
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional advisor.

If you have sold or transferred all your shares in TCL ELECTRONICS HOLDINGS LIMITED (the “Company”), you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) REVISION OF ANNUAL CAP
FOR EXISTING CONTINUING CONNECTED TRANSACTION
(2) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(3) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND
PROVISION OF FINANCIAL ASSISTANCE UNDER
MASTER FINANCIAL (2025-2027) AGREEMENT

**Independent Financial Adviser to the Independent Board Committee
and the Shareholders**



Pelican Financial Limited

A letter from the Board is set out on pages 13 to 90 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on page 91 of this circular. A letter from Pelican Financial Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 92 to 172 of this circular.

A notice convening the EGM to be held at 8/F., Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on 28 November 2024, Thursday, at 2:30 p.m. is set out on pages 182 to 185 of this circular.

If the EGM is seriously affected by bad weather conditions or otherwise, the Company will publish an announcement on the website of the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time, place and/or mode of the rescheduled meeting. Otherwise, the EGM may still be held as scheduled during bad weather conditions. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment or postponement thereof should you so wish.

6 November 2024

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DEFINITIONS

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

“2024 Sale Annual Cap”	the existing annual cap of the Sale of Electronics Products by the Group to TCL Industries Holdings Group pursuant to the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024;
“ABH”	Affonso Brandão Hennel, a Brazilian citizen, the sole shareholder of STA;
“Agreements”	collectively, the agreements for the Non-exempt Transactions, namely the Master Sale and Purchase (2025-2027) Agreement, the Master Services (2025-2027) Agreement, the Master Financial (2025-2027) Agreement, the Master Brand Promotion (2025-2027) Agreement and the Master Photovoltaic (2025-2027) Agreement, and each an “Agreement”;
“Announcement”	the announcement of the Company dated 26 September 2024 in respect of, among others, the Revised 2024 Sale Annual Cap and the entering into of the Agreements;
“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;

DEFINITIONS

“Construction Services”	the photovoltaic power generation facilities/equipment construction services which may be provided by members of the Group to members of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group from time to time pursuant to the Master Photovoltaic (2025-2027) Agreement, whether or not the relevant member of TCL Industries Holdings Group is the actual owner, lessee, actual user or rightful user or otherwise, which includes but is not limited to circumstances where under specific arrangements (e.g. finance lease or other kind of financing) between members of TCL Industries Holdings Group and third parties (e.g. financial institutions), members of the Group are engaged by such third parties to provide Construction Services, but members of TCL Industries Holdings Group or their designated persons have the right to use and/or buy the relevant photovoltaic power generation facilities/equipment, and the scope of work of Construction Services includes all services related to the construction of photovoltaic power generation facilities/equipment, 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.;
“Credit Services”	advance of loan(s) by member(s) of the Group to member(s) of Qualified Holdings Group and/or Finance Company (HK) pursuant to the Master Financial (2025-2027) Agreement;
“Deposit Services”	deposit of money by TCL Electronics Qualified Members with member(s) of Qualified Holdings Group and/or Finance Company (HK) pursuant to the Master Financial (2025-2027) Agreement;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, approve (i) the Revised 2024 Sale Annual Cap and (ii) the Non-exempt Transactions;
“Electronics Products”	(i) products (including but not limited to TVs, telecommunication, mobile and connective devices, smart home products, information technology products and commercial use display products, tooling, electrical resources, photovoltaic components and inverters) manufactured, produced or otherwise sold or distributed by the Group; (ii) the articles, things, components or materials required for manufacturing or production of any TCL Associates Products; and (iii) waste products arising from manufacturing or production process of the Group;
“Equipment”	machineries, equipment, tools and articles (including but not limited to machineries, equipment, tools and articles for the purposes of manufacturing, communication, research and development, testing, engineering and office use) which the relevant lessor legally owns or has the right to rent, lease and/or license (including share and/or make available the use thereof);
“Existing Agreements”	collectively the Master Sale and Purchase (2022-2024) Agreement, the Master Services (2022-2024) Agreement, the Master Financial (2022-2024) Agreement, the Master Brand Promotion (2022-2024) Agreement and the Master Photovoltaic Power Construction Services (2022-2024) Agreement;
“Existing 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 Industries Holdings Group from time to time pursuant to the Master Photovoltaic Power Construction Services (2022-2024) Agreement, including but not limited to the provision of relevant services on management, repair, maintenance, personnel training, component replacement, material procurement, etc.;

DEFINITIONS

“Finance Company (HK)”	TCL Finance (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and a direct subsidiary of T.C.L. Industries (H.K.);
“Financing Services”	the financing services to be provided by members of Qualified Holdings Group and/or Finance Company (HK) from time to time in accordance with the Master Financial (2025-2027) Agreement, which include but are not limited to guarantees (such as shipping guarantees), receivables factoring (recourse and without-recourse), bill discounting, inbound guarantee (offshore guarantees for onshore loans) and outbound guarantee (onshore guarantee for offshore loans);
“Foreign Exchange Transactions”	Spot Contracts and/or Forward Contracts and/or Swap Contracts (as the case may be);
“Forward Contract(s)”	the forward contract(s) entered or to be entered into between members of the Group and members of Qualified Holdings Group and/or Finance Company (HK) in relation to the purchase of one currency with another currency between members of the Group and members of Qualified Holdings Group and/or Finance Company (HK) to be completed at a designated future date on terms (such as currency type, principal amount, exchange rate, etc.) agreed in advance, for the purpose of hedging the exposure of the relevant member of the Group to currency exchange risks in connection with the business of the relevant member of the Group, pursuant and subject to the terms and conditions of the Master Financial (2025-2027) Agreement;
“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;

DEFINITIONS

“Huizhou Kuyu”	Huizhou Kuyu Network Technology Co., Ltd.* (惠州酷友網絡科技有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Industries Holdings;
“Huizhou TCL Mobile”	Huizhou TCL Mobile Communication Co., Ltd.* (惠州TCL移動通信有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Revised 2024 Sale Annual Cap and the Non-exempt Transactions comprising all independent non-executive Directors;
“Independent Financial Adviser” or “Pelican”	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 Company to (i) advise the Independent Board Committee and the Shareholders in respect of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions; and (ii) provide its opinion as required under Rule 14A.52 of the Listing Rules in respect of the individual agreements under the Master Photovoltaic (2025-2027) 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;
“IT”	information technology;
“Latest Practicable Date”	4 November 2024, being the latest practicable date prior to the dissemination of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;

DEFINITIONS

“Master Brand Promotion (2022-2024) Agreement”	the master brand promotion (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings;
“Master Brand Promotion (2025-2027) Agreement”	the master brand promotion (2025-2027) agreement dated 26 September 2024 entered into between the Company and TCL Industries Holdings;
“Master Financial (2022-2024) Agreement”	the master financial (2022-2024) agreement dated 11 November 2021 entered into among the Company, TCL Industries Holdings and Finance Company (HK);
“Master Financial (2025-2027) Agreement”	the master financial (2025-2027) agreement dated 26 September 2024 entered into among the Company, TCL Industries Holdings and Finance Company (HK);
“Master Photovoltaic (2025-2027) Agreement”	the Master Photovoltaic (2025-2027) Agreement dated 26 September 2024 entered into between the Company and TCL Industries Holdings;
“Master Photovoltaic Power Construction Services (2022-2024) Agreement”	the master photovoltaic power construction services (2022-2024) agreement dated 26 August 2022 entered into between the Company and TCL Industries Holdings;
“Master Sale and Purchase (2022-2024) Agreement”	the master sale and purchase (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings;
“Master Sale and Purchase (2025-2027) Agreement”	the master sale and purchase (2025-2027) agreement dated 26 September 2024 entered into between the Company and TCL Industries Holdings;
“Master Services (2022-2024) Agreement”	the master services (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings;
“Master Services (2025-2027) Agreement”	the master services (2025-2027) agreement dated 26 September 2024 entered into between the Company and TCL Industries Holdings;

DEFINITIONS

“Non-exempt Transactions”	the transactions contemplated under the Master Sale and Purchase (2025-2027) Agreement, the Master Services (2025-2027) Agreement, the Master Financial (2025-2027) Agreement, the Master Brand Promotion (2025-2027) Agreement and the Master Photovoltaic (2025-2027) Agreement, together with their respective proposed annual caps;
“November 2021 Circular”	the circular of the Company dated 22 November 2021;
“ODM”	original design manufacturing;
“OEM”	original equipment manufacturing;
“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 Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group from time to time pursuant to the Master Photovoltaic (2025-2027) Agreement, whether or not the relevant member of TCL Industries Holdings Group is the actual owner, lessee, actual user or rightful user or otherwise, which includes but is not limited to circumstances where under specific arrangements (e.g. finance lease or other kind of financing) between members of TCL Industries Holdings Group and third parties (e.g. financial institutions), members of the Group are engaged by such third parties to provide Operation and Maintenance Services, but members of TCL Industries Holdings Group or their designated persons have the right to use and/or buy the relevant photovoltaic power generation facilities/equipment, and the scope of work of Operation and Maintenance Services includes all services related to the operation and maintenance of photovoltaic power generation facilities/equipment, including but not limited to the provision of relevant services on management, repair, maintenance, personnel training, component replacement, material procurement, etc.;

DEFINITIONS

“PBOC”	the People’s Bank of China, the central bank of the PRC;
“PRC” or “China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular;
“Qualified Holdings Group”	TCL Industries Holdings and its subsidiaries and any entity that may become subsidiary of TCL Industries Holdings from time to time, and for the purposes of the Master Financial (2025-2027) Agreement and the transactions contemplated thereunder and this circular excludes the Group;
“Revised 2024 Operation and Maintenance Annual Cap”	the proposed revised annual cap of the fees to be received by the Group from Existing Operation and Maintenance Services pursuant to the Master Photovoltaic Power Construction Services (2022-2024) Agreement for the year ending 31 December 2024;
“Revised 2024 Sale Annual Cap”	the proposed revised annual cap of the Sale of Electronics Products by the Group to TCL Industries Holdings Group pursuant to the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Electronics Products”	the sale of the Electronics Products by the Group to TCL Industries Holdings Group pursuant to the Master Sale and Purchase (2022-2024) Agreement or the Master Sale and Purchase (2025-2027) Agreement (as the case may be);
“September 2022 Circular”	the circular of the Company dated 8 September 2022;

DEFINITIONS

“Services”	services which may be provided by members of the Group to members of TCL Industries Holdings Group, or by members of TCL Industries Holdings Group to members of the Group, as the case may be, including but not limited to (i) business support services, being operational and management services relating to the ordinary and usual course of business and/or goods, including but not limited to logistics services, warehousing services, waste management services, processing services, planning and operation management services, sales optimisation services, customer or channel recommendation services, after-sale and repair services, industry solution services and support services in relation to intelligence system and software provision services, etc.; (ii) operation support services, being services relating to the day-to-day operation, including but not limited to administrative services, tax and financial management and supporting services, legal services, research and development services, natural resources management services, human resources services, business consultation and management services, market promotion services, IT and internet support services and other relevant IT-related services, etc.; and (iii) other services which the members of the Group or members of TCL Industries Holdings Group (as the case may be) are capable of providing;
“Service Fees”	the fees to be paid by relevant member(s) of the Group or TCL Industries Holdings Group for the provision of the relevant Services pursuant to the Master Services (2025-2027) Agreement;
“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);
“Shareholders’ Approval Date”	the date on which the Shareholders approve each of the Non-exempt Transactions;

DEFINITIONS

“Sourcing of TCL Associates Products”	the purchase of TCL Associates Products by the Group from the relevant members of TCL Industries Holdings Group pursuant to the Master Sale and Purchase (2025-2027) Agreement;
“Spot Contract(s)”	the spot contract(s) entered or to be entered into between members of the Group and members of Qualified Holdings Group and/or Finance Company (HK) in relation to the purchase of one currency with another currency between members of the Group and members of Qualified Holdings Group and/or Finance Company (HK) at spot rate pursuant to and subject to the terms and conditions of the Master Financial (2025-2027) Agreement;
“STA”	SEMP Amazonas S.A., a company incorporated under the laws of Brazil with limited liability;
“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;
“Swap Contract(s)”	the swap contract(s) entered or to be entered into between members of the Group and members of Qualified Holdings Group and/or Finance Company (HK), which combines (i) a spot contract or a forward contract; and (ii) another forward contract, in relation to the exchange of a certain amount of currency on a date at spot or an agreed exchange rate, and exchange back the same amount of currency at an agreed exchange rate (i.e. forward exchange rate) on a future date between relevant members of the Group and members of Qualified Holdings Group and/or Finance Company (HK), for the purpose of hedging the exposure of the relevant members of the Group to currency exchange risks in connection with the business of the relevant members of the Group, pursuant to and subject to the terms and conditions of the Master Financial (2025-2027) Agreement;
“TCL Associates”	the associate(s) of TCL Industries Holdings;

DEFINITIONS

“TCL Associates Products”	(i) any goods or appliances (including but not limited to electronic, IT or electrical goods (such as but not limited to refrigerators, washing machines, dishwashers, air conditioners, other household appliances, electrical accessories and their components)) designed, developed, manufactured, produced or otherwise sold, marketed or supplied by any member of TCL Industries Holdings Group; (ii) the article, things, components or materials required for manufacturing or production of any Electronics Products; and (iii) waste products arising from manufacturing or production process of TCL Industries Holdings Group;
“TCL Brand”	“TCL” trademarks and tradenames owned by TCL Technology and its subsidiaries (including but not limited to major trademarks and famous trademarks owned by TCL Technology);
“TCL Brand Management Centre”	a department specialised in maintaining, promoting and upholding the image of “TCL” brand;
“TCL Electronics Qualified Member(s)”	such member(s) of the Group to which members of Qualified Holdings Group and/or Finance Company (HK) will be allowed to provide relevant financial services;
“TCL Industries 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 Industries Holdings Brand”	brands, trademarks, tradenames, copyrights and other intellectual property rights owned by TCL Industries Holdings Group except TCL Brand;
“TCL Industries Holdings Group”	TCL Industries Holdings and its subsidiaries and any entity that may become subsidiary of TCL Industries Holdings from time to time, and for the purpose of this circular excludes the Group and for the purpose of the Agreements and the transactions contemplated thereunder includes TCL Associates;

DEFINITIONS

“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 Industries Holdings;
“TCL NL”	TCL Netherlands B.V., a company established under the laws of the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Company;
“TCL SEMP”	TCL SEMP Indústria e Comércio de Eletroeletrônicos S.A. (formerly known as SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A.), a company incorporated under the laws of Brazil with limited liability, an indirect non-wholly-owned subsidiary of the Company;
“TCL SEMP Eletroeletronicos”	TCL SEMP Eletroeletronicos Ltda. (formerly known as SEMP TCL Mobilidade Ltda.), a company incorporated under the laws of Brazil with limited liability, an indirect subsidiary of the Company;
“TCL Technology”	TCL Technology Group Corporation (formerly known as TCL Corporation), a joint stock limited company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100.SZ);
“TV(s)”	television(s);
“USD”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

The English translation of Chinese names or words in this circular, 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.*

LETTER FROM THE BOARD



TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

Executive Directors:

DU Juan (*Chairperson*)

ZHANG Shaoyong

PENG Pan

SUN Li

Registered Office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Independent Non-executive Directors:

TSENG Shieng-chang Carter

WANG Yijiang

LAU Siu Ki

Principal Place of Business in Hong Kong:

5th Floor, Building 22E

22 Science Park East Avenue

Hong Kong Science Park

Shatin, New Territories

Hong Kong

6 November 2024

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAP
FOR EXISTING CONTINUING CONNECTED TRANSACTION
(2) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(3) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND
PROVISION OF FINANCIAL ASSISTANCE UNDER
MASTER FINANCIAL (2025-2027) AGREEMENT**

INTRODUCTION

Revision of Annual Cap of Existing Continuing Connected Transaction

Reference is made to the announcement and circular of the Company dated 11 November 2021 and 22 November 2021 respectively in relation to, among others, the Master Sale and Purchase (2022-2024) Agreement, pursuant to which, among others, each member of TCL Industries Holdings Group may, at its absolute discretion, request to purchase Electronics Products from members of the Group.

LETTER FROM THE BOARD

Reference is also made to the Announcement. As disclosed in the Announcement, the Company anticipates that, among others, the 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement will not be sufficient to meet the business demand of the Group and therefore proposes to revise, among others, the 2024 Sale Annual Cap. Save for the Revised 2024 Sale Annual Cap, all terms and conditions of the Master Sale and Purchase (2022-2024) Agreement shall remain unchanged.

Renewal of Existing Continuing Connected Transactions

As disclosed in the Announcement, on 26 September 2024 (after trading hours), the Company entered into various agreements with TCL Industries Holdings and/or Finance Company (HK) and the transactions contemplated thereunder constitute continuing connected transactions, including the following Agreements:

- (i) Master Sale and Purchase (2025-2027) Agreement;
- (ii) Master Services (2025-2027) Agreement;
- (iii) Master Financial (2025-2027) Agreement;
- (iv) Master Brand Promotion (2025-2027) Agreement; and
- (v) Master Photovoltaic (2025-2027) Agreement.

The above Agreements are in substance renewal of the Existing Agreements and the terms of the renewal agreements are substantially the same as the Existing Agreements, save and except that in respect of the Master Photovoltaic (2025-2027) Agreement, the scope of Operation and Maintenance Services and Construction Services is expanded and guarantee arrangement is added.

The purposes of this circular are:

- (i) to provide the Shareholders with further information regarding the details of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions;
- (ii) to set out the recommendation of the Independent Board Committee to the Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee and the Shareholders in relation to the Revised 2024 Sale Annual Cap and the Non-exempt Transactions; and
- (iii) to give the Shareholders other information in accordance with the requirements of the Listing Rules.

The notice of EGM is enclosed herein as part of this circular.

LETTER FROM THE BOARD

REVISION OF ANNUAL CAP IN RESPECT OF THE MASTER SALE AND PURCHASE (2022-2024) AGREEMENT

The Company has entered into the Master Sale and Purchase (2022-2024) Agreement with TCL Industries Holdings on 11 November 2021, pursuant to which, among others, each member of TCL Industries Holdings Group may, at its absolute discretion, request to purchase Electronics Products from members of the Group. The Master Sale and Purchase (2022-2024) Agreement and the transactions contemplated thereunder together with the relevant annual caps for the three years ending 31 December 2024 were subsequently approved, confirmed and ratified by the Shareholders during an extraordinary general meeting held on 10 December 2021.

Based on the actual amounts of Electronics Products sold to members of TCL Industries Holdings Group under the Master Sale and Purchase (2022-2024) Agreement and TCL Industries Holdings Group's projected demand for Electronics Products, the Company anticipates that the 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement will not be sufficient to meet the business demand of the Group. Accordingly, the Company proposes to revise the 2024 Sale Annual Cap.

Save for the Revised 2024 Sale Annual Cap, all terms and conditions of the Master Sale and Purchase (2022-2024) Agreement shall remain unchanged. Principal terms and details of the Master Sale and Purchase (2022-2024) Agreement are set out in the announcement and circular of the Company dated 11 November 2021 and 22 November 2021 respectively.

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Set out below are details of the continuing connected transactions:

(1) Master Sale and Purchase (2025-2027) Agreement

As stated above, on 11 November 2021, the Company entered into the Master Sale and Purchase (2022-2024) Agreement with TCL Industries Holdings, which will expire on 31 December 2024. For details, please refer to the November 2021 Circular. As the Company and TCL Industries Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 26 September 2024 (after trading hours) entered into the Master Sale and Purchase (2025-2027) Agreement with TCL Industries Holdings, subject to Shareholders' approval.

The Master Sale and Purchase (2025-2027) Agreement is on substantially similar terms as the Master Sale and Purchase (2022-2024) Agreement.

LETTER FROM THE BOARD

The material terms of the Master Sale and Purchase (2025-2027) Agreement are summarised below:

- Date: 26 September 2024 (after trading hours)
- Parties: (i) The Company (for itself and on behalf of the Group);
and
(ii) TCL Industries Holdings (for itself and on behalf of TCL Industries Holdings Group).
- Duration: From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).
- Condition precedent: The Master Sale and Purchase (2025-2027) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Sale and Purchase (2025-2027) Agreement, including but not limited to obtaining Shareholders' approval at the EGM.
- Major terms: **Sourcing of TCL Associates Products**

Each member of the Group may, at its absolute discretion, request to purchase its required TCL Associates Products from members of TCL Industries Holdings Group. Upon receiving purchase request from members of the Group, TCL Industries Holdings may, at its absolute discretion, procure the relevant member of TCL Industries Holdings Group to sell to the relevant member of the Group the required TCL Associates Products.

Sale of Electronics Products

Each member of TCL Industries Holdings Group may, at its absolute discretion, request to purchase Electronics Products from members of the Group. If any member of TCL Industries Holdings Group so requests or makes a written offer to any member of the Group to purchase from the Group any Electronics Products, the Company may, at its absolute discretion, procure the relevant member of the Group to supply such Electronics Products to the relevant member of TCL Industries Holdings Group.

LETTER FROM THE BOARD

General terms

The terms and conditions (including price and payment terms) of any sale and purchase conducted pursuant to the Master Sale and Purchase (2025-2027) Agreement shall be agreed between relevant member(s) of the Group and TCL Industries Holdings Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Sale and Purchase (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Subject to mutual agreement, the relevant member of the Group has the right to sell, resell or otherwise distribute TCL Associates Products which it has acquired from the relevant member of TCL Industries Holdings Group to any person at such price as such member of the Group may in its absolute discretion determine, and vice versa.

Pricing policy and
basis of price
determination:

The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of TCL Industries 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 or better. Each individual agreement shall be negotiated on 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 fair market price ranges and pricing terms of products of identical, or (if that is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

LETTER FROM THE BOARD

(2) Master Services (2025-2027) Agreement

On 11 November 2021, the Company entered into the Master Services (2022-2024) Agreement with TCL Industries Holdings, which will expire on 31 December 2024. For details, please refer to the November 2021 Circular. As the Company and TCL Industries Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 26 September 2024 (after trading hours) entered into the Master Services (2025-2027) Agreement with TCL Industries Holdings, subject to Shareholders' approval.

The Master Services (2025-2027) Agreement is on substantially similar terms as the Master Services (2022-2024) Agreement.

The material terms of the Master Services (2025-2027) Agreement are summarised below:

Date:	26 September 2024 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of the Group); and (ii) TCL Industries Holdings (for itself and on behalf of TCL Industries Holdings Group).
Duration:	From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).
Condition precedent:	The Master Services (2025-2027) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Services (2025-2027) Agreement, including but not limited to obtaining Shareholders' approval at the EGM.
Major terms:	Each member of TCL Industries Holdings Group may from time to time at its absolute discretion request members of the Group to provide the 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 the Services to the relevant member of TCL Industries Holdings Group.

LETTER FROM THE BOARD

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

The terms and conditions (including Service Fees and payment terms) of any Services provided pursuant to the Master Services (2025-2027) Agreement shall be agreed between relevant member(s) of the Group and TCL Industries Holdings Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Services (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

The Service Fees 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 offered by the relevant member of TCL Industries 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 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 fair market price ranges and pricing terms of service of identical, or (if that is not available) of comparable or similar quality, type, specifications, required time, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

LETTER FROM THE BOARD

(3) Master Financial (2025-2027) Agreement

On 11 November 2021, the Company entered into the Master Financial (2022-2024) Agreement with TCL Industries Holdings and Finance Company (HK), which will expire on 31 December 2024. For details, please refer to the November 2021 Circular. As the Company, TCL Industries Holdings and Finance Company (HK) wish to continue the continuing connected transactions contemplated thereunder, the Company has on 26 September 2024 (after trading hours) entered into the Master Financial (2025-2027) Agreement with TCL Industries Holdings and Finance Company (HK), subject to Shareholders' approval.

The transactions contemplated under the Master Financial (2025-2027) Agreement are on substantially similar terms as those contemplated under the Master Financial (2022-2024) Agreement.

The material terms of the Master Financial (2025-2027) Agreement are summarised below:

- Date: 26 September 2024 (after trading hours)
- Parties: (i) the Company (for itself and on behalf of the Group);
(ii) TCL Industries Holdings (for itself and on behalf of Qualified Holdings Group); and
(iii) Finance Company (HK).
- Duration: From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).
- Condition precedent: The Master Financial (2025-2027) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Financial (2025-2027) Agreement, including but not limited to obtaining Shareholders' approval at the EGM.

LETTER FROM THE BOARD

Major terms:

Deposit Services – General

Any TCL Electronics Qualified Member may from time to time and at its absolute discretion request to deposit money with members of Qualified Holdings Group and/or Finance Company (HK), and the relevant member of Qualified Holdings Group and/or Finance Company (HK) may at its absolute discretion decide whether to accept the deposit from the relevant TCL Electronics Qualified Member.

The terms and conditions of Deposit Services conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between the relevant TCL Electronics Qualified Member on the one part and the relevant member of Qualified Holdings Group and/or Finance Company (HK) on the other part in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

TCL Electronics Qualified Members shall be entitled to withdraw the deposit upon notice to the relevant member of Qualified Holdings Group and/or Finance Company (HK), which shall transfer the withdrawn amount to the designated account of the TCL Electronics Qualified Member accordingly.

Deposit Services – Repayment and TCL Industries Holdings' obligations (*Note*)

If any TCL Electronics Qualified Member demands repayment of any money deposited by it with the relevant member of Qualified Holdings Group and/or Finance Company (HK) in accordance with the relevant terms and procedure and the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to follow the repayment demand, TCL Industries Holdings undertakes (and the relevant TCL Electronics Qualified Member shall then have the right to request TCL Industries Holdings) to repay the outstanding deposit amount on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) in full.

LETTER FROM THE BOARD

Provided that there is no violation of relevant laws and regulations, TCL Industries Holdings undertakes to, within 1 business day or such other period as may be agreed by both parties upon receipt of a written notice from any TCL Electronics Qualified Member requesting TCL Industries Holdings to repay the outstanding deposit amount on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) in part or in full, pay an amount equivalent to the relevant outstanding deposit amount to the relevant TCL Electronics Qualified Member or its designated bank account according to the written notice. The payment arrangement among TCL Industries Holdings and the relevant member of Qualified Holdings Group and/or Finance Company (HK) shall be settled among themselves through negotiation.

Note: So far as the deposit is concerned, the relevant TCL Electronics Qualified Member is generally entitled to withdraw/demand early repayment of the principal prior to the maturity date, subject always to and in accordance with the terms of the individual agreement, in such case the relevant member of Qualified Holdings Group and/or Finance Company (HK) or TCL Industries Holdings (if the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to do so) will be under an obligation to repay the deposit in part or in full together with the accrued interest, if any, in accordance with the terms of the relevant individual agreement, but the relevant TCL Electronics Qualified Member may not be entitled to the full interest amount and certain handling fees may be applicable to such pre-mature withdrawal depending on the terms of the relevant individual agreement, which arrangement is in line with pre-mature withdrawal arrangement adopted by major commercial banks.

Deposit Services – Purposes and usages of the deposits

In respect of the deposits placed by the Group through the Deposit Services, Qualified Holdings Group and Finance Company (HK) shall use their best endeavours and take all reasonable steps to ensure that such deposits will primarily be used for the purpose of facilitating fund transfer among members of the Group on the request of the members of the Group.

LETTER FROM THE BOARD

Credit Services – General

Any member of Qualified Holdings Group and/or Finance Company (HK) may from time to time and at its absolute discretion request members of the Group to advance loans, and the relevant member of the Group may at its absolute discretion decide whether to advance loans to the relevant member of Qualified Holdings Group and/or Finance Company (HK).

Credit Services – Repayment and TCL Industries Holdings' obligations

If any member of the Group demands repayment of any loan (including the interest) advanced to any member of Qualified Holdings Group and/or Finance Company (HK) in accordance with the relevant terms and procedure and the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to follow the repayment demand, TCL Industries Holdings undertakes (and the relevant member of the Group shall then have the right to request TCL Industries Holdings) to repay the outstanding loan (including the interest) on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) in full.

The terms and conditions of Credit Services conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between the relevant member of Qualified Holdings Group, Finance Company (HK) and the relevant member of the Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

LETTER FROM THE BOARD

Financing Services

Any TCL Electronics Qualified Member may from time to time and at its absolute discretion request Financing Services from members of Qualified Holdings Group and/or Finance Company (HK), and the relevant member of Qualified Holdings Group and/or Finance Company (HK) may at its absolute discretion decide whether to provide Financing Services to the relevant TCL Electronics Qualified Member.

The relevant member of Qualified Holdings Group and/or Finance Company (HK) may request TCL Electronics Qualified Members to provide security (including but not limited to cash deposits, financial instruments, receivables, machinery or equipment etc.) to the relevant member of Qualified Holdings Group and/or Finance Company (HK) in respect of the Financing Services provided by the relevant member of Qualified Holdings Group and/or Finance Company (HK), subject to compliance with relevant Listing Rules requirements.

The terms and conditions of Financing Services conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between the relevant TCL Electronics Qualified Member and the relevant member of Qualified Holdings Group and/or Finance Company (HK) in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Foreign Exchange Transactions

Any member of the Group may from time to time and at its absolute discretion request to enter into Foreign Exchange Transactions with members of Qualified Holdings Group and/or Finance Company (HK), and the relevant member of Qualified Holdings Group and/or Finance Company (HK) may at its absolute discretion decide whether to enter into the Foreign Exchange Transactions with the relevant member of the Group.

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TCL Industries Holdings undertakes with the Company, among others, that in case the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to pay the sum under the Foreign Exchange Transactions to the relevant member of the Group pursuant to the relevant terms and conditions, the relevant member of the Group shall then have the right to request TCL Industries Holdings to immediately repay the relevant sum to the relevant member of the Group.

The terms and conditions of Foreign Exchange Transactions conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between the relevant member of the Group and the relevant member of Qualified Holdings Group and/or Finance Company (HK) in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Pricing policy and
basis of price
determination:

Deposit Services

If the relevant member of Qualified Holdings Group and/or Finance Company (HK) decides to accept any amount of cash deposits from a TCL Electronics Qualified Member (including current deposits, fixed deposits or any other forms of deposits), the interest rates (*see Note 1*) offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK), as the case may be, shall:

- (a) for deposits made within the PRC, be within the range of or higher than:
 - (i) the minimum interest rate promulgated by the PBOC for the same type of deposit services from time to time;
 - (ii) the interest rates for the same type of deposits offered by major commercial banks of the PRC (*see Note 2*) to the relevant TCL Electronics Qualified Member; and

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- (iii) the interest rates for the same type of deposits offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of TCL Industries Holdings Group (including the Group); and

other terms and conditions offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole shall also not be less favourable than those offered by major commercial banks of the PRC to the relevant TCL Electronics Qualified Member, and those offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of TCL Industries Holdings Group (including the Group), and shall be on normal commercial terms; and

- (b) for deposits made outside the PRC, be within the range of or higher than:

- (i) the interest rates for the same type of deposits offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located (*see Note 3*) to the relevant TCL Electronics Qualified Member; and

- (ii) the interest rates for the same type of deposits offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group); and

other terms and conditions offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole shall also not be less favourable than those offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located to the relevant TCL Electronics Qualified Member, and those offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of TCL Industries Holdings Group (including the Group), and shall be on normal commercial terms.

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Credit Services

Subject to compliance with all applicable laws, the interest rates (see *Note 4*) offered by the Group in respect of Credit Services shall:

(a) for loans made within the PRC, be within the range of or higher than:

(i) the interest rates for loans of the same type offered by major commercial banks of the PRC (see *Note 2*) to the relevant member of Qualified Holdings Group and/or Finance Company (HK); and

(ii) the interest rates for loans of the same type offered by the Group to any Independent Third Party; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to any Independent Third Party and shall be on normal commercial terms; and

(b) for loans made outside the PRC, be within the range of or higher than:

(i) the interest rates for loans of the same type offered by major commercial banks located in the place where the relevant member of Qualified Holdings Group and/or Finance Company (HK) is located (see *Note 3*) to the relevant member of Qualified Holdings Group and/or Finance Company (HK); and

(ii) the interest rates for loans of the same type offered by the Group to any Independent Third Party; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to any Independent Third Party and shall be on normal commercial terms.

LETTER FROM THE BOARD

Financing Services

If the relevant member of Qualified Holdings Group and/or Finance Company (HK) decides to provide any Financing Services to a TCL Electronics Qualified Member, the interest rates charged by the relevant member of Qualified Holdings Group and/or Finance Company (HK) shall be within the range of prevailing market rates for the same type of financing services, and the overall terms and conditions (including but not limited to the timeliness and processing efficiency of financing as well as the interest rates) under the same credit rating condition offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole in respect of the Financing Services shall not be less favourable than those offered by other major commercial banks and/or relevant financial institutions located in the place where the relevant TCL Electronics Qualified Member is located in respect of the same type of financing services and by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of TCL Industries Holdings Group (including the Group) with the same credit rating in respect of the same type of financing services, and shall be on normal commercial terms.

Foreign Exchange Transactions

If the relevant member of Qualified Holdings Group and/or Finance Company (HK) and the relevant member of the Group decide to enter into Foreign Exchange Transactions, the service fee charged by and/or the exchange rate adopted by the relevant member of Qualified Holdings Group and/or Finance Company (HK), if any, shall be within the range of prevailing market rates, and the overall terms and conditions (including but not limited to the timeliness and processing efficiency of Foreign Exchange Transactions) offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole in respect of the Foreign Exchange Transactions shall not be less favourable than those offered by other major commercial banks and/or relevant foreign exchange service providers located in the place where the relevant member of the Group is located in respect of the same type of foreign exchange transactions and by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of TCL Industries Holdings Group (including the Group) with the same credit rating in respect of the same type of foreign exchange transactions, and shall be on normal commercial terms.

LETTER FROM THE BOARD

Undertakings by TCL Industries Holdings

TCL Industries Holdings undertakes to the Group that, during the term of the Master Financial (2025-2027) Agreement:

- (a) TCL Industries Holdings will maintain effective control over members of Qualified Holdings Group and Finance Company (HK) and ensure the proper and orderly operation of members of Qualified Holdings Group and Finance Company (HK);
- (b) TCL Industries Holdings will use its best endeavours and take all reasonable steps to ensure that members of Qualified Holdings Group and Finance Company (HK) will fully and timely perform their obligations in respect of the Deposit Services, Credit Services, Financing Services and Foreign Exchange Transactions contemplated under the Master Financial (2025-2027) Agreement;
- (c) TCL Industries Holdings will ensure that the deposits placed by the Group through the Deposit Services will primarily be used for the purpose of facilitating fund transfer among members of the Group on the requests of the members of the Group (*Note 5*); and
- (d) TCL Industries Holdings will bear all losses incurred due to the failure of members of Qualified Holdings Group and Finance Company (HK) to perform its obligations under the Master Financial (2025-2027) Agreement, including but not limited to all the transaction amounts, interest and relevant expenses incurred thereunder, within ten days after the occurrence of such failure.

Notes:

1. For illustration purpose, for the year ended 31 December 2023, the interest rates of USD and RMB deposits of different deposit periods and deposit amounts under the Master Financial (2022-2024) Agreement ranged from 0.05% to 4.79% and 1.05% to 2.80% respectively.
2. The major commercial banks of PRC refer to Bank of China Limited, Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited and China Construction Bank Corporation, etc.

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3. The major commercial banks located in the place where the relevant TCL Electronics Qualified Member or member of Qualified Holdings Group and/or Finance Company (HK) (as the case may be) is located refer to, in the case of Hong Kong, Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Industrial or Commercial Bank of China (Asia) Limited, etc.
4. For illustration purpose, for the year ended 31 December 2023, the historical interest rates of unsecured loans under the Master Financial (2022-2024) Agreement ranged from 3.55% to 8.00%.
5. As at the Latest Practicable Date, all deposits placed by the Group through the Deposit Services are demand deposits which the relevant TCL Electronics Qualified Member is entitled to withdraw from time to time.

(4) Master Brand Promotion (2025-2027) Agreement

On 11 November 2021, the Company entered into the Master Brand Promotion (2022-2024) Agreement with TCL Industries Holdings, which will expire on 31 December 2024. For details, please refer to the November 2021 Circular. As the Company and TCL Industries Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 26 September 2024 (after trading hours) entered into the Master Brand Promotion (2025-2027) Agreement with TCL Industries Holdings, subject to Shareholders' approval. The Master Brand Promotion (2025-2027) Agreement is on substantially similar terms as the Master Brand Promotion (2022-2024) Agreement.

The material terms of the Master Brand Promotion (2025-2027) Agreement are summarised below:

- | | |
|----------------------|--|
| Date: | 26 September 2024 (after trading hours) |
| Parties: | (i) the Company (for itself and on behalf of the Group);
and
(ii) TCL Industries Holdings (for itself and on behalf of TCL Industries Holdings Group). |
| Duration: | From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive). |
| Condition precedent: | The Master Brand Promotion (2025-2027) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Brand Promotion (2025-2027) Agreement, including but not limited to obtaining Shareholders' approval at the EGM. |

LETTER FROM THE BOARD

Major terms: The Company shall pay a brand promotion fee to TCL Industries Holdings on a monthly basis during the term of the Master Brand Promotion (2025-2027) Agreement, which shall be determined with reference to the pricing policy and basis of price determination as set out below, and TCL Industries Holdings shall use the brand promotion fee to set up and/or maintain promotion fund(s) for advertisement, promotion, management and maintenance of TCL Brand and/or TCL Industries Holdings Brand.

TCL Brand Management Centre is authorised to conduct planning, implementation and consulting work in relation to the use of the fund and promotion activities of TCL Brand.

The relevant member(s) of TCL Industries Holdings Group shall, and TCL Industries Holdings shall procure that the relevant member(s) of TCL Industries Holdings Group shall, use the promotion fund(s) in accordance with the Master Brand Promotion (2025-2027) Agreement, provide brand promotion services and allow members of the Group to benefit therefrom.

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Pricing policy and basis of price determination:

Under the Master Brand Promotion (2025-2027) Agreement, the annual amount of the brand promotion fee in relation to TCL Brand payable by the Group to TCL Industries Holdings during each financial year shall range from 0.25% to 2.00% of the projected annual sales revenue of the Group from the particular type of products for that financial year (subject to adjustments as stated below), depending on the types of products as set out below:

Type of products	Brand promotion fee rate (% of projected annual sales revenue of the Group in respect of the particular type of products)
TCL Brand products sold within the PRC (including sub-brand)	2.00%
TCL Brand products sold outside of the PRC (including sub-brand)	0.75%
Processing of OEM and ODM products	0.25%

The parties may determine a fixed annual amount of brand promotion fee payable by the Group to TCL Industries Holdings for particular type(s) of products, which shall not exceed the brand promotion fee rate for the corresponding type of product as specified in the above table.

The said projected sales revenue of each financial year shall be determined by the Company prior to the commencement of that financial year. The parties shall review the brand promotion fee rates in every financial year according to the status of utilisation of brand promotion fee within the financial year, and may adjust the brand promotion fee rates for that financial year and/or the next financial year accordingly, provided that such adjustment must be mutually agreed by the Company and TCL Industries Holdings and subject to the relevant annual caps and other applicable requirements under the Listing Rules.

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The above pricing policy shall also apply *mutatis mutandis* to brand promotion fee in relation to TCL Industries Holdings Brand, unless otherwise agreed between the parties, provided that in any event the respective brand promotion fee rate in relation to TCL Industries Holdings Brand shall not be higher than the above promotion fee rates.

(5) Master Photovoltaic (2025-2027) Agreement

Reference is made to the September 2022 Circular. As stated therein, on 26 August 2022, the Company entered into the Master Photovoltaic Power Construction Services (2022-2024) Agreement with TCL Industries Holdings, which will expire on 31 December 2024. As the Company and TCL Industries Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 26 September 2024 (after trading hours) entered into the Master Photovoltaic (2025-2027) Agreement with TCL Industries Holdings.

The Master Photovoltaic (2025-2027) Agreement is on substantially similar terms as the Master Photovoltaic Power Construction Services (2022-2024) Agreement, save and except that the scopes of Operation and Maintenance Services and Construction Services are expanded and guarantee arrangement is added.

The material terms of the Master Photovoltaic (2025-2027) Agreement are summarised below:

Date:	26 September 2024 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of the Group); and (ii) TCL Industries Holdings (for itself and on behalf of TCL Industries Holdings Group).
Duration:	From 1 January 2025 or the Shareholders' Approval Date (whichever is later) to 31 December 2027 (both days inclusive).

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The term of any individual agreement to be entered into under the Master Photovoltaic (2025-2027) Agreement shall not exceed the term of the Master Photovoltaic (2025-2027) Agreement, save that any such individual agreement involving finance lease or other long-term financing arrangement, or involving the Deficiency Replenishment Guarantee Obligation (as defined below) or Deposit (as defined below) arrangements relating thereto shall be for a term no longer than 25 years from the date of entering into of such individual agreement or the financing maturity. In other words, if any individual agreement only involves the provision of Construction Services and/or Operation and Maintenance Services by the Group without finance lease or other long-term financing arrangement or the Deficiency Replenishment Guarantee Obligation or Deposit arrangements, the term of such individual agreement shall not exceed the term of the Master Photovoltaic (2025-2027) Agreement (i.e. shall not exceed 3 years), whereas if any individual agreement involves the provision of Construction Services and/or Operation and Maintenance Services by the Group coupled with finance lease or other long-term financing arrangement, or the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto, it shall be for a term no longer than 25 years from the date of entering into of such individual agreement or the financing maturity. For the avoidance of doubt, no further individual agreements pursuant to the Master Photovoltaic (2025-2027) Agreement shall be entered into after the expiry or termination of the Master Photovoltaic (2025-2027) Agreement, provided that notwithstanding the termination or expiry of the Master Photovoltaic (2025-2027) Agreement, (i) any such individual agreements entered into during the term of the Master Photovoltaic (2025-2027) Agreement shall remain in full force and effect; and (ii) the terms and conditions of the Master Photovoltaic (2025-2027) 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.

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Condition precedent: The Master Photovoltaic (2025-2027) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Photovoltaic (2025-2027) Agreement, including but not limited to obtaining the Shareholders' approval at the EGM.

Major terms: **Construction Services**

In view of the business need of TCL Industries Holdings Group, members of the Group may at its absolute discretion decide whether to provide Construction Services to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group.

Subject to the consent of the relevant member of TCL Industries Holdings Group (and if the third party directly engages members of the Group to provide Construction Services for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group, it shall also be subject to the consent of the relevant third party, where applicable), 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 Master Photovoltaic (2025-2027) 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.

LETTER FROM THE BOARD

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 Master Photovoltaic (2025-2027) Agreement shall be determined upon negotiation between the relevant member of the Group on the one part, and the relevant member of TCL Industries Holdings Group and/or the relevant third party on the other part; thereafter, the relevant members of the Group and TCL Industries Holdings Group shall, based on transaction mode and with reference to arrangements of similar transactions in the market, arrange individual agreement(s) be entered into (A) (in case of provision of Construction Services by members of the Group to members of TCL Industries Holdings Group) between relevant member(s) of the Group and TCL Industries Holdings Group or (B) (in case of provision of Construction Services by members of the Group to third parties for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group) among (i) relevant member(s) of the Group and relevant third party(ies) or (ii) relevant member(s) of the Group and relevant member(s) of TCL Industries Holdings Group, jointly or singly, on the one part, with relevant third party(ies) on the other part. The terms of such individual agreements shall be consistent with the Master Photovoltaic (2025-2027) 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

In view of the business need of TCL Industries Holdings Group, members of the Group may at its discretion decide whether to provide Operation and Maintenance Services to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group. The members of the Group shall provide appropriate Operation and Maintenance Services based on the characteristics of the photovoltaic facilities/equipment (including factors such as geographical environment and lighting environment).

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The terms and conditions (including service fees, payment terms and scope of work, etc.) of any Operation and Maintenance Services conducted pursuant to the Master Photovoltaic (2025-2027) Agreement shall be determined upon negotiation between the relevant member of the Group on the one part, and the relevant member of TCL Industries Holdings Group and/or the relevant third party on the other part; thereafter, the relevant members of the Group and TCL Industries Holdings Group shall, based on transaction mode and with reference to arrangements of similar transactions in the market, arrange individual agreement(s) be entered into (A) (in case of provision of Operation and Maintenance Services by members of the Group to members of TCL Industries Holdings Group) between relevant member(s) of the Group and TCL Industries Holdings Group or (B) (in case of provision of Operation and Maintenance Services by members of the Group to third parties for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group) among (i) relevant member(s) of the Group and relevant third party(ies) or (ii) relevant member(s) of the Group and relevant member(s) of TCL Industries Holdings Group, jointly or singly, on the one part, with relevant third party(ies) on the other part. The terms of such individual agreements shall be consistent with the Master Photovoltaic (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

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

LETTER FROM THE BOARD

Quality Guarantee

If requested by the counterparty, and if the relevant member of the Group considers it appropriate at its absolute discretion after considering the relevant transaction mode and taking into account the arrangements for similar transactions in the market (for example, but not limited to, where members of TCL Industries Holdings Group obtain financing from third-party financial institutions in the form of finance lease or other kind of financing to engage members of the Group to provide Construction Services and/or Operation and Maintenance Services, whereas the income from relevant photovoltaic power generation facilities/equipment is to be used to cover relevant lease payments or repay financing indebtedness), members of the Group, as the seller, person in charge of construction and/or operation and maintenance as well as guarantor in respect of the relevant photovoltaic power generation facilities/equipment, may provide guarantee and warranty in respect of the quality of the relevant photovoltaic power generation facilities/equipment (including but not limited to quality guarantee on the components and inverters, and guarantee/warranty on the quality of operation and maintenance and power generation capacity of the relevant photovoltaic power generation facilities/equipment) (“**Quality Guarantee(s)**”). Members of the Group may take into account all relevant factors (including geographical environment, lighting environment and duration, scale and specifications of photovoltaic power generation facilities/equipment, etc.) to determine the appropriate Quality Guarantee(s). In this case, (i) members of the Group may be required to bear Deficiency Replenishment Guarantee Obligation and/or (ii) the fees charged by members of the Group in respect of Operation and Maintenance Service may be determined or adjusted based on the fulfilment of the Quality Guarantee(s) (please refer to the paragraph “Pricing policy and basis of price determination” below). The relevant details should be set out in the individual agreements.

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Guarantee Arrangements

From time to time, members of TCL Industries Holdings Group may obtain financing from third-party financial institutions (“**Financial Institutions**”) through finance leases or other kind of financing to engage members of the Group to provide Construction Services and/or Operation and Maintenance Services whereas the income from relevant photovoltaic power generation facilities/equipment is to be used to cover relevant finance lease payments or repay financing indebtedness. In this case, members of TCL Industries Holdings Group and/or the relevant Financial Institutions may estimate the income that could be generated by the relevant photovoltaic power generation facilities/equipment with reference to and based on the Quality Guarantee(s) provided by members of the Group. In this case, the members of the Group (as the seller, person in charge of construction and/or operation and maintenance as well as guarantor in respect of the relevant photovoltaic power generation facilities/equipment) shall comply with the Quality Guarantee(s) to ensure that the quality of operation and maintenance and actual power generation capacity of the relevant photovoltaic power generation facilities/equipment shall not be less than the guaranteed quality of operation and maintenance and power generation capacity of the relevant photovoltaic power generation facilities/equipment as agreed in the individual agreements, thereby ensuring that the income from the relevant photovoltaic power generation facilities/equipment is sufficient to cover the relevant finance lease payments or repay financing indebtedness.

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If requested by the relevant member of TCL Industries Holdings Group, and if the relevant member of the Group considers it appropriate at its absolute discretion after considering the relevant transaction mode and taking into account similar transactions in the market (for example, but not limited to, where members of TCL Industries Holdings Group obtain financing from Financial Institutions in the form of finance lease or other kind of financing to engage members of the Group to provide Construction Services and/or Operation and Maintenance Services whereas the income from relevant photovoltaic power generation facilities/equipment is to be used to cover relevant lease payments or repay financing indebtedness), the relevant member of the Group may, in order to secure the payment/repayment obligations on the part of the relevant member of TCL Industries Holdings Group, (a) assume guarantee liability in respect of such payment/repayment obligation owed by the relevant member of TCL Industries Holdings Group to the Financial Institutions (“**Deficiency Replenishment Guarantee Obligation**”) and/or (b) pay to the Financial Institutions a specified percentage of the finance amount as lease deposit or financing deposit (“**Deposit**”) (*Note*). The form, terms and conditions of the Deficiency Replenishment Guarantee Obligation and the payment, offset and discharge of Deposits (as the case may be), and other relevant terms and conditions such as but not limited to the specific events which trigger Deficiency Replenishment Guarantee Obligation, the term of guarantee, the priority of repayment shall be set out in the individual agreements before the commencement of the transactions contemplated under the Master Photovoltaic (2025-2027) Agreement, provided that:

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- (i) if the income generated by the relevant photovoltaic power generation facilities/equipment (“**Photovoltaic Power Income**”) is insufficient to pay (and if the relevant member of TCL Industries Holdings Group is also unable to pay) the relevant lease payment or financing indebtedness due and payable in any period (“**Payment Due**”), the relevant Financial Institution shall have the right to elect to either (a) transfer and apply all or part of the relevant Deposits (if any) for payment of the remaining balance of relevant Payment Due (“**Payment Due Balance**”) (the relevant Financial Institution may request the relevant member of the Group to replenish Deposits pursuant to the terms of the individual agreement); or (b) request the relevant member of the Group as guarantor to pay the Payment Due Balance;

- (ii) if there is any event which adversely affects the due and punctual performance of the obligation of the relevant member of the Group and/or the relevant member of TCL Industries Holdings Group under the individual agreement, and/or otherwise in the reasonable opinion of the relevant Financial Institution, the relevant member of TCL Industries Holdings Group and/or the relevant member of the Group adversely affects in the long term the relevant Photovoltaic Power Income (details of such events shall be agreed among the relevant member of the Group, the relevant Financial Institution and the relevant member of TCL Industries Holdings Group and set out in the individual agreement), then the relevant Financial Institution shall be entitled to require the relevant member of TCL Industries Holdings Group to pay forthwith all outstanding lease payment or financing indebtedness (whether due and payable or not) (“**Aggregate Arrears**”) within the period agreed in the individual agreement, and if the relevant member of TCL Industries Holdings Group fails to repay the Aggregate Arrears in full and on time as required by the relevant Financial Institution, the relevant member of the Group shall be liable to make up the balance of Aggregate Arrears; for the avoidance of doubt, the aforesaid arrangement does not prejudice the rights and entitlements of the relevant member of the Group against the relevant member of TCL Industries Holdings Group in respect of the performance of Deficiency Replenishment Guarantee Obligation.

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Note: Given the construction of photovoltaic power generation facilities/equipment involves substantial capital commitment, it is common market practice that the persons engaging such constructions will obtain financing to support such construction, whereas there will be arrangement that the income from relevant photovoltaic power generation facilities/equipment will be used to cover relevant lease payments or repay financing indebtedness. Accordingly, where the Deficiency Replenishment Guarantee Obligation is concerned, such financing obtained by members of TCL Industries Holdings Group shall be for the main purpose of construction of photovoltaic power generation facilities/equipment by members of the Group and there shall be arrangement that the income from relevant photovoltaic power generation facilities/equipment shall be used to cover relevant lease payments or repay financing indebtedness and the Group will only be required to bear the shortfall arising from insufficient power generation capacity but not otherwise.

Pricing policy and
basis of price
determination:

The terms and conditions (including but not limited to service fees) of the Construction Services and Operation and Maintenance Services offered to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group by the relevant member of the Group shall be no more favourable than those offered to Independent Third Parties by the relevant member of the Group and shall be on normal commercial terms. Each individual agreement shall be negotiated on arm's length basis.

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In determining whether the overall terms and conditions offered to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group by the relevant member of the Group are no more favourable than those offered to Independent Third Parties by the relevant member of the Group, 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 to Independent Third Parties in the market by the relevant members of the Group as at the time when the individual agreement is entered into.

If the Group does not offer identical, comparable or similar services to Independent Third Parties, the Group will consider the impact of the transactions on the profitability of the Group, and in any event the Group shall only offer the Construction Services and the Operation and Maintenance Services to TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group if it is in the interest of the Group and the Shareholders as a whole to do so.

If members of the Group provide Quality Guarantee, and if the counterparty requests, and if the relevant members of the Group consider it appropriate at its absolute discretion after considering the relevant transaction mode and taking into account the arrangements for similar transactions in the market (see the example of situation set out in the paragraph Quality Guarantee above), relevant members of the Group may further agree with relevant members of TCL Industries Holdings Group and/or relevant third party (as the case may be) that the fees for the Operation and Maintenance Services may be determined or adjusted with reference to the Quality Guarantee, with details to be set out in the individual agreements, for instance (but not limited to):

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- (i) If in a power generation capacity assessment period, the relevant member of the Group fails to fully perform the Quality Guarantee (including but not limited to where the actual power generation capacity is lower than the guaranteed power generation capacity, and the loss and destruction of the relevant photovoltaic power generation facilities/equipment), and the relevant member of the Group fails to perform Deficiency Replenishment Guarantee Obligation punctually as agreed, the counterparty may be entitled to directly offset such unpaid sum from the subsequent fees payable to the relevant member of the Group in respect of Operation and Maintenance Services in accordance with the relevant individual agreement; and

- (ii) If in a power generation capacity assessment period, the actual power generation capacity is higher than the guaranteed power generation capacity, the counterparty may share the benefit derived from the surplus of power generation capacity with the relevant member of the Group in accordance with the relevant individual agreement, provided that if at the same time the relevant member of the Group also fails to fully perform the Quality Guarantee, and the relevant member of the Group fails to perform Deficiency Replenishment Guarantee Obligation punctually as agreed, the counterparty may be entitled to directly offset such unpaid sum from the surplus shared to the relevant member of the Group in accordance with the relevant individual agreement.

INTERNAL CONTROL PROCEDURES AND PRICING POLICIES

Revision of Annual Cap of Existing Continuing Connected Transaction

The Group will continue to follow the internal control procedure and pricing policies as stated in the announcement and circular of the Company dated 11 November 2021 and 22 November 2021 respectively when conducting the transactions contemplated under the Revised 2024 Sale Annual Cap and the Master Sale and Purchase (2022-2024) Agreement.

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The internal control procedures and pricing policies in respect of the Master Sale and Purchase (2022-2024) Agreement are the same as those in respect of the Master Sale and Purchase (2025-2027) Agreement. For details, please refer to the paragraphs headed “General internal control procedures and pricing policies” and “Specific internal control procedures and pricing policies” in the section headed “Renewal of Existing Continuing Connected Transactions” below.

Renewal of Existing Continuing Connected Transactions

In order to safeguard the interests of the Company and the Shareholders, and to ensure that the Agreements are on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, in addition to those disclosed above, the Company has also adopted the following general and specific internal control procedures and pricing policies:

General internal control procedures and pricing policies

- (i) The Group will periodically collect market information from connected persons and Independent Third Parties and enter such information into its internal database. Whilst the intervals of data collection vary for different type of transactions, the market information is generally collected quarterly, whereas market information in respect of transactions which are carried out by tender will be collected in the course of the transactions. The Company considers that generally collecting market information quarterly is adequate because the overall business of the Group is stable and without substantial variations. 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.

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- (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 and/or business division would conduct review on the continuing connected transactions as follows, (i) the supervisor of the relevant business division will review whether the continuing connected transactions of the Group have been carried out by the relevant business division in accordance with the terms of the relevant agreement and the Company's pricing policy on a quarterly basis; and (ii) the finance department will review the transaction 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 on a monthly basis. 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. The Company considers that reviewing item (i) above on a quarterly basis is sufficient because, as explained in paragraph (iv) below, the internal control unit and the legal department of the Group will monitor all continuing connected transactions before they are entered into, whereas the review by the supervisor of the relevant business division serves as an additional safeguard; and reviewing item (ii) above on a monthly basis is sufficient because the Group will project the transaction amount for each month in advance and the deviation between the actual and the estimated transaction amount in a single month is not expected to be very substantial, and in any event, the finance department will heighten scrutiny when the relevant annual caps are almost fully utilised.
- (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 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 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.

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Specific internal control procedures and pricing policies

Regarding Master Sale and Purchase (2022-2024) Agreement and Master Sale and Purchase (2025-2027) Agreement

- (i) The Group will set up periodic targets for Sourcing of TCL Associates Products and Sale of Electronics Products respectively, from which it could project the approximate amount of sales and purchase with TCL Industries Holdings Group, which will be subject to review from time to time depending on the circumstances such as the Group's performance and overall market conditions. The relevant sales unit and purchase unit of the Group will from time to time compare the actual figures against the sales target and purchase targets in general and will make necessary adjustment for the sales and purchase from TCL Industries Holdings Group for the remaining period.
- (ii) Upon receiving purchase request for TCL Associates Products from the relevant department of the Group, the procurement department of the Group will compare the price offered for the TCL Associates Products with the price offered for comparable products or, if no quotation for comparable products is available, similar products from at least two Independent Third Party suppliers (if available) and make an overall assessment of the terms of supply by such suppliers, including the quality of the products, past history of dealing with such suppliers (if any), payment terms and price, to ensure that the transactions would be conducted in accordance with the terms of the Master Sale and Purchase (2022-2024) Agreement and the Master Sale and Purchase (2025-2027) Agreement. To the extent where there are no similar or comparable products from Independent Third Party suppliers, the procurement department will obtain quotation information from TCL Industries Holdings Group to ensure that the prices of TCL Associates Products offered by TCL Industries Holdings Group to the Group shall be not higher than those offered by TCL Industries Holdings Group to Independent Third Parties. The Group will also consider whether to purchase TCL Associates Products from TCL Industries Holdings Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain a better offer from Independent Third Parties; (ii) quality of products and timeliness of supply; and (iii) the impact on the profitability of the Group, and the Group shall only purchase TCL Associates Products from TCL Industries Holdings Group if it is in the interest of the Shareholders and the Group to do so.

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- (iii) Under the Group’s pricing model, the per unit selling price of the Electronics Products is determined with reference to the target price offered by individual customers together with the raw material cost, direct labour cost, manufacturing overhead and the gross profit margin for the Group, and the weight of each factor will vary from order to order based on negotiations with its customers. The Group will also consider whether to sell Electronics Products to TCL Industries Holdings Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain a better offer from Independent Third Parties; (ii) the business strategy of the Group such as brand development and competition for market share; and (iii) the impact to the profitability of the Group, and the Group shall only sell Electronics Products to TCL Industries Holdings Group if it is in the interest of the Shareholders and the Group to do so.

Upon receiving proposed orders and offering pricing for Electronics Products from TCL Industries Holdings Group, the relevant sales and marketing team of the Group will review the orders, check with relevant units (including production, research and development, product plan control, procurement) for production capacity, production cost, pricing, production lead time and confirm or negotiate the terms. The price will then be submitted to management for approval. The Group would only accept orders from TCL Industries Holdings Group for Sale of Electronics Products when, in accordance with the results of the overall assessment of a basket of factors, (including but not limited to price, payment terms, credit terms, sales expenses, logistics and storage expenses and whether the sale is in line with the business line, brand development, overall strategy and planning of the Group), TCL Industries Holdings Group can offer terms of purchase for the Electronics Products which are no less favourable to the Group than those offered by Independent Third Parties for identical, comparable or similar products (as the case may be).

Regarding Master Services (2025-2027) Agreement

- (i) In order to maintain a fair assessment of the overall terms, when a member of the Group requires Services from or is requested to provide Services to TCL Industries Holdings Group, the Group will obtain quotations for comparable services or, in the absence of quotation for comparable services, 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) (if available) to make sure that (i) the Service Fees to be paid by the Group are not higher than those offered to the Group by Independent Third Parties under prevailing local market conditions; and (ii) the Service Fees to be received by the Group under the contract for Services are not lower than those received by Independent Third Parties 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 Industries Holdings Group to ensure that the prices offered by TCL Industries Holdings Group to the Group shall be no less favourable than those offered by TCL Industries Holdings Group to Independent Third Parties. As disclosed in paragraph (iv) of the section headed “General internal control procedures and pricing

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policies” above, 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, among others, the overall terms and conditions (including prices and payment terms) are no less favourable to the Group than those offered by Independent Third Parties, and separate approval from the internal control unit and the legal department is required before the continuing connected transactions can be carried out.

- (ii) 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 Services from them upon identification.

Regarding Master Financial (2025-2027) Agreement

General

- (i) The Group has adopted a sound and independent audit system. The Group will record and monitor the transactions under the Master Financial (2025-2027) Agreement through a comprehensive treasury management system to ensure that the transaction amounts do not exceed the applicable annual caps.
- (ii) Before entering into individual transactions under the Master Financial (2025-2027) Agreement, the Group’s treasury department will, in addition to monitoring the pricing terms as aforementioned, also examine other terms of the transactions to ensure that the terms conform with the Master Financial (2025-2027) Agreement.
- (iii) The management of the Group will conduct quarterly assessments on the risk of (i) the funds deposited with the relevant member of Qualified Holdings Group and/or Finance Company (HK); (ii) the loans advanced to the relevant member of Qualified Holdings Group and/or Finance Company (HK); (iii) the Financing Services obtained and the value of security provided by the Group; and (iv) the aggregate amount of Foreign Exchange Transactions entered into by the Group. The scope of such risk assessments includes the total balance and maximum daily balance of the deposits, loans and value of security for the reporting period, the exchange rate of currencies being the subject of Foreign Exchange Transactions which the Group entered into and the trend thereof, the interest rates of the deposits or loans with/to Finance Company (HK) and/or relevant members of Qualified Holdings Group (as the case may be) during the period under review, and the terms thereof. As the operation status of the relevant member of Qualified Holdings Group and/or Finance Company (HK) is relatively stable, the management of the Group considers quarterly assessments on the aforementioned risks to be sufficient as such information is not expected to be subject to sudden drastic change. The management of the Group will also report such risks and utilisation rate of annual caps to the Board every year.

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- (iv) In particular, the Company's audit committee will scrutinise the implementation and enforcement of the transactions under the Master Financial (2025-2027) Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests to (i) reduce the level of deposits with the relevant member of Qualified Holdings Group and/or Finance Company (HK); and/or (ii) reduce the level of loans advanced to the relevant member of Qualified Holdings Group and/or Finance Company (HK); and/or (iii) reduce the level of Financing Services obtained and/or the value of security provided by the Group; and/or (iv) reduce the amount of currencies being the subject of Foreign Exchange Transactions to be entered into by the Group, the Group will take appropriate steps to implement its decision, and in such case, any material findings in the risk assessment reports, the views of the Company's audit committee on the transactions under the Master Financial (2025-2027) Agreement (including its views on how its terms have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports.
- (v) Pursuant to the Master Financial (2025-2027) Agreement, TCL Industries Holdings has undertaken that if any member of Qualified Holdings Group and/or Finance Company (HK) (as the case may be) fails to make repayment in accordance with the relevant terms and procedures under the Deposit Services, Credit Services and Foreign Exchange Transactions, TCL Industries Holdings shall repay any outstanding deposits, loans or transaction amounts (as the case may be) on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) (as the case may be) in full. Such undertaking provides indemnification in favour of the Group for the deposits, loans and foreign exchange transactions under the Master Financial (2025-2027) Agreement.
- (vi) The Company will obtain quarterly benchmarks (such as prevailing market interest rates in respect of the various services under the Master Financial (2025-2027) Agreement, including but not limited to the deposit and lending interest rates and foreign currency exchange rate stipulated by the major commercial banks and/or the PBOC) during the term of the Master Financial (2025-2027) Agreement, and will make timely adjustments to the pricing when major changes occur in the market. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and services fees etc. under the Master Financial (2025-2027) Agreement, monitoring the market trend and allowing the Group to better formulate its fund management strategy. With all the benchmarks mentioned above collected, the Group's treasury department will negotiate with members of Qualified Holdings Group and/or Finance Company (HK) on the interest rates/exchange rates/fees most favourable to the relevant member of the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process. The head of the treasury department of the Group would have the right to make decision as to whether to enter into transactions with the relevant member of Qualified Holdings Group and/or Finance Company (HK) at the negotiated interest rates/exchange rates/fees provided that such interest rates/exchange rates/fees comply with the terms of the Master Financial (2025-2027) Agreement.

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Deposit Services

- (i) The Group's treasury department will maintain an internal system and monitor the maximum daily balance of the deposits on a daily basis to ensure that the aggregate deposits do not exceed the applicable annual caps.
- (ii) To manage the risks arising from Deposit Services, the Group will make quarterly requests to the relevant member of Qualified Holdings Group and/or Finance Company (HK) to provide the Group with sufficient information including various financial indicators, such as their asset sizes, liquidity ratios, level of bad assets and their risk ratings assessed by PBOC (if and when available) as well as annual and interim financial statements to enable the Group to monitor and review their financial condition. Each of the relevant member of Qualified Holdings Group and/or Finance Company (HK) shall notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. The Group considers that such quarterly requests are in line with the market practice and would be sufficient to monitor the financial condition of the relevant member of Qualified Holdings Group and/or Finance Company (HK), especially in view of the guarantee provided by TCL Industries Holdings to repay the outstanding deposit amount on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK). If the Group considers that there is any material adverse change in the financial condition of the relevant member of Qualified Holdings Group and/or Finance Company (HK), the Group will take appropriate measures (including early uplift of deposits and a moratorium on further deposits) to protect the Group's financial position.
- (iii) The Company will, from time to time and at its sole discretion, request the deposits with the relevant member of Qualified Holdings Group and/or Finance Company (HK) to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.
- (iv) Should the balance of deposits at the end of any day reaches 90% of the annual cap, the treasury management system would issue a warning to the relevant department head. Upon receiving the warning, the Group would withdraw the deposits from the relevant member of Qualified Holdings Group and/or Finance Company (HK) until the balance of deposits falls below 90%.
- (v) The relevant member of Qualified Holdings Group and Finance Company (HK) will maintain segregated accounts for holding funds received from the Group under Deposit Services to ensure that such funds will be segregated from fund received from the Group under Credit Services and from such party's own fund.

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Credit Services

- (i) The Group's treasury department will monitor the maximum daily balance of the loans on a daily basis to ensure that the aggregate loans do not exceed the applicable annual caps.
- (ii) The Group will request the relevant member of Qualified Holdings Group and/or Finance Company (HK) to provide the Group with sufficient information including various financial indicators, such as its asset size, liquidity ratios, level of bad assets and its risk rating assessed by PBOC (if and when available) as well as annual and interim financial statements to enable the Group to monitor and review its financial condition. The relevant member of Qualified Holdings Group and/or Finance Company (HK) shall also notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of the relevant member of Qualified Holdings Group and/or Finance Company (HK), the Group will take appropriate measures (including ceasing to advance further loans) to protect the Group's financial position.
- (iii) Should the balance of loans at the end of any day reaches 90% of the annual cap, the treasury management system would issue a warning to the relevant department head. Upon receiving the warning, the Group would cease advancing further loans to members of Qualified Holdings Group and/or Finance Company (HK) until the balance of loans falls below 90%.
- (iv) TCL Industries Holdings will conduct internal credit risk evaluations of its subsidiaries and associates (including the Group) taking into account financial conditions (such as solvency, profitability, asset operation capabilities) and non-financial conditions (such as market competitiveness, management level, customer status, credit status, etc.). Such evaluations are conducted on an annual basis and valid for one year. If members of Qualified Holdings Group have capital needs, the Group will require the counterparty to provide information on the capital needs, intended use of fund, trade background, repayment factors, etc., and conduct an evaluation with reference to the intended borrower's internal credit risk rating. After confirming the terms of the transaction, the Group's financial risk and services department would review and approve the transaction.
- (v) The relevant members of Qualified Holdings Group and Finance Company (HK) will maintain segregated accounts for holding funds received from the Group under Credit Services to ensure that such funds will be segregated from fund received by the Group under Deposit Services and from such party's own fund.

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Financing Services

- (i) The Group will receive Financing Services from members of Qualified Holdings Group and/or Finance Company (HK) only on a non-exclusive basis and subject always to the aforementioned pricing policies.
- (ii) The Group's treasury department will monitor the maximum daily balance of value of security on a daily basis to ensure that the aggregate value of security do not exceed the applicable annual caps.

Foreign Exchange Transactions

- (i) The Group will enter into Foreign Exchange Transactions with members of Qualified Holdings Group and/or Finance Company (HK) only on a non-exclusive basis and subject always to the aforementioned pricing policies.

Regarding Master Brand Promotion (2025-2027) Agreement

- (i) The rates of brand promotion fee as disclosed in the "Pricing policy and basis of price determination" section above in the major terms were determined with reference to a basket of factors, including:
 - (a) the significance of the TCL Brand and/or TCL Industries Holdings Brand to the particular type of products;
 - (b) the difference in terms of promotion scale within and outside the PRC;
 - (c) the proportion of the revenue of the Group to that of TCL Industries Holdings from the sales of products covered by the Master Brand Promotion (2025-2027) Agreement;
 - (d) the anticipated amount of branding expenses to be incurred by TCL Industries Holdings;
 - (e) the expected positive impact on sales of the Group derived from the brand promotion activities carried out by TCL Industries Holdings Group; and
 - (f) whether the rate of brand promotion fee is reasonable as a reimbursement of the branding expenses of TCL Industries Holdings Group and as an investment of the Group with reference to the value and benefits brought by such promotion activities.

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- (ii) Any variation of the brand promotion fee rates must be approved by the management of the Group, which would consider the effect of such variation based on the projected financial performance of the Group and the proposed annual caps for the remaining term of the Master Brand Promotion (2025-2027) Agreement and the reasons for the variation. Once there is a likelihood that the variation will render the relevant annual cap being exceeded, the relevant department will report to the management immediately. The Group will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual cap in accordance with the relevant requirements of the Listing Rules.

Regarding Master Photovoltaic (2025-2027) Agreement

- (i) To the extent where there are no similar or comparable services from Independent Third Parties, the Group will obtain quotation information from TCL Industries Holdings Group to ensure that the prices payable by TCL Industries Holdings Group to the Group shall be no less favourable than those payable by TCL Industries 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.
- (ii) Under the Quality Guarantee, the Group is required to provide guarantee in favour of the relevant members of TCL Industries Holdings Group to secure the due performance of the photovoltaic power generation facilities/equipment constructed by the Group, which links up to the relevant payment obligation of the relevant members of TCL Industries Holdings Group. The guarantee obligation will usually only arise if the Photovoltaic Power Income is insufficient to pay the amount payable by the relevant member of TCL Industries Holdings Group to the lessor under the individual agreements. Accordingly, in order to minimise the Group's exposure to the potential risk associated with the guarantee provided by the Group, the Group will conduct a series of assessments before the Group enters into individual agreements with the lessor to ensure that sufficient income can be generated from the relevant photovoltaic power generation facilities/equipment. Such assessment may include conducting on-site survey of the properties on which the photovoltaic power facilities are expected to be installed. The Group will take photos of the properties to form a preliminary view of the suitability of the properties for installing photovoltaic power facilities, followed by a formal field visit to inspect and evaluate factors which may affect the electricity income from the photovoltaic power facilities, 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 Group will also purchase insurance policies against the relevant liability, easing the potential financial burden arising from the Quality Guarantee. The Group will only enter into individual agreements after the Group has been satisfied about the title to, ownership of and suitability of the properties for installing photovoltaic power generation facilities/equipment.

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Annual review of the continuing connected transactions

- (i) The independent non-executive Directors shall review annually the Master Sale and Purchase (2022-2024) Agreement, the Agreements and the transactions thereunder and confirm in the Company's corresponding annual report that the Master Sale and Purchase (2022-2024) Agreement, the Agreements 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 auditors of the Company shall review annually the Master Sale and Purchase (2022-2024) Agreement, the Agreements and the transactions thereunder and confirm in a letter to the Board that the Master Sale and Purchase (2022-2024) Agreement, the Agreements 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 these Non-exempt Transactions involving the provision of goods and 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 auditors have 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 auditors 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 auditors sufficient access to the relevant records for the purpose of the auditors' review of the continuing connected transactions in accordance with the Listing Rules.

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HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the respective historical figures of the continuing connected transactions as described above for the two years ended 31 December 2023 and the 8 months ended 31 August 2024, the proposed Revised 2024 Sale Annual Cap and the respective proposed annual caps of the Agreements for the three years ending 31 December 2027:

	For the year ended 31 December 2022 (audited) (for actual amount only) HK\$'000	For the year ended 31 December 2023 (audited) (for actual amount only) HK\$'000	For the 8 months ended 31 August 2024 (unaudited) (for actual amount only)/ For the year ending 31 December 2024 (for historical annual cap only) HK\$'000	For the year ending 31 December 2025 HK\$'000	For the year ending 31 December 2026 HK\$'000	For the year ending 31 December 2027 HK\$'000
Continuing connected transactions (Note 1)						
Master Sale and Purchase (2025-2027) Agreement						
Sourcing of TCL Associates Products						
- Historical annual cap (Note 2a)	13,508,055	18,335,883	23,242,820			
- Actual (Note 2a)	6,374,601	8,124,109	8,604,613			
- Proposed annual cap				23,098,017	29,200,177	38,332,862
Sale of Electronics Products						
- Historical annual cap (Note 2a)	9,002,689	9,756,534	10,666,695			
- Proposed Revised 2024 Sale Annual Cap (Note 2b)			13,180,165			
- Actual (Note 2a)	8,265,125	9,307,561	6,361,539			
- Proposed annual cap				18,851,163	22,179,084	26,332,107
Master Services (2025-2027) Agreement						
Service Fees to be paid by the Group						
- Historical annual cap (Note 3)	1,885,609	2,164,064	2,456,792			
- Actual (Note 3)	1,052,036	1,624,092	1,168,226			
- Proposed annual cap				3,835,830	4,396,304	5,009,433
Service Fees to be received by the Group						
- Historical annual cap (Note 3)	410,985	505,104	625,617			
- Actual (Note 3)	162,374	108,796	186,116			
- Proposed annual cap				547,766	628,872	752,826
Master Financial (2025-2027) Agreement						
Deposit Services						
Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)						
- Historical annual cap (Note 4a)	2,328,300	3,026,790	3,934,827			
- Actual (Note 4a)	2,252,750	2,448,562	3,534,020			
- Proposed annual cap				4,328,310	4,761,141	5,237,255
Credit Services						
Maximum daily balances of outstanding loans (including interest receivables in respect of these loans)						
- Historical annual cap (Note 4a)	4,550,000	5,915,000	7,689,500			
- Actual (Note 4a)	4,120,737	4,420,153	3,171,125			
- Proposed annual cap				4,439,575	4,661,554	4,894,631

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	For the year ended 31 December 2022 (audited) (for actual amount only) HK\$'000	For the year ended 31 December 2023 (audited) (for actual amount only) HK\$'000	For the 8 months ended 31 August 2024 (unaudited) (for actual amount only)/ For the year ending 31 December 2024 (for historical annual cap only) HK\$'000	For the year ending 31 December 2025 HK\$'000	For the year ending 31 December 2026 HK\$'000	For the year ending 31 December 2027 HK\$'000
Continuing connected transactions (Note 1)						
Financing Services						
Facility limit (including interest and handling fees) (Note 5 and 6)						
- Historical annual cap (Notes 4a)	765,565	956,956	1,196,196			
- Actual (Notes 4a)	178,291	551,871	582,261			
- Proposed annual cap				1,142,624	1,209,753	1,213,209
Foreign Exchange Transactions						
Aggregate transaction amount						
- Historical annual cap (Note 4a)	11,666,700	15,555,600	23,333,400			
- Actual (Notes 4a and 4b)	5,559,207	8,081,507	796,398			
- Proposed annual cap				9,899,846	10,394,839	10,914,581
Master Brand Promotion (2025-2027) Agreement						
Brand Promotion Fee						
- Historical annual cap (Note 7)	755,376	854,741	998,174			
- Actual (Note 7)	387,433	529,935	355,645			
- Proposed annual cap				933,831	1,133,724	1,357,934
Master Photovoltaic (2025-2027) Agreement						
Construction Services – Services fees to be received by the Group						
- Historical annual cap (Note 8)	426,000	1,256,000	1,883,000			
- Actual (Note 8)	105,465	805,446	515,838			
- Proposed annual cap				19,896,973	24,380,509	29,000,137
Operation and Maintenance Services – Services fees to be received by the Group						
- Historical annual cap (Note 8)	10,000	25,000	84,310			
- Actual (Note 8)	331	1,082	18,136			
- Proposed annual cap				307,483	375,569	421,691
Aggregate actual amount paid under the guarantee arrangement						
- Proposed annual cap (Note 9)				383,490	466,136	558,870

Notes:

- For easy comparison of the historical figures and the proposed annual caps, transactions are categorised with reference to the Agreements and hence names of the Agreements are used for categorisation in this table.

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2. (a) The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Sale and Purchase (2022-2024) Agreement.

(b) Subject to Shareholders' approval to increase the cap amount in respect of Sale of Electronics Products under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024 to HK\$13,180,165,000.
3. The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Services (2022-2024) Agreement.
4. (a) The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Financial (2022-2024) Agreement.

(b) The actual transaction amount of Foreign Exchange Transactions dropped significantly during the 8 months ended 31 August 2024 as compared to the actual transaction amount during the year ended 31 December 2023. The Group's treasury policy is to centralise foreign exchange management matters in order to monitor its total foreign exchange risk exposure, offset the position of each subsidiary and conduct hedging transactions centrally with banks. Therefore, priority will be given to the Group's internal foreign exchange hedging resources, and the Group will only enter into Foreign Exchange Transactions with TCL Industries Holdings Group if the Group cannot address its foreign exchange hedging risks with its internal resources. With the continuing expansion of the Group's overseas business, the Group increases the proportion of foreign exchange managed by its internal foreign exchange hedging resources after evaluating the Group's internal foreign exchange hedging resources and the cost of external foreign exchange resources, and the transaction amount of Foreign Exchange Transactions during 2024 decreases accordingly. The amount of Foreign Exchange Transactions is also affected by the transaction models (e.g. direct local sale or sale via local distributors) of the Group's businesses as well as the geographical locations where the transactions take place. The Group's transactions between its subsidiaries located in Chinese mainland and Hong Kong in 2023 were mainly denominated in RMB which resulted in more foreign exchange demands and accordingly a larger transaction amount with Finance Company (HK), while the Group's transactions in 2024 were mainly denominated in foreign currencies, which can be managed by the Group's internal foreign exchange hedging resources.
5. The facility limit represents facility amount secured by assets of the Group (including but not limited to facility amount from factoring facility (with recourse, without-recourse and other forms (if applicable)) and bill discounting facility, facility with cash deposits or other assets as collaterals). For factoring with recourse, once the factoring financing contract takes effect, the quota will be occupied, however, with the collection or repurchase of accounts receivable, the amount previously due to factoring financing will then be released, and the corresponding quota can be applied on a revolving basis; for factoring without recourse, once a factoring financing transaction occurs, the quota will be occupied within that year. For the avoidance of doubt, the facility limit excludes the facility amount without security provided by members of Qualified Holdings Group and/or Finance Company (HK) to the TCL Electronics Qualified Members which, if conducted on normal commercial terms or better, are fully exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules.
6. The annual caps for maximum daily balance of value of security provided for Financing Services (including cash deposits, financial instruments, receivables, machinery or equipment etc.) were separately set for the Master Financial (2022-2024) Agreement, but not for the Master Financial (2025-2027) Agreement, because as illustrated by way of the historical annual caps and historical actual transaction amounts under the Master Financial (2022-2024) Agreement, the maximum daily balance of value of security provided for Financing Services would not exceed the facility limit (including interest and handling fees). For the avoidance of doubt, whilst such annual caps were separately set for the Master Financial (2022-2024) Agreement to facilitate understanding by investors and Shareholders, it refers to the same transaction, and represents the cap on the facility amount secured by assets of the Group.

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7. The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Brand Promotion (2022-2024) Agreement.
8. The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Photovoltaic Power Construction Services (2022-2024) Agreement.

The Board has resolved to increase the annual cap amount in respect of service fees to be received by the Group from Existing Operation and Maintenance Services under the Master Photovoltaic Power Construction Services (2022-2024) Agreement for the year ending 31 December 2024 to HK\$84,310,000. For the avoidance of doubt, as one or more of the applicable percentage ratios (other than the profits ratio) with reference to the Revised 2024 Operation and Maintenance Annual Cap exceed 0.1% but all are less than 5%, the Revised 2024 Operation and Maintenance Annual Cap is exempted from the circular (including independent financial advice) and Shareholders' approval under Rule 14A.76(2)(a) of the Listing Rules but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

9. As mentioned in the section headed "(5) Master Photovoltaic (2025-2027) Agreement", the term of any individual agreement to be entered into under the Master Photovoltaic (2025-2027) Agreement shall not exceed the term of the Master Photovoltaic (2025-2027) Agreement, save that any such individual agreement involving finance lease or other long-term financing arrangement, or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto shall be for a term no longer than 25 years from the date of entering into of such individual agreement or the financing maturity, provided that no further individual agreements pursuant to the Master Photovoltaic (2025-2027) Agreement shall be entered into after the expiry or termination of the Master Photovoltaic (2025-2027) Agreement. Yet, notwithstanding such termination or expiry, (i) any such individual agreements entered into during the term of the Master Photovoltaic (2025-2027) Agreement shall remain in full force and effect; and (ii) the terms and conditions of the Master Photovoltaic (2025-2027) 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 the aggregate actual amount paid under the guarantee arrangement will continue to apply to the individual agreements entered into during the corresponding year notwithstanding the termination or expiry of the Master Photovoltaic (2025-2027) Agreement.

For illustration, in respect of such individual agreement involving finance lease or other long-term financing arrangement, or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto under the Master Photovoltaic (2025-2027) Agreement entered into during the year ending 31 December 2025, during the period from 1 January 2025 until the expiry or termination of all individual agreements under the Master Photovoltaic (2025-2027) Agreement entered into during the year ending 31 December 2025 (which shall be no later than 31 December 2050, being 25 years after 31 December 2025) (collectively "**2025 Individual Agreements**"), the aggregate actual amount paid under the guarantee arrangement arising from all transactions under such 2025 Individual Agreements shall not exceed the annual cap for the year ending 31 December 2025 stated above (i.e. HK\$383,490,000), and for the avoidance of doubt, where members of the Group are required to make payment under the guarantee arrangement pursuant to the 2025 Individual Agreements (whether by paying/replenishing deposits or otherwise) to Financial Institutions after 31 December 2025, such transaction amount shall still be regarded as utilising the annual cap of aggregate actual amount paid under the guarantee arrangement for the year ending 31 December 2025 notwithstanding that such event takes place after 31 December 2025.

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BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS

Revision of Annual Cap of Existing Continuing Connected Transaction

The major bases and assumptions for determining the Revised 2024 Sale Annual Cap are set out below:

1. *Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement*

The proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement is determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Sale and Purchase (2022-2024) Agreement;
- (ii) the trade-in national policy for consumer goods rolled out by the PRC: (A) as household appliances are among important consumer goods, the sales volume of TVs, air conditioners, refrigerators and washing machines is expected to strongly increase from 2024 in view of the trade-in policy; yet, the trade-in national policy was first announced in the first half of 2024, and the “Several Measures for Providing Greater Support for Large-scale Equipment Renewals and Consumer Goods Trade-ins” published by the Ministry of Finance of the PRC in July 2024 explicitly supported the trade-in of household appliances under which the PRC government coordinated and arranged a long-term special national debt fund of around RMB300 billion, which serves as strong stimulus; (B) the existing market for TVs, air conditioners, refrigerators and washing machines in the PRC is relatively large in scale and the household appliances purchased by consumers during the last time the government offered large-scale subsidy, which was from 2009 to 2013, have basically arrived at the end of their service lifespans, resulting in a larger potential demand for trade-in; and (C) according to data published by China Market Monitor Co., Ltd., a research institute focusing on the research of consumer goods and the retail home appliance market in the PRC, during the period from 4 August 2024 to 29 September 2024 (a period of time after the measures published by the National Development and Reform Commission and the Ministry of Finance of the PRC in July 2024), offline and online retail sales revenue of TCL Brand products increased by 22.7% and 35.9% year-on-year respectively;

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- (iii) the continuous increase in sales volume of TCL TVs across the world and larger market shares of TCL TVs: as disclosed in the 2023 annual report of the Company, the global annual shipment of TCL Brand TVs for the year ended 31 December 2023 reached 25.26 million sets, with a year-on-year growth of 6.2%; furthermore, according to a retail market researcher China Market Monitor Co., Ltd., the market share by sales volume of TCL Brand TVs accounted for 14.6% and 18.1% of the total TV sales volume in the PRC in 2022 and 2023 respectively;
- (iv) the expected increase in the prices of the products of the Group resulting from the increase of TV average size and the technological advancement after the active implementation of mid-to-high-end strategy by the Group and the improvement in product mix: as disclosed in the interim results announcement of the Company dated 23 August 2024, in the first half of 2024, the shipment of 65-inch and above and 75-inch and above TCL Brand TV in the PRC market grew by 6.7% and 17.7% year-on-year, respectively, with their corresponding proportions increasing by 0.6 percentage points to 51.5% and 3.5 percentage points to 33.2%, respectively; the global shipment of the Group's mid-to-high-end products, QLED TV and Mini LED TV, recorded a year-on-year increase of 64.4% and 122.4%, respectively; and
- (v) the expected transaction amount of Sale of Electronics Products in the fourth quarter of 2024 in preparation for sales during New Year's Day and Lunar New Year in 2025, which is estimated to be not less than HK\$4.5 billion based on the information available as at the Latest Practicable Date, in particular, with reference to the fact that the actual transaction amount of Sale of Electronics Products in the fourth quarter of 2023 accounted for approximately 39% of the actual transaction amount of Sale of Electronics Products for the full year ended 31 December 2023.

Renewal of Existing Continuing Connected Transactions

The major bases and assumptions for determining the proposed annual caps for the continuing connected transactions contemplated under the Agreements are set out below:

1. Proposed annual caps for the Master Sale and Purchase (2025-2027) Agreement

The proposed annual caps for the transactions under the Master Sale and Purchase (2025-2027) Agreement are determined by reference to, among other things,

- (i) the factors referred to under the paragraph headed "1. Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement" above;

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- (ii) in respect of Sale of Electronics Products:
- (a) the projection of demand for Electronics Products, which is expected to increase gradually from 2025 to 2027, in view of the structural upgrade of the global TV market, display technology innovation and the expansion of online sales channel through TCL Industries Holdings Group, together with the prevailing market rate for similar products, taking into account of which the proposed annual caps for Sale of Electronics Products are set with an annual increase of approximately 18% from 2025 to 2026, and approximately 19% from 2026 to 2027; and
 - (b) the possible increase in price of panels (being a major component of Electronics Products) from 2025 to 2027: according to the data from Sigmaintell, an IT research and advisory company, in June 2024, both the price of large-sized 55-inch panels and 65-inch panels increased by more than 12% year-on-year, and such increasing trend is possible to subsist in the coming years;
- (iii) in respect of Sourcing of TCL Associates Products:
- (a) the historical transaction amounts of Sourcing of TCL Associates Products under the Master Sale and Purchase (2022-2024) Agreement: the Group's all-category marketing business accounts for over 70% of the annual cap for Sourcing of TCL Associate Products. Due to the fierce competition in the air conditioners, refrigerators and washing machines market in the previous years, the popularity of TCL Brand air conditioners, refrigerators and washing machines has much room for improvement; in addition, the domestic business product structure needs to be improved, the same applies to the penetration rate of the overseas market, which is restricted by the supply chain, causing the development of the refrigerators and washing machines business to fall short of expectations and as such the historical utilisation rate of Sourcing of TCL Associates Products is not as high as originally expected when the annual caps for 2022 to 2024 were determined. However, in 2024, attributable to considerable improvement in the product competitiveness and precision marketing of the Group's air conditioners, refrigerators and washing machines, the annualised transaction amount of Sourcing of TCL Associate Products in 2024 is expected to increase by approximately 60% when compared to that in 2023. In light of the improvement in the product competitiveness of the TCL Brand air conditioners, refrigerators and washing machines, together with the Group's strategy targeting the sales channel of air conditioners, refrigerators and washing machines, amplified by the effect brought about by the market environment and government policies, transaction amount of Sourcing of

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TCL Associate Products in 2025 is expected to increase substantially. Taking into account the foregoing and general factors including the organic growth and fluctuation of exchange rate between RMB and HK\$ during the term of the Master Sale and Purchase (2025-2027) Agreement, the proposed annual cap of Sourcing of TCL Associates Products for the year ending 31 December 2025 is set with an increase of approximately 79% when compared to the annualised transaction amounts of Sourcing of TCL Associates Products for the year ending 31 December 2024;

- (b) the potential market demand of TCL Associates Products with respect to the projected business scale and the estimated growth rates of the relevant business lines of the Group (which in turn are estimated by reference to, among other things, the relevant industry demand and the target market share of the Group), together with the prevailing market rate for similar products: for illustration purpose, (A) according to statistics published by National Bureau of Statistics of China, during the year ended 31 December 2023, the national production of household refrigerators and air-conditioners amounted to approximately 96.32 million sets and 244.87 million sets respectively, representing a year-on-year increase of 11.2% and 10.1% respectively, and during the first half of 2024, the national production of refrigerators, air-conditioners and washing machines amounted to approximately 50.51 million sets, 157.06 million sets and 53.12 million sets respectively, representing a year-on-year increase of 9.7%, 13.8% and 6.8% respectively; and (B) according to the statistics published by All View Cloud, during the eight months ended 31 August 2024, the offline average selling price of refrigerators and washing machines increased by 5.3% and 2.3% year-on-year respectively, and the proportion of high-end retail revenue of refrigerators and air-conditioners reached approximately 40.9% and 18.7% respectively, therefore, the proportion of high-end household appliances, together with the average selling price and transaction amount are all expected to increase during the 3 years ending 31 December 2027, with reference to which it is expected that the upward trend will continue during the 3 years ending 31 December 2027, taking into account the foregoing coupled with various factors including the overall improvement in the market environment, the increase in the price of raw materials and the expected increase in sales volume, the proposed annual caps of Sourcing of TCL Associates Products are set with an increase of approximately 26% from 2025 to 2026, and approximately 31% from 2026 to 2027;

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- (c) the development of all-category marketing business by the Group by proactively sourcing products under TCL Brand such as air conditioners, refrigerators and washing machines from TCL Industries Holdings Group and leveraging the global brand power and channel layout accumulated through the display business of the Group over the years, in particular, revenue from all-category marketing business was HK\$10.41 billion during the year ended 31 December 2023, and HK\$7.75 billion in the first half of 2024, accounting for 13.2% and 17.0% of the Group's revenue during the respective period, up by 26.3% and 27.7% year-on-year respectively, taking into account of which it is expected that the scale of sourcing products from TCL Industries Holdings Group will increase significantly in the following three years; and

- (d) the relatively abundant global market space of air conditioners, refrigerators and washing machines and the expected increase in sales volume of air conditioners, refrigerators and washing machines especially in the untapped markets such as less developed countries and regions, which is arrived at after taking into account the fact that (A) the Group has developed its business in more than 100 countries and regions worldwide, and the proportion of sale of air-conditioners, refrigerators and washing machines through the global channels of the Group will further increase with the further expansion and development of the all-category marketing business of the Group; (B) the generally optimistic overseas market condition, with the ownership rate of air-conditioners in quite a number of emerging markets still low, and as air-conditioners become more and more popular in those emerging markets, there will be a large room for growth and hence sales volume of air-conditioners is expected to rise substantially; and (C) the expected increase in unit price of air-conditioners, refrigerators and washing machines arising from the improvement of the product mix which drives up the transaction amount of Sourcing of TCL Associates Products; and

- (vi) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Sale and Purchase (2025-2027) Agreement, projected with reference to the exchange rates between RMB and HK\$ during the period from 1 January 2020 to 30 June 2024, during which the highest and lowest exchange rate recorded was 0.92 and 0.81 respectively, representing a difference of approximately 15%, and the PRC's economy is projected to grow by 5% in 2024 and 4.5% in 2025 according to the International Monetary Fund.

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2. Proposed annual caps for the Master Services (2025-2027) Agreement

The proposed annual caps for the transactions under the Master Services (2025-2027) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Services (2022-2024) Agreement;
- (ii) in respect of services fees to be paid by the Group, the projection of the number and scale of relevant projects and operations which may require Services from TCL Industries Holdings Group in the upcoming three years, in particular, (A) the demand for Services in relation to logistics and after-sale required by the Group is expected to increase significantly due to the expected increase in sales volume of mid-to-high-end products of the Group such as large-sized TV and Mini LED TV to keep abreast of the market trend of structural upgrade and display technology revolution, with logistics and after-sale costs incurred by the Group during the year ended 31 December 2023 up by 1.9% and 29.7% year-on-year respectively; (B) the Group has been hiring non-core employees (such as promoters, clerks, customer service officers and workers) through TCL Industries Holdings Group to reduce fixed labour cost arising from fluctuation of manpower demand of the Group during peak seasons and off seasons, whose costs are expected to increase with the expansion of the scale of the Group (for illustration purpose, the total revenue of the Group during the first half of 2024 increased by 30.3% year-on-year) and the general increase in manpower costs in the industry, projected with reference to the statistics that the employees costs of the Group during the first half of 2024 increased by 10% year-on-year; and (C) the demand for IT-related Services to be provided by TCL Industries Holdings Group, which are fundamental to the implementation of the digital transformation policy of the Group to improve the operation efficiency of the Group and enhance user experience, is also expected to increase substantially, taking into account of which the proposed annual caps for Service Fees to be paid by the Group are set with an annual increase of approximately 14% from 2025 to 2027;

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- (iii) in respect of service fees to be received by the Group, the projection of the number and scale of relevant projects which TCL Industries Holdings Group may require Services to be provided by the Group in the upcoming three years, with reference to the Group's projected capability in providing the relevant Services, considering (A) the growth in the scale of TCL Industries Holdings Group, which drives up the demand for Services from the Group, (B) the growth in the scale and capacity of the Group, which allows the Group to provide more Services to TCL Industries Holdings Group, taking into account of which the proposed annual caps for Service Fees to be received by the Group are set with an annual increase of approximately 15% from 2025 to 2026, and approximately 20% from 2026 to 2027;
- (iv) the expected organic growth of around 10% per year in respect of the amount of Service Fees to be paid and received by the Group to/from TCL Industries Holdings Group during the three years ending 31 December 2027; and
- (v) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Services (2025-2027) Agreement.

3. Proposed annual caps for the Master Financial (2025-2027) Agreement

The proposed annual caps for the transactions under the Master Financial (2025-2027) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the Deposit Services, Credit Services, Financing Services and Foreign Exchange Transactions under the Master Financial (2022-2024) Agreement;
- (ii) in respect of Deposit Services:
 - (a) the expected continuing growth of the Group's business in the coming years: accordingly, the capital available for deposit with members of Qualified Holdings Group and/or Finance Company (HK) would increase, for illustration purpose, during the year ended 31 December 2023, the revenue of the Group increased by 10.7% year-on-year, whereas the cash and bank deposits of the Group as at 31 December 2023 increased by 13.5% year-on-year; it is also expected that the cash flow of the Group at peak season of sales of the upcoming years would be strong and hence the Group's demand for Deposit Services from members of Qualified Holdings Group and/or Finance Company (HK) may increase up to the proposed annual cap at the peak season, hence it is expected that the capital available for deposit and the cash flow of the Group at peak season of sales will increase by approximately 10% annually from 2025 to 2027, and the proposed annual caps for Deposit Services are therefore set with an increase by approximately 10% annually from 2025 to 2027;

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- (b) the expected growth in the Group's cash and cash equivalents: the Group's audited consolidated revenue for the year ended 31 December 2023 and consolidated cash and cash equivalents as at 31 December 2023 amounted to approximately HK\$79.0 billion and HK\$10.7 billion, respectively; given that net cash inflow is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Company would experience a gradual growth, it is expected that the Group's cash and cash equivalents would have a stable increase over the three financial years ending 31 December 2027; and
 - (c) the actual amount of maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security) under the Master Financial (2022-2024) Agreement, which had reached 97% and 81% of the historical annual caps for the year ended 31 December 2022 and 2023, respectively;
- (iii) in respect of Credit Services:
- (a) the expected cashflow surplus of the Group: the Group's audited consolidated revenue for the year ended 31 December 2023 and consolidated cash and cash equivalents as at 31 December 2023, which amounted to approximately HK\$79.0 billion and HK\$10.7 billion, respectively; given that net cash inflow is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Group would experience a gradual growth, it is expected that the Group would have a stable cash flow surplus over the three financial years ending 31 December 2027 for lending in return for favourable interest income, hence the proposed annual caps for Credit Services are set with an annual increase of approximately 5% from 2025 to 2027;
 - (b) (A) the business needs of the Group, in particular the Group will focus on strengthening core competencies in product, marketing, operation, and organisation, and promote the long-term sustainable development of the Group's core businesses, such as the display business, internet business, as well as the innovative business, taking into account of which less fund will be available for lending under Credit Services; and (B) the maximum amount of exposure at any time which the Group is prepared to assume under the Credit Services in the context of the cash flow of the Group as well as the credit and financial position of the members of Qualified Holdings Group and/or Finance Company (HK), considering which the possible interest income arising from the idle fund may net off the interest cost from financing;

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- (c) the actual amount of maximum daily balances of outstanding loans (including interest receivables in respect of these loans) for the Credit Services under the Master Financial (2022-2024) Agreement, which had reached approximately 91% and 75% for the year ended 31 December 2022 and 2023 respectively; and
 - (d) the repayment ability of Qualified Holdings Group and/or Finance Company (HK), for illustration, the audited net asset and cash and cash equivalent of Qualified Holdings Group as of 31 December 2023 amounted to approximately RMB21.0 billion and approximately RMB14.6 billion respectively;
- (iv) in respect of Financing Services:
- (a) the strong business capacity of members of Qualified Holdings Group and Finance Company (HK) with a sound internal control and risk management system;
 - (b) the number of days of capital turnover and the financing ratio of the Group, the increase in accounts receivables with the expanding scale of the Group's business, resulting in higher factoring amount;
 - (c) the flexibility of financing of certain subsidiaries of the Company which may be suffering less favourable financial position at the relevant time (e.g. newly set up subsidiaries or subsidiaries engaging in business which requires substantial investment) and the availability of the facility limit granted by third-party banks;
 - (d) the prevailing market conditions of the interests and/or fees charged for comparable Financing Services; and
 - (e) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Financial (2025-2027) Agreement; and
- (v) in respect of Foreign Exchange Transactions:
- (a) the projected aggregate amount of Spot Contracts, Forward Contracts and Swap Contracts to be entered into with members of Qualified Holdings Group and/or Finance Company (HK) in view of the fluctuation of various currencies and possible volatile global economic and political environment in the coming years, taking into account of which the proposed annual caps for Foreign Exchange Transactions are set with an increase of approximately 5% from 2025 to 2027 annually;

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- (b) the growing business size of the Group and the increase in proportion of overseas business of the Group, which result in higher demand for foreign exchange, for illustration, the revenue of TCL TV in overseas markets for the year ended 31 December 2023 recorded a year-on-year growth of 8.7% from approximately HK\$30.0 billion in 2022 to approximately HK\$32.6 billion in 2023; and
- (c) fluctuation in the RMB exchange rate amid global trade uncertainty and other external factors, for example, during the period between January 2023 and July 2024, there is approximately 7% difference between the highest and lowest HKD to RMB monthly closing price.

4. Proposed annual caps for the Master Brand Promotion (2025-2027) Agreement

The proposed annual caps for the transactions under the Master Brand Promotion (2025-2027) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Brand Promotion (2022-2024) Agreement, in particular, whereas the brand promotion fee paid to TCL Industries Holdings Group during the 8 months ended 31 August 2024 accounted for less than two-thirds of the brand promotion fee paid to TCL Industries Holdings Group during the year ended 31 December 2023, as the fourth quarter of each year is the peak season insofar as sales revenue is concerned, taking into account the fact that brand promotion fee paid to TCL Industries Holdings Group during the year ended 31 December 2023 increased by 37% year-on-year when compared to that during the year ended 31 December 2022, and the revenue of the Group during the year ended 31 December 2023 increased by 10.7% year-on-year, assuming that the increasing trend in brand promotion fee in 2024 is of the same extent as that in 2023, it is expected that the brand promotion fee payable to TCL Industries Holdings Group during the year ending 31 December 2024 would amount to not less than HK\$600 million, representing a year-on-year increase of not less than 13.2%;
- (ii) the proposed annual caps for brand promotion fees are set with an increase of approximately 21% from 2025 to 2026, and an increase of approximately 20% from 2026 to 2027, which have taken into account the historical sales amount together with the expected growth in sales amount in the next three years based on the expected growth in market shares of the Group's TCL Brand and/or TCL Industries Holdings Brand products in the PRC and other regions around the world, in particular, (A) it is expected that the display business of the Group will see an average annual growth of approximately 19% during the 3 years ending 31 December 2027; (B) as the Group entered photovoltaic business in 2022, it is still at a relatively high growth phase, with reference to the fact that the revenue from photovoltaic business increased by 213% year-on-year in the first half of 2024, it is expected that the Group will record considerable year-on-year increase in revenue in 2025 when compared to that in 2024, and it is projected that a growth of 20% to 30% may be recorded during 2026 and 2027;

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- (iii) the Group's mid-to-high-end and globalisation strategy and commitment to strengthening its brand power globally; and
- (iv) the promotion fee rates which are determined based on the factors set out in the paragraph headed "Pricing policy and basis of price determination" in the section "Renewal of existing continuing connected transactions – (4) Master Brand Promotion (2025-2027) Agreement" above.

5. Proposed annual caps for the Master Photovoltaic (2025-2027) Agreement

The proposed annual caps for the transactions under the Master Photovoltaic (2025-2027) Agreement are determined by reference to, among other things,

- (i) the projection that the revenue scale of photovoltaic business will maintain a rapid growth momentum from 2025 to 2027. As such the proposed annual caps are expected to go up accordingly;
- (ii) in respect of Construction Services:
 - (a) the historical amounts of the relevant transactions under the Master Photovoltaic Power Construction Services (2022-2024) Agreement;
 - (b) the photovoltaic capacity of potential projects in the PRC identified by the Group of approximately 767 MW as at 31 August 2024 to which the Group may provide Construction Services during the term of the Master Photovoltaic (2025-2027) Agreement, the transaction amount of which is estimated to be able to reach approximately RMB2.53 billion;
 - (c) the expansion of scope of Construction Services to also include the photovoltaic power generation facilities/equipment construction services which may be provided by members of the Group for the benefit of members of TCL Industries Holdings Group (including but not limited to providing the relevant services to third parties in order for the members of TCL Industries Holdings Group to enter into finance lease arrangement in respect of enjoyment of such services) or at the request of members of TCL Industries Holdings Group;
 - (d) the significant expansion of the scope of Construction Services in response to national policies and significant changes in the photovoltaic business model: according to the Interim Measures for the Management of Distributed Photovoltaic Power Generation Projects and other requirements of the relevant governmental authorities in the PRC, industrial and commercial power stations are required to conduct project filing through locally registered project companies, while household power stations are

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usually registered directly through local power grid enterprises which would centrally file with local energy authorities. Although household power stations are not required to conduct project filing through locally registered project companies, due to the small capacity of each household power station and the large number of power stations purchased by customers, under the current industry practice, for the purposes of tax declaration, bank settlement, power station management etc., project companies are usually set up to conduct batch management of household power stations. Therefore, in order to enhance the competitiveness of the Group's photovoltaic business, TCL Industries Holdings Group will take up the responsibility to establish on its own or jointly with other parties project companies to engage in not only industrial and commercial photovoltaic businesses (as it has been performing in the past) but also to engage in household photovoltaic business in line with the current industry practice, which when coupled with the change in the business model of the financial leasing company, results in certain transactions originally between the Group and Independent Third Parties (e.g. households) becoming connected transactions following the involvement of project companies controlled by TCL Industries Holdings Group, thereby causing the proposed annual cap to increase significantly. As a result, the Group provides construction services in respect of also household photovoltaic business under the Master Photovoltaic (2025-2027) Agreement but not under the Master Photovoltaic Power Construction Services (2022-2024) Agreement, which covers construction services in respect of industrial and commercial photovoltaic businesses only. As the revenue generated from household photovoltaic business accounts for approximately 90% of the revenue generated from photovoltaic business of the Group, the proposed annual caps for Construction Services need to be substantially increased accordingly to cater for the expected surge in transaction amounts under Construction Services;

- (e) the revenue from the Group's photovoltaic business for the year ended 31 December 2023, which amounted to HK\$6.3 billion, representing a year-on-year growth of 1820%, while the revenue from the Group's photovoltaic business for the first half of 2024 amounted to HK\$5.3 billion, representing a year-on-year growth of 213%, and it is expected that the upward trend would continue in 2025; and

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- (f) the projected demand for Construction Services for the three years ending 31 December 2027, which is arrived at with reference to the year-on-year growth of approximately 147.5% in 2023 of newly installed photovoltaic capacity in the PRC according to information published by the National Energy Administration of the PRC, the conversion rate of the potential projects and the business scale target of the Group, in particular, the demand for Construction Services is expected to substantially increase over the term of the Master Photovoltaic (2025-2027) Agreement due to the policies of central government of the PRC of reducing carbon emission and achieving carbon neutrality, the policies of encouraging building of photovoltaic power stations, as well as the rapid development of the photovoltaic industry; as members of TCL Industries Holdings Group would be responsible for the liaison and administrative work involved (such as liaising with property owner and local authorities, financial institutions, etc.), the Group would be able to focus on and devote its resources in the development of its photovoltaic business;
- (iii) in respect of Operation and Maintenance Services:
- (a) the historical amounts of the service fees received by the Group for Existing Operation and Maintenance Services under the Master Photovoltaic Power Construction Services (2022-2024) Agreement;
- (b) the scale of the completed photovoltaic power facilities built in the past years as the Group expects that TCL Industries Holdings Group would engage the Group for providing Operation and Maintenance Services for the photovoltaic power facilities built under the Construction Services: whilst it is expected that the transaction amounts for service fees receivable by the Group for providing Operation and Maintenance Services increase with those for Construction Services, as the methods of calculation for the proposed annual caps for service fees receivable by the Group for providing Construction Services and Operation and Maintenance Services differ, they are expected to show an increasing trend but to different extent, the difference is attributable to (A) the different cost components of the Construction Services and Operation and Maintenance Services; (B) the fact that the scale of construction will form the basis for calculating the service fees receivable by the Group for providing Construction Services, while the service fees receivable by the Group for providing Operation and Maintenance Services are calculated based on grid-connected electricity, with a revenue sharing mechanism; and (C) the Group may not necessarily provide Operation and Maintenance Services to all entities which engage the Group's Construction Services as the Group has the discretion to provide any one of them only, in each case only if the terms are no less favourable to the Group;

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- (c) the fact that the photovoltaic industry has been developing very rapidly in China: according to the white paper titled “China’s Energy Transition” released by the Information Office of the State Council of China on 29 August 2024, China has become the world’s largest investor in energy transition with the total investment reaching USD 676 billion in 2023. As of the end of 2023, the total installed capacity of distributed photovoltaic power generation exceeded 250 million KW in China. Based on data from the National Energy Administration of the PRC, China’s photovoltaic power generation reached 391.4 billion kWh in the first half of 2024, representing a year-on-year increase of 47%;
 - (d) the exponential growth of the Group’s photovoltaic business since its official operation in the second quarter of 2022: the revenue generated from the Group’s photovoltaic business recorded RMB328 million in 2022, RMB6.3 billion in 2023, and RMB5.3 billion in the first half of 2024; and
 - (e) the projected demand for Operation and Maintenance Services, which is largely proportional to the demand for Construction Services for the three years ending 31 December 2027 and the scale of the completed photovoltaic power facilities built in the past years as the Group expects that TCL Industries Holdings Group would likely engage the Group for providing Operation and Maintenance Services for the photovoltaic power facilities built under the Construction Services, hence the proposed annual caps for service fees receivable by the Group for providing Operation and Maintenance Services are set with an annual increase of approximately 22% from 2025 to 2026 and approximately 12% from 2026 to 2027 which is in line with the annual increase in proposed annual caps for service fees receivable by the Group for providing Construction Services of approximately 23% from 2025 to 2026 and approximately 19% from 2026 to 2027;
- (iv) the anticipated increase in price of raw materials of approximately 10% per year, machinery and labour costs during the term of the Master Photovoltaic (2025-2027) Agreement due to inflation;

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- (v) in respect of aggregate actual amount paid under the guarantee arrangement:
- (a) the aggregate actual amount paid under the guarantee arrangement is determined based on the income arising from the construction of the photovoltaic power generation facilities/equipment and the probability of the destruction to photovoltaic power generation facilities/equipment, insufficient power generation or inability to connect power to the grid, in accordance with the following formula (*Note*): revenue from Construction Services for household photovoltaic projects (excluding revenue from Construction Services for industrial and commercial photovoltaic projects) multiplied by the estimated possibility of the Deficiency Replenishment Guarantee Obligation being triggered (set at approximately 2%); for illustration purpose, the proposed annual cap for aggregate actual amount paid under the guarantee arrangement for the year ending 31 December 2025 is approximately HK\$383.5 million, which is approximately 1.93% of the proposed annual cap for Construction Services for the year ending 31 December 2025;
 - (b) the fact that most of the revenue generated from the Group's photovoltaic business is generated from household photovoltaic business: the rapid development of the photovoltaic business and the expansion in scale of the household photovoltaic business (with reference to, among others, the revenue from the Group's photovoltaic business for the year ended 31 December 2023 of HK\$6.3 billion, representing a year-on-year growth of 1820%, and the revenue from the Group's photovoltaic business for the first half of 2024 of HK\$5.3 billion, representing a year-on-year growth of 213%); based on the Company's optimistic business goals, it is expected that the photovoltaic business will still grow significantly for the year ending 31 December 2025 compared with the year ending 31 December 2024, and the increase is estimated to be approximately 20% for the two years ending 31 December 2027;
 - (c) the projected amount to be paid under the guarantee arrangement, which is largely proportional to the demand for Construction Services for the three years ending 31 December 2027 and the scale of the completed photovoltaic power facilities built in the past years, hence the proposed annual caps for aggregate actual amount paid under the guarantee arrangement are set with an annual increase of approximately 22% from 2025 to 2026 and approximately 20% from 2026 to 2027 which is in line with the annual increase in proposed annual caps for service fees receivable by the Group for providing Construction Services of approximately 23% from 2025 to 2026 and approximately 19% from 2026 to 2027; and

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- (d) the probability of the destruction to photovoltaic power generation facilities/equipment, insufficient power generation or inability to connect power to the grid, which is determined after considering all relevant factors including 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 the insurance coverage, etc.; and
- (vi) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Photovoltaic (2025-2027) Agreement.

Note: In case where members of the Group provide Quality Guarantee(s) to members of TCL Industries Holdings Group, the relevant members of the Group shall ensure that the quality of operation and maintenance and actual power generation capacity of the relevant photovoltaic power generation facilities/ equipment shall not be less than the guaranteed quality of operation and maintenance and power generation capacity of the relevant photovoltaic power generation facilities/ equipment as agreed in the individual agreements, and in case where members of the Group provide Deficiency Replenish Guarantee Obligation based on such Quality Guarantee, the Group will be required to bear the shortfall arising from insufficient power generation capacity.

As the Group is prudent in provision of Quality Guarantee, the Group will take a conservative approach in setting the guaranteed amount of power generation capacity such that the guaranteed amount under Quality Guarantee will be set comparatively lower than the estimated amount of power generation capacity of the relevant photovoltaic power generation facilities/ equipment. Therefore, it is expected that the probabilities that the Group needs to bear the shortfall arising from insufficient power generation capacity of photovoltaic power generation facilities/equipment is low save for exceptional circumstances which, based on the information available to the Group, may include the relocation of photovoltaic power generation facilities/ equipment pursuant to governmental orders and inability to connect power to the grid, which is estimated at a probability of approximately 2% out of all construction works by the Group. In light of the above, the Group currently makes a provision of approximately 2% based on the revenue from Construction Services for household photovoltaic projects (excluding revenue from Construction Services for industrial and commercial photovoltaic projects).

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REASONS FOR AND BENEFITS OF REVISING THE 2024 SALE ANNUAL CAP

When determining, among others, the 2024 Sale Annual Cap in 2021, the Company's development scale could not be fully and accurately predicted, especially regarding the increase in transaction volume brought about by changes in the Company's product portfolio.

Specifically, with reference to the current actual amounts of Sale of Electronics Products, the 2024 Sale Annual Cap is insufficient to cover the transaction amount at the end of 2024 in preparation for New Year's Day and Lunar New Year in 2025.

The revision of the 2024 Sale Annual Cap enables the Company to expand its business, increase its market share and thereby increase its revenue.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee) consider that the Revised 2024 Sale Annual Cap and the transactions contemplated thereunder are fair and reasonable; on normal commercial terms or better and in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF RENEWING THE EXISTING CONTINUING CONNECTED TRANSACTIONS

The Directors (other than the independent non-executive Directors whose view will be set out in the Letter from the Independent Board Committee) consider that the terms of the Non-exempt Transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and it is in the interests of the Company and the Shareholders as a whole to enter the aforesaid continuing connected transactions for the following reasons:

(1) Master Sale and Purchase (2025-2027) Agreement

The market of electronic consumer products is dynamic and ever-changing. A holistic customer experience is of growing importance and there is an increasing number of customers who may look for multiple types of electronic products at the same time. The Group has increased its research and development investment and seized the opportunity of industry changes by firmly taking smart display as its core business, and vigorously implementing the "AI x IoT" all-scenario smart and healthy-living strategy.

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Thus, in order to swiftly cope with market changes, to strengthen the synergy within the Group and TCL Industries Holdings Group and the operating capability of the Group both in terms of overseas and PRC markets, the Group and TCL Industries Holdings Group share the operation and sales channels so that customers may be able to purchase products produced or manufactured by the Group and TCL Industries Holdings Group at the same time. As a result, some of the products of TCL Industries Holdings Group may first be sold to the Group, and subsequently the Group would re-sell such products to Independent Third Party customers, while at the same time the Group may first sell some of its products to members of TCL Industries Holdings Group for them to re-sell such products to Independent Third Party customers. Such arrangement would be carried out under the Master Sale and Purchase (2025-2027) Agreement and would account for a large portion of the Group's business, enhance customer experience, achieve reduction of sales expenses and thus enhance the overall profitability of the Group.

Thus, the scope of goods under the Master Sale and Purchase (2025-2027) Agreement, like its predecessor agreements, range from end products to raw materials and waste products of each of TCL Industries Holdings Group and the Group, thereby maximising the cooperation between them. As regards the waste products, although it is expected to only account for an insignificant proportion of the total sales and purchases under the Master Sale and Purchase (2025-2027) Agreement, the Group nevertheless includes waste products in the scope of goods as it is part of the Group's environmental, social and governance policy to save resources and avoid unnecessary waste with an ultimate aim to promoting a green economy. Further, whilst certain waste products may be of little value to TCL Industries Holdings Group, the Group may possess the relevant machineries and expertise to turn the relevant waste products into useful materials, and vice versa. Under the arrangement that TCL Industries Holdings Group and the Group may sell waste products to each other, both parties can obtain useful materials at a lower cost and in a more environmental-friendly manner, which is in the interest of the Company and the Shareholders as a whole.

(2) Master Services (2025-2027) Agreement

The Company has been accelerating the implementation of a diversified development strategy since 2018. The business scope and the scale of the Group have been continuing to expand. Coupled with the economies of scale, the Group gains knowhow and expertise in various Services in relation to such business areas. Meanwhile, TCL Industries Holdings Group has solid experience in the provision of various Services such as (but not limited to) logistics, after-sale and technology-related services covering computer hardware and software, cloud platform facility services, information technology consultancy services and manpower resource. Better service quality and lower costs can be achieved if the Group and TCL Industries Holdings Group make effective use of their respective expertise and economies of scale and provide Services to each other. Moreover, in view of the close relationship between the Group and TCL Industries Holdings Group, TCL Industries Holdings Group has a relatively good understanding of the business and operations of the Group and hence is able to provide timely and customised Services to satisfy the needs of the Group.

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Hence, the relevant transactions are beneficial to expanding the business scope of the Group, increasing sources of revenue and enhancing the competitiveness and profitability of the Group through utilising the expertise, experience and economies of scale of both the Group and TCL Industries Holdings Group.

(3) Master Financial (2025-2027) Agreement

General

The Group can use Qualified Holdings Group and/or Finance Company (HK) as intermediaries which provide flexible and comprehensive financial and treasury services to all TCL Electronics Qualified Members and allocate funds among members of the Group in a more efficient manner, thereby enhancing the Group's liquidity and overall solvency. Moreover, the Group is able to increase the efficiency of the use of idle funds and maximise returns while keeping risks under control through the provision of Credit Services to Qualified Holdings Group and/or Finance Company (HK). Qualified Holdings Group and/or Finance Company (HK) are familiar with the Group's operations and needs, so they can provide more efficient, tailor-made and cost-effective financial services than commercial banks, from which the Group is expected to enjoy benefits.

In addition to Qualified Holdings Group and/or Finance Company (HK), the Group also has business cooperation with certain financial institutions, which can offer timely financial services to the Group when in need. As such, the Group is not subject to any restrictions imposed by Qualified Holdings Group and/or Finance Company (HK).

Deposit Services

The Company believes that Qualified Holdings Group and/or Finance Company (HK) may take advantage of their economies of scale and therefore provide TCL Electronics Qualified Members with deposit interest rates more favourable or at least no less favourable than those offered by other financial institutions in or outside the PRC. Specifically, members of Qualified Holdings Group and/or Finance Company (HK) may obtain better financing options from the financial institutions outside by making use of their advantages in scale of the capital, and in turn members of Qualified Holdings Group and/or Finance Company (HK) may offer favourable deposit interest rates to TCL Electronics Qualified Members.

According to current practice, the deposit interest rates provided to the Group by Qualified Holdings Group and/or Finance Company (HK) are benchmarked against the agreed deposit interest rates announced by PBOC from time to time, and are subject to upward adjustments. Qualified Holdings Group and/or Finance Company (HK) will review the deposit interest rates on a regular basis and make adjustments if necessary. Therefore, the Group's total interest income is expected to increase.

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TCL Industries Holdings undertakes that it will ensure that the deposits placed by the Group through the Deposit Services will primarily be used for the purpose of facilitating fund transfer among members of the Group on the requests of the members of the Group. Therefore, the Group believes that the risk of depositing money with Qualified Holdings Group and/or Finance Company (HK) will be no greater than depositing with external commercial banks.

Credit Services

In view of the expected idle cash flow of the Group over the three financial years ending 31 December 2027, the Credit Services would provide the Group with greater flexibility in the management of its idle cash flow by enabling it to lend a portion of its idle cash resources to members of Qualified Holdings Group and/or Finance Company (HK) and obtaining favourable interest income in return, thereby efficiently utilising and maximising the return of its idle cash flow.

In view of the close relationship between the Group, Qualified Holdings Group and Finance Company (HK), and the financial needs of members of Qualified Holdings Group and Finance Company (HK) from time to time, the Group would be able to provide more efficient processing of loan requests from members of Qualified Holdings Group and/or Finance Company (HK) and accordingly has greater competitive advantages over other lending institutions, thereby attracting members of Qualified Holdings Group and/or Finance Company (HK) to obtain financing from the Group. Besides, the Group would benefit from efficiently utilising its idle cash flow and receiving higher interest income by advancing loans to members of Qualified Holdings Group and/or Finance Company (HK).

Moreover, the Group will request the relevant member of Qualified Holdings Group and/or Finance Company (HK) to provide the Group with the details of companies to which the Group advances loans and sufficient information of them including various financial indicators, such as its asset size, liquidity ratios, level of bad assets and its risk rating assessed by PBOC (if and when available) as well as annual and interim financial statements to enable the Group to monitor and review its financial condition. The relevant member of Qualified Holdings Group and/or Finance Company (HK) shall also notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of the relevant member of Qualified Holdings Group and/or Finance Company (HK), the Group will take appropriate measures (including ceasing to advance further loans) to protect the Group's financial position.

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TCL Industries Holdings undertakes that it will bear all losses incurred due to the failure of members of Qualified Holdings Group and/or Finance Company (HK) to perform its obligations under the Master Financial (2025-2027) Agreement, including but not limited to all transaction amounts (under Credit Services included), interest and relevant expenses incurred thereunder, within ten days after the occurrence of such failure.

Financing Services

The Master Financial (2025-2027) Agreement allows the Group to expand its financial channels, accelerate the efficiency of asset turnover and optimise its financial structure, as well as improve the efficiency of its capital usage. TCL Electronics Qualified Members may continue to obtain financing from members of Qualified Holdings Group and/or Finance Company (HK) as an alternative source when the commercial banks or financial institutions are unable to provide sufficient financing resources to satisfy the business needs of the Group, especially for such members of the Group with which may be suffering less favourable financial position at the relevant time.

The Company also believes that members of Qualified Holdings Group and Finance Company (HK) may also be able to obtain cost-efficient financing from other financial institutions at lower interest rates by taking advantage of their economies of scale which TCL Electronics Qualified Members may not be able to enjoy if the latter directly borrow from such other financial institutions. It is expected that TCL Electronics Qualified Members may in turn obtain financing from members of Qualified Holdings Group and/or Finance Company (HK) at lower interest rates and/or more favourable terms than those of corporate commercial loans offered by other financial institutions.

Foreign Exchange Transactions

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure. The Group therefore has the need to enter into spot contracts for its business and operations and to enter into, among others, forward contracts to manage its foreign exchange exposure from time to time.

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Members of Qualified Holdings Group and/or Finance Company (HK) are able to provide diversified foreign exchange transaction options in support of the Group's business and treasury activities. Further, as members of Qualified Holdings Group and Finance Company (HK) are familiar with the business and operation of members of the Group, it is expected that members of Qualified Holdings Group and Finance Company (HK) will be more efficient than other financial institutions in terms of processing transactions for members of the Group given their close relationships and hence will be able to satisfy the needs of members of the Group in a more timely manner. Accordingly, it would be in the interest of the Group to enter into the Foreign Exchange Transactions with members of Qualified Holdings Group and/or Finance Company (HK) on a non-exclusive basis in accordance with the Master Financial (2025-2027) Agreement.

(4) Master Brand Promotion (2025-2027) Agreement

The Group adhered to its branding strategy of localisation and precision marketing, effectively enhancing its global brand influence. The global brand index of TCL Brand TV increased by 11.1% year-on-year to 92 in the first half of 2024, and the TCL Brand was recognised in the prestigious "Google x Kantar BrandZ Top 50 Chinese Global Brand Builders" for the eighth consecutive year.

The Company has been using TCL Brand and/or TCL Industries Holdings Brand for the marketing and distribution of its products. The continuous development of the goodwill and brand image of such trademarks is considered to be important to the successful long-term operation of the business of the Group. The Master Brand Promotion (2025-2027) Agreement allows the Group to enjoy the benefits brought by the developing goodwill and brand image associated with the promotion of such trademarks at attractive rates.

(5) Master Photovoltaic (2025-2027) Agreement

The Group expanded into the field of photovoltaic business in 2022 to further diversify its business scope and to leverage its advantages in the vertical integration of the business chain, extensive sales channels and technology. By entering into the photovoltaic industry, the Group can achieve green and sustainable development by providing clean energy products, and strive to become a significant player of photovoltaic market.

Given the close relationship between the Group and TCL Industries Holdings Group, it is more prudent and beneficial for the Group to co-operate with TCL Industries Holdings Group to share risk and extend the reach to a wider clientele network. Accordingly, the co-operation with TCL Industries Holdings Group under the Master Photovoltaic (2025-2027) Agreement is expected to help consolidate the foundation of the Group's photovoltaic business and facilitate its future development.

LETTER FROM THE BOARD

Via the Master Photovoltaic (2025-2027) Agreement, the Group will provide Construction Services and Operation and Maintenance Services to TCL Industries Holdings Group which could in turn transfer the projects to relevant ultimate business clients after operation for a period of time (if required), and the Group will be able to receive service fees from TCL Industries Holdings Group without having to bear the financing of construction expenditures of the entire project on its own. Such complementary business model is in line with the Group's asset-light strategy, which can effectively minimise the capital investment burden of the Group and enable the Group to respond quickly to fast-changing market environment and to grasp potential business opportunities and lead the high-quality growth of the business scale of the Group.

It is a common and standard market practice in the photovoltaic industry for service providers which provide services akin to Construction Services and Operation and Maintenance Services to provide guarantees on the quality and performance of the photovoltaic power generation facilities/equipment. Such guarantee is by nature analogous to product guarantee of household appliances such as TVs and air-conditioners the Group has been providing in its course of business, that is to guarantee the products are fit for its purposes. Considering that photovoltaic power generation facilities/equipment are generally expensive which require substantial capital input from the purchaser or (if applicable) financial institutions, it is fair and reasonable for them to expect guarantee from the constructor/manufacturer to ensure that the end products shall be working according to its specifications. Although the Group is required to provide Quality Guarantee and Deficiency Replenishment Guarantee Obligation in favour of the relevant members of TCL Industries Holdings Group, the Quality Guarantee in general only requires the Group to guarantee that the photovoltaic power generation facilities/equipment are fit for purpose, namely to generate a prescribed amount of electricity, which is the very purpose for which such photovoltaic power generation facilities/equipment are built, and such payment obligations will generally be satisfied from the income generated by photovoltaic power generation facilities/equipment and save for unforeseen exceptional circumstances which affect the power generating capacity of such facilities/equipment such as force majeure events which would be covered by insurance, it is expected that the Group will not be required to fulfil the payment obligations with its own financial resources. 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 relevant income and whether it could satisfy the payment obligations under the lease arrangement. In addition, the insurance policy (if purchased and maintained by the Group upon request of the relevant Financial Institutions), which can provide appropriate coverage on the relevant photovoltaic power generation facilities/equipment with the relevant lessor as

LETTER FROM THE BOARD

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 with its own financial resources is under reasonable control of the Group. Considering the above, and the fact that the Group will only be required to provide Deficiency Replenishment Guarantee Obligation if it fails to provide quality Construction Services and/or Operation and Maintenance Services, the management is of the view that the provision of the Quality Guarantee and Deficiency Replenishment Guarantee Obligation is in the interest of the Company and its shareholders as a whole.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee) consider that the Revised 2024 Sale Annual Cap and the Non-exempt Transactions 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 interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF MASTER FINANCIAL (2025-2027) AGREEMENT

The Company expects more cash will be available for deposit with members of Qualified Holdings Group and/or Finance Company (HK), as well as lending to Qualified Holdings Group and/or Finance Company (HK) during the three years from 2025 to 2027 at the same time when the Group develops and expands its business. Therefore, it expects that there will be an increase in interest income to be earned from members of Qualified Holdings Group and/or Finance Company (HK) in the same period. However, given that the interest income from deposit services and the interest income from credit services earned under the Master Financial (2022-2024) Agreement in the past years only represent a small proportion of its earnings and assets/liabilities, in view of the proposed annual caps, the Company anticipates that the interest income to be earned from the deposits and loans will not have any material impact on its corresponding earnings, assets and liabilities.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 1,374,856,288 Shares, representing approximately 54.54% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Industries 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 Industries Holdings is the holding company of T.C.L. Industries (H.K.), whereas Finance Company (HK) is a direct 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 Revised 2024 Sale Annual Cap and each of the Agreements therefore constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the Revised 2024 Sale Annual Cap exceed 5%, the Revised 2024 Sale Annual Cap is subject to the reporting, announcement, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of the Master Sale and Purchase (2025-2027) Agreement, Master Services (2025-2027) Agreement, Master Financial (2025-2027) Agreement, Master Brand Promotion (2025-2027) Agreement and Master Photovoltaic (2025-2027) Agreement (i.e. agreements for the Non-exempt Transactions) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As the term of the individual agreements under the Master Photovoltaic (2025-2027) Agreement which involves finance lease or other long-term financing arrangement, or the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto may exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican as the Independent Financial Adviser to explain why the individual agreements under the Master Photovoltaic (2025-2027) 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. The Independent Financial Adviser has expressed its opinion in this regard in the letter from the Independent Financial Adviser, which forms part of this circular.

As one or more of the applicable percentage ratios in relation to the Deposit Services and Credit Services under the Master Financial (2025-2027) Agreement exceed 25%, the aforementioned transactions constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratios of the Deposit Services and Credit Services under the Master Financial (2025-2027) Agreement exceed 8%, the aforementioned transactions also constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

An Independent Board Committee has been established to advise the Shareholders on the Revised 2024 Sale Annual Cap and the terms and the proposed annual caps of the Non-exempt Transactions. The Company has appointed Pelican as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

LETTER FROM THE BOARD

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Revised 2024 Sale Annual Cap and the Non-exempt Transactions and its close associate(s) must abstain from voting on the relevant resolution(s) at the EGM. Accordingly, TCL Industries Holdings and TCL Associates will abstain from voting on the resolution in respect of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions to be put forward at the EGM. Save as the aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the resolution(s) in respect of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions to be put forward at the EGM.

As at the Latest Practicable Date: 1,374,856,288 Shares are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Industries Holdings. Hence, as at the Latest Practicable Date, holders of a total number of 1,374,856,288 Shares, representing approximately 54.54% of the total number of issued Shares, will abstain from voting in respect of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions to be put forward at the EGM.

Ms. DU Juan is also a director and the chief executive officer of TCL Industries Holdings and holds positions as directors or senior management in certain subsidiaries and/or associates of TCL Industries Holdings. For good corporate governance, she has abstained from voting on the Board resolutions for considering and approving, among others, the Revised 2024 Sale Annual Cap, the Agreements and the transactions contemplated thereunder.

Notwithstanding the respective interest and/or roles of certain other Directors in TCL Industries Holdings Group, in particular, (i) Mr. ZHANG Shaoyong is also a senior vice president of TCL Industries Holdings; (ii) Mr. PENG Pan is also the chief financial officer of TCL Industries Holdings, (iii) Mr. SUN Li is also the chief technology officer of TCL Industries Holdings, and (iv) each of Mr. PENG Pan and Mr. SUN Li also holds positions as directors or senior management in certain subsidiaries and/or associates of TCL Industries Holdings, as their respective direct or indirect interests in TCL Industries 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 Revised 2024 Sale Annual Cap, the Agreements and the transactions contemplated thereunder, therefore save for Ms. DU Juan who has for good corporate governance voluntarily abstained from voting, all other Directors are entitled to vote on the Board resolutions for considering and approving the Revised 2024 Sale Annual Cap, the Agreements and the transactions contemplated thereunder pursuant to the Articles.

LETTER FROM THE BOARD

GENERAL INFORMATION ON THE PARTIES

The Group is principally engaged in display business, innovative business and internet business. The Group actively transforms and innovates under the strategy of “Lead with Brand Value, Excel in Global Efficiency, Drive with Technology, Thrive on Global Vitality”. 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 on this website does not form part of this circular).

TCL Industries 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, waste dismantling and disposal, development and leasing of building and industrial park, supply chain finance, etc. As at the Latest Practicable Date, TCL Industries Holdings, through its wholly-owned subsidiary T.C.L. Industries (H.K.), held approximately 54.54% of the issued Shares and is the ultimate controlling shareholder of the Company. As at the Latest Practicable Date, the shareholding structure of TCL Industries Holdings is as follows:

LETTER FROM THE BOARD

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))	32.34%
Ningbo Lida Zhiyu Enterprise Management Co., Ltd.* (寧波礪達致宇企業管理有限公司)	24.25%
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%
Yunnan International Trust Co., Ltd (on behalf of its No.158 Single Fund Trust of Yunsheng)* 雲南國際信託有限公司(代雲南信託—雲昇158號單一資金信託)	6.65%
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%
SPDB Wealth Management Co., Ltd (on behalf of its No.2429 Qiming Series Wealth Management Products)* 浦銀理財有限責任公司(代浦銀理財啟銘系列理財產品2429期)	2.65%
Shenzhen Qifu Guolong Small and Medium Micro-Enterprise Equity Investment Fund Partnership (L.P.)* (深圳市啟賦國隆中小微企業股權投資基金合夥企業(有限合夥))	<u>1.55%</u>
Total (Note)	<u><u>100.00%</u></u>

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.

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)) (“**Lida Zhihui**”) is a limited partnership. Mr. LI Dongsheng (not a connected person of the Company) owns (i) more than 50% economic interest in Lida Zhihui as a limited partner; and (ii) more than 50% equity interest in the general partner of Lida Zhihui. Save for Mr. LI Dongsheng, none of the other limited partners own 30% or more economic interest of Lida Zhihui.

Ningbo Lida Zhiyu Enterprise Management Co., Ltd.* (寧波礪達致宇企業管理有限公司) is directly held as to 99.9988% by 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)) (“**Lida Zhiheng**”), a limited partnership which serves as an employee shareholding platform, via which an aggregate of not less than 100 employees of TCL Industries Holdings Group directly or indirectly hold interest as limited partners of Lida Zhiheng, whereas Mr. FU Chaohui is the legal representative of the general partner of Lida Zhiheng. None of the limited partners own 30% or more economic interest of Lida Zhiheng.

LETTER FROM THE BOARD

Based on information currently available to the management of the Company, Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂(上海)投資中心(有限合夥)) (“**Panmao Shanghai**”) is a limited partnership which focuses on equity investment opportunities in China; the general partner of Panmao Shanghai is indirectly owned or controlled as to more than 30% by CITIC Securities Company Limited, securities of which are listed on both the Stock Exchange (6030.HK) and the Shanghai Stock Exchange (600300.SH); save as aforesaid, none of the limited partners holds 30% or more interest in Panmao Shanghai.

To the best knowledge and belief of the Directors, save for Mr. LI Dongsheng, none of the beneficial owners of the shareholders of TCL Industries Holdings directly or indirectly owns 30% or more equity interest in TCL Industries Holdings.

As at the Latest Practicable Date, Finance Company (HK) is a direct subsidiary of T.C.L. Industries (H.K.) and is principally engaged in obtaining and utilising funds required for operation of TCL Industries Holdings Group, the main functions of which include but are not limited to financing of funds inside TCL Industries Holdings Group, the management of cash pool and liquidity of funds, and supporting of TCL Industries Holdings Group in procuring funds and managing foreign currency exchange and risk.

EGM

The Company will convene the EGM at 8th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories Hong Kong on 28 November 2024, Thursday, at 2:30 p.m., at which resolutions will be proposed for the purposes of considering and, if thought fit, approving the Revised 2024 Sale Annual Cap and the Non-exempt Transactions and their respective proposed annual caps. The notice of the EGM is set out on pages 182 to 185 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

RECORD DATE

The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM will be on 22 November 2024, Friday. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 22 November 2024, Friday.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 91 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders regarding the resolutions to approve the Revised 2024 Sale Annual Cap and the Non-exempt Transactions and their respective proposed annual caps; (ii) the letter from Pelican, the Independent Financial Adviser, set out on pages 92 to 172 of this circular which contains (A) its advice (together with the principal factors and reasons considered in arriving at such advice) to the Independent Board Committee and the Shareholders in respect of the fairness and reasonableness of the Revised 2024 Sale Annual Cap and the terms of the Non-exempt Transactions and their respective proposed annual caps; and (B) its opinion (together with the principal factors and reasons considered in arriving at such opinion) as required under Rule 14A.52 of the Listing Rules on why the individual agreements under the Master Photovoltaic (2025-2027) Agreement which involve finance lease or other long-term financing arrangement, or the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto require a longer period than 3 years and that it is a normal business practice for agreements of this type to be of such duration; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice (together with the principal factors and reasons considered in arriving at such advice) of Pelican, the Independent Financial Adviser, considers that the Revised 2024 Sale Annual Cap and the Non-exempt Transactions are fair and reasonable, on normal commercial terms or better and are entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions.

LETTER FROM THE BOARD

The Board considers that the Revised 2024 Sale Annual Cap and the terms of the Non-exempt Transactions are fair and reasonable; on normal commercial terms or better and in the ordinary and usual course of business of the Group; and in the interests of the Company and the Shareholders as a whole.

The Board also considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

Yours faithfully,
On behalf of the Board
DU Juan
Chairperson

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

6 November 2024

To: the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAP
FOR EXISTING CONTINUING CONNECTED TRANSACTION
(2) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(3) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND
PROVISION OF FINANCIAL ASSISTANCE UNDER
MASTER FINANCIAL (2025-2027) AGREEMENT**

We refer to the circular of the Company dated 6 November 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Shareholders in respect of the Revised 2024 Sale Annual Cap and the terms of the Non-exempt Transactions, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 13 to 90 and pages 92 to 172 of the Circular respectively.

Having taken into account the advice (together with the principal factors and reasons considered in arriving at such advice) of Pelican Financial Limited, the Independent Financial Adviser, we consider that the Revised 2024 Sale Annual Cap and the Non-exempt Transactions are fair and reasonable, on normal commercial terms or better and are entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Revised 2024 Sale Annual Cap and the Non-exempt Transactions.

Yours faithfully,
TSENG Shieng-chang Carter,
WANG Yijiang and LAU Siu Ki
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

28/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

6 November 2024

*To the Independent Board Committee and the Independent Shareholders of
TCL Electronics Holdings Limited*

Dear Sirs,

**(1) REVISION OF ANNUAL CAP
FOR EXISTING CONTINUING CONNECTED TRANSACTION
(2) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(3) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND
PROVISION OF FINANCIAL ASSISTANCE UNDER
MASTER FINANCIAL (2025-2027) AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the revision of the 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement and the Non-exempt Transactions and their respective proposed annual caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 6 November 2024 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement the Company dated 26 September 2024 (the “**Announcement**”), the Company anticipates that the 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement will not be sufficient to meet the demand of the Group and therefore proposes to revise the 2024 Sale Annual Cap. Save for the Revised 2024 Sale Annual Cap, all terms and conditions of the Master Sale and Purchase (2022-2024) Agreement shall remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also, as disclosed in the Announcement, on 26 September 2024 (after trading hours), the Company entered into the below agreements with TCL Industries Holdings and/or Finance Company (HK) and the transactions contemplated thereunder constitute continuing connected transactions:

- (i) Master Sale and Purchase (2025-2027) Agreement;
- (ii) Master Services (2025-2027) Agreement;
- (iii) Master Financial (2025-2027) Agreement;
- (iv) Master Brand Promotion (2025-2027) Agreement; and
- (v) Master Photovoltaic (2025-2027) Agreement.

The above Agreements are in substance renewal of the Existing Agreements and the terms of the renewal agreements are substantially the same as the Existing Agreements, save and except that in respect of the Master Photovoltaic (2025-2027) Agreement, the scope of Operation and Maintenance Services and Construction Services is expanded and guarantee arrangement is added.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 1,374,856,288 Shares, representing approximately 54.54% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Industries 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 Industries Holdings is the holding company of T.C.L. Industries (H.K.), whereas Finance Company (HK) is a direct 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 Revised 2024 Sale Annual Cap and each of the Agreements therefore constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the Revised 2024 Sale Annual Cap exceed 5%, the Revised 2024 Sale Annual Cap is subject to the reporting, announcement, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of the Master Sale and Purchase (2025-2027) Agreement, Master Services (2025-2027) Agreement, Master Financial (2025-2027) Agreement, Master Brand Promotion (2025-2027) Agreement and Master Photovoltaic (2025-2027) Agreement (i.e. agreements for the Non-exempt Transactions) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Deposit Services and the Credit Services under the Master Financial (2025-2027) Agreement exceed 25%, the aforementioned transactions constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Deposit Services and Credit Services under the Master Financial (2025-2027) Agreement exceeds 8%, the aforementioned transactions also constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises four executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki, has been established to advise the Independent Shareholders regarding the Revised 2024 Sale Annual Cap and the Non-exempt Transactions. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, other than our engagement by the Company to act as its independent financial advisor in respect of its renewal of continuing connected transactions as disclosed in its circular dated 8 September 2022, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with the appointment of us as the independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our role is to provide you with our independent opinion and recommendation as to (i) whether the proposed Revised 2024 Sale Annual Cap and the Non-exempt Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) whether the proposed Revised 2024 Sale Annual Cap and the terms of the Non-exempt Transactions and their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the proposed Revised 2024 Sale Annual Cap, the Non-exempt Transactions and their relevant proposed annual caps at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and validated them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, Master Sale and Purchase (2022-2024) Agreement, the Agreements, the announcement and circular of the Company dated 11 November 2021 and 22 November 2021 respectively, the sample quotations obtained by the Group from TCL Industries Holdings and Independent Third Parties, the purchase/sale records of relevant products and services from/to the TCL Industries Holdings and Independent Third Parties for the two years ended 31 December 2023 and the eight months ended 31 August 2024 (the “**Period**”), information on the interest rates of the relevant Financial Services provided by the Group and major commercial bank under Financial Services during the Period, the annual report of the Company for the financial year ended 31 December 2023 (the “**2023 Annual Report**”), the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”), the Announcement and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the proposed Revised 2024 Sale Annual Cap, the Non-exempt Transactions and their respective proposed annual caps, we have considered the following principal factors and reasons.

1. Background information on the Company and the Group

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, while the Group is principally engaged in display business, innovative business and internet business. The Group actively transforms and innovates under the strategy of “Lead with Brand Value, Excel in Global Efficiency, Drive with Technology, Thrive on Global Vitality”. 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.

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2023 and for the six months ended 30 June 2023 and 30 June 2024 as extracted from the 2023 Annual Report and the 2024 Interim Report, respectively.

Table 1: Summarised financial information of the Group

	For the six months ended		For the financial year ended	
	30 June		31 December	
	2024	2023	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue by segment				
TV and others (<i>Note</i>)	44,281,564	33,803,571	76,223,538	69,053,220
Internet business	1,212,056	1,112,871	2,762,526	2,298,195
Total revenue	45,493,620	34,916,442	78,986,064	71,351,415
Gross profit	7,747,726	6,500,045	14,755,695	13,111,583
Profit for the period/year	652,914	316,052	826,809	553,834

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Note: TV and others includes all other operating segments, namely (a) TV, (b) smart mobile, connective devices and services, (c) all-category marketing, (d) photovoltaic business (newly added in 2024 Interim Report) and (e) smart commercial display, smart home and other businesses segment, but excludes the internet business segment.

For the six months ended 30 June 2024

According to the 2024 Interim Report, for the six months ended 30 June 2024, the Group's total revenue reached approximately HK\$45.5 billion, increased by approximately 30.3% as compared with approximately HK\$34.9 billion for the same period of the previous year. Such increase was due to (i) an increase of 31.0% in the revenue of the TV and others segment as compared with the same period of the previous year, reaching approximately HK\$44.3 billion for the six months ended 30 June 2024, including an approximately 21.3% increase in the revenue of the display business to approximately HK\$30.1 billion and approximately 60.6% of innovative business to approximately HK\$14.0 billion; and (ii) an increase of approximately 8.9% in the revenue of internet business to approximately HK\$1.2 billion, as compared with the same period of the previous year. As a result, the gross profit reached approximately HK\$7.7 billion with an increase of approximately 19.2% year-on-year and the profit for the six-month period increased by approximately 106.6% year-on-year from approximately HK\$316.1 million to approximately HK\$652.9 million.

For the year ended 31 December 2023

According to the 2023 Annual Report, the Group recorded a revenue of approximately HK\$79.0 billion for the year ended 31 December 2023, representing a 10.7% increase from approximately HK\$71.4 billion in the previous year. This growth was primarily due to the optimisation of the TCL TV product mix, steady business expansion driven by the “mid-to-high-end + large-screen” strategy, and increasingly apparent economies of scale. Its gross profit increased by 12.5% to approximately HK\$14.8 billion for the year ended 31 December 2023, compared with the previous year. The overall gross profit margin of the Group improved slightly from 18.4% in 2022 to 18.7% in 2023, which was mainly attributable to the continued improvement in the profitability of innovation business and internet business and effective cost control measures. The net profit for the Group surged by approximately 49.3%, from approximately HK\$553.8 million to approximately HK\$826.8 million between the years ended 31 December 2022 and 2023, which was mainly due to (i) the Group's mid-to-high-end strategy which was well deployed in 2023 as the Group continued to expand the scale of high-margin business segments and improve the quality of its operation; and (ii) the appropriate cost controls (including but not limited to a 9.4% decrease in administrative expenses amounting to approximately HK\$415.7 million and a 36.8% reduction in other operating expenses amounting to approximately HK\$141.7 million) led to an increase in profitability.

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Table 2: Summarised financial position of the Group

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Total assets		
– Non-current assets	11,056,684	11,264,127
– Current assets	60,212,242	53,512,323
Total liabilities		
– Non-current liabilities	1,511,751	1,934,768
– Current liabilities	52,612,879	45,535,596
Net current assets	7,599,363	7,976,727
Net assets	17,144,296	17,306,086

As shown in the above table, the net assets of the Group slightly decreased from approximately HK\$17.3 billion as at 31 December 2023 to approximately HK\$17.1 billion as at 30 June 2024, representing a decrease of approximately 0.9%, which was mainly due to the increase of trade payables of approximately HK\$4.6 billion or 24.1% and the increase of other payables and accruals of approximately HK\$2.2 billion or 14.4%. In addition, the Group's cash and cash equivalents amounted to approximately HK\$9.9 billion as at 30 June 2024, representing a decrease of 8.3% compared with that as at 31 December 2023.

2. Background information on the connected persons

TCL Industries Holdings

TCL Industries 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, waste dismantling and disposal, development and leasing of building and industrial park, supply chain finance, etc.

As at the Latest Practicable Date, TCL Industries Holdings, through its wholly-owned subsidiary T.C.L. Industries (H.K.), held approximately 54.54% of the issued Shares and is the ultimate controlling shareholder of the Company.

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Finance Company (HK)

As at the Latest Practicable Date, Finance Company (HK) is a direct subsidiary of T.C.L. Industries (H.K.) and is principally engaged in obtaining and utilising funds required for operation of TCL Industries Holdings Group, the main functions of which include but not limited to financing of funds inside TCL Industries Holdings Group, the management of cash pool and liquidity of funds, and supporting of TCL Industries Holdings Group in procuring and managing foreign currency exchange and risk.

3. Principal terms of the Non-exempt Transactions and our assessment thereof

(i) Master Sale and Purchase (2025-2027) Agreement

Pursuant to the Master Sale and Purchase (2025-2027) Agreement, (i) each member of the Group may, at its absolute discretion, request to purchase its required TCL Associates Products from members of TCL Industries Holdings Group. Upon receiving purchase request from members of the Group, TCL Industries Holdings may, at its absolute discretion, procure the relevant member of TCL Industries Holdings Group to sell to the relevant member of the Group the required TCL Associates Products, and (ii) each member of TCL Industries Holdings Group may, at its absolute discretion, request to purchase Electronics Products from members of the Group. If any member of TCL Industries Holdings Group so requests or makes a written offer to any member of the Group to purchase from the Group any Electronics Products, the Company may, at its absolute discretion, procure relevant member of the Group to supply such Electronics Products to the relevant member of TCL Industries Holdings Group. The terms and conditions (including price and payment terms) of any sale and purchase conducted pursuant to the Master Sale and Purchase (2025-2027) Agreement shall be agreed between relevant member(s) of the Group and TCL Industries Holdings Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Sale and Purchase (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution. Subject to mutual agreement, the relevant member of the Group has the right to sell, resell or otherwise distribute TCL Associates Products which it has acquired from the relevant member of TCL Industries Holdings Group to any person at such price as such member of the Group may in its absolute discretion determine. For details on the terms of the Master Sale and Purchase (2025-2027) Agreement, please refer to the section headed “RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS” in the Board Letter.

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Pricing policy and basis of price determination

The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of TCL Industries 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 or better. Each individual agreement shall be negotiated on 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 fair market price ranges and pricing terms of products of identical, or (if that is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

Our assessment of the principal terms

We have reviewed the Master Sale and Purchase (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Sale and Purchase (2022-2024) Agreement. We also note that the Group is not restricted from purchasing/selling any TCL Associated Products/Electronics Products (collectively, the "Goods" as the case may be) from/to Independent Third Parties. If the relevant member of the Group decides to purchase/sell any Goods from/to TCL Industries Holdings Group, it shall be conducted based on normal commercial terms after arm's length negotiation, and with reference to the fair market price ranges of products comparable to the Goods offered to/by TCL Industries Holdings Group as at the time when the relevant sale and purchase are performed, to ensure that the terms are no less favourable than the terms offered by other Independent Third Parties and are in the interest of the Group.

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In determining whether the pricing basis adopted in the Master Sale and Purchase (2025-2027) Agreement is fair and reasonable, we have obtained, reviewed and examined at least five randomly-selected samples of sale and purchase contracts/invoices and other documents and information (e.g. description of the items being sold and purchased) under the Master Sale and Purchase (2022-2024) Agreement made between the Company and TCL Industries Holdings for each year within the Period, and compared them to another five randomly-selected sample sale and purchase contracts/invoices or quotations for similar products offered to/by Independent Third Parties and/or offered by the relevant members of TCL Industries Holdings Group to other parties for each year within the Period. In our review of these samples, we have reviewed the items being purchased and sold and their respective unit prices. The comparison shows that the unit prices of the purchases and sales made by the Group from/to the relevant members of TCL Industries Holdings Group are in line with the market unit prices and that the pricing basis adopted in the Master Sale and Purchase (2025-2027) Agreement is fair and reasonable. Given that the samples were selected on a random basis and spread across the Period (while the samples with/from TCL Industries Holdings Group and Independent Third Parties dated in the same quarter were compared directly), we consider the samples reviewed are fair and representative and sufficient in supporting our analysis.

In the light of the above and our review of the internal control measures adopted by the Group as discussed in the below section headed “Internal control measures” of this letter, we are of the view that the terms and the price determination of the Master Sale and Purchase (2025-2027) Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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(ii) Master Services (2025-2027) Agreement

Pursuant to the Master Services (2025-2027) Agreement, (i) each member of TCL Industries Holdings Group may from time to time at its absolute discretion request members of the Group to provide the 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 the Services to the relevant member of TCL Industries Holdings Group, and (ii) each member of the Group may from time to time, in its ordinary and usual course of business and at its absolute discretion, request members of TCL Industries Holdings Group to provide the Services, and the relevant member of TCL Industries Holdings Group may at its absolute discretion decide whether to provide the Services to the relevant member of the Group. The terms and conditions (including Service Fees and payment terms) of any Services provided pursuant to the Master Services (2025-2027) Agreement shall be agreed between relevant member(s) of the Group and TCL Industries Holdings Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Services (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution. The Service Fees shall be payable in accordance with the payment terms and time as specified in the individual agreements. For details on the terms of the Master Services (2025-2027) Agreement, please refer to the section headed “RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS” in the Board Letter.

Pricing policy and basis of price determination

The overall terms and conditions (including but not limited to Service Fees) as a whole offered by the relevant member of TCL Industries 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 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 fair market price ranges and pricing terms of service of identical, or (if that is not available) of comparable or similar quality, type, specifications, required time, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our assessment of the principal terms

We have reviewed the Master Services (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Services (2022-2024) Agreement. Further, the Group is not obliged to provide the relevant Services or engage the relevant members of TCL Industries Holdings Group for the provision of the relevant Services. If the relevant member of the Group decides to provide or engage the relevant members of TCL Industries Holdings Group for the provision of the relevant Services, it shall be conducted based on arm's length negotiation and normal commercial terms that are no less favourable than the terms offered by Independent Third Parties and which are in the interests of the Group.

In determining whether the pricing basis adopted in the Master Services (2025-2027) Agreement is fair and reasonable, we have obtained, reviewed and examined five randomly-selected samples of service contracts and other documents and information (i.e. description of the Services) under the Master Services (2022-2024) Agreement made between the Company and TCL Industries Holdings for each year within the Period, and compared them to another five randomly-selected samples for similar services provided by/to Independent Third Parties for each year within the Period. In our review of these samples, we have reviewed the services rendered and the service fees paid by/to the Group. The comparison shows that the service fees paid by/to the Group to/by the relevant members of TCL Industries Holdings Group are in line with the market service fees. Given that the samples were selected on a random basis and spread across the Period (while the samples with/from TCL Industries Holdings Group and Independent Third Parties dated in the same quarter were compared directly), we consider the samples reviewed are fair and representative and sufficient in supporting our analysis.

Based on our review of the documents, we noted that in respect of the service fees paid or to be paid by the Group to the relevant members of TCL Industries Holdings Group, such service fees are in line with the market service fees offered by Independent Third Parties and were or would be comparable to, or no less favourable than, such market prices, while in respect of the service fees received or to be received by the Group from the relevant members of TCL Industries Holdings Group, such service fees are in line with the market service fees offered to Independent Third Parties and were or would be comparable to, or no less unfavourable than, such market prices. As such, we are of the view that the pricing basis adopted in the Master Services (2025-2027) Agreement is fair and reasonable.

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In the light of the above and our review of the internal control measures adopted by the Group as discussed in the below section headed “Internal control measures” of this letter, we are of the view that the terms and the price determination of the Master Services (2025-2027) Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(iii) Master Financial (2025-2027) Agreement

Set out below are the principal terms for Deposit Services, Credit Services, Financing Services and Foreign Exchange Transactions conducted under the Master Financial (2025-2027) Agreement. For details on the terms of the Master Financial (2025-2027) Agreement, please refer to the section headed “RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS” in the Board Letter.

Deposit Services

Pursuant to the Master Financial (2025-2027) Agreement, any TCL Electronics Qualified Member may from time to time and at its absolute discretion request to deposit money with members of Qualified Holdings Group and/or Finance Company (HK), and the relevant members of Qualified Holdings Group and/or Finance Company (HK) may at its absolute discretion decide whether to accept the deposit from the relevant TCL Electronics Qualified Member.

If any TCL Electronics Qualified Member demands repayment of any money deposited by it with the relevant member of Qualified Holdings Group and/or Finance Company (HK) in accordance with the relevant terms and procedure and the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to follow the repayment demand, TCL Industries Holdings undertakes (and the relevant TCL Electronics Qualified Member shall then have the right to request TCL Industries Holdings) to repay the outstanding deposit amount on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) in full.

Provided that there is no violation of relevant laws and regulations, TCL Industries Holdings undertakes to, within 1 business day or such other period as may be agreed by both parties upon receipt of a written notice from any TCL Electronics Qualified Member requesting TCL Industries Holdings to repay the outstanding deposit amount on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) in part or in full, pay an amount equivalent to the relevant outstanding deposit amount to the relevant TCL Electronics Qualified Member or its designated bank account according to the written notice. The payment arrangement among TCL Industries Holdings and the relevant member of Qualified Holdings Group and/or Finance Company (HK) shall be settled among themselves through negotiation.

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So far as the deposit is concerned, the relevant TCL Electronics Qualified Member are generally entitled to withdraw/demand early repayment of the principal prior to the maturity date, subject always to and in accordance with the terms of the individual agreement, in such case the relevant member of Qualified Holdings Group and/or Finance Company (HK) or TCL Industries Holdings (if the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to do so) will be under an obligation to repay the deposit in part or in full together with the accrued interest, if any, in accordance with the terms of the relevant individual agreement, but the relevant TCL Electronics Qualified Member may not be entitled to the full interest amount and certain handling fees may be applicable to such pre-mature withdrawal depending on the terms of the relevant individual agreement, which arrangement is in line with pre-mature withdrawal arrangement adopted by major commercial banks.

In respect of the deposits placed by the Group through the Deposit Services, Qualified Holdings Group and Finance Company (HK) shall use their best endeavours and take all reasonable steps to ensure that such deposits will primarily be used for the purpose of facilitating fund transfer among members of the Group on the request of the members of the Group.

The terms and conditions of Deposit Services conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between the relevant TCL Electronics Qualified Member and the relevant member of Qualified Holdings Group and/or Finance Company (HK) in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Pricing policy and basis of price determination

If the relevant member of Qualified Holdings Group and/or Finance Company (HK) decides to accept any amount of cash deposits from a TCL Electronics Qualified Member (including current deposits, fixed deposits or any other forms of deposits), the interest rates (*see Note 1*) offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK), as the case may be, shall:

- (a) for deposits made within the PRC, be within the range of or higher than:
 - the minimum interest rate promulgated by the PBOC for the same type of deposit services from time to time;
 - the interest rates for the same type of deposits offered by major commercial banks of the PRC (*see Note 2*) to the relevant TCL Electronics Qualified Member; and

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- the interest rates for the same type of deposits offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group); and

other terms and conditions offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole shall also not be less favourable than those offered by major commercial banks of the PRC to the relevant TCL Electronics Qualified Member, and those offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group) and shall be on normal commercial terms; and

- (b) for deposits made outside the PRC, be within the range of or higher than:

- the interest rates for the same type of deposits offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located (*see Note 3*) to the relevant TCL Electronics Qualified Member; and
- the interest rates for the same type of deposits offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group); and

other terms and conditions offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole shall also not be less favourable than those offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located to the relevant TCL Electronics Qualified Member, and those offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group), and shall be on normal commercial terms.

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Credit Services

Pursuant to the Master Financial (2025-2027) Agreement, any member of Qualified Holdings Group may from time to time and at its absolute discretion request members of the Group to advance loans, and the relevant member of the Group may at its absolute discretion decide whether to advance loans to the relevant member of Qualified Holdings Group.

If any member of the Group demands repayment of any loan (including the interest) advanced to any member of the Qualified Holdings Group and/or Finance Company (HK) in accordance with the relevant terms and procedure and the relevant member of the Qualified Holdings Group and/or Finance Company (HK) fails to follow the repayment demand, TCL Industries Holdings undertakes (and the relevant member of the Group shall then have the right to request TCL Industries Holdings) to repay the outstanding loan (including the interest) on behalf of the relevant member of the Qualified Holdings Group and/or Finance Company (HK) in full.

The terms and conditions of Credit Services conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between relevant member of Qualified Holdings Group and/or Finance Company (HK) and relevant member of the Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Pricing policy and basis of price determination

Subject to compliance with all applicable laws, the interest rates (see Note 4) offered by the Group in respect of Credit Services shall:

- (a) for loans made within the PRC, be within the range of or higher than:
 - the interest rates for loans of the same type offered by major commercial banks of the PRC (see Note 2) to the relevant member of Qualified Holdings Group; and
 - the interest rates for loans of the same type offered by the Group to any Independent Third Party; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to Independent Third Party and shall be on normal commercial terms; and

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(b) for loans made outside the PRC, be within the range of or higher than:

- the interest rates for loans of the same type offered by major commercial banks located in the place where the relevant member of the Qualified Holdings Group is located (see Note 3) to the relevant member of Qualified Holdings Group; and
- the interest rates for loans of the same type offered by the Group to any Independent Third Party; and

other terms and conditions offered by the Group as a whole shall also not be less favourable to the Group than those offered by the Group to Independent Third Party and shall be on normal commercial terms; and

Financing Services

Pursuant to the Master Financial (2025-2027) Agreement, any TCL Electronics Qualified Member may from time to time and at its absolute discretion request Financing Services from members of Qualified Holdings Group and/or Finance Company (HK), and the relevant member of Qualified Holdings Group and/or Finance Company (HK) may at its absolute discretion decide whether to provide Financing Services to the relevant TCL Electronics Qualified Member.

The relevant member of Qualified Holdings Group and/or Finance Company (HK) may request TCL Electronics Qualified Members to provide security (including but not limited to cash deposits, financial instruments, receivables, machinery or equipment etc.) to the relevant member of Qualified Holdings Group and/or Finance Company (HK) in respect of the Financing Services provided by TCL Industries Holdings Financial Services Associates, subject to compliance with relevant Listing Rules requirements.

The terms and conditions of Financing Services conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between relevant TCL Electronics Qualified Member and relevant member of Qualified Holdings Group and/or Finance Company (HK) in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

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Pricing policy and basis of price determination

If the relevant member of Qualified Holdings Group and/or Finance Company (HK) decides to provide any Financing Services to a TCL Electronics Qualified Member, the interest rates charged by the relevant member of Qualified Holdings Group and/or Finance Company (HK) shall be within the range of prevailing market rates for the same type of financing services, and the overall terms and conditions (including but not limited to the timeliness and processing efficiency of financing as well as the interest rates) offered by the relevant member of Qualified Holdings Group and/or Finance Company (HK) as a whole in respect of the Financing Services shall not be less favourable than those offered by other major commercial banks and/or relevant financial institutions located in the place where the relevant TCL Electronics Qualified Member is located in respect of the same type of financing services and by the relevant member of Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group) with the same credit rating in respect of the same type of financing services, and shall be on normal commercial terms.

Foreign Exchange Transactions

Pursuant to the Master Financial (2025-2027) Agreement, any member of the Group may from time to time and at its absolute discretion request to enter into Foreign Exchange Transactions with members of Qualified Holdings Group and/or Finance Company (HK), and the relevant member of Qualified Holdings Group and/or Finance Company (HK) may at its absolute discretion decide whether to enter into the Foreign Exchange Transactions with the relevant member of the Group.

TCL Industries Holdings undertakes with the Company, among others, that in case the relevant member of Qualified Holdings Group and/or Finance Company (HK) fails to pay the sum under the Foreign Exchange Transactions to relevant member of the Group pursuant to the relevant terms and conditions, the relevant member of the Group shall then have the right to request TCL Industries Holdings to immediately repay the relevant sum to the relevant member of the Group.

The terms and conditions of Foreign Exchange Transactions conducted pursuant to the Master Financial (2025-2027) Agreement shall be agreed between the relevant member of the Group and the relevant member of Qualified Holdings Group and/or Finance Company (HK) in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2025-2027) Agreement save and except for the clauses regarding applicable law and dispute resolution.

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Pricing policy and basis of price determination

If Qualified Holdings Group and/or Finance Company (HK) and the relevant member of the Group decide to enter into Foreign Exchange Transactions, the service fee charged by and/or the exchange rate adopted by Qualified Holdings Group and/or Finance Company (HK), if any, shall be within the range of prevailing market rates, and the overall terms and conditions (including but not limited to the timeliness and processing efficiency of Foreign Exchange Transactions) offered by Qualified Holdings Group and/or Finance Company (HK) as a whole in respect of the Foreign Exchange Transactions shall not be less favourable than those offered by other major commercial banks and/or relevant foreign exchange service providers located in the place where the relevant member of the Group is located in respect of the same type of foreign exchange transactions and by Qualified Holdings Group and/or Finance Company (HK) to any other members of the TCL Industries Holdings Group (including the Group) with the same credit rating in respect of the same type of foreign exchange transactions, and shall be on normal commercial terms.

Undertakings by TCL Industries Holdings

TCL Industries Holdings undertakes to the Group that, during the term of the Master Financial (2025-2027) Agreement:

- (a) TCL Industries Holdings will maintain effective control over members of Qualified Holdings Group and Finance Company (HK) and ensure the proper and orderly operation of members of Qualified Holdings Group and Finance Company (HK);
- (b) TCL Industries Holdings will use its best endeavours and take all reasonable steps to ensure that members of Qualified Holdings Group and Finance Company (HK) will fully and timely perform their obligations in respect of the Deposit Services, Credit Services, Financing Services and Foreign Exchange Transactions contemplated under the Master Financial (2025-2027) Agreement;
- (c) TCL Industries Holdings will ensure that the deposits placed by the Group through the Deposit Services will primarily be used for the purpose of facilitating fund transfer among members of the Group on the requests of the members of the Group (*Note 5*); and

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- (d) TCL Industries Holdings will bear all losses incurred due to the failure of members of Qualified Holdings Group and Finance Company (HK) to perform its obligations under the Master Financial (2025-2027) Agreement, including but not limited to all the transaction amounts, interest and relevant expenses incurred thereunder, within ten days after the occurrence of such failure.

Notes:

1. For illustration purpose, for the year ended 31 December 2023, the historical interest rates of USD and RMB deposits of different deposit periods and deposit amount under the Master Financial (2022-2024) Agreement ranged from 0.05% to 4.79%; 1.05% to 2.80% respectively.
2. The major commercial banks of PRC refer to Bank of China Limited, Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited and China Construction Bank Corporation, etc.
3. The major commercial banks located in the place where the relevant TCL Electronics Qualified Member or member of Qualified Holdings Group and/or Finance Company (HK) (as the case may be) is located refer to, in the case of Hong Kong, Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Industrial or Commercial Bank of China (Asia) Limited, etc.
4. For illustration purpose, for the year ended 31 December 2023, the historical interest rates of unsecured loans under the Master Financial (2022-2024) Agreement ranged from 3.55% to 8.00%.
5. As at the Latest Practicable Date, all deposits placed by the Group through the Deposit Services are demand deposits which the relevant TCL Electronics Qualified Member is entitled to withdraw from time to time.

Our assessment of the principal terms

We have reviewed the Master Financial (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Financial (2022-2024) Agreement. Further, the Group is not obliged to provide the relevant services or engage the relevant members of Qualified Holdings Group and/or Finance Company (HK) for the provision of the relevant services. If the relevant member of the Group decides to provide or engage the relevant members of Qualified Holdings Group and/or Finance Company (HK) for the provision of the relevant services, it shall be conducted based on arm's length negotiation and normal commercial terms that are no less favourable than those offered by the PBOC (if the deposit is to be made in the PRC) and other major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located and which are in the interests of the Group.

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In determining whether the pricing basis adopted in the Master Financial (2025-2027) Agreement is fair and reasonable, we have obtained, reviewed and examined the applicable interest rates for deposit services, including normal cash deposits and/or time deposits, offered by Finance Company (HK) to relevant members of the Group in ten different and randomly-assigned months from 2022 to August 2024, and compared such interest rates to those interest rates offered by other independent financial institutions and/or determined by the PBOC. We consider our samples as fair and representative as they were selected on a random basis and cover different points of time during the two years and eight months (while the samples/information from Independent Third Parties or the PBOC dated in the same quarter were compared directly). Through our comparison, we noted that the interest rates offered by Finance Company (HK) or TCL Industries Holdings Financial Services Associates were comparable to and no less favourable than those offered by other independent financial institutions and/or determined by the PBOC.

Similarly, in respect of Credit Services, we have obtained, reviewed and examined the applicable interest rates for the said services in ten different and randomly-assigned months from 2022 to August 2024, and compared such interest rates to the interest rates for loans of the same type offered by major commercial banks to the relevant member of the Qualified Holdings Group and/or by the Group to any other Independent Third Parties. Through our comparison, we noted that the interest rates offered by the relevant member of the Group were comparable to and no less favourable than those offered by major commercial banks to the relevant member of the Qualified Holdings Group and/or by the Group to any other Independent Third Parties. Given that the samples were selected on a random basis and cover different points of time during the two years and eight months (while the samples/information from/to Independent Third Parties dated in the same quarter were compared directly), we consider the samples reviewed are fair and representative and sufficient in supporting our analysis.

In respect of Financing Services and Foreign Exchange Transactions, we have obtained, reviewed and examined the service fees charged by and/or the exchange rates adopted by TCL Industries Holdings Financial Services Associates for the said services in ten different and randomly-assigned months from 2022 to August 2024, and compared such service fees and/or exchange rates to the service fees and/or the exchange rates offered by major commercial banks and/or relevant foreign exchange service providers located in the place where the relevant member of the Group is located. Through our comparison, we noted that the service fees charged by and/or the exchange rates adopted by TCL Industries Holdings Financial Services Associates were comparable to and no less favourable than those offered by major commercial banks and/or relevant foreign exchange service providers.

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In light of the above and our review of the internal control measures adopted by the Group as discussed in the below section headed “Internal control measures” of this letter, we are of the view that the terms and the price determination of the Master Financial (2025-2027) Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(iv) Master Brand Promotion (2025-2027) Agreement

Pursuant to the Master Brand Promotion (2025-2027) Agreement, the Company shall pay a brand promotion fee to TCL Industries Holdings on a monthly basis during the term of the Master Brand Promotion (2025-2027) Agreement, which shall be determined with reference to the pricing policy and basis of price determination as set out below, and TCL Industries Holdings shall use the brand promotion fee to set up and/or maintain promotion fund(s) for advertisement, promotion, management and maintenance of TCL Brand and/or TCL Industries Holdings Brand.

TCL Brand Management Centre is authorised to conduct planning, implementation and consulting work in relation to the use of the fund and promotion activities of TCL Brand.

The relevant member(s) of TCL Industries Holdings Group shall, and TCL Industries Holdings shall procure that the relevant member(s) of TCL Industries Holdings Group shall, use the promotion fund(s) in accordance with the Master Brand Promotion (2025-2027) Agreement, provide brand promotion services and allow members of the Group to benefit therefrom.

Pricing policy and basis of price determination

Pursuant to the Master Brand Promotion (2025-2027) Agreement, the annual amount of the brand promotion fee in relation to TCL Brand payable by the Group to TCL Industries Holdings during each financial year shall range from 0.25% to 2.00% of the projected annual sales revenue of the Group from the particular type of products for that financial year (subject to adjustments as stated below), depending on the types of products as set out below.

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**Table 3: Brand promotion fee rate pursuant to
the Master Brand Promotion (2025-2027) Agreement**

Type of products	Brand promotion fee rate (% of the projected annual sales revenue of the Group in respect of the particular type of products)
TCL Brand products sold within the PRC (including sub-brand)	2.00%
TCL Brand products sold outside of the PRC (including sub-brand)	0.75%
Processing of OEM and ODM products	0.25%

The parties may determine a fixed annual amount of brand fee payable by the Group to TCL Industries Holdings for particular type(s) of products, which shall not exceed the brand promotion fee rate for the corresponding type of product as specified in the above table.

The said projected sales revenue of each financial year shall be determined by the Company prior to the commencement of that financial year. The parties shall review the brand promotion fee rates in every financial year according to the status of utilisation of brand promotion fee within the financial year, and may adjust the brand promotion fee rates for that financial year and/or the next financial year accordingly, provided that such adjustment must be mutually agreed by the Company and TCL Industries Holdings and subject to the relevant annual caps and other applicable requirements under the Listing Rules.

The above pricing policy shall also apply *mutatis mutandis* to brand promotion fee in relation to TCL Industries Holdings Brand, unless otherwise agreed between the parties, provided that in any event the respective promotion fee rate in relation to TCL Industries Holdings Brand shall not be higher than the above promotion fee rates.

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Our assessment of the principal terms

We have reviewed the Master Brand Promotion (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Brand Promotion (2022-2024) Agreement.

To assess the fairness and reasonableness of the pricing basis of the Master Brand Promotion (2025-2027) Agreement, we have obtained, reviewed and examined the projected sales of the relevant products of the Group for the three years ending 31 December 2027 and compared the projected brand promotion fee payable by the Group with similar arrangement and fee range in the market. Although no royalty fee is payable by the Group to the relevant members of TCL Industries Holdings Group for the use of TCL Brand and/or TCL Industries Holdings Brand pursuant to the Master Brand Promotion (2025-2027) Agreement, we consider such arrangement as similar to most royalty arrangements in the market which were entered into for the use of a connected person's trademark(s) for the promotion and sales of mutually agreed products and services, with sales being the main basis of determining the brand promotion fee. As such, we have identified seven comparable transactions contemplated under similar trademark licence/brand promotion agreements conducted by companies listed on the Stock Exchange during the past two years immediately preceding and up to the date of the Agreements (the "**Market Comparables**"). On the other hand, given that from our review, we noted that a lot of the trademark licensing agreements were entered into by pharmaceutical companies listed on the Stock Exchange to acquire technical know-how and data for their research and development of medical products, we consider those transactions as not comparable to the transactions contemplated under the Master Brand Promotion (2025-2027) Agreement as they were not entered into for marketing purposes. Accordingly, we have excluded them from our analysis.

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In selecting the Market Comparables, we have conducted a comprehensive review of trademark licence/brand promotion agreements among companies listed on the Stock Exchange over the past two years. While we found no directly comparable transactions within the display business sector, we have included companies from different industries listed on the Stock Exchange. We believe the inclusion of Market Comparables from different industries is fair and reasonable as (i) it captures a wider range of market practices and pricing mechanisms for trademark/brand promotion arrangements; (ii) these agreements share fundamental similarities in structure and purpose with the Master Brand Promotion (2025-2027) Agreement despite industry differences; and (iii) it provides a larger sample size, providing a more comprehensive basis for comparison. To the best of our knowledge, such list is exhaustive as far as we are aware. We consider that the trademark licence/brand promotion agreements of the Market Comparables were determined under similar market conditions and sentiment and hence reflect the general market trend of provision of trademark licence/brand promotion arrangements in the open market, and therefore we are of the view that the Market Comparables provide a general reference in assessing the fairness and reasonableness of the pricing basis adopted in the Master Brand Promotion (2025-2027) Agreement.

Table 4: Summarised principal terms of Market Comparables

Date of announcement	Stock code	Company	Nature of transaction	Royalty rate (%)	Royalty basis
30 March 2023	81	China Overseas Grand Oceans Group Limited	Right to use the trademarks in PRC for or in connection with the marketing and sale of its real estate developments.	1.00	Audited annual consolidated turnover
28 April 2023	753	Air China Limited	The grant of a non-exclusive license by the company to a connected person to use 83 registered trademarks of the company.	0.00	Audited annual revenue
30 October 2023	9863	Zhejiang Leapmotor Technology Company Limited	The grant of an exclusive license of the intellectual property and other rights by the company to a joint venture to sell and distribute products/services in the territories.	0.00	Net proceeds from the sale of mutually agreed products
30 October 2023	8107	Vision International Holdings Limited	The grant of non-exclusive right by a connected person to the group to use the anti-counterfeit related products in the designated territories.	3.00	Unit rate of the supply chain management solution

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Date of announcement	Stock code	Company	Nature of transaction	Royalty rate (%)	Royalty basis
31 July 2023	1691	JS Global Lifestyle Company Limited	The grant of the non-exclusive rights by a connected person to the group to obtain, produce and source, and the exclusive rights to distribute and sell products in the Asia Pacific Region and Greater China.	3.00	Net proceeds from the sale of mutually agreed products
3 June 2024	3306	JNBY Design Limited	The grant of the sole and exclusive right by a connected person to the group to operate the retail store of the brand at specified premises in PRC.	10.00	Monthly turnover (tax inclusive) of such specific retail operation
11 July 2024	984	AEON Stores (Hong Kong) Co., Limited	The grant of an exclusive right to the company to use the Hong Kong and Macau trademarks in relation to the business within Hong Kong and Macau, and a non-exclusive right to the company to use the PRC trademarks in relation to the business within the PRC.	0.25	Audited annual consolidated turnover and audited annual revenue in respect of the business
			Maximum	10.00	
			Minimum	0.00	
			Average	2.46	
			Median	1.00	
26 September 2024	1070	The Company	Manufacture and sales of TV and distribution of home appliances	0.25% to 2.00%	Projected annual sales revenue from mutually agreed products <i>(Note)</i>

Note: Subject to adjustments made with reference to the utilisation of the proposed annual cap for the last financial year and the amount of brand promotion fee paid to be carried forward to the upcoming financial year, if any

Source: website of the Stock Exchange

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We have reviewed the royalty/brand promotion rates (calculated based on revenue) charged in the Market Comparables, which ranged from 0.00% to 10.00% with an average rate of around 2.46%, and compared them to the projected brand promotion fee payable by the Group at 0.25% to 2.00% of the projected annual revenue of the Group. Based on our review, we noted that the highest percentage of brand promotion fee of 2.00% payable by the Group, is not only within the range of royalty/brand promotion rates of the Market Comparables, but also lower and hence more favourable than the market average of the royalty/brand promotion rates of these Market Comparables. It should also be noted that in addition to being granted the right to use the trademarks of a connected person like the Market Comparables, the Group will enjoy promotion activities provided by TCL Industries Holdings Group under the Master Brand Promotion (2025-2027) Agreement. Accordingly, we consider that the brand promotion fee rates payable by the Group cover more value than those royalty/brand promotion rates charged in the Market Comparables, and hence we are of the view that the fees payable by the Group to the relevant members of TCL Industries Holdings Group would be comparable to, or no less favourable than, such market prices and that the pricing basis adopted in the Master Brand Promotion (2025-2027) Agreement is fair and reasonable.

We are also aware that the royalty basis for the Market Comparables is audited revenue or net proceeds from the sale of mutually agreed products, whereas the fee basis for the Company is projected annual revenue from mutually agreed products. We attribute such difference to the fact that value-added service, i.e., promotion activities provided by TCL Industries Holdings Group, is provided under the Master Brand Promotion (2025-2027) Agreement but not in the Market Comparables. From our discussion with the Company, we understand that TCL Industries Holdings requires the Company to pay the brand promotion fee in advance as such fee serves as a promotion fund held by TCL Industries Holdings for the advertisement, promotion, management and maintenance of TCL Brand and/or TCL Industries Holdings Brand. Given the promotion activities to be provided by TCL Industries Holdings Group and the expenses thereof to be borne by it, we consider that it is fair and reasonable for the Company to determine the annual brand promotion fee based on the projected annual sales revenue from mutually agreed products and pay such fee to TCL Industries Holdings Group in advance prior to the commencement of the coming financial year.

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We have reviewed the projected annual sales revenue from mutually agreed products prepared by the Company and noted that it was arrived at based on the historical sales record of similar products and the sales plan of the Group in the coming three years. Although the annual brand promotion fee is determined in advance based on the projected annual sales revenue for the coming financial year, we noted that in order to ensure that the rates of brand promotion fee are reasonable as a reimbursement of branding expenses by TCL Industries Holdings Group and as an investment of the Group with reference to the value and benefits brought by such promotion activities, the parties shall review the brand promotion fee rates in the last month of every financial year based on the utilisation of the annual brand promotion fee for the current year and make adjustments to the projected annual brand promotion fee accordingly (for example, if the actual branding expenses by TCL Industries Holdings Group in the current year are less than the current-year annual brand promotion fee, the annual brand promotion fee for the coming financial year may be adjusted as there remains surplus in the promotion fund held by TCL Industries Holdings).

Given that the Company would be informed of the promotion expenses to be incurred by TCL Industries Holdings Group and hence be able to use such information to negotiate and adjust the annual brand promotion fee with TCL Industries Holdings for the coming financial year, we consider that there exists a mechanism to ensure that the Company will be provided with the same amount of promotional value from TCL Industries Holdings through the right to use the TCL Brand and/or TCL Industries Holdings Brand and TCL Industries Holdings' provision of promotion activities. Coupled with our review of the internal control measures adopted by the Group as discussed in the below section headed "Internal control measures" of this letter, we are of the view that the terms and the price determination of the Master Brand Promotion (2025-2027) Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(v) *Master Photovoltaic (2025-2027) Agreement*

Set out below are the principal terms for Construction Services, Operation and Maintenance Services, Quality Guarantee and Guarantee Arrangements conducted under the Master Photovoltaic (2025-2027) Agreement. For details on the terms of the Master Photovoltaic (2025-2027) Agreement, please refer to the section headed "RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS" in the Board Letter.

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Construction Services

Pursuant to the Master Photovoltaic (2025-2027) Agreement, members of the Group may at its absolute discretion decide whether to provide Construction Services to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group.

Subject to the consent of the relevant member of TCL Industries Holdings Group (and if the third party directly engages members of the Group to provide Construction Services for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group, it shall also be subject to the consent of the relevant third party, where applicable), 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 Master Photovoltaic (2025-2027) 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 Master Photovoltaic (2025-2027) Agreement shall be determined upon negotiation between the relevant member of the Group on the one part, and the relevant member of TCL Industries Holdings Group and/or the relevant third party on the other part; thereafter, relevant members of the Group and TCL Industries Holdings Group shall, based on transaction structure and with reference to arrangements of similar transactions in the market, arrange individual agreement(s) be entered into among (A) (in case of provision of Construction Services by members of the Group to members of TCL Industries Holdings Group) between relevant member(s) of the Group and TCL Industries Holdings Group or (B) (in case of provision of Construction Services by members of the Group to third parties for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group) (i) relevant member(s) of the Group and relevant third party(ies) or (ii) relevant member(s) of the Group and relevant member(s) of TCL Industries Holdings Group, jointly or singly, on the one part, with relevant third party(ies) on the other part. The terms of such individual agreements shall be consistent with the Master Photovoltaic (2025-2027) 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.

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Operation and Maintenance Services

Pursuant to the Master Photovoltaic (2025-2027) Agreement, members of the Group may at its discretion decide whether to provide Operation and Maintenance Services to the relevant member of TCL Industries Holdings, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group. The members of the Group shall provide appropriate Operation and Maintenance Services based on the characteristics of the photovoltaic facilities/equipment (including factors such as geographical environment and lighting environment).

The terms and conditions (including service fees, payment terms and scope of work, etc.) of any Operation and Maintenance Services conducted pursuant to the Master Photovoltaic (2025-2027) Agreement shall be determined upon negotiation between the relevant member of the Group on the one part, and the relevant member of TCL Industries Holdings Group and/or the relevant third party on the other part; thereafter, relevant members of the Group and TCL Industries Holdings Group shall, based on transaction structure and with reference to arrangements of similar transactions in the market, arrange individual agreement(s) be entered into among (A) (in case of provision of Operation and Maintenance Services by members of the Group to members of TCL Industries Holdings Group) between relevant member(s) of the Group and TCL Industries Holdings Group or (B) (in case of provision of Operation and Maintenance Services by members of the Group to third parties for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group) (i) relevant member(s) of the Group and relevant third party(ies) or (ii) relevant member(s) of the Group and relevant member(s) of TCL Industries Holdings Group, jointly or singly, on the one part, with relevant third party(ies) on the other part. The terms of such individual agreements shall be consistent with the Master Photovoltaic (2025-2027) 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.

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Quality Guarantee

Pursuant to the Master Photovoltaic (2025-2027) Agreement, if requested by the counterparty, and if the relevant members of the Group consider it appropriate at its absolute discretion after considering the relevant transaction structure and taking into account the arrangements for similar transactions in the market (for example, but not limited to, where members of TCL Industries Holdings Group obtain financing from third-party financial institutions in the form of finance lease or other kind of financing to engage members of the Group to provide Construction Services and/or Operation and Maintenance Services, whereas the income from relevant photovoltaic power generation facilities/equipment is to be used to cover relevant lease payments or repay financing indebtedness), members of the Group, as the seller, person in charge of construction and/or operation and maintenance as well as guarantor in respect of the relevant photovoltaic power generation facilities/equipment, may provide guarantee in respect of the power generation capacity of the relevant photovoltaic power generation facilities/equipment (“**Quality Guarantee(s)**”). Members of the Group may take into account all relevant factors (including geographical environment, lighting environment and duration, scale and specifications of photovoltaic power generation facilities/equipment, etc.) to determine the appropriate guaranteed power generation capacity. In this case, (i) members of the Group may be required to bear Deficiency Replenishment Guarantee Obligation and/or (ii) the fees charged by members of the Group in respect of Operation and Maintenance Service may be determined or adjusted based on the fulfilment of the Quality Guarantee(s) (please refer to the paragraph “Pricing policy and basis of price determination” below). The relevant details should be set out in the individual agreements.

Guarantee Arrangements

Pursuant to the Master Photovoltaic (2025-2027) Agreement, members of TCL Industries Holdings Group may obtain financing from third-party financial institutions through financial leases or other kind of financing to engage members of the Group to provide Construction Services and/or Operation and Maintenance Services whereas the income from relevant photovoltaic power generation facilities/equipment is to be used to cover relevant financial lease payments or repay financing indebtedness. In this case, members of TCL Industries Holdings Group and/or relevant Financial Institutions may estimate the income that could be generated by the relevant photovoltaic power generation facilities/equipment with reference to and based on the Quality Guarantee(s) provided by members of the Group. In this case, the members of the Group (as the seller, person in charge of construction and/or operation and maintenance as well as guarantor in respect of the relevant photovoltaic power generation facilities/equipment) shall comply with the Quality Guarantee(s) to ensure that the actual power generation capacity shall not be less than the guaranteed power generation capacity as agreed in

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the individual agreements, thereby ensuring that the income from the relevant photovoltaic power generation facilities/equipment is sufficient to cover the relevant financial lease payments or repay financing indebtedness.

If requested by the relevant member of TCL Industries Holdings Group, and if the relevant member of the Group considers it appropriate at its absolute discretion after considering the relevant transaction structure and taking into account similar transactions in the market (for example, but not limited to, where members of TCL Industries Holdings Group obtain financing from Financial Institutions in the form of finance lease or other kind of financing to engage members of the Group to provide Construction Services and/or Operation and Maintenance Services whereas the income from relevant photovoltaic power generation facilities/equipment is to be used to cover relevant lease payments or repay financing indebtedness), the relevant member of the Group may, in order to secure the payment/repayment obligations on the part of the relevant member of TCL Industries Holdings Group, (a) assume guarantee liability in respect of such payment/repayment obligation owed by the relevant member of TCL Industries Holdings Group to the Financial Institutions (“**Deficiency Replenishment Guarantee Obligation**”) and/or (b) pay to the Financial Institutions a specified percentage of the finance amount as lease deposit or financing deposit (“**Deposit**”) (*Note*). The form, terms and conditions of the Deficiency Replenishment Guarantee Obligation and the payment, offset and discharge of Deposits (as the case may be), and other relevant terms and conditions such as but not limited to the specific events which trigger Deficiency Replenishment Guarantee Obligation, the term of guarantee, the priority of repayment shall be set out in the individual agreements before the commence of the transactions contemplated under the Master Photovoltaic (2025-2027) Agreement, provided that:

- (i) if the income generated by the relevant photovoltaic power generation facilities/equipment (“**Photovoltaic Power Income**”) is insufficient to pay (and if the relevant member of TCL Industries Holdings Group is also unable to pay) the relevant lease payment or financing indebtedness due and payable in any period (“**Payment Due**”), the relevant Financial Institution shall have the right to elect to either (a) transfer and apply all or part of the relevant Deposits (if any) for payment of the remaining balance of relevant Payment Due (“**Payment Due Balance**”) (the relevant Financial Institution may request the relevant member of the Group to replenish Deposits pursuant to the terms of the individual agreement); or (b) request the relevant member of the Group as guarantor to pay the remaining balance of Payment Due Balance and/or pay and/or replenish Deposits; and

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- (ii) if there is any event which adversely affects the due and punctual performance of the obligation of the relevant member of the Group and/or the relevant member of TCL Industries Holdings under the individual agreement, and/or otherwise in the reasonable opinion of the relevant Financial Institution, the relevant member of TCL Industries Holdings Group and/or the relevant member of the Group, adversely affects in the long term the relevant Photovoltaic Power Income (details of such events shall be agreed among the relevant member of the Group, the relevant Financial Institution and the relevant member of TCL Industries Holdings Group and set out in the individual agreement), then the relevant Financial Institution shall be entitled to require the relevant member of TCL Industries Holdings Group to pay forthwith all outstanding lease payment or financing indebtedness (whether due and payable or not) (“**Aggregate Arrears**”) within the period agreed in the individual agreement, and if the relevant member of TCL Industries Holdings Group fails to repay the Aggregate Arrears in full and on time as required by the relevant Financial Institution, the relevant member of the Group shall be liable to make up the balance of Aggregate Arrears, for the avoidance of doubt, the aforesaid arrangement does not prejudice the rights and entitlements of the relevant member of the Group against the relevant member of TCL Industries Holdings Group in respect of the performance of Deficiency Replenishment Guarantee Obligation.

Note: Given the construction of photovoltaic power generation facilities/equipment involves substantive capital commitment, it is common market practice that the persons engaging such constructions will obtain financing to support such construction, whereas there will be arrangement that the income from relevant photovoltaic power generation facilities/equipment will be used to cover relevant lease payments or repay financing indebtedness. Accordingly, where the Deficiency Replenishment Guarantee Obligation is concerned, such financing obtained by members of TCL Industries Holdings Group shall be for the main purpose of construction of photovoltaic power generation facilities/equipment by members of the Group and there shall be arrangement that the income from relevant photovoltaic power generation facilities/equipment shall be used to cover relevant lease payments or repay financing indebtedness and the Group will only be required to bear the shortfall arising from insufficient power generation capacity but not otherwise.

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Pricing policy and basis of price determination

As stated in the Board Letter and pursuant to the Master Photovoltaic (2025-2027) Agreement, the terms and conditions (including but not limited to service fees) of the Construction Services and Operation and Maintenance Services offered to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group by the relevant member of the Group shall be no more favourable than those offered to Independent Third Parties by the relevant member of the Group and shall be on normal commercial terms. Each individual agreement shall be negotiated on arm's length basis.

In determining whether the overall terms and conditions offered to the relevant member of TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group by the relevant member of the Group are no more favourable than those offered to Independent Third Parties by the relevant member of the Group, 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 to Independent Third Parties in the market by the relevant members of the Group as at the time when the individual agreement is entered into.

If the Group does not offer identical, comparable or similar services to Independent Third Parties, the Group will consider the impact of the transactions on the profitability of the Group, and in any event the Group shall only offer the Construction Services and Operation and Maintenance Services to TCL Industries Holdings Group, for the benefit of members of TCL Industries Holdings Group or at the request of members of TCL Industries Holdings Group if it is in the interest of the Group and the Shareholders as a whole to do so.

If members of the Group provide Quality Guarantee, and if the counterparty requests, and if the relevant members of the Group consider it appropriate at its absolute discretion after considering the relevant transaction structure and taking into account the arrangements for similar transactions in the market (see example of situation set out in the paragraph Quality Guarantee above), relevant members of the Group may further agree with relevant members of TCL Industries Holdings Group and/or relevant third party (as the case may be) that the fees for the Operation and Maintenance Services may be determined or adjusted with reference to the Quality Guarantee, with details to be set out in the individual agreements, for instance (but not limited to):

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- (i) If in a power generation capacity assessment period, the actual power generation capacity is lower than the guaranteed power generation capacity, and the relevant member of the Group fails to perform Deficiency Replenishment Guarantee Obligation punctually as agreed, the counterparty may be entitled to directly offset such unpaid sum from the subsequent fees payable to the relevant member of the Group in respect of Operation and Maintenance Services in accordance with the relevant individual agreement; and
- (ii) If in a power generation capacity assessment period, the actual power generation capacity is higher than the guaranteed power generation capacity, the counterparty may share the benefit derived from the surplus of power generation capacity with the relevant member of the Group in accordance with the relevant individual agreement.

Our assessment of the principal terms

We have reviewed the Master Photovoltaic (2025-2027) Agreement and have discussed with the management of the Company the major terms thereof, and we noted that the terms thereof are incorporated substantially from the Master Photovoltaic Power Construction Services (2022-2024) Agreement, save and except that the scopes of Operation and Maintenance Services and Construction Services are expanded and guarantee arrangement is added. Further, the Group is not obliged to provide the relevant services or engage the relevant members of TCL Industries Holdings Group for the provision of the relevant services. If the relevant member of the Group provides the relevant members of TCL Industries Holdings Group for the provision of the relevant services, it shall be conducted based on arm's length negotiation and normal commercial terms that are no more favourable than those offered to Independent Third Parties by the relevant member of the Group.

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In determining whether the pricing basis adopted in the Master Photovoltaic (2025-2027) Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, we have obtained, reviewed and examined five contracts for providing Construction Services and five contracts for providing Operation and Maintenance Services made between the Group and TCL Industries Holdings Group from 2022 to August 2024. In our review of the five contracts for providing Construction Services, we noted that the price per watt offered by the Group was within the range of RMB3.60-4.56, with an average of RMB4.10. We have also compared them with other five contracts for similar services provided to Independent Third Parties, and the comparison shows that the price per watt offered to Independent Third Parties by the Group was also within the same range as mentioned before. Further, we noted from the “China photovoltaic industry development roadmap (2023-2024)” report published by CPIA¹, an official organisation of the photovoltaic industry in China that, the average cost of building an industrial and commercial photovoltaic system is around RMB3.18 per watt in 2023. Considering that the average price per watt charged by the Group is higher than the market cost, we are of the view that the price for providing Construction Services from the Group to TCL Industries Holdings Group is fair and reasonable. We have also compared the five contracts for providing Operation and Maintenance Services by the Group to TCL Industries Holdings Group with other five contracts for similar services provided to Independent Third Parties, we noted that the service fee charged by the Group ranged from RMB0.040 to RMB0.055 per watt with average of RMB0.047, which is no less favourable than the range from RMB0.040 to RMB0.050 with average service fee of RMB0.045 per watt offered to Independent Third Parties by the Group. As such, we are of the view that the service fee for providing Operation and Maintenance Services by the Group to TCL Industries Holdings Group is fair and reasonable.

Meanwhile, in order to assess the fairness and reasonableness of the terms of the Guarantee Arrangements under the Master Photovoltaic (2025-2027) Agreement, we have obtained and reviewed five contracts involving guarantee arrangements where the Group offers Construction Services and/or Operation and Maintenance Services to TCL Industries Holdings Group, and compared them to five sample contracts for similar services offered by the Group to Independent Third Parties. Based on our review, we noted that the terms of the contracts, including the guarantee period, liabilities, fees, and other items of quality guarantee, with TCL Industries Holdings Group are comparable to the terms of the sample contracts with Independent Third Parties.

¹ Please refer to the report published by China Photovoltaic Industry Association ((CIPA)中國光伏行業協會), an official organisation of the photovoltaic industry in China, at http://www.chinapv.org.cn/Industry/resource_1380.html

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In light of the above and our review of the internal control measures adopted by the Group as discussed in the below section headed “Internal control measures” of this letter, we are of the view that the terms of and the price determination in the Master Photovoltaic (2025-2027) Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. Internal control measures

To ensure that the terms of Master Sale and Purchase (2022-2024) Agreement and each of the Agreements (for both receivable and payable transactions) are on normal commercial terms and terms no less favourable to the Group than those offered by Independent Third Parties, the Group has adopted a set of comprehensive internal control measures (the “**Internal Control Measures**”). Please refer to the section headed “INTERNAL CONTROL PROCEDURES AND PRICING POLICIES” in the Board Letter for details on the respective internal control procedures and pricing policies adopted for Master Sale and Purchase (2022-2024) Agreement and each of the Agreements. The following is a summary of these internal control procedures and pricing policies.

- (i) The Group will periodically collect market information from connected persons and Independent Third Parties and enter such information into its internal database. Whilst the intervals of data collection vary for different type of transactions, the market information is generally collected quarterly, whereas market information in respect of transactions which are carried out by tender will be collected in the course of the transactions. The Company considers that generally collecting market information quarterly is adequate because the overall business of the Group is stable and without substantial variations. The relevant operational departments of the Group will, before the Group enters into any transactions contemplated under, or enter into any sub-contract pursuant to, an agreement for continuing connected transactions, compare the terms offered by the relevant connected person with the market data in its internal database, which is updated periodically, 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. For details on the Internal Control Measures for each of the agreements below, please refer to the section headed “Internal control procedures and pricing policies” in the Board Letter;

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Master Sale and Purchase (2022-2024) Agreement and Master Sale and Purchase (2025-2027) Agreement

- a) The Group will set up periodic targets for Sourcing of TCL Associates Products and Sale of Electronics Products respectively by projecting the approximate amount of sales and purchase with TCL Industries Holdings Group, which will be subject to review from time to time depending on the circumstances such as the Group's performance and overall market conditions. The relevant sales unit and purchase unit of the Group will from time to time compare the actual figures against the sales target and purchase targets in general and will make necessary adjustment for the sales and purchase from TCL Industries Holdings Group for the remaining period;

- b) For Sourcing of TCL Associates Products, upon receiving purchase request for TCL Associates Products from the relevant department of the Group, the procurement department of the Group will compare the price offered for the TCL Associates Products with the price offered for comparable products or, if no quotation for comparable products is available, similar products from at least two Independent Third Party suppliers (if available) and make an overall assessment of the terms of supply by such suppliers, including the quality of the products, past history of dealing with such suppliers (if any), payment terms and price, to ensure that the transactions would be conducted in accordance with the terms of the Master Sale and Purchase (2022-2024) Agreement and the Master Sale and Purchase (2025-2027) Agreement. To the extent where there are no similar or comparable products from Independent Third Party suppliers, the procurement department will obtain quotation information from TCL Industries Holdings Group to ensure that the prices of TCL Associates Products offered by TCL Industries Holdings Group to the Group shall be no higher than those offered by TCL Industries Holdings Group to Independent Third Parties. The Group will consider whether to purchase TCL Associates Products from TCL Industries Holdings Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties; (ii) quality of products and timeliness of supply; and (iii) the impact to the profitability of the Group and the Group shall only purchase TCL Associates Products from TCL Industries Holdings Group if it is in the interest of the Shareholders and the Group to do so; and

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- c) For the Sale of Electronics Products, the sales and marketing team reviews the orders, and checks with relevant units (including production, research and development, product plan control, procurement) for production capacity, production cost, pricing, production lead time and confirms or negotiates the terms with customers. The price will then be submitted to management for approval. The Group would only accept orders from TCL Industries Holdings Group for Sale of Electronics Products when, in accordance with the results of the overall assessment of a basket of factors (including but not limited to price, payment terms, credit terms, sales expenses, logistics and storage expenses and whether the sale is in line with the business line, brand development, overall strategy and planning of the Group), TCL Industries Holdings Group can offer terms of purchase for the Electronics Products which are no less favourable to the Group than those offered by Independent Third Parties for identical, comparable or similar products (as the case may be). Under the Group's pricing model for the Sales of Electronics Products, the per unit selling price of the Electronics Products is determined with reference to the target price offered by individual customers together with the raw material cost, direct labour cost, manufacturing overhead and the gross profit margin for the Group, and the weight of each factor will vary from order to order based on negotiations with its customers. The Group will consider whether to sell Electronics Products to TCL Industries Holdings Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties; (ii) the business strategy of the Group such as brand development and competition for market share; and (iii) the impact to the profitability of the Group and the Group shall only sell Electronics Products to TCL Industries Holdings Group if it is in the interest of the Shareholders and the Group to do so. Nevertheless, the margin that the Company charges may vary during the term of the Master Sale and Purchase (2022-2024) Agreement and the Master Sale and Purchase (2025-2027) Agreement depending on factors such as market circumstances, customer relationship, credit granted, product specifications, transportation and mode of delivery, production cost, licensing cost, etc.

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Master Services (2025-2027) Agreement

- a) In respect of Services provided to/by the Group by/to TCL Industries Holdings Group, in order to maintain a fair assessment of the overall terms, the Group will obtain quotations for comparable services or, in the absence of quotation for comparable services, similar services from at least two Independent Third Parties (whom the Group considers can provide the required services of satisfactory quality and at satisfactory standard) (if available), when a member of the Group requires Services from, or is requested to provide Services to, TCL Industries Holdings Group, to make sure that the Service Fees to be paid under the contract for Services are not higher than those offered to the Group by Independent Third Parties under prevailing local market conditions; and that the Service Fees to be received under the contract for Services are not lower than those received from Independent Third Parties under prevailing local market conditions. If there were no similar or comparable services from Independent Third Parties, the Group will obtain quotation information from TCL Industries Holdings Group to ensure that the prices offered by TCL Industries Holdings Group to the Group shall be no less favourable than those offered by TCL Industries Holdings Group to Independent Third Parties. As disclosed in paragraph (iv) of the section headed “General internal control procedures and pricing policies” in the Board Letter, 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, among others, the overall terms and conditions (including prices and payment terms) are no less favourable to the Group than those offered by Independent Third Parties, and separate approval from the internal control unit and the legal department is required before the continuing connected transactions can be carried out.
- b) The Group would also from time to time identify further Independent Third Parties who, as it considers, are capable of providing the required services of satisfactory quality and at satisfactory standard and obtain quotations for the required Services from them upon identification and repeated periodically.

Master Financial (2025-2027) Agreement

- a) The finance department of the Group has a team of designated financial staff and adopted a sound and independent audit system;
- b) Before entering into individual transactions under the Master Financial (2025-2027) Agreement, the Company’s treasury department will, in addition to monitoring the pricing terms (as disclosed below), also examine other terms of the transactions to ensure that the terms conform with the Master Financial (2025-2027) Agreement;

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- c) The Group has implemented risk control measures, which include but are not limited to, (a) requesting the relevant member of Qualified Holdings Group and/or Finance Company (HK) to provide the Group with sufficient information including various financial indicators, such as their asset sizes, liquidity ratios, level of bad assets and their risk ratings assessed by the PBOC (if and when available), as well as annual and interim financial statements to enable the Group to monitor and review their financial condition; (b) taking appropriate measures to protect the Group's financial position, should the Group consider that there is any material adverse change in the financial condition of the relevant member of Qualified Holdings Group and/or Finance Company (HK); (c) requesting to withdraw the deposits (either in full or in part) with Qualified Holdings Group and/or Finance Company (HK) at its sole discretion so as to assess and ensure the liquidity and safety of the Group's deposits; and (d) requiring TCL Industries Holdings to repay any outstanding deposits, loans or transaction amount (as the case may be) on behalf of the relevant member of Qualified Holdings Group and/or Finance Company (HK) (as the case may be) if any of the latter fails to make any repayment in accordance with the relevant terms and procedure;
- d) The Group has implemented internal control measures, which include but are not limited to, (a) having the treasury department of the Group to monitor the maximum daily balance of the deposits, loans and value of security on a daily basis to ensure that the aggregate deposits, loans and aggregate value of security do not exceed the applicable annual caps; (b) having the treasury department to monitor and examine, in addition to the pricing terms as mentioned in the next paragraph, other terms of the transactions to ensure that they conform with the Master Financial (2025-2027) Agreement; (c) having the relevant member of Qualified Holdings Group and/or Finance Company (HK) to provide the Group with a monthly report on the status of the Group's deposits; (d) having the finance department of the Group to provide a monthly report on the status of the Group's loans to Qualified Holdings Group; (e) entering into all transactions under Master Financial (2025-2027) Agreement with the relevant member of Qualified Holdings Group and/or Finance Company (HK) only on a non-exclusive basis and subject always to the Group's pricing policies; (f) having the management of the Group to conduct quarterly assessments on risk of (i) the funds deposited with the relevant member of Qualified Holdings Group and/or Finance Company (HK); (ii) the loans advanced to Qualified Holdings Group and/or Finance Company (HK); (iii) the Financing Services obtained and the value of security provided by the Group; and (iv) the aggregate amount of Foreign Exchange Transactions entered into by the Group, and to report to the Board every year with respect to the transactions under the Master Financial (2025-2027) Agreement including the utilisation rate of annual caps and any potential change in the risk profile of the relevant member of Qualified Holdings Group and/or Finance Company (HK); (g) having the Company's audit committee

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to scrutinize the implementation and enforcement of the transactions under the Master Financial (2025-2027) Agreement and taking appropriate steps to implement the audit committee's decisions; and (h) disclosing material findings in the aforementioned risk assessment reports and the views and decisions of the Company's audit committee in the Company's annual reports; and

- e) The Group has implemented pricing related internal control measures, which involves obtaining quarterly benchmarks (such as prevailing market interest rates in respect of the various services under the Master Financial (2025-2027) Agreement, including but not limited to the deposit and lending interest rates and foreign currency exchange rate stipulated by the major commercial banks and/or the PBOC) during the term of the Master Financial (2025-2027) Agreement and will make timely adjustments to the pricing when major changes occur in the market, in order to determine the best interest rates/fees most favourable to the relevant member of the Group under the Master Financial (2025-2027) Agreement. The benchmarks will set the bottom line for members of the Group in the negotiation process. The head of the treasury department of the Company would have the right to make decisions as to whether to enter into transactions with the relevant member of Qualified Holdings Group and/or Finance Company (HK) at the negotiated interest rates/exchange rates/fees provided that such interest rates/exchange rates/fees comply with the terms of the Master Financial (2025-2027) Agreement.
- f) The relevant member of Qualified Holdings Group and Finance Company (HK) will maintain segregated accounts for holding funds received from the Group under Deposit Services to ensure that such funds will be segregated from fund received from the Group under Credit Services and from such party's own fund.

Master Brand Promotion (2025-2027) Agreement

- a) In respect of the brand promotion arrangement to be entered into between the Group and TCL Industries Holdings, the annual amount of the brand promotion fee payable by the Group to TCL Industries Holdings shall range from 0.25% to 2.00% of the projected annual sales revenue of the Group for the current financial year depending on the types of products and the usage of the brand promotion fee. The major terms were determined with reference to a basket of factors, including, (i) the significance of the TCL Brand and/or TCL Industries Holdings Brand to the particular type of products especially the Group's all-category marketing business was conducted under TCL brands, promoting significant growth in scale through synergistic effects; (ii) the difference in terms of promotion scale within and outside the PRC; (iii) the proportion of the revenue of the Group to that of TCL Industries Holdings from the sales of products covered by the Master Brand Promotion (2025-2027) Agreement; (iv)

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the anticipated amount of branding expenses to be incurred by TCL Industries Holdings; (v) the expected growth in sales of the Group derived from the brand promotion activities carried out by TCL Industries Holdings Group; and (vi) whether the rate of brand promotion fee is reasonable as a reimbursement of the branding expenses of TCL Industries Holdings Group and as an investment of the Group with reference to the value and benefits brought by such promotion activities.

- b) Any variation of the brand promotion fee rates must be approved by the management of the Group, which would consider the effect of such variation based on the projected financial performance of the Group and the proposed annual caps for the remaining term of the Master Brand Promotion (2025-2027) Agreement and the reasons for the variation. Once there is a likelihood that the variation will render the relevant annual cap being exceeded, the relevant department will report to the management immediately. The Group will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual cap in accordance with the relevant requirements of the Listing Rules.

Master Photovoltaic (2025-2027) Agreement

- a) In respect of the Construction Services and/or Operation and Maintenance Services provided by the Group to the TCL Industries Holdings Group, and to the extent where there are no similar or comparable services enter between the Group and Independent Third Parties, the Group will obtain quotation information from TCL Industries Holdings Group to ensure that the prices payable by TCL Industries Holdings Group to the Group shall be no less favourable than those payable by TCL Industries 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.
- b) Under the Quality Guarantee, the Group is required to provide guarantee in favour of the relevant members of TCL Industries Holdings Group to secure the due performance of the photovoltaic power generation facilities/equipment, which links up to the relevant payment obligation of the relevant members of TCL Industries Holdings Group. The guarantee obligation will usually only arise if the Photovoltaic Power Income is insufficient to pay the amount payable by the relevant member of TCL Industries Holdings Group to the lessor under the individual agreements. Accordingly, in order to minimise the Group's exposure to the potential risk associated with the guarantee provided by the Group, the Group will conduct a series of assessments before the Group enters into individual

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agreements with the lessor to ensure that sufficient income can be generated from the relevant photovoltaic power generation facilities/equipment. Such assessment may include conducting on-site survey of the properties on which the photovoltaic power facilities are expected to be installed. The Group will take photos of the properties to form a preliminary view of the suitability of the properties for installing photovoltaic power facilities, followed by a formal field visit to inspect and evaluate factors which may affect the electricity income from the photovoltaic power facilities, 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 Group will only enter into individual agreements after the Group has been satisfied about the title to, ownership of and suitability of the properties for installing photovoltaic power generation facilities/equipment.

- (ii) 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 have sufficient room under the annual caps for carrying out the relevant continuing connected transactions. The finance department and/or business division would conduct review on the continuing connected transactions as follows, (i) the supervisor of the relevant business division will review whether the continuing connected transactions of the Group have been carried out by the relevant business division in accordance with the terms of the relevant agreement and the Company's pricing policy on a quarterly basis; and (ii) the finance department will review the amount of the transactions 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 on a monthly basis. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, it would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions. The Company considers that reviewing item (i) above on a quarterly basis is sufficient because, as explained in paragraph (iv) below, the internal control unit and the legal department of the Group will monitor all continuing connected transactions before they are entered into, whereas the review by the supervisor of the relevant business division serves as additional safeguard; and reviewing item (ii) above on a monthly basis is sufficient because the Group will project the transaction amount for each month in advance and the deviation between the actual and the estimated transaction amount in a single month is not expected to be very substantial, and in any event, the finance department will heighten scrutiny when the relevant annual caps are almost fully utilised;

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- (iii) 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 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 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 thereof;
- (iv) The auditors of the Group will conduct an annual review on the pricing and the annual caps of the Non-exempt Transactions and Revised 2024 Sale Annual Cap; and
- (v) The independent non-executive Directors will conduct an annual review of Non-exempt Transactions and Revised 2024 Sale Annual Cap to ensure that such transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In considering whether the Internal Control Measures which the Group has been adopting as set out above are adequate and effective, we have performed walkthrough of the internal control system on the Non-exempt Transactions and Revised 2024 Sale Annual Cap and obtained relevant supporting documents including, amongst others, supporting documents regarding (i) the transactions entered into between the Group and the relevant connected person, which we have used to compare with the similar transactions with Independent Third Parties as discussed in the above section headed “Principal terms of the Non-exempt Transactions and our assessment thereof” of this letter; (ii) the aforementioned risk assessment reports; (iii) information on the minimum interest rate promulgated by the PBOC and offered by independent financial institutions in the place where the relevant TCL Electronics Qualified Member is located; (iv) information on the interest rates for the same type of deposits offered by the members of Qualified Holdings Group and/or Finance Company (HK) to any other members of the Group; (v) the approvals from the finance department, treasury department and/or internal control department; and (vi) records of the actual transaction amount incurred. Based on our review of this information and examination of the internal control system, we are satisfied that the internal control procedures have been properly maintained by the Group and that the transactions were conducted on normal commercial terms with terms comparable to, or no less favourable than, the terms offered by Independent Third Parties.

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We also noted from the 2023 Annual Report that annual reviews of the continuing connected transactions contemplated under the Existing Agreements have been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors had reviewed and confirmed that the continuing connected transactions contemplated thereunder were entered into, among other things, (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) either on normal commercial terms or terms no less favourable to the Group than those available from Independent Third Parties. The 2023 Annual Report also confirms that the Company's auditors had issued the relevant letters to the Company pursuant to Chapter 14A of the Listing Rules that the continuing connected transactions were conducted in accordance with their terms and that the proposed annual caps were not exceeded. Furthermore, the Non-exempt Transactions and Revised 2024 Sale Annual Cap will, pursuant to the Listing Rules, continue to be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual reports and annual confirmation by the auditors of the Company.

Given that (i) the continuing connected transactions under the Existing Agreements have been conducted in accordance with their terms; (ii) the Non-exempt Transactions and Revised 2024 Sale Annual Cap will continue to be compared with the terms of similar services or transactions offered by Independent Third Parties to ensure that the relevant engagements will be conducted on normal commercial terms; (iii) there is an appropriate segregation of duties in the approval process in each of the transactions and engagements; (iv) a monitoring system is in place with the finance department of the Group to ensure that the annual caps are not exceeded from time to time; and (v) the pricing and the proposed annual caps of the Non-exempt Transactions and Revised 2024 Sale Annual Cap will be reviewed annually by the auditors, the internal audit department and the independent non-executive Directors, we are satisfied that the Internal Control Measures are adequate and effective in ensuring the Non-exempt Transactions and Revised 2024 Sale Annual Cap will be entered into on normal commercial terms and are comparable to, or no less favorable than, the market rates and that there is an effective operating system in place to monitor the annual caps.

5. Historical transaction amounts and proposed annual caps

The following table sets out the respective historical figures of the continuing connected transactions as described above for the two years ended 31 December 2023 and the eight months ended 31 August 2024.

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Table 5: Historical transaction amounts of relevant continuing connected transactions

	For the year ended 31 December 2022 (audited) (for actual amount only) <i>HK\$'000</i>	For the year ended 31 December 2023 (audited) (for actual amount only) <i>HK\$'000</i>	For the eight months ended 31 August 2024 (unaudited) (for actual amount only)/ For the year ending 31 December 2024 (for historical annual cap only) <i>HK\$'000</i>
Continuing connected transactions			
<i>Master Sale and Purchase (2022-2024) Agreement</i>			
<u>Sourcing of TCL Associates Products</u>			
- Historical annual cap	13,508,055	18,335,883	23,242,820
- Actual	6,374,601	8,124,109	8,604,613
- Utilisation	47.19%	44.31%	37.02%
<u>Sale of Electronics Products</u>			
- Historical annual cap	9,002,689	9,756,534	10,666,695
- Actual	8,265,125	9,307,561	6,361,539
- Utilisation	91.81%	95.40%	59.64%
<i>Master Services (2022-2024) Agreement</i>			
<u>Service Fees to be paid by the Group</u>			
- Historical annual cap	1,885,609	2,164,064	2,456,792
- Actual	1,052,036	1,624,092	1,168,226
- Utilisation	55.79%	75.05%	47.55%
<u>Service Fees to be received by the Group</u>			
- Historical annual cap	410,985	505,104	625,617
- Actual	162,374	108,796	186,116
- Utilisation	39.51%	21.54%	29.75%

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	For the year ended 31 December 2022 (audited) (for actual amount only) <i>HK\$'000</i>	For the year ended 31 December 2023 (audited) (for actual amount only) <i>HK\$'000</i>	For the eight months ended 31 August 2024 (unaudited) (for actual amount only)/ For the year ending 31 December 2024 (for historical annual cap only) <i>HK\$'000</i>
Continuing connected transactions			
 <i>Master Financial (2022-2024) Agreement</i>			
<u>Deposit Services</u>			
Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)			
- Historical annual cap	2,328,300	3,026,790	3,934,827
- Actual	2,252,750	2,448,562	3,534,020
- Utilisation	96.76%	80.90%	89.81%
 <u>Credit Services</u>			
Maximum daily balances of outstanding loans (including interest receivables in respect of these loans)			
- Historical annual cap	4,550,000	5,915,000	7,689,500
- Actual	4,120,737	4,420,153	3,171,125
- Utilisation	90.57%	74.73%	41.24%
 <u>Financing Services</u>			
Facility limit (including interest and handling fees) (<i>Note 1 and 2</i>)			
- Historical annual cap	765,565	956,956	1,196,196
- Actual	178,291	551,871	582,261
- Utilisation	23.29%	57.67%	48.68%
 <u>Foreign Exchange Transactions</u>			
Aggregate transaction amount			
- Historical annual cap	11,666,700	15,555,600	23,333,400
- Actual (<i>Note 3</i>)	5,559,207	8,081,507	796,398
- Utilisation	47.65%	51.95%	3.41%

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	For the year ended 31 December 2022 (audited) (for actual amount only) <i>HK\$'000</i>	For the year ended 31 December 2023 (audited) (for actual amount only) <i>HK\$'000</i>	For the eight months ended 31 August 2024 (unaudited) (for actual amount only)/ For the year ending 31 December 2024 (for historical annual cap only) <i>HK\$'000</i>
Continuing connected transactions			
<i>Master Brand Promotion (2022-2024) Agreement</i>			
<u>Brand Promotion Fee</u>			
- Historical annual cap	755,376	854,741	998,174
- Actual	387,433	529,935	355,645
- Utilisation	51.29%	62.00%	35.63%
<i>Master Photovoltaic Power Construction Services (2022-2024) Agreement</i>			
<u>Construction Services – Services fees to be received by the Group</u>			
- Historical annual cap	426,000	1,256,000	1,883,000
- Actual	105,465	805,446	515,838
- Utilisation	24.76%	64.13%	27.39%
<u>Operation and Maintenance Services – Services fees to be received by the Group</u>			
- Historical annual cap (<i>Note 4</i>)	10,000	25,000	84,310
- Actual	331	1,082	18,136
- Utilisation	3.31%	4.33%	21.51%

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Notes:

1. The facility limit represents facility amount with security (including but not limited to facility amount from factoring facility (recourse and without-recourse) and bill discounting facility, facility with cash deposits or other assets as collaterals). For the avoidance of doubt, the facility limit excludes the facility amount without security provided by members of Qualified Holdings Group and/or Finance Company (HK) to the TCL Electronics Qualified Members which, if conducted on normal commercial terms or better, is fully exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules.
2. The annual caps for maximum daily balance of value of security provided for Financing Services (including cash deposits, financial instruments, receivables, machinery or equipment etc.) were separately set for the Master Financial (2022-2024) Agreement, but not for the Master Financial (2025-2027) Agreement, because as illustrated by way of the historical annual caps and historical actual transaction amounts under the Master Financial (2022-2024) Agreement, the maximum daily balance of value of security provided for Financing Services would not exceed the facility limit (including interest and handling fees). For the avoidance of doubt, whilst such annual caps were separately set for the Master Financial (2022-2024) Agreement to facilitate understanding by investors and Shareholders, it refers to the same transaction, and represents the cap on the facility amount secured by assets of the Group.
3. The actual transaction amount of Foreign Exchange Transactions dropped significantly during the 8 months ended 31 August 2024 as compared to the actual transaction amount during the year ended 31 December 2023. The Group's treasury policy is to centralise foreign exchange management matters in order to monitor its total foreign exchange risk exposure, offset the position of each subsidiary and conduct hedging transactions centrally with banks. Therefore, priority will be given to the Group's internal foreign exchange hedging resources, and the Group will only enter into Foreign Exchange Transactions with TCL Industries Holdings Group if the Group cannot address its foreign exchange hedging risks with its internal resources. With the continuing expansion of the Group's overseas business, the Group increases the proportion of foreign exchange managed by its internal foreign exchange hedging resources after evaluating the Group's internal foreign exchange hedging resources and the cost of external foreign exchange resources, and the transaction amount of Foreign Exchange Transactions during 2024 decreases accordingly. The amount of Foreign Exchange Transactions is also affected by the transaction models (e.g. direct local sale or sale via local distributors) of the Group's businesses as well as the geographical locations where the transactions take place. The Group's transactions between its subsidiaries located in the Chinese mainland and Hong Kong in 2023 were mainly denominated in RMB which resulted in more foreign exchange demands and accordingly a larger transaction amount with Finance Company (HK), while the Group's transactions in 2024 were mainly denominated in foreign currencies, which can be managed by the Group's internal foreign exchange hedging resources.
4. The Board has resolved to increase the annual cap amount in respect of service fees to be received by the Group from Existing Operation and Maintenance Services under the Master Photovoltaic Power Construction Services (2022-2024) Agreement for the year ending 31 December 2024 to HK\$84,310,000.

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Set out below are the proposed Revised 2024 Sale Annual Cap and the proposed annual caps for the Non-exempt Transactions for the three years ending 31 December 2027 and the relevant breakdowns.

Table 6: The proposed Revised 2024 Sale Annual Cap and proposed annual caps for the Non-exempt Transactions

Proposed annual caps	For the year ending 31 December 2024 <i>HK\$'000</i>	For the year ending 31 December 2025 <i>HK\$'000</i>	For the year ending 31 December 2026 <i>HK\$'000</i>	For the year ending 31 December 2027 <i>HK\$'000</i>
Master Sale and Purchase (2022-2024) Agreement				
Sale of Electronics Products	13,180,165 <i>(Note 1)</i>	N/A	N/A	N/A
Master Sale and Purchase (2025-2027) Agreement				
Sourcing of TCL Associates Products	N/A	23,098,017	29,200,177	38,332,862
Sale of Electronics Products	N/A	18,851,163	22,179,084	26,332,107
Master Services (2025-2027) Agreement				
Service Fees to be paid by the Group	N/A	3,835,830	4,396,304	5,009,433
Service Fees to be received by the Group	N/A	547,766	628,872	752,826
Master Financial (2025-2027) Agreement				
<u>Deposit Services</u>				
Maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security)	N/A	4,328,310	4,761,141	5,237,255
<u>Credit Services</u>				
Maximum daily balances of outstanding loans (including interest receivables in respect of these loans)	N/A	4,439,575	4,661,554	4,894,631
<u>Financing Services</u>				
Facility limit (including interest and handling fees)	N/A	1,142,624	1,209,753	1,213,209
<u>Foreign Exchange Transactions</u>	N/A	9,899,846	10,394,839	10,914,581
Master Brand Promotion (2025-2027) Agreement				
<u>Brand Promotion Fee</u>	N/A	933,831	1,133,724	1,357,934
Master Photovoltaic (2025-2027) Agreement				
<u>Construction Services</u>				
Services fees to be received by the Group	N/A	19,896,973	24,380,509	29,000,137
<u>Operation and Maintenance Services</u>				
Services fees to be received by the Group	N/A	307,483	375,569	421,691
<u>Aggregate actual amount paid under the guarantee arrangement (Note 2)</u>	N/A	383,490	466,136	558,870

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Note:

1. Subject to Shareholders' approval to increase the cap amount in respect of Sale of Electronics Products under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024 to HK\$13,180,165,000.
2. As mentioned in the section headed "(6) Master Photovoltaic (2025-2027) Agreement" in the Board Letter, the term of any individual agreement to be entered into under the Master Photovoltaic (2025-2027) Agreement shall not exceed the term of the Master Photovoltaic (2025-2027) Agreement, save that any such individual agreement involving finance lease or other long-term financing arrangement, or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto shall be for a term no longer than 25 years from the date of entering into of such individual agreement or the financing maturity, provided that no further individual agreements pursuant to the Master Photovoltaic (2025-2027) Agreement shall be entered into after the expiry or termination of the Master Photovoltaic (2025-2027) Agreement. Yet, notwithstanding such termination or expiry, (i) any such individual agreements entered into during the term of the Master Photovoltaic (2025-2027) Agreement shall remain in full force and effect; and (ii) the terms and conditions of the Master Photovoltaic (2025-2027) 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 the aggregate actual amount paid under the guarantee arrangement will continue to apply to the individual agreements entered into during the corresponding year notwithstanding the termination or expiry of the Master Photovoltaic (2025-2027) Agreement.

For illustration, in respect of such individual agreement involving finance lease or other long-term financing arrangement, or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements relating thereto under the Master Photovoltaic (2025-2027) Agreement entered into during the year ending 31 December 2025, during the period from 1 January 2025 until the expiry or termination of all individual agreements under the Master Photovoltaic (2025-2027) Agreement entered into during the year ending 31 December 2025 (which shall be no later than 31 December 2050, being 25 years after 31 December 2025) (collectively "**2025 Individual Agreements**"), the aggregate actual amount paid under the guarantee arrangement arising from all transactions under such 2025 Individual Agreements shall not exceed the annual cap for the year ending 31 December 2025 stated above (i.e. HK\$383,490,000), and for the avoidance of doubt, where members of the Group are required to make payment under the guarantee arrangement pursuant to the 2025 Individual Agreements (whether by paying/replenishing deposits or otherwise) to Financial Institutions after 31 December 2025, such transaction amount shall still be regarded as utilising the annual cap of aggregate actual amount paid under the guarantee arrangement for the year ending 31 December 2025 notwithstanding such event takes place after 31 December 2025.

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6. Basis for determining the proposed annual caps and our analysis

6.1 Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement

As stated in the Board Letter, the proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement is determined by reference to, among other things, (i) the historical amounts of Sale of Electronics Products under the Master Sale and Purchase (2022-2024) Agreement; (ii) the trade-in national policy for consumer goods rolled out by the PRC government, and as household appliances are among the important consumer goods, the sales volume of TVs and air conditioners, refrigerators and washing machines is expected to increase from 2024; (iii) the continuous increase in sales volume of TCL TVs across the world; (iv) the active implementation of mid-to-high-end strategy by the Group and expected increase in the prices of the products of the Group following the improvement in product mix and possible increase in the prices of panels; (v) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Sale and Purchase (2025-2027) Agreement; and (vi) the expected transaction amount of Sale of Electronics Products in the fourth quarter of 2024 in preparation for sales during New Year's Day and Lunar New Year in 2025, which is estimated to be not less than HK\$4.5 billion based on the information available as at the Latest Practicable Date, in particular, with reference to the fact that the actual transaction amount of Sale of Electronics Products in the fourth quarter of 2023 accounted for approximately 39% of the actual transaction amount of Sale of Electronics Products for the full year ended 31 December 2023.

After reviewing the historical amount of the Sale of Electronics Products under the Master Sale and Purchase (2022-2024) Agreement, we noted that the actual amounts of Electronics Products sold under the Master Sale and Purchase (2022-2024) Agreement were approximately HK\$8.3 billion and HK\$9.3 billion for the years ended 31 December 2022 and 2023 respectively, reaching approximately 91.8% and 95.4% of the historical annual caps for the years ended 31 December 2022 and 2023. This represents an increase of approximately 12.61% between the two years. For the eight months ended 31 August 2024, the actual amount of Electronics Products sold under the Master Sale and Purchase (2022-2024) Agreement was approximately HK\$6.4 billion. If such amount is annualised, the amount of Electronics Products sold under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024 is estimated to be approximately HK\$9.5 billion, representing 89.5% of the 2024 Sale Annual Cap.

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On 24 July 2024, the National Development and Reform Commission and Ministry of Finance of the PRC issued the “關於加力支持大規模設備更新和消費品以舊換新的若干措施 (Several Measures to Strengthen Support for Large-scale Equipment Upgrading and the Trade-in of Consumer Goods[#])”². The government arranged to allocate approximately RMB300 billion funds to strengthen support for large-scale equipment upgrading and the trade-in of consumer goods. According to data released at the regular press conference held by the Ministry of Commerce of the PRC in June 2024³, from January to May 2024, sales from home appliance trade-ins on major e-commerce platforms in the PRC have increased by more than 80%. Trade-ins have become an important factor in promoting the growth of home appliance consumption. According to subscription data from China Market Monitor Co., Limited, a research institute focusing on the consumer goods and the retail home appliance market in the PRC, during the period from 4 August 2024 to 29 September 2024 (a period of time after the measures issued in July 2024), offline and online retail sales revenue of TCL Brand products increased by 22.7% and 35.9% year-on-year respectively.

As disclosed in the 2023 Annual Report, the annual global shipment of TCL Brand TVs for the year ended 31 December 2023 reached 25.26 million sets, with a year-on-year growth of 6.2%. In order to understand the sales volume of TCL TVs in the PRC, we have conducted independent research. According to the subscription data from China Market Monitor Co., Limited, the market share by sales volume of TCL Brand TVs accounted for 14.6% and 18.1% of the total TV sales volume in the PRC in 2022 and 2023 respectively. According to the reports “China TV Market Brand Sell in Monthly Express” published by RUNTO, a technology research company in China, TCL Brand TVs accounted for 20% of the total TV sales volume in August⁴ 2024, making it the second highest-selling TV brand in the PRC, narrowly trailing the first-place brand.

² Please refer to the policy document released by the National Development and Reform Commission and Ministry of Finance of the PRC, at https://www.gov.cn/zhengce/zhengceku/202407/content_6964409.htm

³ Please refer to the regular press conference on 6 June 2024 held by the Ministry of Commerce of the PRC, at <https://video.mofcom.gov.cn/xwfb/2024/6/519a5a090aef40038b17db4d84abecb0737.html>

⁴ Please refer to the monthly report “China TV Market Brand Sell in Monthly Express” in August 2024 published by RUNTO, a technology research company in China, at http://runtotech.com/MarketInsights/info_itemid_4102.html

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According to the 2024 Interim Report, in the first half of 2024, the shipment of 65-inch and above and 75-inch and above TCL Brand TVs in the PRC market grew by 6.7% and 17.7% year-on-year, respectively, with their corresponding proportions increasing by 0.6 percentage points to 51.5% and 3.5 percentage points to 33.2%, respectively; the global shipment of the Group's mid-to-high-end products, i.e., QLED TV and Mini LED TV, recorded a year-on-year increase of 64.4% and 122.4%, respectively. According to the 2024 semi-annual report on the PRC TV market published by RUNTO⁵, in the first half of 2024, total retail sales increased significantly by about 10% year-on-year to RMB52.2 billion, and the average unit price reached RMB3,733, a year-on-year increase of 14.7%.

We understand that the Company is also taking into account the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Sale and Purchase (2025-2027) Agreement when determining the Revised 2024 Sale Annual Cap. The Company projected with reference to the exchange rates between RMB and HK\$ during the period from 1 January 2020 to 30 June 2024, during which the highest and lowest exchange rate recorded was 0.92 and 0.81 respectively, representing a difference of approximately 15%, and the PRC's economy is projected to grow by 5% in 2024 and 4.5% in 2025 according to the International Monetary Fund.

In relation to the expected transaction amount to be not less than HK\$4.5 billion for sale of Electronics Products in the fourth quarter of 2024, including the preparation for sales during New Year's Day and Lunar New Year in 2025, we have undertaken the following work done: (i) assessed the rationale and basis of the assumption and examined the calculations; (ii) analysed the Company's historical performance and observed that the sales of electronic products typically performed better in the fourth quarter compared to other quarters. Additionally, we also noted that the shipment of TCL TV in fourth quarter of 2023 experienced a 33.0% quarter-on-quarter increase in the PRC market, which was attributed to improvements in the economic situation and market demand. Based on these trends, the Company expects the sales of electronic products to continue performing well in the fourth quarter of 2024; (iii) discussed with the Company to gain insights into the demand trend for Electronics Products, and (iv) conducted market research on the demand and understood that the peak season for the electronics and home appliance industry generally coincides with major shopping festivals like the 618 Promotion, Double 11 Promotion, Double 12 Promotion, New Year's Day, and Lunar New Year. The anticipation of a peak season in the fourth quarter is in line with a robust market environment for the entire electronics and home appliance industry (including the Company) towards the year's end. Hence, we are of the view that the estimated amount of Sale of Electronics Products in the fourth quarter of 2024 in preparation for sales during New Year's Day and Lunar New Year in 2025 is fair and reasonable.

⁵ Please refer to the 2024 semi-annual report on the PRC TV market published by RUNTO at http://runtotech.com/MarketInsights/info_itemid_3875.html

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Having considered the above, we are of the view that the proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6.2 Proposed annual caps for the Non-exempt Transactions

(i) Master Sale and Purchase (2025-2027) Agreement

In determining the annual caps for the Master Sale and Purchase (2025-2027) Agreement, the Group has taken into account, among others, (i) the factors referred to under the paragraph headed “6.1 Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement” above; (ii) the possible increase in price of panels (being a major component of Electronics Products) from 2025 to 2027; (iii) the projection of demand for Electronics Products, which is expected to increase gradually from 2025 to 2027; (iv) the potential market demand of TCL Associates Products with respect to the projected business volumes and the estimated growth rates of the relevant business lines of the Group; and (v) other factors as disclosed in the sub-section headed “Proposed annual caps for the Master Sale and Purchase (2025-2027) Agreement” under the section headed “BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS” in the Board Letter.

Sourcing of TCL Associates Products

- (a) As discussed with the Company and as set out in the Board Letter, the Group has focused on smart display as its core business, implementing the “AI x IoT” all-scenario smart and healthy-living strategy. This approach is expected to drive steady expansion of all-category marketing business and move towards global leadership by taking advantage of the synergy of different type of Electronics Products and TCL Associate Products under TCL Brand and the global brand power and established channels of the Group, and hence increase overall demand for sale of Electronics Products and sourcing of TCL Associate Products. According to the 2023 Annual Report and 2024 Interim Report, revenue from all-category marketing business was HK\$10.41 billion for the year ended 31 December 2023, and HK\$7.75 billion in the first half of 2024, accounting for 13.2% and 17.0% of the Group’s revenue during the respective period, up by 26.3% and 27.7% year-on-year respectively. Given these factors and the PRC Government’s policies supporting domestic demand, the overall demand for Sale of Electronics Products and Sourcing of TCL Associates Products in the coming years are therefore expected to increase accordingly.

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- (b) For the years ended 31 December 2022 and 2023, the actual amounts of TCL Associates Products sourced under the Master Sale and Purchase (2022-2024) Agreement were approximately HK\$6.4 billion and HK\$8.1 billion respectively, representing an increase of approximately 27.4%. For the eight months ended 31 August 2024, the actual amount of TCL Associates Products sourced under the Master Sale and Purchase (2022-2024) Agreement was approximately HK\$8.6 billion. If such amount is annualised, the amount of TCL Associates Products sourced under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024 is estimated to be approximately HK\$12.9 billion, representing an increase of approximately 58.9% from the actual amount of TCL Associates Products sourced for the year ended 31 December 2023. In addition, as the implementation of trade-in national policy by the local governments in the coming months, which will bring a positive impact on the sales of home appliances of the Group and TCL Industries Holdings Group. The management of the Group believes that the amount of TCL Associates Products will increase significantly.
- (c) The Group's all-category marketing business accounts for over 70% of the annual cap for Sourcing of TCL Associate Products. Due to the fierce competition in the air conditioners, refrigerators and washing machines market in the previous years, the popularity of TCL Brand's air conditioners, refrigerators and washing machines has much room for improvement; in addition, the domestic business product structure needs to be improved, the same applies to the penetration rate of the overseas market, which is restricted by the supply chain, causing the development of the refrigerators and washing machines business to fall short of expectations and as such the historical utilisation rate of Sourcing of TCL Associates Products is not as high as originally expected when the caps for 2022 to 2024 were determined. However, in 2024, attributable to considerable improvement in the product competitiveness and precision marketing of the Group's air conditioners, refrigerators and washing machines, the annualised transaction amount of Sourcing of TCL Associate Products in 2024 is expected to increase by approximately 60% when compared to that in 2023. In light of the improvement in the product competitiveness of the TCL Brand's air conditioners, refrigerators and washing machines, together with the Group's efforts in targeting the sales channel of air conditioners, refrigerators and washing machines, amplified by the effect brought about by the market environment and government policies, the transaction amount of Sourcing of TCL Associate Products in 2025 is expected to increase substantially. Taking into account the foregoing and general factors including the organic growth and fluctuation of exchange rate between RMB and HK\$ during the term of the Master Sale and Purchase (2025-

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2027) Agreement, the proposed annual cap of Sourcing of TCL Associates Products for the year ending 31 December 2025 is set with an increase of approximately 79% when compared to the annualised transaction amounts of Sourcing of TCL Associates Products for the year ending 31 December 2024.

Sale of Electronics Products

- (a) For the years ended 31 December 2022 and 2023, the actual amounts of Electronics Products sold under the Master Sale and Purchase (2022-2024) Agreement were approximately HK\$8.3 billion and HK\$9.3 billion respectively, reached 91.8% and 95.4% of the historical annual caps for the year ended 31 December 2022 and 2023, representing an increase of approximately 12.6%. For the eight months ended 31 August 2024, the actual amount of Electronics Products sold under the Master Sale and Purchase (2022-2024) Agreement was approximately HK\$6.4 billion. If such amount is annualised, the amount of Electronics Products sold under the Master Sale and Purchase (2022-2024) Agreement for the year ending 31 December 2024 is estimated to be approximately HK\$9.5 billion, indicates a temporary stabilisation.
- (b) The Group anticipates a gradual increase in demand for Electronics Products from 2025 to 2027, driven by the strong competitiveness of Electronics Products, an improved external business environment and policy, and expanded online sales channels through TCL Industries Holdings Group. This growth is further supported by the continuous rise in shipment volumes of TCL TV sales volume in 2023, which experienced a year-on-year growth of 6.2% as previously mentioned, coupled with the Group's focus on a mid-to-high-end product strategy. The expected price increases resulting from an improved product mix and higher panel costs also contribute to this projection. Thus, it is expected to significantly increase the sales of Electronic Products.
- (c) According to the 2024 Interim Report, the Group has committed to its mid-to-high-end strategies, resulting in revenue growth of 30.3% year-on-year to HK\$45.5 billion. This increase contributed to a 19.2% year-on-year rise in gross profit, which amounted to HK\$7.7 billion. Additionally, the revenue scale of the large-sized display business expanded by 23.2% year-on-year. As mentioned in the above section "6.1 Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement", from our independent research on the PRC TV market, we noted that the average unit price of TVs in the PRC market experienced a 14.7% year-on-year increase in the first half of 2024.

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With the above considerations, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents for the composition of the relevant proposed annual caps and they were found to be proper.

We have undertaken the following work done: (i) reviewed the historical amount of both Sourcing of TCL Associates Products and Sale of Electronics Products under the Master Sale and Purchase (2022-2024) Agreement: For sourcing, we noted that an increase of approximately 27.4% between the two years ended 31 December 2022 and 2023, and an estimated increase of approximately 58.9% for 2024 based on annualised figures. For sales, we observed high utilisation rates of 91.8% and 95.4% of the historical annual caps for the year ended 31 December 2022 and 2023, with an increase of approximately 12.6%. The annualised estimate for 2024 sales is approximately HK\$9.5 billion, representing 89.5% of the historical annual cap; (ii) conducted independent research on the trade-in national policy for consumer goods rolled out by the PRC government as discussed in the above section headed “6.1 Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement”: We noted that the PRC government arranged to allocate approximately RMB300 billion funds to strengthen support for large-scale equipment upgrading and the trade-in of consumer goods; (iii) analysed the Company’s historical sales performance and observed a continuous increase in the global sales volume of TCL TVs; (iv) reviewed and discussed with the Company the projection of demand for Electronics Products as discussed in the above section headed “6.1 Proposed Revised 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) Agreement”; (v) engaged in discussions with the Company to understand the potential market demand for TCL Associates Products and analysed the Group’s historical performance: We understood that the Group’s proactive implementation of the “AI x IoT” all-scenario smart and healthy-living strategy led to revenues from all-category marketing business reaching HK\$10.41 billion for the year ended 31 December 2023, and HK\$7.75 billion in the first half of 2024. These figures represent 13.2% and 17.0% of the Group’s revenue during the respective periods, marking year-on-year increases of 26.3% and 27.7% respectively. Since the Company and TCL Industries Holdings operate under a framework agreement, no additional contract is signed between the two parties, but specific purchase orders are issued based on demand during the 3-year period. As at 30 September 2024, the actual transaction amounts for the Sale of Electronics Products and Sourcing of TCL Associates Products were HKD7.6 billion and HKD9.4 billion respectively, representing an increase of 32% and 36% compared to the same period last year, demonstrating the growing business relationship between both parties.

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Under the Master Sale and Purchase (2025-2027) Agreement, the proposed annual caps for the Sourcing of TCL Associates Products for the three years ending 31 December 2027 of approximately HK\$23.1 billion, HK\$29.2 billion and HK\$38.3 billion respectively, account for approximately 36.0%, 45.5% and 59.7% of the Group's cost of sales of approximately HK\$64.2 billion for the year ended 31 December 2023, while the Sale of Electronics Products for the three years ending 31 December 2027 of approximately HK\$18.9 billion, HK\$22.2 billion and HK\$26.3 billion respectively, account for approximately 23.9%, 28.1% and 33.3% of the Group's total revenue of approximately HK\$79.0 billion for the year ended 31 December 2023. In this respect, we are of the view that there is and would be no excessive reliance of the Group on the TCL Industries Holdings Group for the sales and/or purchases of Goods and that the proposed annual caps for the Master Sale and Purchase (2025-2027) Agreement are fair and reasonable for the following reasons:

- (a) Given the growth of approximately 30.3% in the Group's revenue between the six months ended 30 June 2023 and the six months ended 30 June 2024, and the annual growth of approximately 10.7% in the Group's annual revenue between the two years ended 31 December 2022 and 2023, it is expected that the Group will increase its demand for Goods and that the Group's sales and cost of sales will also increase in the coming years. Accordingly, while the proposed annual caps for both Sourcing of TCL Associate Products and Sale of Electronics Products represent a sizable portion of the Group's cost of sales and revenue in 2023 respectively, the sales to and/or purchase from the relevant members of the TCL Industries Holdings Group in terms of the Group's then total sales and cost of sales in each of the financial years for the three years ending 31 December 2027 shall be less than those percentages as set out in the preceding paragraph above. This is due to the projected increase in the Group's overall revenue and cost of sales, which will likely outpace the growth in transactions with TCL Industries Holdings Group;
- (b) The Group achieved high-quality growth in display business and internet business while actively promoting the development in scale of innovative business such as photovoltaic business and all-category marketing. The Group has globalised channel resources and all-category marketing business is only part of the innovative business of the Group. The Group has been operating and will continue to operate independently from the relevant members of the TCL Industries Holdings Group and will negotiate transactions directly with them for any Goods required by the Group or the relevant members of the TCL Industries Holdings Group; and

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- (c) The Group's Sourcing of TCL Associates Products from the relevant members of the TCL Industries Holdings Group is conducted for the Group to receive a stable and reliable source of supply of the necessary finished goods for the Group's operations of all-category marketing business, whilst the Group's Sale of Electronics Products to the relevant members of the TCL Industries Holdings Group is conducted to allow the Group to take advantage of the sales channels of TCL Industries Holdings Group, further widening its revenue base.

(ii) Master Services (2025-2027) Agreement

In determining the annual caps for the Master Services (2025-2027) Agreement, the Group has taken into account, among others, (i) the historical amounts of the relevant transactions under the Master Services (2022-2024) Agreement; (ii) the projection of the number and scale of relevant projects and operations which may require Services from TCL Industries Holdings Group in the upcoming three years, in particular, the demand for Services in relation to logistics and after-sale required by the Group; (iii) the projection of the number and scale of relevant projects which TCL Industries Holdings Group may require Services to be provided by the Group in the upcoming three years, with reference to the Group's projected capability in providing the relevant Services; (iv) the expected organic growth of around 10% per year in respect of the amount of Service Fees to be paid and received by the Group to/from TCL Industries Holdings Group during the three years ending 31 December 2027; (v) the estimated fluctuation in exchange rate between RMB and HK\$; and (vi) other factors as disclosed in the sub-section headed "Proposed annual caps for the Master Services (2025-2027) Agreement" under the section headed "BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS" in the Board Letter.

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Service Fees to be paid by the Group

The actual amount of Service Fees rendered under the Master Services (2022-2024) Agreement was approximately HK\$1.1 billion and HK\$1.6 billion for the two years ended 31 December 2023 respectively, representing an increase of approximately 54.4%. For the eight months ended 31 August 2024, the actual amount of Service Fees paid was approximately HK\$1.2 billion under the Master Services (2022-2024) Agreement. If such amount is annualised, the estimated amount of Service Fees paid under the Master Services (2022-2024) Agreement for the year ending 31 December 2024 is estimated to be approximately HK\$1.8 billion, representing an increase of approximately 7.9%, compared with the amount for the year ended 31 December 2023. While this annualised figure indicates a slight increase, it's important to consider both historical trends and future growth drivers. Given such historical growth from 2022 to 2023, we are of the view that the expected organic growth of around 10% per year in respect of the amount of Service Fees to be paid by the Group to TCL Industries Holdings Group during the three years ending 31 December 2027 is fair and reasonable.

Moreover, as stated in the Board Letter, the Group expects that the Services in relation to logistics and after-sale services required by the Group will increase significantly with the expected increase in the sales volume of Electronics Products and the demand for IT-related Services to be provided by TCL Industries Holdings Group given the Group's implementation of digital transformation policy, taking into account of which, the proposed annual caps for Service Fees to be paid by the Group are set to increase annually by approximately 14% from 2025 to 2027.

Service Fees to be received by the Group

For the years ended 31 December 2022 and 2023, the actual amount of Service Fees received under the Master Services (2022-2024) Agreement was approximately HK\$162.4 million and HK\$108.8 million respectively. For the eight months ended 31 August 2024, the actual amount of Service Fees received was approximately HK\$186.1 million under the Master Services (2022-2024) Agreement. If such amount is annualised, the estimated amount of Service Fees received under the Master Services (2022-2024) Agreement for the year ending 31 December 2024 is estimated to be approximately HK\$279.2 million, representing an increase of approximately 156.6% from the actual amount of Service Fees received for the year ended 31 December 2023. Given such historical growth, we are of the view that the annual increase of around 15 to 20% per year in respect of the amount of Service Fees to be received by the Group from TCL Industries Holdings Group during the three years ending 31 December 2027 is fair and reasonable.

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We also noted that under the Master Services (2025-2027) Agreement, the proposed annual caps for the aggregate amount of Service Fees to be paid by the Group to the relevant TCL Associates for the three years ending 31 December 2027 of approximately HK\$3.8 billion, HK\$4.4 billion and HK\$5.0 billion respectively, account for approximately 6.0%, 6.8% and 7.8% of the Group's cost of sales of approximately HK\$64.2 billion for the year ended 31 December 2023, while the proposed annual caps for the aggregate amount of Service Fees to be received by the Group from the relevant TCL Associates for the three years ending 31 December 2027 of approximately HK\$547.8 million, HK\$628.9 million and HK\$752.8 million respectively, account for approximately 0.7%, 0.8% and 1.0% of the Group's total revenue of approximately HK\$79.0 billion for the year ended 31 December 2023. In this respect, we are of the view that there is and would be no excessive reliance of the Group on the relevant TCL Associates for the provision of Services to/by the Group and that the proposed annual caps for Services are fair and reasonable for the following reasons:

- (a) The proposed annual caps for the aggregate amount of each of the Services account for less than 8.0% of the Group's total revenue or cost of sales for the year ended 31 December 2023, and that the Group's total revenue and cost of sales are expected to continue to increase in parallel in the coming years;
- (b) The Group has been operating and will continue to operate independently from the relevant TCL Associates and will negotiate transactions directly with them for any Services required by the Group or the relevant TCL Associates; and
- (c) The Group's provision of Services to TCL Industries Holdings Group is conducted for the purposes of expanding the Group's business scope, increasing its sources of revenue and enhancing its competitiveness and profitability, whilst TCL Industries Holdings Group's provision of Services to the Group is conducted for the purposes of reducing the costs of the Group and enhancing its efficiency in various business units through centralising its IT platforms and application systems, professionalising its basic services and smart management so that the Group can focus and centralise its resources in developing its own core business.

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(iii) Master Financial (2025-2027) Agreement

As stated in the Board Letter, the proposed annual caps for Deposit Services, Credit Services, Financing Services and Foreign Exchange Transactions are determined with reference to, among others, (i) the historical amounts of the relevant transactions under the Master Financial (2022-2024) Agreement; and (ii) other factors as set out in the sub-section headed “Proposed annual caps for the Master Financial (2025-2027) Agreement” under the section headed “BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS” in the Board Letter.

Deposit Services

The proposed annual caps for Deposit Services for the three years ending 31 December 2027 are set to increase by approximately 10.0% per annum. According to the 2024 Interim Report, for the six months ended 30 June 2024, the Group’s global shipment of TCL TV increased year-on-year by approximately 9.2% and reached 12.52 million sets and that the Group had unaudited consolidated cash and cash equivalents of approximately HK\$9.9 billion at 30 June 2024. Given that the Group’s business is expected to continue to grow in the coming years and that net cash is expected to be generated from the business operation of the Group following the previous trend without significant cash outflow, we concur with the Company that the Group’s cash and cash equivalents are expected to experience a stable increase and that its cash flow is expected to be strong especially at its peak sales season, leading the Group’s demand for Deposit Services from members of Qualified Holdings Group and/or Finance Company (HK) to increase up to the proposed annual caps at the peak season in the upcoming years. Given the above and the fact that the actual and/or annualised amount of maximum outstanding daily balances of deposits under the Master Financial (2022-2024) Agreement reached 96.8% and 80.9% of the historical annual caps for the year ended 31 December 2022 and 2023, we are of the view that it is reasonable to estimate that the maximum outstanding daily balances of deposits for the three years ending 31 December 2027 will increase by approximately 10.0% per annum and we consider the proposed annual caps for Deposit Services as fair and reasonable.

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Credit Services

Similarly, in determining the proposed annual caps for Credit Services for the three years ending 31 December 2027, we noted that the Group has considered its cash reserve as at 30 June 2024 and the expectation of growth of which as mentioned above. We noted that the Group has also considered its business needs and the maximum amount of exposure at any time it is prepared to assume for Credit Services in the context of its cash flow, as well as the repayment ability of the Qualified Holdings Group estimated based on the audited net asset value of the Qualified Holdings Group as at 30 June 2024.

We noted that the proposed annual caps for Credit Services for the three years ending 31 December 2027 have been adjusted downward compared to the previous relevant annual caps for the three years ending 31 December 2024. This adjustment reflects a strategic alignment with the Group's business need and the historical amounts of Credit Services. From our discussion with the Company, we understand that there will be fewer funds available for lending under Credit Services, and the Group will focus on strengthening core competencies in product, marketing, operation, and organisation, and promote the long-term sustainable development of the Group's core businesses, such as the display business and internet business, as well as the innovative business. We have also reviewed historical amounts of maximum daily balances of outstanding loans (including interest receivables in respect of these loans) under the Master Financial (2022-2024) Agreement, which amounted to approximately HK\$4.1 billion, HK\$4.4 billion and HK\$3.2 billion for the year ended 31 December 2022, 2023 and eight months ended 31 August 2024 respectively. These figures represent approximately 90.6%, 74.7%, and 41.2% of their respective historical annual caps, indicating a decreasing trend in the utilisation of the historical annual caps.

Given that (i) the actual amount of maximum daily balances of outstanding loans (including interest receivables in respect of these loans) under the Master Financial (2022-2024) Agreement reached approximately 90.6% and 74.7% for the year ended 31 December 2022 and 2023 respectively; (ii) the Group's cash and cash equivalents as at 30 June 2024 can cover the proposed annual caps for Credit Services for each of the three years ending 31 December 2027 given that such proposed annual caps represent only about half of the amount of the Group's cash and cash equivalents, and that the net cash position of the Group is expected to remain or even improve following the previous trend; and (iii) the Qualified Holdings Group is expected to fulfil its repayment obligations under Credit Services and TCL Industries Holdings undertakes to repay the outstanding loan (including the interest) on behalf of the relevant member of the Qualified Holdings Group and/or Finance Company (HK) in full, we are of the view that

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the proposed annual caps for Credit Services for the three years ending 31 December 2027 were set at the similar level to the historical amount of Credit Services are fair and reasonable.

Financing Services

For the proposed annual caps for Financing Services under the Master Financial (2025-2027) Agreement, we noted that the Group has considered the expected financial needs of TCL Electronics Qualified Members and the business capacity of TCL Industries Holdings Financial Services Associates, hence adjusted the proposed annual caps based on the historical record. Given that (i) the Group has a total of approximately HK\$7.0 billion of interest-bearing bank and other borrowings and lease liabilities as at 30 June 2024, the proposed annual caps for facility limit (including interest and handling fees) account for at most approximately 17.3% of the Group's total borrowings as at 30 June 2024, and (ii) the proposed annual caps for maximum daily balance of value of security provided for Financing Services (including cash deposits, financial instruments, receivables, machinery or equipment etc.) account for at most approximately 7.1% of the net asset value of the Group as at 30 June 2024, we are of the view that the proposed annual caps for Financing Services are fair and reasonable.

Foreign Exchange Transactions

For Foreign Exchange Transactions, we noted that the actual amount under the Master Financial (2022-2024) Agreement reached approximately 47.7% and 52.0% for the year ended 31 December 2022 and 2023 respectively. Given the growing business size and increasing exposure to foreign exchange risks of the Group, the Group has considered the projected aggregate amount of Spot Contracts, Forward Contracts and Swap Contracts to be entered into with Qualified Holdings Group and/or Finance Company (HK) when determining the annual caps for Foreign Exchange Transactions, which we consider as fair and reasonable.

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(iv) Master Brand Promotion (2025-2027) Agreement

As stated in the Board Letter, the proposed annual caps for brand promotion fees are determined with reference to, among others, the historical amounts of the relevant transactions under the Master Brand Promotion (2022-2024) Agreement; and other factors as set out in the sub-section headed “Proposed annual caps for the Master Brand Promotion (2025-2027) Agreement” under the section headed “BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS” in the Board Letter.

We noted that the Group expects approximately a 20% annual increase in the proposed annual caps for brand promotion fees from 2025 to 2027. We have inquired with the Company regarding such annual increase in the proposed annual caps for brand promotion fees, and noted that it is mainly due to the expected growth in sales amount in the next three years based on the expected growth in market shares of the Group’s TCL Brand and/or TCL Industries Holdings Brand products in the PRC and other regions around the world. Pursuant to the Master Brand Promotion (2025-2027) Agreement, the brand promotion fee rates range from 0.25% to 2.00% of the projected annual sales revenue, depending on the type of products and their sales location. From our discussion with the Company, we noted that it is expected that the display business of the Group will see an average annual growth of approximately 19% during the 3 years ending 31 December 2027. Additionally, as the Group entered the photovoltaic business in 2022, it is still at a relatively high growth phase, with reference to the fact that the revenue from photovoltaic business increased by 213% year-on-year in the first half of 2024, it is expected that the Group will record a considerable year-on-year increase in revenue in 2025 when compared to that in 2024, and it is projected that a growth of 20%-30% may be recorded during 2026 and 2027.

We have reviewed the historical amounts of transactions under the Master Brand Promotion (2022-2024) Agreement. The brand promotion fees paid to TCL Industries Holdings Group during the year ended 31 December 2023 saw a year-on-year increase of 37% compared to the year ended 31 December 2022. Furthermore, the revenue of the Group during the year ended 31 December 2023 increased by 10.7% year-on-year. Assuming the percentage increase in brand promotion fees in 2024 remains consistent with that in 2023, it is projected that the brand promotion fee payable to TCL Industries Holdings Group for the year ending 31 December 2024 will amount to at least HK\$600 million, representing a year-on-year increase of not less than 13.2%.

In light of the above, we are of the view that the proposed annual caps for brand promotion fees increase by approximately 21% from 2025 to 2026, and increase by approximately 20% from 2026 to 2027 are fair and reasonable so far as the Independent Shareholders are concerned.

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We have discussed with the management in respect of brand promotion arrangement and found it to be in line with the projected sales of the relevant products of the Group for the year ending 31 December 2027. In addition, we noted that under the Master Brand Promotion (2025-2027) Agreement, the proposed annual caps for the aggregate amount of brand promotion fees to be paid by the Group to the relevant TCL Associates for the three years ending 31 December 2027 of approximately HK\$0.9 billion, HK\$1.1 billion and HK\$1.4 billion respectively, account for only approximately 1.5%, 1.8% and 2.1% of the Group's cost of sales of approximately HK\$64.2 billion for the year ended 31 December 2023 and account for only approximately 1.2%, 1.4% and 1.7% of the Group's revenue of approximately HK\$79.0 billion for the year ended 31 December 2023. Given that the expanding revenue scale of the Group and the business scale of the Group (especially the photovoltaic business), which contribute to higher branding fees, we are of the view that the proposed annual caps for the Master Brand Promotion (2025-2027) are not excessive and reasonable.

(v) *Master Photovoltaic (2025-2027) Agreement*

As disclosed in the Board Letter, in determining the proposed annual caps for the Master Photovoltaic (2025-2027) Agreement, the Group has taken into account, among others, (i) the projection that the revenue scale of photovoltaic business will maintain such a rapid growth momentum from 2025 to 2027; (ii) the integration of household photovoltaic business under Construction Services; and (iii) other factors as set out in the sub-section headed "Proposed annual caps for the Master Photovoltaic (2025-2027) Agreement" under the section headed "BASIS FOR DETERMINATION OF THE PROPOSED ANNUAL CAPS" in the Board Letter.

Construction Services

In determining the proposed annual caps for Construction Services fees for the three years ending 31 December 2027, we noted that the Group has also considered several key factors including (i) the historical amounts of the relevant transactions under the Master Photovoltaic Power Construction Services (2022-2024) Agreement; (ii) the estimated RMB2.53 billion value of identified potential photovoltaic projects in the PRC; (iii) the significant expansion of the scope of Construction Services in response to national policies and significant changes in the photovoltaic business model; (iv) the expected upward trend would continue in 2025 for the Group's revenue in photovoltaic business; (v) the projected demand for Construction Services for the three years ending 31 December 2027 driven by government policies of promoting photovoltaic installations; and (vi) the anticipated increase in price of raw materials, machinery and labour costs during the term of the Master Photovoltaic (2025-2027) Agreement due to inflation.

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For the years ended 31 December 2022 and 2023, the actual amount of Construction Services under the Master Photovoltaic Power Construction Services (2022-2024) Agreement was approximately HK\$105.5 million and HK\$805.4 million respectively. For the eight months ended 31 August 2024, the actual amount of Service Fees received was approximately HK\$515.8 million under the Master Photovoltaic Power Construction Services (2022-2024) Agreement.

It is also noticed that the significant expansion of the scope of Construction Services is in response to national policies and significant changes in the photovoltaic business model. In accordance with the Interim Measures for the Management of Distributed Photovoltaic Power Generation Projects⁶ and additional regulations from relevant PRC governmental authorities, there are specific filing requirements for photovoltaic power stations. Industrial and commercial stations must complete project filings through locally registered project companies. Meanwhile, household power stations typically register directly with local power grid enterprises, which centrally handle filings with local energy authorities. From our careful inquiry with the Company, despite the absence of specific rules on the need for project companies for household power station filings, project companies are usually set up as a standard practice to conduct batch management of household power stations due to the small capacity of each station and the high volume of units purchased by customers. This creates a need for efficient management systems for tasks such as tax declarations, bank settlements, and overall station administration. Following the market trend of establishing project companies to manage household power stations and maintain competitiveness of the Group's photovoltaic business, TCL Industries Holdings Group will take up responsibility for establishing project companies to engage in not only industrial and commercial photovoltaic businesses (as it has been performing in the past) but also to engage in household photovoltaic business, which when coupled with the change in the business model of the financial leasing company, results in certain transactions originally between the Group and Independent Third Parties (e.g. households) becoming connected transactions following the involvement of project companies controlled by TCL Industries Holdings Group, thereby causing the proposed annual cap to increase significantly. As a result, the Master Photovoltaic (2025-2027) Agreement expands its scope beyond the current Master Photovoltaic Power Construction Services (2022-2024) Agreement by including household photovoltaic business alongside industrial and commercial photovoltaic businesses. This strategic initiative, along with changes in the financial leasing company's business model, will transform certain transactions previously

⁶ Please refer to the Interim Measures for the Management of Distributed Photovoltaic Power Generation Projects published by the National Energy Administration, at https://zfxgk.nea.gov.cn/auto87/201312/t20131211_1735.htm

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conducted between the Group and Independent Third Parties into connected transactions, due to the involvement of project companies under TCL Industries Holdings Group's control. This shift necessitates a significant increase to the proposed annual cap.

According to the 2023 Annual Report, the revenue from the Group's photovoltaic business for the year ended 31 December 2023, amounted to HK\$6.3 billion, representing a year-on-year growth of 1820%, while the revenue from the Group's photovoltaic business for the first half of 2024 amounted to HK\$5.3 billion, representing to a year-on-year growth of 213%. From our discussion with the Company and as stated in the Board Letter, it is noted that approximately 90% of the Group's total photovoltaic business revenue in the first half of 2024 was generated from household photovoltaic business. Given that these household segment transactions may be conducted through TCL Industries Holdings Group's project companies during the term of Master Photovoltaic (2025-2027) Agreement, the proposed annual caps for Construction Services require substantial increases to accommodate this structural change in business model. In addition, the Group anticipates the growth trend will continue through 2025 and beyond as discussed below. We concur with the Company that the growth of the revenue of photovoltaic business will be sustainable based on market expansion, continuing demand and the favourable government policy.

Based on our discussion with the management of the Group and our review of relevant schedule, we understood that the projected demand for Construction Services for the three years ending 31 December 2027 has considered the following factors: (i) the yearly growth of 147.5% in 2023 newly installed photovoltaic capacity in the PRC according to information published by the National Energy Administration of the PRC⁷; (ii) the conversion rate of the aforementioned potential projects and the business scale target of the Group; (iii) the favourable government policy on photovoltaic installations; and (iv) the policies of central government of the PRC of reducing carbon emission and achieving carbon neutrality, as well as the rapid development of the photovoltaic industry; as members of TCL Industries Holdings Group would be responsible for the liaison and administrative work involved (such as liaising with property owner and local authorities, financial institutions, etc.), the Group would be able to focus on and devote its resources in the development of its photovoltaic business, it is expected the demand for Construction Services will substantially increase during 2025 and 2027.

⁷ Please refer to the statistics for photovoltaic power generation construction in 2023 published by the National Energy Administration of the PRC, at https://www.nea.gov.cn/2024-02/28/c_1310765696.htm

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Operation and Maintenance Services fees

Similarly, in determining the proposed annual caps for the Operation and Maintenance Services fees, the Group has referred to the demand for Construction Services, as it is expected that TCL Industries Holdings Group would engage the Group for providing Operation and Maintenance Services for the photovoltaic power facilities built under the Construction Services, and it is expected the demand for Construction Services will substantially increase during 2025 and 2027, leading to the increase of Operation and Maintenance Services.

Guarantee arrangement

In the case where members of the Group provide Quality Guarantee(s) to members of TCL Industries Holdings Group, the relevant members of the Group shall ensure that the quality of operation and maintenance and actual power generation capacity of the relevant photovoltaic power generation facilities/equipment shall not be less than the guaranteed quality of operation and maintenance and power generation capacity of the relevant photovoltaic power generation facilities/equipment as agreed in the individual agreements, and in case where members of the Group provide Deficiency Replenish Guarantee Obligation based on such Quality Guarantee, the Group will be required to bear the shortfall arising from insufficient power generation capacity.

As the Group is prudent in provision of Quality Guarantee, the Group will take a conservative approach in setting the guaranteed amount of power generation capacity such that the guaranteed amount under Quality Guarantee will be set comparatively lower than the estimated amount of power generation capacity of the relevant photovoltaic power generation facilities/equipment. Therefore, it is expected that the probabilities that the Group need to bear the shortfall arising from insufficient power generation capacity of photovoltaic power generation facilities/equipment is low save for exceptional circumstances which, based on the information available to the Group, may include the relocation of photovoltaic power generation facilities/equipment pursuant to governmental orders and inability to connect power to the grid, which is estimated at a probability of approximately 2% out of all construction works by the Group. In light of the above, the Group currently makes a provision of approximately 2% based on the revenue from Construction Services for household photovoltaic projects (excluding revenue from Construction Services for industrial and commercial photovoltaic projects).

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Based on our discussion with the management of the Group, the estimated probability of members of the Group being required to fulfil their guarantee obligations under the Master Photovoltaic (2025-2027) Agreement is referred to the market average of the rates of non-performing loans of financing companies in the PRC, which was no more than approximately 2%. According to the Chinese Mainland Banking Survey 2024 summary published in August 2024 by KPMG, the overall non-performing loans ratio at the end of 2023 was 1.59%.⁸ Given that the Group is still relatively new in the photovoltaic market and that the financing term for any individual agreement involving finance lease or other long-term financing arrangement is long (i.e. being maximum of 25 years), the Group has taken a more conservative approach and estimated such probability rate to be around 2%, which we consider fair and reasonable. For illustration purposes, as the Company only conducted the photovoltaic business since 2022, for prudent purpose, the proposed annual cap for aggregate actual amount paid under the guarantee arrangement for the year ending 31 December 2025 is approximately HK\$383.5 million, which is approximately 1.93% of the proposed annual cap for Construction Services for the year ending 31 December 2025.

We have also reviewed the relevant schedule, we noted that the projected amount paid under the guarantee arrangement, which is largely proportional to the demand for Construction Services for the three years ending 31 December 2027 and the scale of the completed photovoltaic power facilities built in the past years, hence the proposed annual caps for aggregate actual amount paid under the guarantee arrangement are set with an annual increase of approximately 22% from 2025 to 2026 and approximately 20% from 2026 to 2027 which is in line with the annual increase in proposed annual caps for service fees receivable by the Group for providing Construction Services of approximately 23% from 2025 to 2026 and approximately 19% from 2026 to 2027.

⁸ Please refer to p.21 of the Chinese Mainland Banking Survey 2024 summary published in August 2024 by KPMG Huazhen LLP at <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2024/08/chinese-mainland-banking-survey-2024-summary-venturing-into-new-horizons.pdf>

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We understand that the Company is optimistic about the prospect of the photovoltaic industry in the PRC in the foreseeable future. It is expected that the photovoltaic business will continue to grow significantly for the year ending 31 December 2025 compared with the year ending 31 December 2024, and the increase is estimated to be approximately 20% for the two years ending 31 December 2027. According to the 2023 Annual Report, the revenue from the Group's photovoltaic business for the year ended 31 December 2023 amounted to HK\$6.3 billion, representing a year-on-year growth of 1820%. The revenue from the Group's photovoltaic business for the first half of 2024 reached HK\$5.3 billion, representing a year-on-year growth of 213%. As mentioned above, TCL Industries Holdings Group will assume responsibility for establishing project companies across industrial, commercial, and household segments. From our discussion with the Company, we noted that most of the revenue generated from the Group's photovoltaic business is generated from the household photovoltaic business. As such, the expansion in the scale of the household photovoltaic business will further lead to an increase in revenue for the Group's photovoltaic business.

With the above considerations, we have obtained and reviewed the relevant schedules and/or the relevant supporting documents for the composition of the relevant proposed annual caps and they were found to be proper.

Under the Master Photovoltaic (2025-2027) Agreement, the proposed annual caps for Construction Services fees to be received by the Group for the three years ending 31 December 2027 of approximately HK\$19.9 billion, HK\$24.4 billion and HK\$29.0 billion respectively, account for approximately 25.2%, 30.9% and 36.7% of the Group's total revenue of approximately HK\$79.0 billion for the year ended 31 December 2023, while the Operation and Maintenance Services fees to be received by the Group for the three years ending 31 December 2027 of approximately HK\$307.5 million, HK\$375.6 million and HK\$421.7 million respectively, account for approximately 0.4%, 0.5% and 0.5% of the Group's total revenue of approximately HK\$79.0 billion for the year ended 31 December 2023. Furthermore, the proposed annual caps for guarantee arrangement for the three years ending 31 December 2027 of approximately HK\$383.5 million, HK\$466.1 million and HK\$558.9 million respectively, account for approximately 2.2%, 2.7% and 3.3% of the Group's net asset value of approximately HK\$17.1 billion as at 30 June 2024. In this respect, we are of the view that there is and would be no excessive reliance of the Group on the TCL Industries Holdings Group for the provision of Construction Services and Operation and Maintenance Services (including the guarantee arrangement) and that the proposed annual caps for the Master Photovoltaic (2025-2027) Agreement are fair and reasonable for the following reasons:

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- (i) Due to the expansion of scope of Construction Services by including household photovoltaic business, which was not covered under the Master Photovoltaic Power Construction Services (2022-2024) Agreement that focused solely on industrial and commercial photovoltaic businesses. Among the Group's total photovoltaic business revenue in the first half of 2024, approximately 90% of revenue was generated from the household photovoltaic business. Given this substantial contribution from the household segment and its incorporation into the connected transaction framework through TCL Industries Holdings Group's project companies, the proposed annual caps for Construction Services require a significant increase compared with the annual caps under the Master Photovoltaic Power Construction Services (2022-2024) Agreement to accommodate the expected surge in transaction volume.
- (ii) According to the information published by the National Energy Administration of the PRC, China has installed a record 216.30GW of new solar photovoltaic capacity in 2023, representing an approximately 147.5% year-on-year increase⁹. It is also noted that this strong growth trajectory has continued into 2024, with the total installed solar photovoltaic capacity reached approximately 102.48GW from January to June 2024, representing a 30.7% year-on-year increase.¹⁰

⁹ Please refer to the statistics for photovoltaic power generation construction in 2023 published by the National Energy Administration of the PRC, at https://www.nea.gov.cn/2024-02/28/c_1310765696.htm

¹⁰ Please refer to the statistics for photovoltaic power generation construction in the first half of 2024 published by the National Energy Administration of the PRC, at https://www.nea.gov.cn/2024-07/25/c_1310782757.htm

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- (iii) The photovoltaic sector in the PRC continues to benefit from a supportive regulatory environment, underpinned by the government's commitment to renewable energy development. Based on our independent due diligence, we noted that the PRC government provided comprehensive policy and capacity support to facilitate the continued growth and development of the photovoltaic industry, while also addressing the emerging challenges faced by the sector, in particular, the PRC government has issued 67 practical photovoltaic policies that addressed new requirements in areas such as technical standards, financial capabilities, and production capacity.¹¹ This favorable and supportive policy landscape creates a robust market for photovoltaic installation services, presenting significant opportunities for the Group.
- (iv) As discussed in the previous section of this letter, we have reviewed samples of contracts made between the Group and TCL Industries Holdings Group from 2023 to 2024 and noted that the average price offered by the Group is approximately RMB4.10 per watt. From our review, the price charged by the Group is higher than the market cost of building an industrial and commercial photovoltaic system of RMB3.18 per watt in 2023. On the other hand, the Group expected its Operation and Maintenance Services fees to be RMB0.02-0.05 per watt depending on the size and complexity of the photovoltaic system. According to the "China Photovoltaic industry development roadmap (2023-2024)" report¹², the operation and maintenance cost of the distributed photovoltaic system was about RMB0.047 per watt in 2023. We therefore consider the expected service fees to be charged by the Group align with the market norm.

¹¹ Please refer to an article dated 4 August 2024 at Solarbe, a renowned market intelligence that focuses on photovoltaic industries in the PRC, at <https://news.solarbe.com/202408/04/380907.html>

¹² Please refer to the report published by China Photovoltaic Industry Association ((CIPA)中國光伏行業協會), an official organisation of the photovoltaic industry in China, at http://www.chinapv.org.cn/Industry/resource_1380.html

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(v) We have also reviewed the relevant schedule provided by the Company and noticed that the Group has projected to install photovoltaic capacity of approximately 4,900-7,200MW with an expected unit price of RMB3.2-3.5 for industrial and commercial stations and household power stations each year during the term of the Master Photovoltaic (2025-2027) Agreement. It is observed that the unit prices are in line with the market price, as the average cost disclosed by China Photovoltaic Industry Association for building an industrial and commercial photovoltaic system is around RMB3.18 per watt in 2023. Given that (i) the expansion of scope of Construction Services to also include the photovoltaic power generation facilities/equipment construction services; (ii) the increase in scale of the photovoltaic power generation facilities/equipment; we are of the view that the proposed annual caps for the Master Photovoltaic (2025-2027) Agreement are determined based on reasonable estimations and after due and careful consideration, and that they are fair and reasonable so far as the Independent Shareholders are concerned.

(vi) Section conclusion

In light of the above and the fact that the Group and TCL Industries Holdings Group have already established business relationships under the Existing Agreements and the services provided to/by TCL Industries Holdings Group have been satisfactory to both parties, we are of the view that the continuing engagement with TCL Industries Holdings Group would promote the business operation of the Group, and the proposed annual caps for the Agreements are properly estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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7. The reasons for and benefits of the proposed Revised 2024 Sale Annual Cap and the Continuing Connected Transactions

The Directors consider that given the current actual amounts of Sale of Electronics Products, the 2024 Sale Annual Cap is insufficient to cover the transaction amount at the end of 2024 in preparation for New Year's Day and Lunar New Year in 2025. The revision of the 2024 Sale Annual Cap enables the Company to expand its business, increase its market share and thereby increase its revenue.

As stated in the Board Letter, the Directors are of the view that the Master Sale and Purchase (2025-2027) Agreement would consolidate the majority portion of the product business of TCL Industries Holdings Group, enhance customer experience, achieve a reduction of selling expenses and enhance the overall profitability of the Group under the Group's "AI x IoT" all-scenario smart and healthy-living strategy.

While the Master Services (2025-2027) Agreement would provide the Group with a chance to expand its business scope, increase its sources of revenue and enhance its competitiveness and profitability through utilising the expertise, experience and economies of scale of both the Group and TCL Industries Holdings Group.

As for the Master Financial (2025-2027) Agreement, the Directors are of the view that the agreement would provide the Group with (i) deposit services with favourable interest rates by taking advantage of the scale of the capital of Qualified Holdings Group and/or Finance Company (HK); (ii) greater flexibility in the management of its idle cash flow by enabling it to lend a portion of its idle cash to the Qualified Holdings Group and/or Finance Company and obtaining favourable interest income in return through the Credit Services; (iii) opportunities to expand its financial channels, accelerate the efficiency of its asset turnover and optimise its financial structure, as well as to improve the efficiency of its capital usage; and (iv) efficient foreign exchange transactions that support the Group's business and treasury activities.

Meanwhile, for the Master Brand Promotion (2025-2027) Agreement, the Board believes that using TCL Brand and/or TCL Industries Holdings Brand to market and distribute its products would allow the Group to enjoy the benefits brought by the goodwill and brand image of these brands, which are crucial to the long-term success of the Group's business operation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the and the Master Photovoltaic (2025-2027) Agreement, the Directors consider the complementary business model is in line with the Group's asset-light strategy, which can effectively minimise the capital investment burden of the Group and enable the Group to respond quickly to fast-changing market environment and to grasp potential business opportunities and lead the high-quality growth of the business scale of the Group. Moreover, the provision of Operation and Maintenance Services by the Group to the relevant users of the photovoltaic power generation facilities/equipment and the relevant arrangement involving Quality Guarantee and Deficiency Replenishment Guarantee Obligation ensures the operation quality of photovoltaic power generation facilities/equipment and thereby increases their market competitiveness. From our independent research among the companies listed on the Stock Exchange, we observed that it is not uncommon to provide such quality guarantees and deficiency replenishment guarantee obligations for construction service, especially in photovoltaic power projects, for example, Beijing Jingneng Clean Energy Company Limited (stock code: 579) has consistently provided similar guarantees and deficiency replenishment guarantee obligation for its PRC photovoltaic power projects for the past years. Having considered that (i) it is common and standard market practice in the PRC photovoltaic industry to request for quality guarantees and deficiency replenishment guarantee obligations; (ii) the Quality Guarantee in general only requires the Group to guarantee that the photovoltaic power generation facilities/equipment are fit for purpose, namely to generate a prescribed amount of electricity, which is the very purpose for which such photovoltaic power generation facilities/equipment are built, and such payment obligations will generally be satisfied from the income generated by photovoltaic power generation facilities/equipment and save for unforeseen exceptional circumstances which affect the power generating capacity of such facilities/equipment such as force majeure events which would be covered by insurance, it is expected that the Group will not be required to fulfil the payment obligations with its own financial resources; (iii) 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 relevant income and whether it could satisfy the payment obligations under the lease arrangement. In addition, the insurance policy (if purchased and maintained by the Group upon request of the relevant Financial Institutions), which can provide appropriate coverage on the relevant photovoltaic power generation facilities/equipment with the relevant lessor as the beneficiary, may relieve the burden of the Group from the guarantee arrangement, we concur with the Directors that implementing Quality Guarantee and Deficiency Replenishment Guarantee Obligation are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above and our analysis discussed in previous section headed “Basis for determining the proposed annual caps and our analysis”, we are of the view that the Revised 2024 Sale Annual Cap and the Non-exempt Transactions are beneficial to the Group as they would allow the Group to effectively manage its supply chain, expand its business scope, increase its sources of revenue, enhance its competitiveness and profitability and develop its overall goodwill and brand image. Therefore, we consider the Revised 2024 Sale Annual Cap and the entering into of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

8. Reasons for the individual agreements under the Master Photovoltaic (2025-2027) Agreement being longer than three years

In formulating our opinion on a longer period than three years for the individual agreements involving finance lease or other long-term financing arrangement or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements under the Master Photovoltaic (2025-2027) Agreement pursuant to Rule 14A.52 of the Listing Rules, we have considered the following principal factors and reasons:

- (i) The guarantee arrangement under Master Photovoltaic (2025-2027) Agreement facilitates long-term financing structures common in the capital-intensive photovoltaic industry. Under this agreement, members of TCL Industries Holdings Group may obtain financing from third-party financial institutions to engage or request the Group’s services. The Group is required to provide Quality Guarantees and may, at its discretion, assume Deficiency Replenishment Guarantee Obligations or provide Deposits. Based on the information provided by the Company, these arrangements are structured to align with the lifecycle of photovoltaic projects, which can extend up to 25 years, corresponding to the typical useful life of photovoltaic power equipment. This duration corresponds to the typical useful life of photovoltaic power equipment and allows for the full amortisation of the significant upfront investments. The long-term structure enables the Group to secure enduring business opportunities and provide necessary long-term support and guarantees;

In considering whether it is normal business practice for finance and guarantee agreements of similar nature with the individual agreements under the Master Photovoltaic (2025-2027) Agreement to have a term of such duration, we have conducted independent research, on best effort basis, of similar transactions in relation to the provision of finance and guarantee agreements by companies listed on the Main Board of the Stock Exchange to their respective connected person(s), with a duration longer than three years (the “**Comparable Transactions**”), in the past two years (i.e. from 26 September 2022 to 26 September 2024). Based on our research on the Stock Exchange’s website, we have identified three Comparable Transactions with a duration exceeding three years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 7: Comparable transactions with a duration longer than three years

Date of announcement/ circular	Company	Stock code	Nature of transaction	Duration
15 March 2024	GCL Technology Holdings Limited	3800	Provision of guarantee for the financing activities of connected person	The term of the guarantee agreement exceeds three years
12 December 2022	Beijing Jingneng Clean Energy Co., Limited	579	Provision of finance leasing services, including sale and leaseback services and direct finance leasing services	Certain specific agreements under the finance leasing framework agreement are longer than three years
17 August 2022	Beijing Jingneng Clean Energy Co., Limited	579	Provision of finance leasing services, including sale and leaseback services and direct finance leasing services	Certain specific agreements under the relevant finance leasing framework agreement are longer than three years

In light of the above and having considered that the duration of the majority of the Group's existing finance and guarantee agreements with Independent Third Parties were more than three years. Taking into account the above, we are of the view that the duration of the finance and guarantee agreements under the Master Photovoltaic (2025-2027) Agreement, being longer than three years is required and it is normal business practice for the individual agreements under the Master Photovoltaic (2025-2027) Agreement to be of such duration.

- (ii) The term of the individual agreements under the Master Photovoltaic (2025-2027) 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 our view gives grounds for the longer duration of the subject agreements; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) Strict compliance with the three-year requirement pursuant to Rule 14A.52 of the Listing Rules with respect to the Master Photovoltaic (2025-2027) Agreement will be unduly burdensome and unnecessarily costly to the Group, as the Group will need to renegotiate the terms of the individual agreements under the Master Photovoltaic (2025-2027) Agreement with TCL Industries Holdings Group during the agreement renewal process.

Based on the foregoing, we consider that (i) a term of longer than three years is required for the individual agreements involving finance lease or other long-term financing arrangement or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements under the Master Photovoltaic (2025-2027) Agreement; and (ii) it is a normal business practice for agreements with natures similar to the individual agreements involving finance lease or other long-term financing arrangement or involving the Deficiency Replenishment Guarantee Obligation or Deposit arrangements under the Master Photovoltaic (2025-2027) Agreement to have a duration of more than three years.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the proposed Revised 2024 Sale Annual Cap, the Non-exempt Transactions and their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms, and are entered into in the ordinary and usual course of business of the Group and the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the proposed Revised 2024 Sale Annual Cap, the Non-exempt Transactions and their respective proposed annual caps at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) in relation to the proposed Revised 2024 Sale Annual Cap, the Non-exempt Transactions and their respective proposed annual caps at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles LI*
Managing Director

* *Charles LI is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

For illustrative purposes only

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Company for the years ended 31 December 2023, 2022 and 2021 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2024 together with the relevant notes to the financial statements of the Company can be found on pages 133-313 of the annual report of the Company for the year ended 31 December 2023, pages 122-299 of the annual report of the Company for the year ended 31 December 2022, pages 120-304 of the annual report of the Company for the year ended 31 December 2021, and pages 28-69 of the interim report of the Company for the six months ended 30 June 2024. Please see below the hyperlinks to the aforesaid documents:

Annual report for the year ended 31 December 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603103.pdf>

Annual report for the year ended 31 December 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042800001.pdf>

Annual report for the year ended 31 December 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600335.pdf>

Interim report for the six months ended 30 June 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0927/2024092700007.pdf>

2. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 September 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group had total interest-bearing borrowings of approximately HK\$8,507,000,000, comprising (a) unsecured guaranteed bank loans of approximately HK\$2,942,736,000; (b) unsecured unguaranteed bank loans of approximately HK\$4,000,580,000; (c) secured and guaranteed bank loans of approximately HK\$332,451,000; (d) secured unguaranteed bank loans of approximately HK\$1,221,028,000; and (e) advances from banks as consideration for factored trade receivables of approximately HK\$10,205,000.

Lease obligations

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of within nine years. As at 30 September 2024, the Group's total lease liabilities recognised under Hong Kong Financial Reporting Standards 16 under non-cancellable operating leases contracts were HK\$385,681,000.

Capital commitments and contingent liabilities

As at 30 September 2024, the Group had capital commitments which were contracted but not provided for of approximately HK\$571,514,000 and no capital commitments which were authorised but not contracted for.

As at 30 September 2024, the Group had the following contingent liabilities which have not been provided for in the financial statements:

TCL SEMP Eletroeletronicos is currently a respondent in a tax assessment dispute in Brazil with Brazil tax authority for alleged improper application of tax credits for the financial years of 2012 and 2013. As at 30 September 2024, the tax assessment dispute was still ongoing. The information falls under one of the exceptions under Hong Kong Accounting Standards 37 Provisions, Contingent Liabilities and Contingent Assets, which provides that where such disclosure can be expected to prejudice the outcome seriously, an entity need not disclose the information. Based on the response from the independent attorney in charge, it is expected that the dispute will last for 3 to 8 years. The Group has not made any provision as the Group, based on the advice from its legal counsel, believes that TCL SEMP Eletroeletronicos has a valid defence against the allegation.

Pledge of assets

As at 30 September 2024, the Group had restricted cash and pledged deposits balance of approximately HK\$1,274,815,000, bills receivables of approximately HK\$19,898,000 and inventories of approximately HK\$332,451,000 pledged as the balance of performance and quality guarantees, financial assets and banking facilities for the Group.

Save as aforesaid, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 30 September 2024, being the latest practicable date for the purpose of this indebtedness statement.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 30 September 2024.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the proposed renewal of major and continuing connected transactions and the financial resources available to the Group, including internally generated financial resources, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances. As at the Latest Practicable Date, the Company has obtained from its auditor the relevant confirmation regarding the sufficiency of working capital as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS

In recent years, despite the relatively saturated demand within the TV industry, the industry concentration of panel production capacity has continued to tilt towards Chinese manufacturers, with the upstream competition pattern stabilising, thereby providing a strong support for the healthy and stable development of the TV industry's upstream and downstream sectors and further expanding the downstream advantages of leading Chinese TV enterprises. Meanwhile, although demand of global TV market remains stable, the trend of product structure upgrading and the shift towards mid-to-high-end products are becoming increasingly evident. According to a report from Sigmaintell, global shipment of large-sized TV of 75-inch and above and of Mini LED TV is expected to grow at a compound annual growth rate of 25.0% in 2023 and 60.1% in 2025. In response to changes in market demand, the Group will continue to promote its mid-to-high-end strategy, strengthen its brand image through precision marketing, and enhance the technological quality of its products to capture market share.

In the future, the global market size of air conditioner, refrigerator, and washing machine is expected to remain relatively stable, but there is still a significant market space when compared to the TV market. By leveraging its global TV branding and channel advantages accumulated through years of intensive overseas development, the Group will continue to actively expand the scale of all-category marketing business to further increase the market share of its all-category products, opening up new opportunities for the Group's diversified development. Meanwhile, the photovoltaic market and the AR/XR headset market have maintained rapid growth. Despite fierce market competition, the Group will continue to innovate and explore to seize industry opportunities and proactively position its business to build a new long-term sound growth trajectory with great potential.

The Group will vigorously pursue strategies centered around “Scale Expansion, Strong Operation, Dynamic Organisation, and Globalisation”, striving to achieve high-quality development with net profit growth > gross profit growth > revenue growth. While stabilising the mid-to-low-end market, the Group will continue to achieve breakthrough in the mid-to-high-end market, deepen its overseas retail, channel, and marketing capabilities, and strengthen its global branding advantages. The Group will also strive for optimal operational efficiency, continuously improve its global organisational capabilities, and strengthen its data-driven operations to comprehensively contribute to lowering costs, increasing efficiency, and enhancing user experience. Moreover, the Group will adhere to the globalisation of operations, achieving local or nearby supply of products through global production capacity deployment, foster global talent to ensure the global deployment of local talents, and promote localisation of brand marketing worldwide to effectively enhance the global brand influence.

Looking forward, the Group will adhere to the strategy of “Lead with Brand Value, Excel in Global Efficiency, Drive with Technology, Thrive on Global Vitality”, focus on strengthening core competencies in product, marketing, operation, and organisation, and promote the long-term sustainable development of the Group’s core businesses, such as the display business and internet business, as well as the innovative business. The Group will continue to deepen its “Global” and “Tech-driven” layout, moving towards the goal of becoming a world-leading smart device enterprise.

5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

The Group has not made any acquisition after the date of the latest published audited accounts required to be disclosed in this circular pursuant to the Listing Rules.

1. RESPONSIBILITY OF THE DIRECTORS

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions, by Directors of Listed Issuers contained in the Listing Rules (“**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

(a) Interest in the Company – Long Positions

Name of Directors	Number of ordinary Shares held		Number of underlying shares held under equity derivatives		Total	Approximate percentage of issued share capital of the Company (Note 2)
	Personal interests	Other interests (Note 1)	Personal interests	Personal interests		
DU Juan (Note 3)	1,364,075	1,500,000	–	–	2,864,075	0.11%
ZHANG Shaoyong (Note 4)	2,801,012	1,500,000	–	–	4,301,012	0.17%
PENG Pan (Note 5)	–	1,500,000	–	–	1,500,000	0.06%
SUN Li (Note 6)	1,343,419	1,500,000	–	–	2,843,419	0.11%
WANG Yijiang	44,312	–	–	–	44,312	0.002%
LAU Siu Ki	164,637	–	–	–	164,637	0.01%

Notes:

- These interests are restricted shares that have been granted to the relevant Directors under the share award scheme of the Company adopted on 3 November 2023 and were not vested as at the Latest Practicable Date.

2. The percentages are calculated based on the issued share capital of the Company as at the Latest Practicable Date, i.e. 2,520,935,155 Shares.
3. Ms. DU Juan is also a director and the chief executive officer of TCL Industries Holdings.
4. Mr. ZHANG Shaoyong is also a senior vice president of TCL Industries Holdings.
5. Mr. PENG Pan is also the chief financial officer of TCL Industries Holdings.
6. Mr. SUN Li is also the chief technology officer of TCL Industries Holdings.

Save as disclosed in this paragraph 2, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2023 of the Group were made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN THE GROUP'S ASSETS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as referred to in Paragraph 40 of the Appendix D1B of the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any material interest in any contract or arrangement which was subsisting and significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them (or his/her respective close associates) had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

7. LITIGATION

TCL SEMP Eletroeletronicos is currently a respondent in a tax assessment dispute in Brazil with Brazil tax authority for alleged improper application of tax credits for the financial years of 2012 and 2013. As at 30 September 2024, the tax assessment dispute was still ongoing. The information falls under one of the exceptions under Hong Kong Accounting Standards 37 Provisions, Contingent Liabilities and Contingent Assets, which provides that where such disclosure can be expected to prejudice the outcome seriously, an entity need not disclose the information. Based on the response from the independent attorney in charge, it is expected that the dispute will last for 3 to 8 years.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which is contained or referred to in this circular:

Name	Qualification
Pelican Financial Limited	A licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO

Pelican has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 6 November 2024 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Pelican did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which have, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (i) the equity transfer agreement dated 27 September 2023 entered into between Huizhou TCL Mobile and TCL Industries Holdings for the disposal of 10% equity interest in Huizhou Kuyu at the consideration of RMB51 million (for details, please refer to the announcement of the Company dated 27 September 2023); and
- (ii) the shareholders' agreement dated 7 July 2023 entered into among TCL NL, STA, TCL SEMP (as intervening-consenting party) and ABH (as intervening-consenting party) in relation to, among others, the grant of put option to STA and call option to TCL NL regarding 20% equity interest in TCL SEMP held by STA at nil consideration (for details, please refer to the announcement of the Company dated 7 July 2023).

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at 5th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The joint company secretaries of the Company are Mr. PENG Pan, an executive Director and the chief financial officer of the Company, and Ms. CHOY Fung Yee, a practising solicitor of Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://electronics.tcl.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Master Sale and Purchase (2022-2024) Agreement;
- (b) the Master Sale and Purchase (2025-2027) Agreement;
- (c) the Master Services (2025-2027) Agreement;
- (d) the Master Financial (2025-2027) Agreement;
- (e) the Master Brand Promotion (2025-2027) Agreement;
- (f) the Master Photovoltaic (2025-2027) Agreement;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from Pelican Financial Limited, the Independent Financial Adviser, the text of which is set out in this circular; and
- (i) the written consent from Pelican Financial Limited referred to in the section headed “Expert and Consent” in this appendix.

NOTICE OF EGM

The logo consists of the letters "TCL" in white, bold, sans-serif font, centered within a red rounded square.

TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of TCL Electronics Holdings Limited (the “**Company**”) will be held at 8/F., Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, on 28 November 2024, Thursday, at 2:30 p.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Revised 2024 Sale Annual Cap (as defined in the circular of the Company dated 6 November 2024 (the “**Circular**”)) be and is hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and take all such actions as he/she or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Revised 2024 Sale Annual Cap or the respective transactions contemplated thereunder.”

2. “**THAT**

- (a) the Master Sale and Purchase (2025-2027) Agreement (as defined in the Circular), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked “A” and initialed by the chairperson of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2027 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Sale and Purchase (2025-2027) Agreement or the transactions contemplated thereunder.”

NOTICE OF EGM

3. **“THAT**

- (a) the Master Services (2025-2027) Agreement (as defined in the Circular), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked “B” and initialed by the chairperson of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2027 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Services (2025-2027) Agreement or the transactions contemplated thereunder.”

4. **“THAT**

- (a) the Master Financial (2025-2027) Agreement (as defined in the Circular), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked “C” and initialed by the chairperson of the meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2027 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Financial (2025-2027) Agreement or the transactions contemplated thereunder.”

5. **“THAT**

- (a) the Master Brand Promotion (2025-2027) Agreement (as defined in the Circular), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked “D” and initialed by the chairperson of the meeting for the purpose of identification) together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2027 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Brand Promotion (2025-2027) Agreement or the transactions contemplated thereunder.”

NOTICE OF EGM

6. “**THAT**

- (a) the Master Photovoltaic (2025-2027) Agreement (as defined in the Circular), the terms and the transactions contemplated thereunder (a copy of the agreement has been produced to the meeting and marked “E” and initialed by the chairperson of the meeting for the purpose of identification) together with the relevant proposed annual caps in relation to such transactions for the three financial years ending 31 December 2027 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Master Photovoltaic (2025-2027) Agreement or the transactions contemplated thereunder.”

One behalf of the Board
DU Juan
Chairperson

Hong Kong, 6 November 2024

Notes:

- 1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the Meeting is entitled to appoint more than one proxy or a duly authorised corporate representative to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. A form of proxy for the Meeting is disseminated together with the Company’s circular dated 6 November 2024. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting and any adjournment or postponement thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.
- 3. To ascertain the entitlements to attend and vote at the Meeting, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 22 November 2024, Friday for registration. Members of the Company whose names are recorded in the register of members of the Company at the close of business on 22 November 2024, Friday are entitled to attend and vote at the Meeting.

NOTICE OF EGM

4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
5. If the Meeting is seriously affected by bad weather conditions or otherwise, the Company will publish an announcement on the website of the Stock Exchange (www.hkexnews.hk) to notify shareholders of Company of the date, time, place and/or mode of the rescheduled meeting. Otherwise, the Meeting may still be held as scheduled during bad weather conditions. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather conditions bearing in mind their own situations

As at the date of this notice, the Board comprises Ms. DU Juan, Mr. ZHANG Shaoyong, Mr. PENG Pan and Mr. SUN Li as executive Directors and Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.