raw materials, machinery and labour costs during the term of the Agreement.

As mentioned in the section headed “REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS” below, the photovoltaic business of the Group is at a relatively early stage and hence it is difficult for the Group to accurately estimate the demand for Construction Services and Operation and Maintenance Services during the term of the Agreement. Accordingly, the Group may need to revise upwards the proposed annual caps under the Agreement if the demand for Construction Services and/or Operation and Maintenance Services exceeds the expectation of the Group. 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**

The Group has 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.

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 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 (including members of TCL Holdings Group) with such potential clients. For details of such transactions involving co-operation on finance matching arrangement with TCL Holdings Group, please refer to the other announcement of the Company dated 16 May 2022 in relation to the entering into of the master finance lease (2022) agreement among the Company, TCL Holdings and TCL Finance Lease (Zhuhai) Co., Ltd.\* (TCL 融資租賃(珠海)有限公司).

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 power generator services similar to Construction Services and Operation and Maintenance Services. While the Group may provide such services directly to Independent Third Party business clients, as the photovoltaic business of the Group is still at a relatively early stage, the Group considers that it is more prudent and beneficial for the Group to also co-operate with TCL Holdings Group to share risk and extend the reach to a wider clientele network. On the one hand, the Group has the necessary know-how, expertise and human resources in providing Construction Services and Operation and Maintenance Services. On the other hand, TCL Holdings Group, which has solid financial resources, is interested in promoting the use of photovoltaic power in the community in support of the national policy of emission reduction and carbon neutrality in the PRC, by participating in the construction of photovoltaic power generators for various facilities such as hospitals, schools, factories and warehouses, hence is expected to provide a steady demand for Construction Services and/or Operation and Maintenance Services. Via the Agreement, the Group and TCL Holdings Group could together operate under the “Build-Transfer” (BT) and “Build-Operate-Transfer” (BOT) models on project basis whereas the Group will provide Construction Services and Operation and Maintenance Services to TCL Holdings Group which could in turn transfer the projects to the business clients, and the Group will be able to receive service fees from TCL Holdings Group like under EPC model directly without having to bear the financing of construction expenditures of the entire project on its own if the BT and BOT models are undertaken by the Group solely. Accordingly, the co-operation with TCL Holdings Group under the Agreement is expected to help consolidating the foundation of the Group’s photovoltaic business and facilitating its future development.

In light of the above, 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 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.

#### **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. 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.), it 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 Agreement therefore constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules calculated with reference to the annual caps of the Agreement 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.

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 Agreement, therefore all Directors are entitled to vote on the Board resolutions for considering and approving the 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 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 51.98% 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:

<b>Shareholders</b>	<b>Approximate Shareholding</b>
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%
<b>Total</b> <i>(Note)</i>	<b>100.00%</b>

*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:

“Agreement”	the master photovoltaic power construction services (2022) agreement dated 16 May 2022 entered into between the Company and TCL Holdings;
“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);
“Construction Services”	the photovoltaic power generation facilities construction services which may be provided by members of the Group to members of TCL Holdings Group from time to time pursuant to the Agreement, including but not limited to procurement and provision of all equipment and materials required for the construction projects, conducting construction work (including but not limited to construction design, component installation, construction of temporary facilities at the construction site, commissioning and conducting trial-runs), project management and provision of relevant personnel training, etc.;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“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;

“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;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Operation and Maintenance Services”	the photovoltaic power generation facilities/equipment operation and maintenance services which may be provided by members of the Group to members of TCL Holdings Group from time to time pursuant to the Agreement, including but not limited to the provision of relevant services on management, repair, maintenance, personnel training, component replacement, material procurement, etc.;
“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;
“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 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 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.*