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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of the Mandatory General Offer, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in TCL Electronics Holdings Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Mandatory General Offer contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

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**TCL Industries Holdings Co., Ltd.\***  
(TCL實業控股股份有限公司)  
(Incorporated in the PRC with limited liability)

**TCL ELECTRONICS HOLDINGS LIMITED**  
**TCL 電子控股有限公司**  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 01070)

**T.C.L. Industries Holdings (H.K.) Limited**  
(Incorporated in Hong Kong with limited liability)

**COMPOSITE DOCUMENT RELATING TO  
THE MANDATORY UNCONDITIONAL CASH OFFERS BY  
UBS AG, HONG KONG BRANCH ON BEHALF OF T.C.L. INDUSTRIES HOLDINGS (H.K.)  
LIMITED, A WHOLLY-OWNED SUBSIDIARY OF  
TCL INDUSTRIES HOLDINGS CO., LTD.\*,  
TO ACQUIRE ALL THE ISSUED SHARES OF TCL ELECTRONICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
TCL INDUSTRIES HOLDINGS CO., LTD.\*, T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED  
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
TCL ELECTRONICS HOLDINGS LIMITED (OTHER THAN THOSE HELD BY  
PERSONS ACTING IN CONCERT WITH TCL INDUSTRIES HOLDINGS CO., LTD.\*  
AND/OR T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED)**

**Financial Adviser to TCL Industries Holdings Co., Ltd.\* and  
T.C.L. Industries Holdings (H.K.) Limited**



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



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

A letter from UBS containing, amongst other things, details of the terms and conditions of the Mandatory General Offer is set out on pages 7 to 25 of this Composite Document. A letter from the Board is set out on pages 26 to 36 of this Composite Document. A letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and Optionholders on the Mandatory General Offer is set out on pages 37 to 38 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee on the Mandatory General Offer is set out on pages 39 to 62 of this Composite Document.

The procedures for acceptance and settlement of the Mandatory General Offer are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Form(s) of Acceptance of the Mandatory General Offer should be received by the Registrar (in relation to the Share Offer) or the human resources department of the Company (in relation to the Option Offer) by no later than 4:00 p.m. on Friday, 13 December 2019 or such later times and/or dates as the Purchaser and Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "IMPORTANT NOTICES" contained in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Mandatory General Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Mandatory General Offer.

This Composite Document will remain on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [electronics.tcl.com](http://electronics.tcl.com) as long as the Mandatory General Offer remains open.

22 November 2019

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## **IMPORTANT NOTICES**

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### **NOTICE TO SHAREHOLDERS AND OPTIONHOLDERS OUTSIDE HONG KONG**

The making of the Mandatory General Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders and Overseas Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Mandatory General Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Purchaser, the Offeror, UBS and any other person involved in the Mandatory General Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS” in the “LETTER FROM UBS”.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Purchaser, Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations (including the Takeovers Code).

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Any change to the timetable will be jointly announced by the Purchaser, the Offeror and the Company as and when appropriate. Unless otherwise specified, all times and dates contained in this Composite Document refer to Hong Kong local time and dates.*

Despatch date of this Composite Document and the accompanying Forms of Acceptance ( <i>Note 1</i> ) . . . . .	Friday, 22 November 2019
Commencement date of the Mandatory General Offer ( <i>Note 1</i> ). . . . .	Friday, 22 November 2019
Latest time and date for acceptance of the Mandatory General Offer ( <i>Notes 2 and 3</i> ). . . . .	by 4:00 p.m. on Friday, 13 December 2019
Closing Date ( <i>Note 4</i> ) . . . . .	Friday, 13 December 2019
Announcement of the results of the Mandatory General Offer to be posted on the Stock Exchange's website ( <i>Note 2</i> ) . . . . .	by 7:00 p.m. on Friday, 13 December 2019
Latest date of posting of remittances for the amounts due in respect of valid acceptances received under the Mandatory General Offer ( <i>Note 5</i> ). . . . .	Tuesday, 24 December 2019

*Notes:*

1. The Mandatory General Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is open for acceptance on and from Friday, 22 November 2019 until 4:00 p.m. on Friday, 13 December 2019.
2. The latest time and date for acceptance of the Mandatory General Offer will be at 4:00 p.m. on Friday, 13 December 2019 unless the Purchaser and Offeror revise or extend the Mandatory General Offer in accordance with the Takeovers Code. The Purchaser, the Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on Friday, 13 December 2019 stating whether the Mandatory General Offer has been extended, revised or has closed for acceptance. In the event that the Purchaser and the Offeror decide to extend the Mandatory General Offer, at least 14 days' notice by the way of an announcement will be given before the Mandatory General Offer is closed to those Independent Shareholders and Optionholders who have not accepted the Mandatory General Offer. **The Mandatory General Offer will not be extended beyond the Closing Date unless as required by the Takeovers Code.**
3. Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptance of the Mandatory General Offer shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "5. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.
4. If there is a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal in force on the Closing Date and it is (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Closing Date, the time and date of the close of the Mandatory General Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Closing Date, the time and date of the close of the Mandatory General Offer will be the same day, i.e., 4:00 p.m. on the Closing Date.

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## EXPECTED TIMETABLE

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5. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Share or the Share Options tendered under the Mandatory General Offer will be posted to the accepting Independent Shareholders or the Optionholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days of the date of receipt by the Registrar (as regards the Share Offer) or the human resources department of the Company (as regards the Option Offer) of all the relevant documents to render the acceptance under the Mandatory General Offer complete and valid.

Save as mentioned above, if the latest time for the acceptance of the Mandatory General Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Purchaser, the Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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*In this Composite Document, the following expressions shall have the following meanings unless the context otherwise requires:*

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Adjusted Share Offer Price”	HK\$3.1244 for each Offer Share payable by the Offeror to the Independent Shareholders for each Offer Share transferred to the Offeror after the Record Date (i.e. the Share Offer Price minus the net Declared Dividend)
“associate(s)”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	the day(s) on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	Friday, 13 December 2019, being the closing date of the Mandatory General Offer
“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)
“Composite Document”	this composite offer and response document jointly issued by the Purchaser, the Offeror and the Company to the Shareholders and Optionholders in connection with the Mandatory General Offer in compliance with the Takeovers Code
“control”	has the meaning ascribed to it under the Takeovers Code
“Declared Dividend”	the interim dividend of HK10.56 cents declared by the Company in respect of the Offer Shares held by Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date
“Director(s)”	the director(s) of the Company
“Divested Segment”	the businesses that the Vendor spun off to the Purchaser as part of the Restructuring

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director
“exempt fund managers”	has the meaning ascribed to it under the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it under the Takeovers Code
“Forms of Acceptance”	the <b>WHITE</b> Form of Share Offer Acceptance and the <b>PINK</b> Form of Option Offer Acceptance accompanying this Composite Document, and “Form of Acceptance” means either of them
“Grantees”	grantees of Restricted Shares under the Restricted Share Award Scheme
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special and Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki and the non-executive Directors who have no direct or indirect interest in the Mandatory General Offer, namely Mr. Albert Thomas DA ROSA, Junior and Mr. LI Yuhao, established in accordance with the Takeovers Code to give recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Mandatory General Offer are fair and reasonable and as to the acceptance of the Mandatory General Offer
“Independent Financial Adviser” or “Sommerley Capital”	Sommerley Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Mandatory General Offer
“Independent Shareholders”	Shareholders other than the Purchaser, the Offeror and parties acting in concert with any of them and which, for the avoidance of doubt, includes members of the UBS group which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code

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## DEFINITIONS

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“Irrevocable Undertaking”	the irrevocable undertaking dated 4 October 2019 given by Zeal Limited in favour of the Purchaser and the Offeror
“Joint Announcement”	the joint announcement dated 2 October 2019 jointly issued by the Purchaser, the Offeror and the Company in relation to, amongst other things, the Restructuring and the Mandatory General Offer
“Latest Practicable Date”	20 November 2019, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein
“Lida Tiancheng”	Huizhou Lida Tiancheng Investment Co., Ltd.* (惠州礪達天成投資有限公司), a limited liability company established in the PRC and the general partner of Lida Zhihui
“Lida Zhihui”	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)), a limited liability partnership established in the PRC and a controlling shareholder of the Purchaser
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandatory General Offer”	collectively, the Share Offer and the Option Offer
“Offeror”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Purchaser and the immediate controlling shareholder of the Company as at the Latest Practicable Date
“Offer Period”	the period commencing from 2 October 2019, being the date of the Joint Announcement, and ending on the Closing Date
“Offer Share(s)”	all the issued Share(s) (other than those already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them)
“Option Offer”	the mandatory unconditional cash offer made by UBS on behalf of the Offeror to cancel the outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) on the terms and conditions set out in this Composite Document in compliance with the Takeovers Code

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## DEFINITIONS

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“Option Offer Price”	the price for each Share Option payable by the Offeror to the Optionholders accepting the Option Offer
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Optionholder(s)”	Optionholder(s) whose addresses are outside Hong Kong
“Overseas Shareholder(s)”	Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong
“ <b>PINK</b> Form of Option Offer Acceptance”	the <b>PINK</b> Form of acceptance and cancellation of all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) in respect of the Option Offer
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Appraiser”	China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司), an appraisal institution with securities and futures related business evaluation qualification in the PRC
“PRC Appraiser (Shenzhen)”	Shenzhen China United Assets Appraisal Co., Ltd.*(深圳中聯資產評估有限公司), a subsidiary of the PRC Appraiser and an appraisal institution with assets and projects evaluation qualification in the PRC
“Purchaser” or “TCL Holdings”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), a company incorporated in the PRC
“Record Date”	29 November 2019, the record date for the payment of the interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share as declared by the Board on 28 August 2019
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar of the Company at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Joint Announcement (i.e. 2 April 2019) and up to the Latest Practicable Date

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## DEFINITIONS

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“Relevant Shares”	all the Shares for which Zeal Limited is the beneficial owner
“Restricted Shares”	the Shares awarded under the Restricted Share Award Scheme from time to time which have not been vested to the Grantees
“Restricted Share Award Scheme”	the Restricted Share Award Scheme adopted by the Company on 6 February 2008 (as amended and revised on 11 August 2015, 13 June 2016, 24 November 2017 and 4 May 2018)
“Restructuring”	the series of transactions contemplated under the Restructuring Agreement
“Restructuring Agreement”	the Material Assets Sale Agreement dated 7 December 2018 entered into among the Purchaser, the Vendor and Vendor Affiliates in relation to the sale and purchase of all of the issued share capital of the Offeror and the Restructuring
“Restructuring Completion”	completion of the Restructuring for the transfer of all legal ownership in the assets of the Divested Segment on 31 March 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value HK\$1.00 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer made by UBS on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Share Offer Price”	HK\$3.23 for each Offer Share payable by the Offeror to the Independent Shareholders for each Offer Share transferred to the Offeror on or before the Record Date
“Share Option(s)”	the exercisable and not exercisable share options granted under the Share Option Schemes from time to time

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## DEFINITIONS

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“Share Option Scheme(s)”	the share option schemes of the Company adopted by the Company on 15 February 2007 and 18 May 2016
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“TCL Group”	TCL Corporation (TCL集團股份有限公司), together with its subsidiaries, associates and investments before the Restructuring
“Tonly Holdings”	Tonly 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: 01249)
“Trustee”	BOCI Prudential Trustee Limited, the trustee appointed by the Board for the administration of the Restricted Share Award Scheme
“UBS”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Purchaser and the Offeror in relation to the Mandatory General Offer. UBS AG is incorporated in Switzerland with limited liability
“Vendor”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100)
“Vendor Affiliates”	Huizhou TCL Light Electrical Appliances Co., Ltd.* (惠州TCL照明電器有限公司) and TCL Financial Holdings Group (Guangzhou) Co., Ltd.* (TCL金融控股集團(廣州)有限公司), both are wholly-owned by the Vendor
“ <b>WHITE</b> Form of Share Offer Acceptance”	the <b>WHITE</b> form of acceptance and transfer of Shares in respect of the Share Offer
“%”	per cent

\* For identification purpose only

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## LETTER FROM UBS

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### UBS AG

Hong Kong Branch  
2 International Finance Centre  
52/F, 8 Finance Street  
Central, Hong Kong  
Tel. +852-2971-8888

[www.ubs.com](http://www.ubs.com)

22 November 2019

*To the Independent Shareholders and Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
UBS AG, HONG KONG BRANCH ON BEHALF OF T.C.L. INDUSTRIES  
HOLDINGS (H.K.) LIMITED, A WHOLLY-OWNED SUBSIDIARY OF  
TCL INDUSTRIES HOLDINGS CO., LTD.\*,  
TO ACQUIRE ALL THE ISSUED SHARES OF  
TCL ELECTRONICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE PURCHASER, OFFEROR AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
TCL ELECTRONICS HOLDINGS LIMITED (OTHER THAN THOSE HELD BY  
PERSONS ACTING IN CONCERT WITH THE PURCHASER  
AND/OR THE OFFEROR)**

### INTRODUCTION

References are made to the Joint Announcement in relation to, amongst other things, the Restructuring and the Mandatory General Offer and the announcement dated 9 October 2019 jointly issued by the Purchaser, the Offeror and the Company in relation to the Irrevocable Undertaking.

### The Restructuring Agreement

On 7 December 2018, the Vendor, Vendor Affiliates and Purchaser entered into the Restructuring Agreement, pursuant to which the Vendor and Vendor Affiliates agreed to sell and the Purchaser agreed to purchase all of the assets in the Divested Segment for a consideration of RMB4.76 billion in cash. Included in the assets of the Divested Segment were all of the issued share capital of the Offeror, which owned approximately 52.41% of the issued share capital of the Company upon the Restructuring Completion.

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## LETTER FROM UBS

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The Purchaser understood the Restructuring to be an internal reorganisation of TCL and had been motivated by the Vendor's desire to deploy and streamline its financial, personnel and other resources in furthering its strategic focus on its principal businesses such as semiconductor display and materials. The Purchaser is interested in operating in the business of the Divested Segment by fully leveraging the experience and skillset of the Vendor's existing management team.

### **Completion of the Restructuring**

As of 31 March 2019, legal ownership of all assets in the Divested Segment was transferred to the Purchaser. The Offeror held 1,235,272,639 Shares, representing approximately 52.41% of the issued share capital of the Company as at Restructuring Completion.

As at the Latest Practicable Date, the Offeror held 1,235,272,639 Shares, representing approximately 52.28% of the issued share capital of the Company, while the Purchaser, the Offeror and parties acting in concert with any of them in aggregate were interested in 1,294,242,974 Shares, representing approximately 54.77% of the issued share capital of the Company.

### **Consideration of the Restructuring**

The consideration for the transfer of the assets of the Divested Segment was RMB4.76 billion in cash. The amount was determined having regard to the appraised value of the assets of the Divested Segment as of 30 June 2018, as adjusted by the aggregate amount of additional capital injections made to assets of the Divested Segment after 30 June 2018.

Apart from the consideration of RMB4.76 billion in cash, there was no other consideration compensation or benefit in whatever form paid or to be paid by the Purchaser, the Offeror or parties acting in concert with any of them to the Vendor or any party acting in concert with the Vendor in connection with the Restructuring.

### **Inadvertent breach of Rule 26.1 of the Takeovers Code by the Purchaser**

Given that the Restructuring involved the acquisition of a company which directly holds a controlling interest in the Company, a Hong Kong public listed company, pursuant to Note 8 to Rule 26.1 of the Takeovers Code, the Purchaser should have consulted the Executive before the Restructuring Agreement was executed.

As a result of the Purchaser's acquisition of all of the issued share capital of the Offeror, the Purchaser and parties acting in concert with it have an obligation to make a mandatory general offer for all the Shares in the Company (other than those already owned by the Purchaser, the Offeror and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code.

The Purchaser's failure to consult the Executive prior to its execution of the Restructuring Agreement and to make a mandatory general offer for all the Shares in the Company (other than those already owned by the Purchaser, the Offeror and parties acting in concert with any of them) on or around the date of the Restructuring Completion is in breach of Rule 26.1 of the Takeovers Code. The Purchaser sincerely apologises for its inadvertent breach of the Takeovers Code.

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## LETTER FROM UBS

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### **Implication of the Restructuring on the Mandatory General Offer**

Immediately before the Restructuring, the Vendor held 100% of the issued share capital of the Offeror, which in turn held 1,235,272,639 Shares, representing approximately 52.89% of the then issued share capital of the Company. Upon the Restructuring Completion, the Purchaser holds the entire issued capital of the Offeror.

Due to the Restructuring, the Purchaser and parties acting in concert with it are, pursuant to directions provided by the Executive, required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all outstanding Share Options in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror). The Offeror, a wholly-owned subsidiary of the Purchaser upon the Restructuring Completion, implements the Mandatory General Offer.

The Mandatory General Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. This letter sets out, among other things, the principal terms of the Mandatory General Offer, together with the information on the Purchaser, the Offeror and the intention of the Purchaser and Offeror regarding the Group. Further details of the terms of the Mandatory General Offer and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the letter from the Board as well as the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the letter from Ernst & Young in respect of the Mandatory General Offer, as contained in this Composite Document.

### **MANDATORY UNCONDITIONAL CASH OFFERS**

As at the Latest Practicable Date, the Company had a total of 2,362,972,379 Shares in issue. Mr. LI Dongsheng together with his spouse, Ms. ICHIKAWA Yuki, are in aggregate interested in 58,692,792 Shares, representing approximately 2.48% of the entire issued share capital of the Company as at the Latest Practicable Date. As Mr. LI Dongsheng is a director of the Purchaser and the Offeror, Mr. LI Dongsheng together with his spouse are persons presumed to be acting in concert with the Purchaser and the Offeror in accordance with class 2 of the definition of “acting in concert” in the Takeovers Code.

As of the Latest Practicable Date, Ms. DU Juan, a director of the Purchaser, Ms. XIONG Yan and Mr. DU Yuanhua, directors of the Offeror, who are presumed to be acting in concert with the Purchaser and the Offeror, together with spouse of Ms. XIONG Yan, were in aggregate interested in 277,543 Shares, representing approximately 0.01% of the entire issued share capital of the Company.

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## LETTER FROM UBS

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As at the Latest Practicable Date, there were 29,078,406 outstanding Restricted Shares awarded to the Grantees which remain unvested. Those Restricted Shares are currently held by the Trustee for the benefits of the Grantees. Pursuant to the rules of the Restricted Share Award Scheme, unless the Board shall in its sole and absolute discretion determine otherwise, upon the occurrence of a change in control of the Company, all the Restricted Shares shall immediately vest on the date when such event of change in control becomes or is declared unconditional. The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that the Grantees will be given written notices setting out their rights to accept the Share Offer for their Restricted Shares and the options to either (i) accept the Share Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer; or (ii) not to accept the Share Offer, whereby the Board will exercise its discretion to not vest the Restricted Shares pursuant to the rules of the Restricted Share Award Scheme, and the Restricted Shares shall vest in accordance with their respective original vesting schedules. The Board will issue the said written notices to the Grantees on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV.

A copy of this Composite Document is delivered to the Grantees at the same time when this Composite Document is despatched to the Shareholders and Optionholders. The Company will then obtain relevant written replies from the Grantees before the Closing Date. If no reply is obtained from the Grantees, it will be assumed that the Grantees do not intend to accept the Share Offer and agree that such Restricted Shares shall remain unvested but vest in accordance with their respective original vesting schedules. The Board will exercise its discretion not to accelerate the vesting of Restricted Shares which have not taken up the Share Offer.

As at the Latest Practicable Date, the Purchaser, the Offeror and parties acting in concert with any of them were in aggregate interested in a total of 1,294,242,974 Shares, representing approximately 54.77% of the total issued share capital of the Company. Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to the Closing Date, there will be 1,068,729,405 Shares subject to the Share Offer, representing approximately 45.23% of the existing issued share capital of the Company.

As at the Latest Practicable Date, there were 185,263,219 outstanding Share Options entitling the Optionholders to subscribe for an aggregate of 185,263,219 Shares granted under the Share Option Schemes, of which 8,309,419 outstanding Share Options were granted to parties acting in concert with the Purchaser and the Offeror.

As at the Latest Practicable Date, save for 185,263,219 outstanding Share Options, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

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## LETTER FROM UBS

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### Terms of the Mandatory General Offer

UBS is making the Mandatory General Offer on behalf of the Offeror, a wholly-owned subsidiary of the Purchaser, in compliance with the Takeovers Code on the following basis:

#### *The Share Offer*

The Offer Shares to be acquired shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share. The interim dividend will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019. In the event that the relevant Offer Shares are acquired by the Offeror on or before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. **In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net Declared Dividend, i.e. the Adjusted Share Offer Price of HK\$3.1244, will become the consideration for each Offer Share for such Shareholders.**

For each Offer Share transferred to the Offeror on or  
before the Record Date . . . . . HK\$3.23 in cash  
(net Declared Dividend of HK10.56 cents  
being entitlement of the Offeror)

For each Offer Share transferred to the Offeror after  
the Record Date, being the Adjusted Share Offer Price. . . . . HK\$3.1244 in cash  
(i.e. Share Offer Price of HK\$3.23 minus  
net Declared Dividend of HK10.56 cents,  
net Declared Dividend of HK10.56 cents  
being entitlement of the accepting Shareholder(s))

The Share Offer Price of HK\$3.23 is determined by reference to the appraised value of the Company as of 30 June 2018, being RMB6,348,360,600, which was used as the basis for determining the consideration for the transfer of assets in the Divested Segment and the underlying imputed acquisition price of each Share in the Restructuring. The computation of the Share Offer Price is based on the formula below:

$$\text{Share Offer Price} = \frac{\text{Appraised value of the Company} \times \text{Exchange Rate (Note 1)}}{\text{Total number of issued shares of the Company (Note 2)}}$$

*Note 1:* The applicable exchange rate as of 30 June 2018 was RMB1.00 to HK\$1.1861.

*Note 2:* Total number of issued Shares of the Company as of 30 June 2018 was 2,333,388,113.

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## LETTER FROM UBS

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Please refer to Appendix XI of this Composite Document for the extract from the Appraisal Report (資產評估報告) dated 3 December 2018 issued by the PRC Appraiser (pages 3, 16 and 17) and Verified Opinions from the PRC Appraiser in response to enquiries raised by Shenzhen Stock Exchange on the Restructuring (中聯資產評估集團有限公司對深圳證券交易所《關於對TCL集團股份有限公司的重組問詢函》評估問題的回覆的核查意見) published at the website of the Shenzhen Stock Exchange on 22 December 2018 (pages 22 to 38) regarding the appraised value of the Company as of 30 June 2018. Complete copies of the said Appraisal Report and Verified Opinions are available for inspection, details of which are set out in the paragraph headed “DOCUMENTS AVAILABLE FOR INSPECTION” in Appendix IV. Since the appraisal method under the Appraisal Report and Verified Opinion involves discounted cash flow projections, which constitutes a profit forecast of the Company under Rule 10 of the Takeovers Code, it has to be reported on and has been reported on by UBS, the Independent Financial Adviser and Ernst & Young, respectively, in accordance with Rule 10 of the Takeovers Code in the Joint Announcement. The profit forecast used in the Appraisal Report was prepared by the Vendor and accepted by the Purchaser in connection with the Restructuring, and the Directors were not involved in the preparation of the profit forecast. The letters of UBS, the Independent Financial Adviser and Ernst & Young in connection with the appraisal conducted by the PRC Appraiser as required under the Takeovers Code are set out in Appendix XII, Appendix XIII and Appendix XIV of this Composite Document, respectively. An updated appraisal report dated 1 November 2019 regarding the appraised value of the Company as of 30 June 2019 prepared by the PRC Appraiser (Shenzhen) is set out in Appendix V of this Composite Document in compliance with Rule 11.4 of the Takeovers Code. Documents listed in the appendices of the updated appraisal report are not included in Appendix V but are available for inspection, details of which are set out in the paragraph headed “DOCUMENTS AVAILABLE FOR INSPECTION” in Appendix IV. The PRC Appraiser (Shenzhen) has confirmed that there is no material change to the value of the Company as of 30 September 2019 from the valuation benchmark date of the updated appraisal report, being 30 June 2019. The appraisal method under the updated appraisal report also has to be reported on and has been reported on by UBS, the Independent Financial Adviser and Ernst & Young, in accordance with Rule 10 of the Takeovers Code as set out in Appendix VI, Appendix VII and Appendix VIII of this Composite Document respectively.

**The Purchaser and the Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Purchaser and the Offeror do not reserve the right to increase the Share Offer Price.**

**The Mandatory General Offer will not be extended beyond the Closing Date unless as required by the Takeovers Code.**

### *The Option Offer*

As at the Latest Practicable Date, there were 185,263,219 outstanding Share Options granted under the Share Option Schemes, among which 117,277,163 Share Options were exercisable and 67,986,056 Share Options were not exercisable. The Share Options have exercise prices in the range of HK\$3.3918 to HK\$4.4834. As at the Latest Practicable Date, save as disclosed in the section headed “Purchaser’s and Offeror’s Interests in Securities of the Company” in this letter, the Purchaser, the Offeror and the parties acting in concert with any of them did not hold any Share Options.

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## LETTER FROM UBS

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UBS on behalf of the Offeror makes an appropriate offer to the Optionholders at the Option Offer Price stated below to cancel all outstanding Share Options (exercisable and not exercisable, other than those held by persons acting in concert with the Purchaser and/or the Offeror) in accordance with Rule 13 of the Takeovers Code. Under the Option Offer, the Offeror will offer Optionholders the Option Offer Price, which in general should be the “see-through” price (being the Share Offer Price minus the relevant exercise price in the case of the outstanding Share Options) for each outstanding Share Option they hold for the cancellation of every exercisable and not exercisable Share Option in accordance with Rule 13 of the Takeovers Code and Practice Note 6. As the exercise prices of all the Share Options are above the Share Offer Price, the Option Offer Price for cancellation of each Share Option is a nominal amount of HK\$0.0001 for each Share Option.

<b>Share Option exercise price (HK\$)</b>	<b>Option Offer Price (HK\$)</b>	<b>Number of outstanding Share Options</b>		
		<i>(exercisable)</i>	<i>(not exercisable)</i>	<i>(total)</i>
3.3918	0.0001	54,626,899	0	54,626,899
3.5700	0.0001	6,574,931	3,154,214	9,729,145
3.7329	0.0001	10,863,165	0	10,863,165
4.1520	0.0001	10,966,566	64,831,842	75,798,408
4.3860	0.0001	8,898,050	0	8,898,050
4.4834	0.0001	25,347,552	0	25,347,552

The Option Offer is extended to all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) on the date on which the Option Offer is made, being the date of despatch of this Composite Document.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

The Mandatory General Offer is unconditional in all respects when it is made and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

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## LETTER FROM UBS

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### IRREVOCABLE UNDERTAKING

As set out in the announcement dated 9 October 2019 jointly issued by the Purchaser, the Offeror and the Company in relation to the Irrevocable Undertaking, on 4 October 2019, Zeal Limited, which was interested in 348,850,000 Shares (representing approximately 14.77% of the then issued share capital of the Company and approximately 32.66% of the then total issued Shares held by the Independent Shareholders) and is currently interested in the same number of Shares (representing approximately 14.76% of the issued share capital of the Company as at the Latest Practicable Date), has not dealt in such Shares during the Relevant Period, entered into the Irrevocable Undertaking in favour of the Offeror, pursuant to which, Zeal Limited has unconditionally and irrevocably undertaken, among other things, that:

- (i) it will not accept the Mandatory General Offer and waive any right to receive any offer in respect of the Relevant Shares;
- (ii) it will not, and will also procure that none of its nominees, companies controlled by it or trusts associated with it will, accept the Mandatory General Offer in respect of the Relevant Shares, any other Shares attributable to or derived therefrom, or any other Shares which it may acquire on or after the date of the Irrevocable Undertaking;
- (iii) it will not offer, sell, give, transfer, pledge, charge, or grant any right over or otherwise dispose of or deal with any of the Relevant Shares or any interest therein; and
- (iv) subject to compliance with all relevant laws, rules and regulations, it will do all such reasonable acts and things (including, amongst others, provision of such information in its possession) and execute all such necessary documents and render all such reasonable assistance within its control that the Offeror may reasonably require in relation to the Mandatory General Offer (for the avoidance of doubt, any acts and things, documents, and assistance that the Offeror may require Zeal Limited to do, execute or render in relation to the Mandatory General Offer are “reasonable” only if they are essential to Zeal Limited’s fulfillment of its obligations specified in paragraphs (i), (ii) and (iii) above).

The Irrevocable Undertaking will terminate upon the Mandatory General Offer having been withdrawn, lapsed or closed.

A complete copy of the Irrevocable Undertaking is available for inspection, details of which are set out in the paragraph headed “DOCUMENTS AVAILABLE FOR INSPECTION” in Appendix IV.

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## LETTER FROM UBS

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### *The Share Offer Price*

The Share Offer Price of HK\$3.23 per Offer Share represents:

- (i) a discount of approximately 17.8% over the closing price of HK\$3.93 per Share as quoted on the Stock Exchange on the last Business Day preceding the date of the Joint Announcement;
- (ii) a discount of approximately 18.2% over the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on the date of the Joint Announcement;
- (iii) a discount of approximately 18.8% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.98 per Share;
- (iv) a discount of approximately 19.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.99 per Share;
- (v) a discount of approximately 16.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.85 per Share;
- (vi) a discount of approximately 12.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.68 per Share;
- (vii) a discount of approximately 22.0% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$4.14 per Share as at 31 December 2018, calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$9,779.3 million as at 31 December 2018 and 2,362,972,379 Shares in issue as at the Latest Practicable Date;
- (viii) a discount of approximately 30.2% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$4.63 per Share as at 30 June 2019, calculated based on the Group's unaudited consolidated net assets attributable to the Shareholders of approximately HK\$10,950.5 million as at 30 June 2019 and 2,362,972,379 Shares in issue as at the Latest Practicable Date;
- (ix) a discount of approximately 8.0% over the appraised value per Share of approximately HK\$3.51 per Share as of 30 June 2019, calculated based on the appraised value of the Company as of 30 June 2019 being approximately RMB 7,295,030,000 (*Note*) according to the updated appraisal report as set out in Appendix V of this Composite Document and 2,362,972,379 shares in issue as at the Latest Practicable Date; and
- (x) a discount of approximately 12.2% to the closing price of HK\$3.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

*Note:* Hong Kong dollar amount being HK\$8,298,096,625, converted to Hong Kong dollar based on the applicable exchange rate of RMB 1.00 to HKD 1.1375 as at 30 June 2019.

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## LETTER FROM UBS

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### Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$4.68 per Share on 8 April 2019 and HK\$3.12 per Share on 6 August 2019, respectively.

### Total value of the Mandatory General Offer

As at the Latest Practicable Date, there were 2,362,972,379 Shares in issue and in aggregate outstanding Share Options in respect of 185,263,219 Shares.

Assuming that there is no change in the share capital of the Company, and on the basis of the Share Offer Price of HK\$3.23 per Offer Share and 2,362,972,379 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company would be valued at approximately HK\$7,632.4 million.

As at the Latest Practicable Date, save as disclosed in the section headed “Purchaser’s and Offeror’s Interests in Securities of the Company” in this letter, the Purchaser, the Offeror and the parties acting in concert with any of them did not hold any other Shares. Based on the 1,068,729,405 Shares not already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them (other than 348,850,000 Shares held by Zeal Limited that are the subject of the Irrevocable Undertaking) and 176,953,800 outstanding Share Options not held by persons acting in concert with the Purchaser and/or the Offeror, and assuming (i) no exercisable Share Options will be exercised; (ii) there is no change in the share capital of the Company from the Latest Practicable Date up to the Closing Date; and (iii) the Option Offer is accepted in full:

- a. the value of the Share Offer will be approximately HK\$2,325.2 million; and
- b. the total amount payable to satisfy the cancellation of all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) will be approximately HK\$17,695.

Based on the 1,245,683,205 Shares not already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them (other than 348,850,000 Shares held by Zeal Limited that are the subject of the Irrevocable Undertaking) and assuming (i) all outstanding Share Options not held by persons acting in concert with the Purchaser and/or the Offeror are exercised in full; (ii) save as the Shares issued and allotted as a result of the exercise of the Share Options, there is no other change in the share capital of the Company from the Latest Practicable Date up to the Closing Date; and (iii) the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Share Options):

- a. the value of the Share Offer will be approximately HK\$2,896.8 million; and
- b. no amount will be payable by the Offeror under the Option Offer.

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## LETTER FROM UBS

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### Confirmation of financial resources available to the Offeror

The maximum aggregate amount payable by the Offeror for 1,245,683,205 Offer Shares upon full acceptances of the Mandatory General Offer (other than 348,850,000 Shares held by Zeal Limited that are the subject of the Irrevocable Undertaking) is approximately HK\$2,896.8 million assuming (i) all outstanding Share Options not held by persons acting in concert with the Purchaser and/or the Offeror are exercised in full and (ii) save as the Shares issued and allotted as a result of the exercise of the Share Options, there is no other change in the share capital of the Company from the Latest Practicable Date up to the Closing Date.

The Purchaser and the Offeror intend to finance and satisfy the amount payable under the Mandatory General Offer by cash through the facilities provided by Bank of China (Hong Kong) Limited to the Offeror and internal cash resources of the Offeror. The Purchaser and the Offeror have no intention and there is no arrangement contemplated that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company. UBS, the financial adviser to the Purchaser and Offeror in respect of the Mandatory General Offer, is satisfied that sufficient financial resources are, and will continue to be, available to the Offeror to satisfy the amount payable upon full acceptances of the Mandatory General Offer (other than 348,850,000 Shares held by Zeal Limited that are the subject of the Irrevocable Undertaking).

### Effect of accepting the Mandatory General Offer

By accepting the Share Offer, provided that valid Forms of Acceptances and the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share. The interim dividend will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019. In the event that the relevant Offer Shares are acquired by the Offeror on or before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. **In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net Declared Dividend, i.e. the Adjusted Share Offer Price of HK\$3.1244, will become the consideration for each Offer Share for such Shareholders.**

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Share Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of the despatch of this Composite Document. The Optionholders may accept the Option Offer at any time from the commencement of the Option Offer up to 4:00 p.m. on the Closing Date.

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## LETTER FROM UBS

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The Mandatory General Offer is unconditional in all respects on the date of despatch of this Composite Document. Acceptance of the Mandatory General Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### **Share Option Schemes and Restricted Share Award Scheme**

Pursuant to the Share Option Schemes, the Optionholders are entitled to exercise all outstanding Share Options in full (to the extent which has become exercisable and not already lapsed or exercised) at any time within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional. If any outstanding and exercisable Share Option is not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional, such Share Option will automatically lapse. As the Mandatory General Offer is unconditional, the commencement date of such period of fourteen (14) days shall be the despatch date of this Composite Document. If Optionholders do not accept the Option Offer, they may nonetheless exercise their Share Options (only to the extent exercisable) within such period. For the Share Options that are not exercisable, they will still be subject to original vesting schedules and exercise prices under the Share Option Scheme, therefore will not lapse upon the expiry of the fourteen (14) days period as set out above. The Optionholders can only exercise such Share Options after they become exercisable in accordance with their original vesting schedules.

The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that notwithstanding such rule in the Share Option Schemes, the Board exercised the discretion under the Share Option Schemes such that the outstanding and exercisable Share Options will not lapse even if they are not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional. For the avoidance of doubt, the aforementioned exercise of the Board's discretion under the Share Option Schemes will not affect any Optionholders from accepting the Option Offer and the Share Options will not lapse even if the Option Offer is not accepted. The written notices will be provided to the Optionholders on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV.

Pursuant to the rules of the Restricted Share Award Scheme, unless the Board shall in its sole and absolute discretion determine otherwise, upon the occurrence of a change in control of the Company, all the Restricted Shares shall immediately vest on the date when such event of change in control becomes or is declared unconditional. The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that the Grantees will be given written notices setting out their rights to accept the Share Offer for their Restricted Shares and the options to either (i) accept the Share Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer; or (ii) not to accept the Share Offer, whereby the Board will exercise its discretion to not vest the Restricted Shares pursuant to the rules of the Restricted Share Award Scheme, and the Restricted Shares shall vest in accordance with their respective original vesting schedules. The Board will issue the said written notices to the Grantees on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV.

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## LETTER FROM UBS

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A copy of this Composite Document will be delivered to the Grantees at the same time when this Composite Document is despatched to the Shareholders and Optionholders. The Company will obtain relevant written replies from the Grantees before the Closing Date. If no reply is obtained from the Grantees, it will be assumed that the Grantees do not intend to accept the Share Offer and agree that such Restricted Shares shall remain unvested but vest in accordance with their respective original vesting schedules. The Board will exercise its discretion not to accelerate the vesting of Restricted Shares which have not taken up the Share Offer.

### **Payment**

Settlement of the consideration in respect of acceptances of the Mandatory General Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed and valid Forms of Acceptance together with the relevant documents of title of the Shares in respect of such acceptances are received by the Offeror or its agent acting on its behalf to render each such acceptance of the Mandatory General Offer complete and valid.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder and/or Optionholder who accepts the Share Offer and/or Option Offer will be rounded up to the nearest cent.

### **Taxation advice**

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Mandatory General Offer.

None of the Purchaser, the Offeror, the parties acting in concert with any of them, the Company, UBS, Somerley Capital and/or their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Mandatory General Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Mandatory General Offer.

### **Overseas Shareholders and Overseas Optionholders**

The availability of the Mandatory General Offer to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and/or Overseas Optionholders who wish to accept the Mandatory General Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Mandatory General Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and/or Overseas Optionholders in respect of such jurisdictions).

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## LETTER FROM UBS

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Any acceptance by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Purchaser and the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

### Acceptance and Settlement

Your attention is further drawn to the details regarding the terms and procedures for acceptance and settlement of the Mandatory General Offer as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the acceptance by the Independent Shareholders or if higher, the market value of the Offer Shares subject to such acceptance as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to those relevant Independent Shareholders who accept the Share Offer.

The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Offer Shares and will arrange for payment of both buyer and seller's ad valorem stamp duty in connection with such sales and purchases under the Share Offer in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty will be payable in connection with the Option Offer.

### INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC on 17 September 2018. As at the Latest Practicable Date, the Purchaser had a total of 6,450,000,000 ordinary shares in issue. Save for the aforesaid, the Purchaser had no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Shareholding structure of the Purchaser is set out below:

Shareholders	Shareholding (%)
Lida Zhihui	30.2326
Suning.com Co., Ltd.* (蘇寧易購集團股份有限公司)	23.2558
Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂(上海)投資中心(有限合夥))	15.5039
Huizhou State-owned Asset Management Co., Ltd.* (惠州市國有資產管理有限公司)	9.3023
Xiaomi Technology Co., Ltd.* (小米科技有限責任公司)	9.3023
Beijing Xinrunheng Equity Investment Partnership (L.P.)* (北京信潤恒股權投資合夥企業(有限合夥))	7.7519
Lida Tiancheng	3.1005
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))	1.5504
Mr. ZHONG Weijian (鍾偉堅先生)	0.0003
<b>Total</b>	<b>100.0000</b>

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## LETTER FROM UBS

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The board of directors of the Purchaser includes Mr. LI Dongsheng, Ms. DU Juan, Mr. MI Xin, Mr. LIU Lefei and Mr. ZOU Wenchao. Mr. LI Dongsheng is also the chairman of the Vendor and an executive Director and chairman of the Company.

Lida Zhihui is a PRC limited liability partnership with its general partner being Lida Tiancheng. Lida Tiancheng's executive director and legal representative is Mr. LI Dongsheng; and its supervisor is Mr. HUANG Wei. Mr. LI Dongsheng owns more than 50% economic interest in Lida Tiancheng. Mr. LI Dongsheng also owns more than 50% economic interest in Lida Zhihui as a limited partner, and the remaining limited partnership interests are held by 33 other executives of TCL Group, each with less than 10% partnership interest in Lida Zhihui.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong on 16 July 1996. As at the Latest Practicable Date, the Offeror had a total of 1,541,971,690 ordinary shares in issue. Save for the aforesaid, the Offeror had no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The board of directors of the Offeror includes Mr. LI Dongsheng, Mr. DU Yuanhua and Ms. XIONG Yan. The Offeror is an investment holding company with a diverse investment portfolio. Its investments are principally in the business of manufacture and distribution of colour television sets, audio-visual products and mobile phones, as well as trading of related components. The Offeror also has investments in property and development and distribution of digital and other electronic products. Apart from the Offeror's investment in the Company, the Offeror also has significant investment in Tonly Holdings, which principally engaged in the research and development, manufacture and sales of audio-visual products (excluding TV sets), and TCL Communication Technology Holdings Limited, which principally engaged in the manufacture and distribution of mobile phone products and was listed on the Main Board of the Stock Exchange from 2004 to 2016 before privatisation by the Offeror. Upon the Restructuring Completion and as of the Latest Practicable Date, the Offeror was wholly-owned by the Purchaser. The Offeror directly held 1,235,272,639 Shares, representing approximately 52.28% of the issued share capital of the Company as at the Latest Practicable Date.

### PURCHASER'S AND OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY

Upon the Restructuring Completion and as at the Latest Practicable Date, the Purchaser, through the Offeror, were interested in 1,235,272,639 Shares, representing approximately 52.28% of the issued share capital of the Company as at the Latest Practicable Date.

As of the Latest Practicable Date, Mr. LI Dongsheng together with his spouse, Ms. ICHIKAWA Yuki, were in aggregate interested in 58,692,792 Shares, representing approximately 2.48% of the entire issued share capital of the Company. Among 58,692,792 Shares, under the Restricted Share Award Scheme, in aggregate 868,655 Restricted Shares which have not yet been vested were granted to Mr. LI Dongsheng and Ms. ICHIKAWA Yuki. In addition, under the Share Option Schemes, in aggregate 7,817,130 outstanding Share Options were granted to Mr. LI Dongsheng and Ms. ICHIKAWA Yuki. Details of holdings of Share Options of Mr. LI Dongsheng and Ms. ICHIKAWA Yuki are set out in Appendix IX. As Mr. LI Dongsheng is a director of the Purchaser and the Offeror, Mr. LI Dongsheng together with his spouse are persons presumed to be acting in concert with the Purchaser and the Offeror in accordance with class 2 of the definition of "acting in concert" in the Takeovers Code. During the period between 9 June 2018 to the Latest Practicable Date, Mr. LI Dongsheng and Ms. ICHIKAWA Yuki have dealt in the securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as set out in Appendix X.

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## LETTER FROM UBS

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As of the Latest Practicable Date, Ms. DU Juan, a director of the Purchaser, Ms. XIONG Yan and Mr. DU Yuanhua, directors of the Offeror, who are presumed to be acting in concert with the Purchaser and the Offeror, together with spouse of Ms. XIONG Yan, were in aggregate interested in 277,543 Shares, representing approximately 0.01% of the entire issued share capital of the Company as at the Latest Practicable Date. As of the Latest Practicable Date, Ms. DU Juan, Ms. XIONG Yan and Mr. DU Yuanhua have been granted 150,066, 110,032 and 232,191 outstanding Share Options, respectively. Details of the holding of Share Options by Ms. DU Juan, Ms. XIONG Yan and Mr. DU Yuanhua are set out in Appendix IX. Ms. XIONG Yan and Mr. DU Yuanhua have also been granted 7,516 and 12,395 Restricted Shares which have not yet been vested, respectively. During the period between 9 June 2018 to the Latest Practicable Date, Ms. DU Juan, Ms. XIONG Yan and her spouse and Mr. DU Yuanhua have dealt in the securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as set out in Appendix X.

Save as disclosed above, the Purchaser and the Offeror confirm that:

- (i) none of the Purchaser, the Offeror and/or parties acting in concert with any of them owns or has control or direction over any voting rights and rights over any Shares or any options, warrants or convertible securities in respect of any voting rights or rights over any Shares or has entered into any outstanding derivatives contracts in respect of securities in the Company;
- (ii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Purchaser, the Offeror and/or any parties acting in concert with any of them has borrowed or lent; and
- (iii) none of the Purchaser, the Offeror and/or parties acting in concert with any of them has dealt in any Shares or any options, warrants or convertible securities in respect of the Shares during the period between 9 June 2018 to the Latest Practicable Date.

The Purchaser and the Offeror confirm that there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Purchaser, the Offeror or any party acting in concert with any of them on the one hand, and the Vendor and any party acting in concert with it on the other hand; and any understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder of the Company; and (ii)(a) the Purchaser, the Offeror and any party acting in concert with any of them; or (ii)(b) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Purchaser and the Offeror confirm that:

- (i) there were no agreements or arrangements to which the Purchaser or the Offeror is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Mandatory General Offer;
- (ii) save as disclosed in the section headed “Irrevocable Undertaking” in this letter, none of the Purchaser, the Offeror and/or parties acting in concert with any of them has received any irrevocable commitment to accept or not to accept the Mandatory General Offer; and

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## LETTER FROM UBS

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- (iii) save as disclosed in the section headed “Irrevocable Undertaking” in this letter, there were no arrangements of the kind referred to in the third paragraph and any associates of the Offeror of Note 8 to Rule 22 of the Takeovers Code which exist between the Purchaser, the Offeror and parties acting in concert with any of them, and any other person.

### **INTENTION OF THE PURCHASER AND THE OFFEROR IN RELATION TO THE GROUP**

It is the intention of the Purchaser and the Offeror to continue with the Group’s existing principal business following the close of the Mandatory General Offer. The Purchaser and the Offeror do not intend to introduce any major changes to the existing business and operation of the Group following the close of the Mandatory General Offer. The Purchaser and the Offeror do not intend to discontinue the employment of the employees of the Group or to dispose of or re-deploy the material assets of the Group. The Purchaser and the Offeror will continue to ensure good corporate governance, monitor and review the Group’s business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

### **NO CHANGE TO THE BOARD COMPOSITION**

As at the Latest Practicable Date, the Board comprises Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. WANG Yi Michael as executive Directors, Mr. Albert Thomas DA ROSA, Junior, Mr. YANG Anming and Mr. LI Yuhao as non-executive Directors and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.

As at the Latest Practicable Date, it is intended that there will be no change to the Board composition following the close of the Mandatory General Offer.

### **INTENTION OF THE PURCHASER AND THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY**

The Purchaser and the Offeror intend to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Mandatory General Offer.

As at the Latest Practicable Date, 664,012,183 Shares, representing approximately 28.1% of the entire issued share capital of the Company, are held by the public (within the meaning of the Listing Rules). Accordingly, as at the Latest Practicable Date, the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules is satisfied.

The directors of the Purchaser and the Offeror undertake to the Stock Exchange that, in the event that the public float of the Company falls below 25% following the close of the Mandatory General Offer, appropriate steps will be taken as soon as possible following the close of the Mandatory General Offer to ensure a sufficient public float.

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## LETTER FROM UBS

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The Stock Exchange has stated that if, upon closing of the Mandatory General Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

### **Compulsory Acquisition**

The Purchaser and the Offeror do not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Mandatory General Offer after the close of the Mandatory General Offer.

### **INFORMATION ON THE VENDOR**

The Vendor is a listed company on the Shenzhen Stock Exchange (stock code: 000100), one of the world leading technology industrial groups. Its main businesses include (i) semiconductor display and materials; (ii) industrial finance and investment; and (iii) other related businesses.

### **INFORMATION ON THE GROUP**

Your attention is drawn to the section headed “INFORMATION ON THE GROUP” in the “LETTER FROM THE BOARD” which contain information on the Group, and Appendices II, III, V and XI of this Composite Document which contain further financial and general information of the Group.

### **SHAREHOLDING STRUCTURE OF THE COMPANY**

Your attention is drawn to the section headed “SHAREHOLDING STRUCTURE OF THE COMPANY” in the “LETTER FROM THE BOARD”.

### **GENERAL**

All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Mandatory General Offer to be delivered by or sent to or from the Independent Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Purchaser, the Offeror, parties acting in concert with any of them, UBS, Somerley Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Mandatory General Offer accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Forms of Acceptance.

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## LETTER FROM UBS

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### ADDITIONAL INFORMATION

Your attention is drawn to the “LETTER FROM THE BOARD”, the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” and the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,  
For and on behalf of  
**UBS AG, Hong Kong Branch**

**Samson LO**  
*Managing Director*

**Jun LUO**  
*Managing Director*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. LI Dongsheng (*Chairman*)  
Mr. WANG Cheng Kevin (*CEO*)  
Mr. YAN Xiaolin  
Mr. WANG Yi Michael

*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Non-executive Directors:*

Mr. Albert Thomas DA ROSA, Junior  
Mr. YANG Anming  
Mr. LI Yuhao

*Principal Place of Business in Hong Kong:*

7th Floor, Building 22E  
22 Science Park East Avenue  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong

*Independent Non-executive Directors:*

Mr. Robert Maarten WESTERHOF  
Dr. TSENG Shieng-chang Carter  
Professor WANG Yijiang  
Mr. LAU Siu Ki

22 November 2019

*To the Independent Shareholders and Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
UBS AG, HONG KONG BRANCH ON BEHALF OF  
T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED,  
A WHOLLY-OWNED SUBSIDIARY OF TCL INDUSTRIES HOLDINGS CO., LTD.\*,  
TO ACQUIRE ALL THE ISSUED SHARES OF TCL ELECTRONICS HOLDINGS  
LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE PURCHASER, OFFEROR AND PARTIES  
ACTING IN CONCERT WITH ANY OF THEM)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
TCL ELECTRONICS HOLDINGS LIMITED (OTHER THAN THOSE HELD BY  
PERSONS ACTING IN CONCERT WITH THE PURCHASER  
AND/OR THE OFFEROR)**

#### **INTRODUCTION**

References are made to the Joint Announcement in relation to, amongst other things, the Restructuring and the Mandatory General Offer, as well as the announcement dated 9 October 2019 jointly issued by the Purchaser, the Offeror and the Company in relation to the Irrevocable Undertaking.

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## LETTER FROM THE BOARD

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On 7 December 2018, the Vendor, Vendor Affiliates and the Purchaser entered into the Restructuring Agreement, pursuant to which the Vendor and Vendor Affiliates agreed to sell and the Purchaser agreed to purchase all of the assets in the Divested Segment for a consideration of RMB4.76 billion in cash. Included in the assets of the Divested Segment were all of the issued share capital of the Offeror, which owned approximately 52.41% of the issued share capital of the Company upon the Restructuring Completion.

As of 31 March 2019, legal ownership of all assets in the Divested Segment was transferred to the Purchaser. The Offeror held 1,235,272,639 Shares, representing approximately 52.41% of the issued share capital of the Company as at Restructuring Completion. As at the Latest Practicable Date, the Offeror held 1,235,272,639 Shares, representing approximately 52.28% of the issued share capital of the Company, while the Purchaser, the Offeror and parties acting in concert with any of them in aggregate were interested in 1,294,242,974 Shares, representing approximately 54.77% of the issued share capital of the Company.

Pursuant to Note 8 of Rule 26.1 of the Takeovers Code, the Purchaser, the Offeror and parties acting in concert with any of them, pursuant to directions provided by the Executive, are required to make a mandatory general offer for all the Offer Shares, and in compliance with Rule 13 of the Takeovers Code, to make an appropriate offer to the Optionholders for all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) by way of cancellation of the Share Options.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Purchaser, the Offeror and the Mandatory General Offer as well as setting out the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders and the Optionholders in respect of the terms of the Mandatory General Offer and as to acceptance of the Mandatory General Offer, and the letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee in respect of the terms of the Mandatory General Offer and as to acceptance of the Mandatory General Offer.

### **MANDATORY UNCONDITIONAL CASH OFFERS**

As mentioned in the “LETTER FROM UBS” on pages 7 to 25 of this Composite Document, UBS is making the Mandatory General Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those already owned or agreed to be acquired by the Purchaser, the Offeror and parties acting in concert with any of them) and to the Optionholders for the cancellation of all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) in compliance with Rule 26 and Rule 13 of the Takeovers Code, respectively, on the following basis:

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## LETTER FROM THE BOARD

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### *The Share Offer*

For each Offer Share transferred to the Offeror

on or before the Record Date ..... HK\$3.23 in cash  
(net Declared Dividend  
of HK10.56 cents being  
entitlement of the Offeror)

For each Offer Share transferred to the Offeror after

the Record Date, being the Adjusted Share Offer Price ..... HK\$3.1244 in cash  
(i.e. Share Offer Price of  
HK\$3.23 minus net  
Declared Dividend of  
HK10.56 cents,  
net Declared Dividend of  
HK10.56 cents  
being entitlement of the  
accepting Shareholder(s))

The Share Offer Price of HK\$3.23 is determined by reference to the appraised value of the Company as of 30 June 2018, being RMB6,348,360,600, which was used as the basis for determining the consideration for the transfer of assets in the Divested Segment and the underlying imputed acquisition price of each Share in the Restructuring. The computation of the Share Offer Price is based on the formula below:

$$\text{Share Offer Price} = \frac{\text{Appraised value of the Company} \times \text{Exchange Rate (Note 1)}}{\text{Total number of issued shares of the Company (Note 2)}}$$

*Note 1:* The applicable exchange rate as of 30 June 2018 was RMB1.00 to HK\$1.1861.

*Note 2:* Total number of issued Shares of the Company as of 30 June 2018 was 2,333,388,113.

The Offer Shares to be acquired shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share. The interim dividend will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019. In the event that the relevant Offer Shares are acquired by the Offeror on or before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. **In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net Declared Dividend i.e. the Adjusted Share Offer Price of HK\$3.1244, will become the consideration for each Offer Share for such Shareholders.** The Company confirms that as at the Latest Practicable Date, it did not have any intention to make, declare or pay any further dividend or make other distributions until the Closing Date.

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## LETTER FROM THE BOARD

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### *The Option Offer*

UBS on behalf of the Offeror makes an appropriate offer to the Optionholders at the Option Offer Price stated below to cancel all outstanding Share Options (exercisable and not exercisable, other than those held by persons acting in concert with the Purchaser and/or the Offeror) in accordance with Rule 13 of the Takeovers Code. Under the Option Offer, the Offeror will offer Optionholders the Option Offer Price, which in general should be the “see-through” price (being the Share Offer Price minus the relevant exercise price in the case of the outstanding Share Options) for each outstanding Share Option they hold for the cancellation of every exercisable and not exercisable Share Option in accordance with Rule 13 of the Takeovers Code and Practice Note 6. As the exercise prices of all the Share Options are above the Share Offer Price, the Option Offer Price for cancellation of each Share Option is a nominal amount of HK\$0.0001 for each Share Option.

Share Option exercise price (HK\$)	Option Offer Price (HK\$)	Number of outstanding Share Options		
		(exercisable)	(not exercisable)	(total)
3.3918	0.0001	54,626,899	0	54,626,899
3.5700	0.0001	6,574,931	3,154,214	9,729,145
3.7329	0.0001	10,863,165	0	10,863,165
4.1520	0.0001	10,966,566	64,831,842	75,798,408
4.3860	0.0001	8,898,050	0	8,898,050
4.4834	0.0001	25,347,552	0	25,347,552

The Option Offer is extended to all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) on the date on which the Option Offer is made, being the date of despatch of this Composite Document.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be cancelled and renounced in their entirety.

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## LETTER FROM THE BOARD

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### Share Option Schemes and Restricted Share Award Scheme

Pursuant to the Share Option Schemes, the Optionholders are entitled to exercise all outstanding Share Options in full (to the extent which has become exercisable and not already lapsed or exercised) at any time within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional. If any outstanding and exercisable Share Option is not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional, such Share Option will automatically lapse. As the Mandatory General Offer is unconditional, the commencement date of such period of fourteen (14) days shall be the despatch date of this Composite Document. If Optionholders do not accept the Option Offer, they may nonetheless exercise their Share Options (only to the extent exercisable) within such period. For the Share Options that are not exercisable, they will still be subject to original vesting schedules and exercise prices under the Share Option Scheme, therefore will not lapse upon the expiry of the fourteen (14) days period as set out above. The Optionholders can only exercise such Share Options after they become exercisable in accordance with their original vesting schedules.

The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that notwithstanding such rule in the Share Option Schemes, the Board exercised the discretion under the Share Option Schemes such that the outstanding and exercisable Share Options will not lapse even if they are not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional. For the avoidance of doubt, the aforementioned exercise of the Board's discretion under the Share Option Schemes will not affect any Optionholders from accepting the Option Offer and the Share Options will not lapse even if the Option Offer is not accepted. The written notices will be provided to the Optionholders on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV.

Pursuant to the rules of the Restricted Share Award Scheme, unless the Board shall in its sole and absolute discretion determine otherwise, upon the occurrence of a change in control of the Company, all the Restricted Shares shall immediately vest on the date when such event of change in control becomes or is declared unconditional. The Board resolved at a Board meeting held on 26 September 2019, whereby only Directors who have no conflict of interests in the relevant resolutions proposed at the Board meeting voted on the relevant resolutions, that the Grantees will be given written notices setting out their rights to accept the Share Offer for their Restricted Shares and the options to either (i) accept the Share Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer; or (ii) not to accept the Share Offer, whereby the Board will exercise its discretion to not vest the Restricted Shares pursuant to the rules of the Restricted Share Award Scheme, and the Restricted Shares shall vest in accordance with their respective original vesting schedules. The Board will issue the said written notices to the Grantees on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV.

A copy of this Composite Document is delivered to the Grantees at the same time when this Composite Document is despatched to the Shareholders and Optionholders. The Company will obtain relevant written replies from the Grantees before the Closing Date. If no reply is obtained from the Grantees, it will be assumed that the Grantees do not intend to accept the Share Offer and agree that such Restricted Shares shall remain unvested but vest in accordance with their respective original vesting schedules. The Board will exercise its discretion not to accelerate the vesting of Restricted Shares which have not taken up the Share Offer.

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## LETTER FROM THE BOARD

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The Mandatory General Offer is unconditional in all respects when it is made and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

As at the Latest Practicable Date, there were 2,362,972,379 Shares in issue, among which were 29,078,406 Restricted Shares awarded to the Grantees which remain unvested, and 185,263,219 outstanding Share Options, and save for the aforesaid Share Options, there were no outstanding warrants, options, derivatives or convertible rights affecting the Shares and the Company had not entered into any agreement for the issue of such warrants, options, derivatives or securities as at the Latest Practicable Date.

As at the Latest Practicable Date, the Purchaser, the Offeror and parties acting in concert with any of them were in aggregate interested in a total of 1,294,242,974 Shares, representing approximately 54.77% of the total issued share capital of the Company, and 8,309,419 outstanding Share Options were granted to parties acting in concert with the Purchaser and the Offeror. Assuming that (a) there is no change in the issued share capital of the Company after the Latest Practicable Date, and (b) none of the outstanding Share Options is exercised prior to the close of the Mandatory General Offer, a total of 1,068,729,405 Shares will be subject to the Share Offer and a total of 176,953,800 Share Options will be subject to the Option Offer.

Acceptance of the Mandatory General Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under Rule 19.2 of the Takeovers Code, details of which are set out in the paragraph headed “5. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

Further details of the Mandatory General Offer, including the terms and procedures for acceptance and settlement of the Mandatory General Offer, are contained in the “LETTER FROM UBS” as set out on pages 7 to 25 of, and Appendix I to, this Composite Document and the accompanying Forms of Acceptance.

### **MANDATORY GENERAL OFFER IS UNCONDITIONAL IN ALL RESPECTS**

Upon the Restructuring Completion, the Purchaser became interested in the entire issued share capital of the Offeror, which, in turn, held 1,235,272,639 Shares, representing approximately 52.41% of the then issued share capital of the Company. The Purchaser, the Offeror and parties acting in concert with any of them, pursuant to directions provided by the Executive, are required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) in compliance with Rule 13 of the Takeovers Code by way of cancellation of the outstanding Share Options. There are no other conditions to the Mandatory General Offer. Accordingly, as stated on page 18 of the “LETTER FROM UBS” of this Composite Document, the Mandatory General Offer is unconditional in all respects on the date of despatch of this Composite Document.

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## LETTER FROM THE BOARD

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The Mandatory General Offer will remain open for acceptance until 4:00 p.m. on Friday, 13 December 2019, being the Closing Date which is not less than 21 days following the date of this Composite Document was posted. The Mandatory General Offer will not be extended.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and the issued Shares of which are listed on the Stock Exchange. It is principally engaged in the manufacture and sale of a wide range of consumer electronics products including television sets. The Group has factories in the PRC, Poland, Mexico and Vietnam and distributes its products in all major markets globally.

The following table is a summary of certain audited consolidated financial information of the Group for the two financial years ended 31 December 2017 and 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 and unaudited consolidated financial information of the Group for the six months ended 30 June 2019:

	<b>For the six months ended 30 June 2019 (unaudited) (HK\$'000)</b>	<b>For the year ended 31 December 2018 (audited) (HK\$'000)</b>	<b>For the year ended 31 December 2017 (audited) (HK\$'000)</b>
Turnover	22,724,403	45,581,970	40,822,357
Profit before tax	1,462,797	1,161,628	933,164
Profit for the period	1,368,552	934,850	796,861
Total comprehensive income for the period	1,283,495	620,040	1,124,819
	<b>As at 30 June 2019 (unaudited) (HK\$'000)</b>	<b>As at 31 December 2018 (audited) (HK\$'000)</b>	<b>As at 31 December 2017 (audited) (HK\$'000)</b>
Total equity	11,282,937	9,779,565	7,696,517

Further details of the information of the Group are set out in Appendices II, III, V and XI to this Composite Document.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date.

	<i>Number of Shares</i>	<i>Approx.%</i>
The Offeror	1,235,272,639	52.28
Persons acting in concert with the Purchaser and/or the Offeror ( <i>Note 1</i> )		
– Mr. LI Dongsheng and his spouse	58,692,792	2.48
– Ms. DU Juan	44,009	0.00
– Ms. XIONG Yan and her spouse	152,039	0.01
– Mr. DU Yuanhua	81,495	0.00
Subtotal for the Purchaser, the Offeror and parties acting in concert with any of them	1,294,242,974	54.77
Persons other than the Purchaser, the Offeror and parties acting in concert with any of them		
– Trustee ( <i>Note 2</i> )	76,151,071	3.22
– Other Shareholders	992,578,334	42.01
Subtotal for persons other than the Purchaser, the Offeror and parties acting in concert with any of them	1,068,729,405	45.23
Total	2,362,972,379	100.00

*Notes:*

- 1 Among such number of Shares are 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons.
- 2 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons, are excluded from such number of Shares and included in the number of Shares under “Persons acting in concert with the Purchaser and/or the Offeror”.

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## LETTER FROM THE BOARD

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The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and as if all outstanding Share Options are exercised in full.

	<i>Number of Shares</i>	<i>Approx. %</i>
The Offeror	1,235,272,639	48.48
Persons acting in concert with the Purchaser and/or the Offeror ( <i>Note 1</i> )		
– Mr. LI Dongsheng and his spouse	66,509,922	2.61
– Ms. DU Juan	194,075	0.01
– Ms. XIONG Yan and her spouse	262,071	0.01
– Mr. DU Yuanhua	313,686	0.01
Subtotal for the Purchaser, the Offeror and parties acting in concert with any of them	1,302,552,393	51.12
Persons other than the Purchaser, the Offeror and parties acting in concert with any of them		
– Trustee ( <i>Note 2</i> )	76,151,071	2.99
– Other Shareholders	1,169,532,134	45.90
Subtotal for persons other than the Purchaser, the Offeror and parties acting in concert with any of them	1,245,683,205	48.88
Total	2,548,235,598	100.00

*Notes:*

- 1 Among such number of Shares are 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons.
- 2 1,223,960 Shares awarded under the Restricted Share Award Scheme to the persons acting in concert with the Purchaser and/or the Offeror, which are held by the Trustee on trust for such persons, are excluded from such number of Shares and included in the number of Shares under “Persons acting in concert with the Purchaser and/or the Offeror”.

### INFORMATION ON THE PURCHASER

Your attention is drawn to the paragraph headed “INFORMATION ON THE PURCHASER” in the “LETTER FROM UBS” and “APPENDIX IV – GENERAL INFORMATION OF THE PURCHASER AND THE OFFEROR” as set out in this Composite Document.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “INFORMATION ON THE OFFEROR” in the “LETTER FROM UBS” and “APPENDIX IV – GENERAL INFORMATION OF THE PURCHASER AND THE OFFEROR” as set out in this Composite Document.

### INTENTIONS OF THE PURCHASER AND THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “INTENTION OF THE PURCHASER AND THE OFFEROR IN RELATION TO THE GROUP” in the “LETTER FROM UBS” as set out in this Composite Document. The Board is pleased to note the Purchaser’s and the Offeror’s intention (i) to continue with the Group’s existing principal business following the close of the Mandatory General Offer and (ii) to continue the employment of the employees, and the Board is willing to render reasonable co-operation to the Purchaser and the Offeror for the implementation of its intentions regarding the Group which is in the interests of the Group and the Shareholders as a whole.

### INTENTION OF THE PURCHASER AND THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY

It is stated in the “LETTER FROM UBS” on pages 7 to 25 of this Composite Document that the Purchaser and the Offeror intend to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Mandatory General Offer.

The directors of the Purchaser and the Offeror undertake to the Stock Exchange that in the event that the public float of the Company falls below 25% following the close of the Mandatory General Offer, appropriate steps will be taken as soon as possible following the close of the Mandatory General Offer to ensure that a sufficient public float exists for the Shares.

**The Stock Exchange has stated that if, upon the closing of the Mandatory General Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.**

### INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki and the non-executive Directors who have no direct or indirect interest in the Mandatory General Offer, namely Mr. Albert Thomas DA ROSA, Junior and Mr. LI Yuhao, has been formed to make recommendations to the Independent Shareholders and Optionholders as to whether the terms of the Mandatory General Offer are fair and reasonable and as to the acceptance of the Mandatory General Offer.

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## LETTER FROM THE BOARD

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Mr. YANG Anming, a non-executive Director, is indirectly interested in the issued share capital of the Purchaser through having 1.3953% limited partnership interest in Lida Zhihui, a limited liability partnership established in the PRC and a controlling shareholder of the Purchaser. Accordingly, Mr. YANG Anming is considered to be interested in the Mandatory General Offer and has not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code.

### RECOMMENDATION

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages 37 to 38 of this Composite Document, which sets out its recommendations to the Independent Shareholders and Optionholders as to whether the terms of the Mandatory General Offer are, or are not, fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned, and as to acceptance thereof; and (ii) the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages 39 to 62 of this Composite Document, which sets out its advice and recommendations to the Independent Board Committee as to whether the terms of the Mandatory General Offer are, or are not, fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendations. You should also read the “LETTER FROM UBS”.

The Independent Shareholders and Optionholders are urged to read those letters carefully before taking any action in respect of the Mandatory General Offer.

### ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Mandatory General Offer. Your attention is also drawn to the additional information contained in the Appendices to this Composite Document.

In considering what action to take in connection with the Mandatory General Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
By order of the Board  
**TCL Electronics Holdings Limited**  
**LI Dongsheng**  
*Chairman*



**TCL ELECTRONICS HOLDINGS LIMITED**

**TCL 電子控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 01070)

22 November 2019

*To the Independent Shareholders and Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
UBS AG, HONG KONG BRANCH ON BEHALF OF  
T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED,  
A WHOLLY-OWNED SUBSIDIARY OF TCL INDUSTRIES HOLDINGS CO., LTD.\*,  
TO ACQUIRE ALL THE ISSUED SHARES OF TCL ELECTRONICS HOLDINGS  
LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE PURCHASER, OFFEROR AND PARTIES  
ACTING IN CONCERT WITH ANY OF THEM)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
TCL ELECTRONICS HOLDINGS LIMITED (OTHER THAN THOSE HELD BY  
PERSONS ACTING IN CONCERT WITH THE PURCHASER  
AND/OR THE OFFEROR)**

**INTRODUCTION**

We refer to the Composite Document jointly issued by the Purchaser, the Offeror and the Company dated 22 November 2019 of which this letter forms part of. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Mandatory General Offer and to make recommendations to you as to whether, in our opinion, the terms of the Mandatory General Offer are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to the acceptance thereof.

Somerley Capital has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Mandatory General Offer and as to the acceptance thereof.

We wish to draw your attention to the “LETTER FROM UBS”, the “LETTER FROM THE BOARD”, and the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out in the Composite Document as well as the additional information set out in the appendices to the Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATIONS

Having considered the terms of the Mandatory General Offer and taken into account the information contained in the Composite Document and the advice of the Independent Financial Adviser, in particular the factors and reasons considered and opinion and recommendations of the Independent Financial Adviser as set out in its letter on pages 39 to 62 in the Composite Document, we consider that the terms of the Mandatory General Offer are not fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we do not recommend the Independent Shareholders and Optionholders to accept the Mandatory General Offer. The Independent Shareholders and Optionholders are recommended to read the full text of the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out on pages 39 to 62 in the Composite Document.

Notwithstanding our recommendations, Independent Shareholders and Optionholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives and they should consider carefully the terms and conditions of the Mandatory General Offer. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice.

Yours faithfully,

For and on behalf of the Independent Board Committee of  
**TCL Electronics Holdings Limited**

<b>Mr. Robert Maarten WESTERHOF</b> <i>Independent Non-executive Director</i>	<b>Dr. TSENG Shieng-chang Carter</b> <i>Independent Non-executive Director</i>	<b>Professor WANG Yijiang</b> <i>Independent Non-executive Director</i>	<b>Mr. LAU Siu Ki</b> <i>Independent Non-executive Director</i>
	<b>Mr. Albert Thomas DA ROSA, Junior</b> <i>Non-executive Director</i>	<b>Mr. LI Yuhao</b> <i>Non-executive Director</i>	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Composite Document.*



**SOMERLEY CAPITAL LIMITED**

20<sup>th</sup> Floor  
China Building  
29 Queen's Road Central  
Hong Kong

22 November 2019

*To: the Independent Board Committee*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
UBS AG, HONG KONG BRANCH ON BEHALF OF  
T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED, A WHOLLY-OWNED  
SUBSIDIARY OF TCL INDUSTRIES HOLDINGS CO., LTD.,  
TO ACQUIRE ALL THE ISSUED SHARES OF  
TCL ELECTRONICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY TCL INDUSTRIES HOLDINGS CO., LTD.,  
T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM)  
AND  
FOR CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
TCL ELECTRONICS HOLDINGS LIMITED (OTHER THAN THOSE HELD BY  
PERSONS ACTING IN CONCERT WITH TCL INDUSTRIES HOLDINGS CO.,  
LTD. AND/OR T.C.L. INDUSTRIES HOLDINGS (H.K.) LIMITED)**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the Mandatory General Offer by UBS AG, Hong Kong Branch, on behalf of T.C.L. Industries Holdings (H.K.) Limited. Details of the Share Offer and Option Offer are set out in the Composite Document dated 22 November 2019, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As set out in the Composite Document, immediately before the Restructuring, the Vendor held 100% of the issued share capital of the Offeror, which in turn held 1,235,272,639 Shares, representing approximately 52.89% of the then issued share capital of the Company. Upon the Restructuring Completion, the Purchaser holds the entire issued capital of the Offeror. Due to the Restructuring, the Purchaser and parties acting in concert with it are, pursuant to directions provided by the Executive, required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code, and to make an appropriate offer to the Optionholders for all outstanding Share Options in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror). The Offeror, a wholly-owned subsidiary of the Purchaser upon the Restructuring Completion, implements the Mandatory General Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki and the non-executive Directors who have no direct or indirect interest in the Mandatory General Offer, namely Mr. Albert Thomas DA ROSA, Junior and Mr. LI Yuhao, has been established to advise the Independent Shareholders and the Optionholders on whether the terms of the Mandatory General Offer are fair and reasonable and as to the acceptance of the Mandatory General Offer. Mr. YANG Anming, a non-executive Director, is considered to be interested in the Mandatory General Offer due to reasons as set out in the Composite Document, and has not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Mandatory General Offer.

We are not associated with and have no significant connection, financial or otherwise, with the Company, the Purchaser, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Mandatory General Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Purchaser, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have reviewed, among other things, (i) the Composite Document; (ii) the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019; (iii) the announcements published by the Company on the website of the Stock Exchange since 1 January 2018; (iv) the material change statement set out in Appendix II to the Composite Document; and (v) the updated appraisal report of 100% equity interests in the Company prepared by the PRC Appraiser (Shenzhen) as set out in Appendix V to the Composite Document. We have sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, Purchaser or Offeror, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that the Independent Shareholders will be notified of any material changes to the Composite Document as soon as reasonably practicable during the Offer Period.

We have not considered the tax and regulatory implications on the Independent Shareholders and Optionholders of acceptance or non-acceptance of the Mandatory General Offer since these depend on their individual circumstances. In particular, the Independent Shareholders and Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, consult their own professional advisers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL TERMS OF THE MANDATORY GENERAL OFFER

#### The Share Offer

UBS is making the Share Offer on behalf of the Offeror on the following basis:

*For each Offer Share transferred to the Offeror*

*on or before the Record Date* ..... **HK\$3.23 in cash**  
*(net Declared Dividend of HK10.56 cents*  
*being entitlement of the Offeror)*

*For each Offer Share transferred to the Offeror after*

*the Record Date, being the Adjusted Share Offer Price* ..... **HK\$3.1244 in cash**  
*(i.e. Share Offer Price of HK\$3.23 minus*  
*net Declared Dividend of HK10.56 cents,*  
*net Declared Dividend of HK10.56 cents being entitlement of*  
*the accepting Shareholder(s))*

The Share Offer Price of HK\$3.23 per Offer Share under the Share Offer is determined by reference to the appraised value of the Company as of 30 June 2018 which was used as the basis for determining the consideration for the transfer of assets in the Divested Segment and the underlying imputed acquisition price of each Share in the Restructuring. An extract of the appraisal report dated 3 December 2018 issued by the PRC Appraiser regarding the appraised value of the Company as of 30 June 2018 is set out in Appendix XI to the Composite Document. An updated appraisal report dated 1 November 2019 regarding the appraised value of the Company as of 30 June 2019 prepared by the PRC Appraiser (Shenzhen) is set out in Appendix V to the Composite Document. The PRC Appraiser (Shenzhen) has confirmed that there is no material change to the value of the Company as of 30 September 2019 from the valuation benchmark date of the updated appraisal report, being 30 June 2019.

As at the Latest Practicable Date, the Purchaser, the Offeror and parties acting in concert with any of them are in aggregate interested in a total of 1,294,242,974 Shares, representing approximately 54.77% of the total issued share capital of the Company. Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to the Closing Date, there will be 1,068,729,405 Shares subject to the Share Offer, representing approximately 45.23% of the existing issued share capital of the Company.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of the Composite Document. On 28 August 2019, the Board declared an interim dividend for the six months ended 30 June 2019 of HK10.56 cents in cash per Share, which will be payable on or about 18 December 2019 to Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 29 November 2019 (i.e. the Record Date). In the event that the relevant Offer Shares are acquired by the Offeror on or before the Record Date, the declared interim dividend in respect of such Offer Shares will become the entitlement of the Offeror. In the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the declared interim dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date, and the Share Offer Price after deducting the net Declared Dividend of HK10.56 cents i.e. the Adjusted Share Offer Price of HK\$3.1244, will become the consideration for each Offer Share for such Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Restricted Share Award Scheme*

As at the Latest Practicable Date, there were 29,078,406 outstanding Restricted Shares awarded to the Grantees which remain unvested. Pursuant to the rules of the Restricted Share Award Scheme, unless the Board shall in its sole and absolute discretion determine otherwise, upon the occurrence of a change in control of the Company, all the Restricted Shares shall immediately vest on the date when such event of change in control becomes or is declared unconditional. The Board resolved at a Board meeting held on 26 September 2019 that the Grantees will be given written notice setting out their rights to accept the Share Offer for their Restricted Shares and the options to either (i) accept the Share Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer; or (ii) not to accept the Share Offer, whereby the Board will exercise its discretion to not vest the Restricted Shares pursuant to the rules of the Restricted Share Award Scheme, and the Restricted Shares shall vest in accordance with their respective original vesting schedules. The Board will issue the said written notices to the Grantees on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV of the Composite Document.

### **The Option Offer**

UBS is making, on behalf of the Offeror, an appropriate offer to the Optionholders at the Option Offer Price to cancel all outstanding Share Options (exercisable and not exercisable, other than those held by persons acting in concert with the Purchaser and/or the Offeror) in accordance with Rule 13 of the Takeovers Code. Under the Option Offer, the Offeror will offer Optionholders the Option Offer Price, which is based on the “see-through” price (being the Share Offer Price minus the relevant exercise price in the case of the outstanding Share Options) for each outstanding Share Option they hold for the cancellation of every exercisable and not exercisable Share Option in accordance with Rule 13 of the Takeovers Code. However, in this case the application of this formula produces a nearly nominal offer at HK\$0.0001 per Share Option for the Optionholders which in our view is unattractive. Further discussions relating to the Option Offer is set out in the section headed “The Option Offer” of this letter below.

The Mandatory General Offer is unconditional in all respects when it is made and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. Further details in relation to the terms and procedures for acceptance of the Mandatory General Offer are set out in Appendix I to the Composite Document.

### **The Irrevocable Undertaking**

On 4 October 2019, Zeal Limited, which was interested in 348,850,000 Shares (representing approximately 14.77% of the then issued share capital of the Company and approximately 32.66% of the then total issued Shares held by the Independent Shareholders), entered into the Irrevocable Undertaking in favour of the Offeror, pursuant to which Zeal Limited has unconditionally and irrevocably undertaken, among other things, that it will not (i) accept the Mandatory General Offer and waive any right to receive any offer in respect of the Relevant Shares; and (ii) offer, sell, give, transfer, pledge, charge, or grant any right over or otherwise dispose of or deal with any of the Relevant Shares or any interest therein.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Irrevocable Undertaking will terminate upon the Mandatory General Offer having been withdrawn, lapsed or closed. Further details regarding the Irrevocable Undertaking are set out in the section headed “Irrevocable Undertaking” in the “Letter from UBS” of the Composite Document.

**The Mandatory General Offer will not be extended beyond the Closing Date unless as required by the Takeovers Code. The Purchaser and the Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Purchaser and the Offeror do not reserve the right to increase the Share Offer Price.**

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations with regard to the Mandatory General Offer, we have taken into account the following principal factors and reasons:

#### 1. **Background of the Mandatory General Offer**

On 7 December 2018, the Vendor, Vendor Affiliates and Purchaser entered into the Restructuring Agreement, pursuant to which the Vendor and Vendor Affiliates agreed to sell and the Purchaser agreed to purchase all of the assets in the Divested Segment for a consideration of RMB4.76 billion in cash. Included in the assets of the Divested Segment were all of the issued share capital of the Offeror, which owned approximately 52.41% of the issued share capital of the Company upon the Restructuring Completion. As of 31 March 2019, legal ownership of all assets in the Divested Segment was transferred to the Purchaser. Further details regarding the reasons for the Restructuring are set out in the “Letter from UBS” of the Composite Document. Upon the Restructuring Completion, the Purchaser holds the entire issued capital of the Offeror. Due to the Restructuring, the Purchaser and parties acting in concert with it are, pursuant to directions provided by the Executive, required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code, and to make an appropriate offer to the Optionholders for all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror). The Offeror, a wholly-owned subsidiary of the Purchaser upon the Restructuring Completion, implements the Mandatory General Offer.

#### 2. **Information and prospects of the Group**

##### *(a) Background and financial information of the Group*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its issued Shares are listed on the Stock Exchange. It is principally engaged in the manufacture and sale of a wide range of consumer electronics products including television sets. The Group has factories in the PRC, Poland, Mexico and Vietnam, etc. and distributes its products in major markets globally.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Financial performance*

The following is a summary of the financial results of the Group for (a) the two years ended 31 December 2017 and 2018 (both the 2017 and 2018 annual results having been extracted from/calculated based on the Company's 2018 annual report); and (b) the six months ended 30 June 2018 and 2019 (both of 2018 and 2019 interim results having been extracted from the Company's 2019 interim report).

	<b>For the six months ended 30 June</b>		<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Turnover	22,724,403	21,050,481	45,581,970	40,822,357
Gross profit	3,723,946	3,220,157	6,952,157	6,301,244
Profit for the period/year	1,368,552	571,496	934,850	796,861
Profit attributable to owners of the parent	1,362,015	571,958	944,235	814,639
Profit attributable to owners of the parent after one-time non-operating/ extraordinary items	554,000	417,000	778,000	595,000
Earnings per share attributable to ordinary equity holders of the parent (in HK cents per share)				
– Basic	60.01	26.72	42.63	47.43
– Diluted	58.70	26.00	41.58	46.55



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2018 vs 2017

Annual turnover of the Group for the year ended 31 December 2018 increased by 11.7% year-on-year to approximately HK\$45.6 billion mainly due to increase in revenue from the sales of television in overseas markets. Revenue generated from the sales of television in the PRC market amounted to approximately HK\$18.4 billion in 2018, representing a decrease of approximately 7.1% compared to 2017. The Group recorded revenue from the sales of televisions in overseas markets of approximately HK\$26.6 billion in 2018, showing a year-on-year increase of approximately 27.0%. As disclosed in the Company's 2018 annual report, with the Group's persistent effort to strengthen globalization strategy and existing sales channels, and to proactively explore the huge potential in new markets at the same time, annual sales volume in 2018 surged by approximately 13.4% and 29.5% year-on-year in the PRC market and overseas markets respectively. Gross profit margin of the Group remained stable at approximately 15.4% and 15.3% for the year ended 31 December 2017 and 31 December 2018 respectively.

### 2019H1 vs 2018H1

The Group recorded total turnover of approximately HK\$22.7 billion for the six months ended 30 June 2019, up by approximately 8.0% compared with the first half of 2018. The sales of TCL brand televisions generated in overseas market amounted to approximately HK\$10.8 billion for the first half of 2019, up by 32.5% compared to the first half of 2018. On the other hand, revenue from TCL brand television sales in the PRC market decreased by approximately 14.9%. According to the Company's 2019 interim report, the sales volume of TCL brand televisions in overseas markets and the PRC market increased by approximately 49.8% and 6.9% in the first half of 2019 respectively, compared to the first half of 2018. Further, based on solid capability of production and high production efficiency, the Group's ODM business has been steadily developing while at the same time increasing the Group's overall production capacity utilisation rate. In the first half of 2019, the television shipment of ODM business reached approximately 5.2 million sets, and turnover reached approximately HK\$5.2 billion. According to the Company's 2019 interim report, as a result of product mix optimisation, the Group's gross profit margin slightly increased to approximately 16.4% for the first half of 2019, compared to approximately 15.3% in the same period in 2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(2) *Profit attributable to owners of the parent*

**2018 vs 2017**

The Group recorded profit attributable to owners of the parent of approximately HK\$944.2 million in 2018, an increase of approximately 16% year-on-year. As set out in the Company's 2018 annual report, the annual expense ratio has been kept under control and decreased to approximately 12.7%, which is the lowest level since 2003. The increase in profit in 2018 as compared to 2017 was mainly attributable to the increase in total revenue of approximately 11.7% as set out in the paragraph above, and partly offset by increase in selling and distribution expenses. The Group recorded profit attributable to owners of the parent after extraordinary items of approximately HK\$778 million in 2018 (excluding a one-off gain on disposal of items of property, plant and equipment of approximately HK\$166 million), representing an increase of approximately 30.8% compared to approximately HK\$595 million in 2017 (excluding a one-off gain on deemed partial disposal of an associate of approximately HK\$220 million from the completion of capital increase in Shenzhen Falcon Network Technology Co., Ltd. \*(深圳市雷鳥網絡科技有限公司) ("Falcon")).

**2019H1 vs 2018H1**

Profit attributable to owners of the parent was approximately HK\$1,362 million for the first half of 2019. After excluding, among others, a one-off gain of approximately HK\$787 million on fair value remeasurement of 44.44% pre-existing equity interest in Falcon held by the Group, profit attributable to owners of the parent for the first six months of 2019 was approximately HK\$554 million, representing an increase of approximately 32.9% compared with approximately HK\$417 million for the first half of 2018. As set out in the Company's 2019 interim report, by persisting in cost reduction and efficiency enhancement, the expense ratio of the Group remained stable at 12.7%, and having benefited from the overall efficiency improvement and the growth of overseas and internet businesses, the Group's profitability was improved.

As disclosed in the Company's announcement dated 23 January 2019, TCL King Electrical Appliances (Huizhou) Company Limited (a subsidiary of the Company) entered into the sale and purchase agreement to further acquire 15.56% of the total equity interest of Falcon, a company mainly engaged in internet television platform operation business. Before the sale and purchase agreement, the Group held 44.44% of the total equity interest of Falcon. Immediately after the acquisition, Falcon became a subsidiary of the Company and has been consolidated into the financial statements of the Group as a subsidiary. For the first half of 2019, the revenue of Falcon group was around HK\$253 million, up by approximately 63.3% year-on-year. As set out in the same announcement, the profitability of Falcon's internet business will further contribute to the increase in the Group's profitability. The Company can also fully integrate Falcon into the Group's business model so as to, among other things, speed up the promotion of new business model.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (3) *Earnings per Share*

#### **2018 vs 2017**

Basic and diluted earnings per Share for the year ended 31 December 2018 was approximately HK\$0.4263 and HK\$0.4158 respectively. Basic and diluted earnings per Share for the year ended 31 December 2017 was approximately HK\$0.4743 and HK\$0.4655 respectively. The Group's profit attributable to owners of the parent surged by approximately 16% year-on-year in 2018. With the subscription of right shares and issue of shares upon exercise of share options, the weighted average number of ordinary shares in issue used in the basic and diluted earnings per Share calculations increased by approximately 29.0% and 29.8% respectively in 2018 resulting in a decrease in the basic and diluted earnings per Share in 2018.

#### **2019H1 vs 2018H1**

Basic and diluted earnings per Share for the six months ended 30 June 2019 was approximately HK\$0.6001 and HK\$0.5870 respectively. Basic and diluted earnings per Share for the six months ended 30 June 2018 was approximately HK\$0.2672 and HK\$0.2600 respectively. Profit attributable to owners of the parent for the first half of 2019 increased by approximately 138.1% compared to the corresponding period of 2018. The movements in the earnings per Share generally followed the movements of the Group's financial results.

### (4) *Dividends*

The Board declared an interim dividend of HK\$0.039 per Share and a final dividend of HK\$0.1507 per Share for the financial year of 2017 (with a total of HK\$0.1897 per Share), representing an annual dividend payout ratio of 40%. Full year dividend per Share for the year ended 31 December 2018, comprising an interim dividend of HK\$0.098 per Share and a final dividend of HK\$0.0938 per Share, amounted to a total HK\$0.1918 per Share, translating into an annual dividend payout ratio of 45%. The Company's implied dividend yield based on the Share Offer Price of HK\$3.23 per Offer Share and the total dividend of HK\$0.1918 per Share for the year ended 31 December 2018 is approximately 5.9%. An interim dividend of HK\$0.1056 per Share for the six months ended 30 June 2019 was declared, implying a dividend payout ratio of 45% based on profit attributable to owners of the parent after deducting one-time non-operating gain. The implied dividend yield calculated as the total dividend declared by the Company in the past twelve months prior to the date immediately before the Latest Practicable Date divided by the Share Offer Price is approximately 6.2%. Further analysis on the implied dividend yield is set out in the paragraph headed "Peer comparison" of this letter below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Financial position*

Set out below is an extract of the financial position of the Group (a) as at 31 December 2017 and 2018 (both 2017 and 2018 financial position having been extracted from the Company's 2018 annual report); and (b) as at 30 June 2019 (having been extracted from the Company's 2019 interim report).

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(Unaudited)	(Audited)	(Audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total assets	28,239,653	28,201,203	26,063,346
Total liabilities	16,956,716	18,421,638	18,366,829
Equity attributable to owners of the parent	10,950,549	9,779,321	7,628,724

As at 30 June 2019, the Group's total assets were approximately HK\$28.2 billion. Assets of the Group mainly include (a) property, plant and equipment of approximately HK\$1.4 billion; (b) goodwill of approximately HK\$1.9 billion; (c) inventories of approximately HK\$5.0 billion; (d) trade receivables of approximately HK\$5.1 billion; (e) bills receivable of approximately HK\$2.8 billion; and (f) cash and bank balances of approximately HK\$6.8 billion. The Group recorded total liabilities amounted to approximately HK\$17.0 billion as at 30 June 2019, which mainly consisted of (a) trade payables of approximately HK\$7.3 billion; and (b) other payables and accruals of approximately HK\$5.0 billion.

As at 30 June 2019, the Group had interest-bearing bank and other borrowings of approximately HK\$856.6 million. Taking into the account the cash and bank balances of approximately HK\$6.8 billion, the Group had a net cash balance of approximately HK\$6.0 billion. The gearing ratio of the Group as at 30 June 2019, measured by net borrowings (i.e. total interest-bearing bank and other borrowings, less cash and bank balances and pledged deposits), divided by equity attributable to owners of the parent, was 0%. As set out in Appendix II of the Composite Document, as at 30 September 2019, the Group's total interest-bearing borrowings amounted to approximately HK\$740,988,000.

Unaudited consolidated equity attributable to owners of the parent amounted to approximately HK\$9.8 billion and HK\$11.0 billion as at 31 December 2018 and 30 June 2019, with a value per Share of approximately HK\$4.14 and HK\$4.63 respectively (calculated based on the Company's shares in issue as at the Latest Practicable Date). The Share Offer Price of HK\$3.23 per Share represents a discount of approximately 22% and 30% to the net asset value attributable to owners of the parent per Share as at 31 December 2018 and 30 June 2019 respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Prospects of the Group*

As discussed in the paragraph headed “Financial performance” above, the financial performance improved in 2018 year-on-year and in the first half of 2019 compared to previous period in 2018 contributed by, among others, an increase in sales amount of televisions in overseas markets and growth in internet businesses. As stated in the Company’s 2019 interim report, with global production capacity layout, besides China, the Group has factories in Mexico, Vietnam, Poland, India and South America. As advised by the executive Directors, according to the market data reports for the first half of 2019 issued by GfK<sup>1</sup> and the NPD Group<sup>2</sup>, the market share of TCL brand TV kept stable growth in many countries across the world and ranked among the top 15 countries in the first half of 2019, among which it was ranked No. 2 in the US market and No. 3 in France. For the first half of 2019 in European markets, sales volume went up by approximately 161.1% in Germany and 196.9% in Italy, comparing to the sales volume for the first half of 2018. With the advantage in the global layout and the synergy of vertically integrated industrial chain, the Group will continue to consolidate and enhance the leading position in the North American markets, increase market share and profitability in the European markets, and further expand highly potential emerging markets such as India, Russia and South America.

Revenue generated from the sales of television in the PRC market decreased year-on-year in 2018 compared to 2017 and in the first half of 2019 compared to the same period of 2018. As advised by the executive Directors, such decrease was mainly attributable to the continuous decline in panel price and the drop of exchange rate of RMB against HKD. As stated in the Company’s 2019 interim report, the Group intends to transform its business model, develop mid-to-high end products, optimize its product mix and channel structure, strengthen cost reduction and efficiency enhancement, and improve operating efficiency, so as to further enhance profitability in the PRC market.

In the future, the Group will pursue the development of 65-inch, 75-inch and even larger-screen televisions and continuously develop industry-leading high-end display technologies such as quantum dots, Mini LED and 8K to accelerate the launch of mid-to-high end products. On the basis of consolidating and upgrading the existing television business, the Group will further expand diversified businesses including Smart AV, commercial display and smart home to enhance its overall profitability. As further stated in the Company’s 2019 interim report, sales volume of TCL brand television increased significantly by approximately 33.1% year-on-year to 10.31 million sets, with its market share ranking No.3 in the global television market according to the data sourced from IHS Markit (a source of global information and insight in critical areas including display industry), showing the global competitive advantage of TCL brand.

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1 According to GfK’s official website, GfK connects data, science and innovative digital research solutions to provide answers for key business questions around consumers, markets, brands and media for over 80 years. With its headquarter in Germany and a presence in around 60 countries worldwide, there are approximately 9,000 employees in GfK.

2 According to the NPD Group’s official website, the NPD Group offers data, industry expertise, and prescriptive analytics to help its clients grow their businesses. With offices in 27 cities across the US, Europe, and Asia-Pacific, more than 2,000 companies worldwide rely on the NPD Group to help them measure, predict, and improve performance across all channels.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The executive Directors consider that, despite the intensifying trade war between the United States and the PRC, by leveraging the global competitive advantage of TCL brand and manufacturing layout, as well as adhering to the above-mentioned business development strategies to be carried out by the Group, the Group will continue to consolidate its leading position. The executive Directors are of the view, and we concur, that the long-term prospects of the Group's businesses remain generally positive despite current challenges.

### **3. Information on the Offeror, the Purchaser, and their intentions in relation to the Group**

As set out in the section headed "Information on the Offeror" in the "Letter from UBS" of the Composite Document, the Offeror is a company incorporated in Hong Kong on 16 July 1996. The Offeror is an investment holding company with a diverse investment portfolio. Its investments are principally in the business of manufacture and distribution of colour television sets, audio-visual products and mobile phones, as well as trading of related components. The Offeror also has investments in property and development and distribution of digital and other electronic products. Apart from the Offeror's investment in the Company, the Offeror also has significant investment in Tonly Holdings, which principally engaged in the research and development, manufacture and sales of audio-visual products (excluding TV sets), and TCL Communication Technology Holdings Limited, which principally engaged in the manufacture and distribution of mobile phone products and was listed on the Main Board of the Stock Exchange from 2004 to 2016 before privatisation by the Offeror. Upon the Restructuring Completion, the Offeror is wholly-owned by the Purchaser, which is a company incorporated in the PRC on 17 September 2018. The Offeror directly holds 1,235,272,639 Shares, representing approximately 52.28% of the issued share capital of the Company as at the Latest Practicable Date. Further details regarding the Offeror and Purchaser are set out in the section headed "Information on the Offeror" and "Information on the Purchaser" in the "Letter from UBS" of the Composite Document. The Offer has been triggered by the Restructuring Completion and is not, in our view, intended to enable the Offeror to acquire more Shares.

As set out in the section headed "Intentions of the Purchaser and the Offeror in relation to the Group" in the "Letter from UBS" of the Composite Document, it is the intention of the Purchaser and the Offeror to continue with the Group's existing principal business following the close of the Mandatory General Offer. The Purchaser and the Offeror do not intend to introduce any major changes to the existing business and operation of the Group following the close of the Mandatory General Offer. The Purchaser and the Offeror do not intend to discontinue the employment of the employees of the Group or to dispose of or re-deploy the material assets of the Group. The Purchaser and the Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group. As at the Latest Practicable Date, it is intended there will be no change to the Board composition following the close of the Mandatory General Offer.

### **4. Maintenance of the listing status of the Company**

As set out in the section headed "Intention of the Purchaser and the Offeror to maintain the listing of the Company" in the "Letter from UBS" of the Composite Document, the Purchaser and the Offeror intend to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Mandatory General Offer. In the event that the public float of the Company falls below 25% following the close of the Mandatory General Offer, the directors of the Purchaser and the Offeror undertake to the Stock Exchange that appropriate steps will be taken as soon as possible following the close of the Mandatory General Offer to ensure a sufficient public float.

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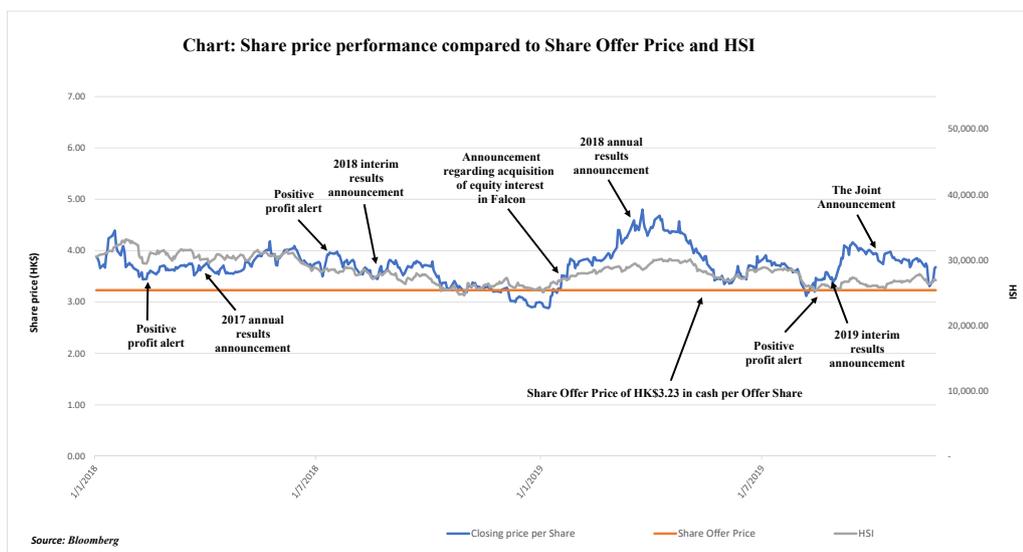
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The Stock Exchange has stated that if, upon closing of the Mandatory General Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

### 5. Analysis of the Share Offer Price

#### (a) Historical price performance of the Shares

The chart below illustrates the daily closing price per Share from 1 January 2018 up to and including the Latest Practicable Date (the “**Review Period**”) and the comparison of the Share price performance with the Hang Seng Index (“**HSI**”) and the Share Offer Price.



Over 90% of the trading days during the Review Period saw a closing Share price over the Share Offer Price. As illustrated in the chart above, the performance of the Shares has in general followed the HSI during the Review Period, except for the first five months of 2019 in which the closing Share prices were more volatile than the HSI. On 7 January 2019, the Share price closed at HK\$2.88 per Share, which is the lowest closing Share price during the Review Period. On 23 January 2019, the Company published the announcement regarding its acquisition of equity interest in Falcon. On 18 March 2019, the Company’s 2018 annual results announcement, showing a year-on-year increase of approximately 16% in the profit attributable to owners of the parent, was published after trading hours. Afterwards, the Share prices showed an upward trend and hit a high of HK\$4.80 on 25 March 2019, representing an increase of approximately 66.7% compared with the closing Share price on 7 January 2019 of HK\$2.88 per Share. The Share price traded in a downward direction after 25 March 2019 and closed at HK\$3.35 on 31 May 2019, representing a decrease of approximately 30.2% from HK\$4.80 on 25 March 2019. HSI closed at approximately 30,157 points on 9 April 2019, being the highest level during the first five months of 2019, representing an increase of approximately 20% compared to the closing HSI on 3 January 2019 of approximately 25,064 points, being the lowest level during the first five months of 2019.

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From 1 June to 2 October 2019, the closing Share price closed at a range of HK\$3.12 to HK\$4.16. The Shares closed at HK\$3.95 on 2 October 2019. The Joint Announcement was published on 2 October 2019 (after trading hours) and the Share price closed at HK\$3.93 on the following day (3 October 2019), representing a decrease of approximately 0.5% to the closing Share price of HK\$3.95 on 2 October 2019. Since the publication of the Joint Announcement and up to and including the Latest Practicable Date, the Shares closed in a range of HK\$3.31 to HK\$3.98. The Shares closed at HK\$3.68 on the Latest Practicable Date, representing a premium of approximately 13.9% over the Share Offer Price.

**(b) Share Offer Price comparisons**

The Share Offer Price of HK\$3.23 per Offer Share represents:

- (i) a discount of approximately 17.8% to the closing price of HK\$3.93 per Share as quoted on the Stock Exchange on the last business day preceding the date of the Joint Announcement;
- (ii) a discount of approximately 18.2% to the closing price of HK\$3.95 per Share as quoted on the Stock Exchange on the date of the Joint Announcement;
- (iii) a discount of approximately 18.8% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.98 per Share;
- (iv) a discount of approximately 19.0% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.99 per Share;
- (v) a discount of approximately 16.1% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.85 per Share;
- (vi) a discount of approximately 12.2% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the sixty (60) consecutive trading days up to and including the date of the Joint Announcement of approximately HK\$3.68 per Share; and
- (vii) a discount of approximately 12.2% to the closing price of HK\$3.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In summary, the Share Offer Price of HK\$3.23 per Offer Share represents (a) discounts in a range of approximately 12.2% to 19.0% to the closing Share prices for different periods up to and including the date of the Joint Announcement; and (b) a discount of approximately 30% to the net asset value per Share attributable to owners of the parent as at 30 June 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Trading liquidity*

Set out in the table below are the monthly total trading volume of the Company's Shares and the percentages of such monthly total trading volume to the public float of the Company during the Review Period:

	<b>Monthly total trading volume of the Shares (Note 1)</b>	<b>Percentage of the monthly total trading volume of the Shares to the public float of the Company (Note 2 and 3)</b>
<b>2018</b>		
January	153,677,763	21.9%
February	61,677,327	8.8%
March	46,940,429	7.3%
April	43,895,435	6.8%
May	74,277,760	11.4%
June	76,629,675	11.8%
July	81,553,913	12.8%
August	55,436,980	8.7%
September	22,405,914	3.5%
October	28,714,348	4.5%
November	23,586,438	3.7%
December	21,497,834	3.4%
<b>2019</b>		
January	81,756,169	12.9%
February	44,247,516	7.0%
March	158,854,643	24.2%
April	84,486,313	12.8%
May	61,202,574	9.2%
June	38,724,090	5.8%
July	22,652,982	3.4%
August	37,357,540	5.6%
September	57,078,988	8.6%
October	30,457,789	4.6%
From 1 November up to and including the Latest Practicable Date	30,041,285	4.5%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total number of Shares in public float at the end of each month (or as at the Latest Practicable Date for November 2019).
3. The total number of Shares in public float is calculated based on the number of Shares held by the public (within the meaning of the Listing Rules) at the end of each month (or as at the Latest Practicable Date for November 2019).

Based on the above table, the trading of the Shares has not been consistently active during the Review Period. The monthly total trading volume of the Company's Share since 2018 to October 2019 has been fluctuating in a range of approximately 3.4% to 24.2% of the total issued Shares in public hands.

In January 2018, the monthly total trading volume accounted for approximately 21.9% to the total issued Shares in public hands. The performance of HSI in January 2018 was better than other months in 2018. On 25 January 2018, the Company completed the rights issue on the basis of one right share for every three shares held on the relevant record date. In March 2019, the monthly total trading volume accounted for approximately 24.2% to the total issued Shares in public hands. The HSI performed best in March 2019 during the entire Review Period and we believe it helped to boost the trading volume of the Shares. The trading volume of the Shares increased by approximately 69% on 19 March 2019, the day after the publication of the Company's 2018 annual results announcement. Furthermore, as advised by the management of the Company, in March 2019, the PRC government launched "The Ultra HD Video Industry Development Action Plan (2019-2022)" which is perceived to be favourable to TV industry by promoting high definition and large-screen televisions in China. Since the publication of the Joint Announcement and up to and including the Latest Practicable Date, the total trading volume accounted for approximately 4.5% to the total issued Shares in public hands as at the Latest Practicable Date. As the Shares cannot be regarded as having been actively traded, if Independent Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares.

***(d) Independent valuation of 100% equity interests in the Company***

As set out in Appendix V to the Composite Document, the appraised value of 100% equity interests in the Company as of 30 June 2019 under the income approach as prepared by the PRC Appraiser (Shenzhen) amounted to RMB7,295,030,000, which is equivalent to approximately HK\$3.51 per Share (calculated based on (i) 2,362,972,379 Shares in issue as at the Latest Practicable Date; and (ii) the exchange rate of RMB1.00 to HK\$1.1375). The Share Offer Price of HK\$3.23 per Offer Share represents a discount of approximately 8.0% to such value. The updated appraisal report dated 1 November 2019 is contained in Appendix V to the Composite Document. The PRC Appraiser (Shenzhen) has confirmed that there is no material change to the value of the Company as of 30 September 2019 from the valuation benchmark date of the updated appraisal report, being 30 June 2019. The appraised value of the Company has been derived from income approach which takes into account the future cash flow forecast of the Group. As such, the valuation is regarded as a profit forecast pursuant to Rule 10 of the Takeovers Code and is required

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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to be reported on. In this connection, we have issued a letter (the “**R10 Letter**”) contained in Appendix VII to the Composite Document. Furthermore, our report on the qualifications and experience of the PRC Appraiser (Shenzhen) is required under R11.1(b) of the Takeovers Code and the R10 Letter also constitutes such report from us.

*(e) Peer comparison*

As mentioned in the sub-section headed “Information and prospects of the Group” of this letter above, the Group is principally engaged in the manufacture and sale of a wide range of consumer electronics products including television sets. Revenue generated from the sales of television accounted for over 97% of the Group’s total revenue (excluding inter-segment sales, if applicable) for each of the two years ended 31 December 2017 and 2018, and for each of the six months ended 31 June 2018 and 2019. As at the date immediately before the Latest Practicable Date, the closing market capitalisation of the Company was approximately HK\$8.6 billion. Accordingly, we have conducted a search for companies (the “**Comparable Companies**”) listed on the Main Board of the Stock Exchange, with closing market capitalisation as at the date immediately before the Latest Practicable Date above HK\$5 billion, which, based on their latest published annual reports available as at the date immediately before the Latest Practicable Date, are engaged in and with majority of revenue (being not less than 50%) derived from manufacturing and sales of televisions and/or monitors. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on the above criteria. The results are as follows:

Comparable Companies	Market capitalisation as at the date immediately before the Latest Practicable Date <i>(HK\$ million)</i> <i>(Note 1)</i>	Historical P/E (based on profit attributable to shareholders) <i>(Approximate times)</i>	Historical P/E (based on profit attributable to shareholders excluding non-recurring/one-off items) <i>(Approximate times)</i>	Dividend yield <i>(%)</i> <i>(Note 5)</i>
Skyworth Group Limited (“ <b>Skyworth</b> ”) (stock code: 751)	6,489.2	11.98 <i>(Note 2)</i>	N/A	2.83
TPV Technology Limited (“ <b>TPV</b> ”) (stock code: 903)	6,403.6	13.94 <i>(Note 3)</i>	8.94 <i>(Note 4)</i>	0.80
The Company (The implied P/E and dividend yield at the Share Offer Price)	8,624.6	4.40 <i>(Note 8)</i>	8.34 <i>(Note 6)</i>	6.17 <i>(Note 7)</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Closing market capitalisation of Skyworth and the Company are sourced from Bloomberg as at the date immediately before the Latest Practicable Date. On 13 August 2019, before trading hours, a joint announcement was issued by TPV with respect to a privatisation proposal. As at the date immediately before the Latest Practicable Date, TPV's share price represented an increase of around 41% compared to the last trading day before such proposal was announced. Accordingly, the market capitalisation of TPV is calculated based on the closing price of HK\$2.73 as at 8 August 2019 (being the last full trading day prior to the trading halt of TPV shares pending the issue of TPV's announcement relating to the privatisation proposal) multiplied by the number of TPV shares in issue as set out in the latest published monthly return of TPV on the date immediately before the Latest Practicable Date.
2. The historical P/E of Skyworth is calculated as the closing price of its shares as at the date immediately before the Latest Practicable Date divided by the earnings per share of Skyworth. As Skyworth changed its financial year end date from 31 March to 31 December commencing from the financial year ended 31 December 2018, the trailing twelve-month profit attributable to the shareholders was calculated as the sum of the profit attributable to shareholders for the nine months ended 31 December 2018 and the six months ended 30 June 2019, and less half of that of the six months ended 30 September 2018. The earnings per share of Skyworth is calculated as the trailing twelve-month profit attributable to the shareholders (which is translated to HK\$ at a rate of RMB1.00 to HKD1.1375) divided by the number of shares in issue as set out in the latest published monthly return of Skyworth on the date immediately before the Latest Practicable Date.
3. According to the website of TPV, TPV serves as an original design manufacturer (ODM) for some of the best-known television and personal computer brands and also distributes its own brands "AOC", "Envision" and licensed Philips monitors, TVs, mobile phones and tablets products in most regions worldwide. The historical P/E of TPV is calculated as the closing price of its shares as at 8 August 2019 (being the last full trading day prior to the trading halt of TPV shares pending the issue of TPV's announcement relating to the privatisation proposal) (also see Note 1. above) divided by the earnings per share of TPV. The earnings per share of TPV is calculated as the trailing twelve-month profit (being the profit for the second half of 2018, which is derived from the 2018 full year profit minus the profit for the first half of 2018, plus the profit for the first half of 2019 as published in its 2018 annual report and 2019 interim report, which is translated to HKD at a rate of US\$1 to HKD7.78) attributable to the shareholders of TPV divided by the number of shares in issue as set out in the latest published monthly return of TPV on the date immediately before the Latest Practicable Date.
4. In the event non-recurring items are excluded, the profit attributable to the shareholders of TPV would be approximately HK\$151 million for the six months ended 30 June 2019 and approximately HK\$536 million for the year ended 31 December 2018, and loss attributable to the shareholders of TPV would be approximately HK\$29 million for the six months ended 30 June 2018. The trailing twelve-month profit attributable to the shareholders of TPV would be approximately HK\$716 million and the P/E multiple of TPV would be approximately 8.94 times.
5. Dividend yields of the Comparable Companies are calculated based on the total dividend, but excluding special dividend (if any), declared by the Comparable Companies in the past twelve months prior to the Latest Practicable Date divided by the share price of the respective Comparable Companies as at the date immediately before the Latest Practicable Date (except for TPV, which the closing price of HK\$2.73 as at 8 August 2019 (being the last full trading day prior to the trading halt of TPV shares pending the issue of TPV's announcement relating to the privatisation proposal) is used).
6. The implied P/E of the Share Offer Price is calculated as the Share Offer Price of HK\$3.23 per Offer Share divided by the earnings per Share of the Company, which is calculated as the trailing twelve-month profit (being the profit for the second half of 2018, which is derived from the 2018 full year profit minus the profit for the first half of 2018, plus the profit for the first half of 2019), after excluding one-off gain as disclosed in the Company's annual/interim report, divided by the number of Shares in issue as at the Latest Practicable Date.
7. The implied dividend yield is calculated as the total dividend, but excluding special dividend (if any), declared by the Company in the past twelve months prior to the date immediately before the Latest Practicable Date divided by the Share Offer Price of HK\$3.23 per Offer Share.
8. The implied P/E of the Share Offer Price is calculated as the Share Offer Price of HK\$3.23 per Offer Share divided by the earnings per Share of the Company, which is calculated as the trailing twelve-month profit (being the profit for the second half of 2018, which is derived from the 2018 full year profit minus the profit for the first half of 2018, plus the profit for the first half of 2019) divided by the number of Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the implied P/E of the Company at the Share Offer Price based on unadjusted profit attributable to shareholders of approximately 4.40 times is lower than the historical P/Es of two Comparable Companies of approximately 11.98 times of Skyworth and 13.94 times of TPV. The implied P/E of the Company at the Share Offer Price based on profit attributable to shareholders excluding non-recurring/one-off items of approximately 8.34 times is lower than the historical P/E of TPV of approximately 8.94 times (no non-recurring/one-off items are noted from the published annual report and interim report of Skyworth for the calculation of its historical P/E). The implied dividend yield represented by the Share Offer Price of HK\$3.23 is approximately 6.17%, which is higher than the dividend yield of Skyworth and TPV of approximately 2.83% and 0.80% respectively. Independent Shareholders who accept the Share Offer (i.e. disposing their Shares) may therefore face difficulties to re-invest the proceeds in similar companies, which are engaged in the manufacturing and sales of televisions and/or monitors, with a comparable dividend yield of the Company. Notwithstanding that only two Comparable Companies are identified based on the criteria set out above, we consider such analysis provides Independent Shareholders a general reference as to the valuation of the Company (represented by the Share Offer Price) and its dividend yield when compared with peers.

### THE OPTION OFFER

As at the Latest Practicable Date, there are 185,263,219 outstanding Share Options granted under the Share Option Schemes, among which 117,277,163 Share Options were exercisable and 67,986,056 Share Options were not exercisable. The Share Options have exercise prices in the range of HK\$3.3918 to HK\$4.4834.

UBS is making, on behalf of the Offeror, an appropriate offer to the Optionholders at the Option Offer Price to cancel all outstanding Share Options (exercisable and not exercisable, other than those held by persons acting in concert with the Purchaser and/or the Offeror) in accordance with Rule 13 of the Takeovers Code. The Option Offer is extended to all outstanding Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror) on the date on which the Option Offer is made, being the date of despatch of the Composite Document.

Pursuant to the Share Option Schemes, the Optionholders are entitled to exercise all outstanding Share Options in full (to the extent which has become exercisable and not already lapsed or exercised) at any time within fourteen days after the date on which the Mandatory General Offer becomes or is declared unconditional (i.e. commencement date of such period shall be the despatch date of the Composite Document as the Mandatory General Offer is unconditional). If Optionholders do not accept the Option Offer, they may nonetheless exercise their Share Options (only to the extent exercisable) within such period.

If any outstanding and exercisable Share Option is not exercised within the fourteen days period as set out above, such Share Option will automatically lapse. However, the Board resolved at a Board meeting held on 26 September 2019 that the Board exercised the discretion under the Share Option Schemes such that the outstanding and exercisable Share Options will not lapse even if they are not exercised within the fourteen days period as set out above. For the avoidance of doubt, the aforementioned exercise of the Board's discretion under the Share Option Schemes will not affect any Optionholders from accepting the Option Offer and the Share Options will not lapse even if the Option Offer is not accepted. The written notices will be provided to the Optionholders on the same day when this Composite Document is despatched to the Shareholders and Optionholders. A sample notice to the Optionholders and Grantees is set out in Appendix XV of the Composite Document.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the Share Options that are not exercisable, they will still be subject to original vesting schedules and exercise prices under the Share Option Scheme, therefore will not lapse upon the expiry of the fourteen days period as set out above. The Optionholders can only exercise such Share Options after they become exercisable in accordance with their original vesting schedules.

Under the Option Offer, UBS is offering, on behalf of the Offeror, Optionholders the Option Offer Price, which is based on the “see-through” price (being the Share Offer Price minus the relevant exercise price in the case of the outstanding Share Options) for each outstanding Share Option they hold for the cancellation of every exercisable and not exercisable Share Option in accordance with Rule 13 of the Takeovers Code. As the exercise prices of all the Share Options are above the Share Offer Price, the Option Offer Price for cancellation of each Share Option is a nominal amount of HK\$0.0001 for each Share Option.

We note that it is a common market practice and in accordance with Rule 13 and Practice Note 6 of the Takeovers Code to adopt a “see-through” price (representing the difference between the share offer price and any given exercise price of the convertible instrument) as the cancellation price for any convertible instrument in conjunction with a general offer for ordinary shares. The exercise prices of all the Share Options are above the Share Offer Price, as they are out-of-the-money and their implied intrinsic value was nil, we consider the Option Offer Price to be in line with market practice and is in accordance with Rule 13 and Practice Note 6 of the Takeovers Code.

However, the recent market price of the Shares has closed above the Share Offer Price since the publication of the Joint Announcement up to and including the Latest Practicable Date at a range of HK\$3.31 to HK\$3.98 per Share. Optionholders which hold outstanding and exercisable Share Options with an exercise price below the market price may consider exercising their Share Options and, if they wish to realise their investments in the Company, sell these underlying Shares in the open market if the market price is above the exercise price and the net proceeds from such sale (after deducting the exercise price of the Share Options and all transaction costs) are higher than the nominal amount of HK\$0.0001 for each Share Option under the Option Offer.

As discussed above, the Board has exercised its discretion to waive the lapsing of the outstanding and exercisable Share Options, accordingly the Share Options will not lapse even if they are not exercised within the fourteen days period as set out above. In view of the minimal proceeds from accepting the Option Offer, Optionholders should, subject to their individual investment criteria, keep their Share Options so as to benefit from their potential future value.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### DISCUSSION

#### (i) The Share Offer

##### *(a) The Share Offer Price compared to historical Share price*

We have assessed the fairness of the Share Offer Price by reviewing Share prices of the Company during the Review Period. The Share price closed above the Share Offer Price over 90% of the trading days during the Review Period. The Share Offer Price of HK\$3.23 per Offer Share represents discounts in a range of approximately 12% to 19% to the closing Share prices for different periods up to and including the date of the Joint Announcement. Since the publication of the Joint Announcement and up to and including the Latest Practicable Date, the Shares closed at a range of HK\$3.31 to HK\$3.98. As at the Latest Practicable Date, the Shares closed at HK\$3.68, representing a premium of approximately 13.9% over the Share Offer Price. Trading in the Shares was not consistently active during the Review Period. **The Purchaser and the Offeror will not increase the Share Offer Price and do not reserve the right to do so.**

##### *(b) Valuation of the Company and peer comparison*

As discussed in this letter above, the appraised value of 100% equity interests in the Company as of 30 June 2019 as prepared by the PRC Appraiser (Shenzhen) amounted to RMB7,295,030,000, which is equivalent to approximately HK\$3.51 per Share. The Share Offer Price of HK\$3.23 per Share represents a discount of approximately 8.0% to such value. The PRC Appraiser (Shenzhen) has confirmed that there is no material change to the value of the Company as of 30 September 2019 from the valuation benchmark date of the updated appraisal report, being 30 June 2019.

We have identified two Comparable Companies which are engaged in business comparable to that of the Group and are listed in Hong Kong. The implied P/E of the Company at the Share Offer Price of approximately 4.40 times (based on unadjusted profit attributable to shareholders) and 8.34 times (based on profit attributable to shareholders excluding non-recurring/one-off items) are lower than the historical P/Es of two Comparable Companies. As a general reference, this shows that the valuation (as represented by the Share Offer Price) of the Company is lower than its peers. The implied dividend yield represented by the Share Offer Price of HK\$3.23 is approximately 6.17%, which is higher than the dividend yield of the two Comparable Companies. Independent Shareholders who accept the Share Offer may therefore face difficulties to re-invest the proceeds in similar companies with a comparable yield.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(c) *Financial performance and prospects of the Group***

The Group's profit attributable to owners of the parent in 2018 increased by approximately 16%, or 30.8% (excluding one-off items) year-on-year mainly due to increase in revenue from the sales of television in overseas markets, and partly offset by increase in selling and distribution expenses. On the same basis, for the first half of 2019, the Group's profit attributable to owners of the parent (after deducting one-time non-operating gain) increased by approximately 32.9%. In view of the business development strategies to be carried by the Group as discussed in the sub-section headed "Prospects of the Group" above, the executive Directors consider that the long-term prospects of the Group's businesses remain generally positive despite current challenges such as the intensifying trade war between the United States and the PRC.

As at 30 June 2019, the Group recorded net cash balance of approximately HK\$6.0 billion with zero gearing. The unaudited consolidated equity attributable to owners of the parent amounted to approximately HK\$11.0 billion as at 30 June 2019, with a value of approximately HK\$4.63 per Share. The Share Offer Price represents a discount of approximately 30% to the net asset value per Share.

In view of the factors summarised in this section above, and in particular, (i) the discount of the Share Offer Price compared to historical Share price and the net asset value per Share as discussed above; (ii) the financial performance and prospects of the Group; and (iii) the appraised value of the Company as of 30 June 2019 as set out in Appendix V to the Composite Document and the peer comparisons of the implied P/E at the Share Offer Price and the dividend yield summarised above, we consider the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

**(ii) *The Option Offer***

As discussed in the section headed "The Option Offer" of this letter above, all the Share Options are out-of-the-money and their implied intrinsic value is nil. Under the Option Offer, in accordance with Rule 13 and Practice Note 6 of the Takeovers Code, the Optionholders have been offered a nominal amount of HK\$0.0001 for each Share Option, which is in line with market practice. As set out in the sub-section above, we consider the Share Offer Price is not fair and reasonable. Accordingly, we consider the terms of the Option Offer are not fair and reasonable so far as the Optionholders are concerned, and recommend the Independent Board Committee to advise the Optionholders not to accept the Option Offer.

As a common practice, the terms of share options include a provision, to the effect that the share options shall lapse following the close of a successful general offer. However, in this case, the Board has exercised its discretion to waive the lapsing of the outstanding and exercisable Share Options. In view of the minimal proceeds from accepting the Option Offer, Optionholders should, subject to their individual investment criteria, keep their Share Options so as to benefit from their potential future value.

However, the recent market price of the Shares has closed above the Share Offer Price since the publication of the Joint Announcement up to and including the Latest Practicable Date in a range of HK\$3.31 to HK\$3.98 per Share. Optionholders which hold outstanding and exercisable Share Options with an exercise price below the market price may consider exercising their Share Options and, if they wish to realise their investments in the Company, sell these underlying Shares in the open market if the market price is above the exercise price and the net proceeds from such sale (after deducting the exercise price of the Share Options and all transaction costs) are higher than the nominal amount of HK\$0.0001 for each Share Option under the Option Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, in particular those summarised in the section headed “Discussion” above, we consider the terms of the Mandatory General Offer (being the Share Offer and the Option Offer) are not fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and Optionholders not to accept the Share Offer and Option Offer respectively.

The market price of the Shares closed at HK\$3.68 as at the Latest Practicable Date. Those Independent Shareholders who wish to realise their investment in the market (especially those with a significant number of Shares) should monitor the market price and the trading liquidity in the Shares closely during the Offer Period.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
Stephanie CHOW  
*Director*

*Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over ten years' experience in the corporate finance industry.*

\* For identification purpose only

**1. PROCEDURES FOR ACCEPTANCE****The Share Offer**

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Purchaser and the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with a licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct the licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with the licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to the licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof). Such action will be deemed to be an irrevocable authority to the Offeror and/or UBS or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar on or before 4:00 p.m. on the Closing Date and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) Seller's ad valorem stamp duty payable by Independent Shareholders who accept the Share Offer calculated at a rate of 0.1% of the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, or if higher, the market value of the Offer Shares subject to such acceptance as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to those Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

#### **The Option Offer**

- (a) To accept the Option Offer, you should complete the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.

- (b) The completed **PINK** Form of Option Offer Acceptance should be forwarded, together with all letter(s) of grant in respect of the Share Option(s) and/or other document or title (and/or satisfactory indemnity or indemnities required in respect thereof) so tendered for acceptance, stating the number of Shares underlying the Share Option(s) in respect of which you intend to accept the Option Offer, by post or by hand, to the human resources department of the Company at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, marked “TCL Electronics Holdings Limited – Option Offer” on the envelope, as soon as possible and in any event so as to reach the human resources department of the Company at the aforesaid address by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Purchaser and Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the letter(s) of grant in respect of the Share Option(s) and/or other document or title (and/or satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered to the Company together with a letter stating that you have lost one or more of the letter(s) of grant in respect of the Share Option(s) and/or other document or title (and/or satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your letter(s) of grant and/or other document or title (and/or satisfactory indemnity or indemnities required in respect thereof), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (d) If the letter(s) of grant in respect of the Share Option(s) and/or other document or title (and/or satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Share Options to the extent exercisable as indicated in the paragraph headed “3. Exercise of Share Options” of this Appendix below, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Closing Date; and (ii) the relevant **WHITE** Form of Share Offer Acceptance together with a copy of the set of documents delivered to the Company for exercising the Share Options must reach the Registrar on or before 4:00 p.m. on the Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (e) No acknowledgement of receipt of any **PINK** Form of Option Offer Acceptance, the letter(s) of grant in respect of the Share Option(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) No stamp duty will be deducted from the amount paid or payable to Optionholder who accepts the Option Offer.

**2. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Mandatory General Offer is revised or extended with the consent of the Executive, the Forms of Acceptance must be received by the Registrar and/or the human resources department of the Company by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Mandatory General Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the Mandatory General Offer will remain open for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Independent Shareholders and Optionholders, and unless previously extended or revised, shall close on the subsequent closing date. If the Purchaser and the Offeror revise the terms of the Mandatory General Offer, all Independent Shareholders and Optionholders, whether or not they have already accepted the Mandatory General Offer, will be entitled to accept the revised Mandatory General Offer under the revised terms.

If the Closing Date is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Mandatory General Offer as so extended.

**However, the Mandatory General Offer will not be extended beyond the Closing Date unless as required by the Takeovers Code. The Purchaser and the Offeror will also not increase the Share Offer Price. Shareholders, Optionholders and potential investors of the Company should be aware that, following the making of this statement, the Purchaser and the Offeror do not reserve the right to increase the Share Offer Price.**

Any acceptance of the relevant revised Mandatory General Offer shall be irrevocable unless and until the Independent Shareholders and Optionholders who accept the Mandatory General Offer become entitled to withdraw their acceptance under the paragraph headed "5. Right of Withdrawal" of this Appendix below and duly do so.

**3. EXERCISE OF SHARE OPTIONS**

Any Optionholder who wishes to accept the Share Offer may (i) exercise his/her/its Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the relevant letter(s) of grant for the Share Options to the Company, or in any other methods of exercising the Share Options acceptable by the Company, before the Mandatory General Offer close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the respective terms and conditions of the scheme rules of the Share Option Schemes and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Purchaser, the Offeror and/or UBS and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/

her/its behalf the relevant Share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Share Options as aforesaid and in accordance with the terms and conditions of the scheme rules of the Share Option Schemes, there is no guarantee that the Company may issue the relevant Share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Share Option(s) to such Optionholder in time for he/she/it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

Optionholders should note that the Board resolved on 26 September 2019 that the Share Options will not lapse even if they are not exercised within fourteen (14) days after the date on which the Mandatory General Offer becomes or is declared unconditional.

#### **4. ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive agrees), the Purchaser and the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Mandatory General Offer. The Offeror must post an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating, amongst other information required under the Takeovers Code, whether the Mandatory General Offer have been revised, extended, or expired.

The announcement will state the following:

- (a) the total number of Shares and rights over Shares for which acceptances of the Share Offer and Share Options for which acceptance of the Option Offer have been received;
- (b) the total number of Shares, rights over Shares and Share Options held, controlled or directed by the Purchaser, the Offeror or parties acting in concert with any of them before the Offer Period; and
- (c) the total number of Shares, rights over Shares and Share Options acquired or agreed to be acquired during the Offer Period by the Purchaser, the Offeror or parties acting in concert with any of them.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Purchaser, the Offeror or any parties acting in concert with any of them have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold. The announcement will also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete which have been received by the Registrar (as regards the Share Offer) or the human resources department of the Company (as regards the Option Offer) no later than 4:00 p.m. on the Closing Date, shall be included.

As required under the Takeovers Code, all announcements in relation to the Mandatory General Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

## **5. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Mandatory General Offer tendered by the Independent Shareholders and/or Optionholders or by their respective agent(s) on their respective behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.
- (b) If the Purchaser or the Offeror are unable to comply with the requirements set out in the paragraph headed “4. Announcements” above, the Executive may require that the Independent Shareholders and Optionholders who have tendered acceptances to the Mandatory General Offer to be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders and/or Optionholders withdraw their acceptance(s), the Purchaser and the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or the relevant certificate(s) in respect of the Share Options (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholders and Optionholders.

## **6. SETTLEMENT OF THE MANDATORY GENERAL OFFER**

### **The Share Offer**

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder less seller’s ad valorem stamp duty in respect of the Offer Shares tendered by it/him/her under the Share Offer will be despatched to such Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

**The Option Offer**

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant letter(s) of grant in respect of the Share Option(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if any) are complete and in good order in all respects and have been received by the human resources department of the Company no later than the latest time for acceptance, a cheque for the amount due to each accepting holder of Share Options in respect of the Share Options tendered by it/him/her under the Option Offer will be despatched to such holder of Share Options by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days of the date on which all the relevant documents are received by the human resources department of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

No fractions of a cent will be payable and the amount of consideration payable to an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

**7. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

The Mandatory General Offer will be made available to all the Independent Shareholders and Optionholders, including the Overseas Shareholders and the Overseas Optionholders. The availability of the Mandatory General Offer to any Overseas Shareholders and Overseas Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Overseas Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders and Overseas Optionholders who wish to accept the Share Offer and/or the Option Offer (as the case may be) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Mandatory General Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes and duties due by such Overseas Shareholders and Overseas Optionholders in respect of the acceptance of the Mandatory General Offer in such jurisdictions).

Any acceptance by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Offeror that such Overseas Shareholders and Overseas Optionholders have observed and are permitted under all applicable laws and regulations to receive and accept the Mandatory General Offer and any revision thereof, and that such Overseas Shareholders and Overseas Optionholders have obtained all requisite governmental, exchange control or other consents and have made all requisite registration and filing in compliance with all necessary formalities and regulatory or legal requirements and have paid all transfer or other taxes and duties or other required payments due from such Overseas Shareholders and Overseas Optionholders in a connection with such acceptance in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

**8. TAX IMPLICATIONS**

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Mandatory General Offer. None of the Purchaser, the Offeror, parties acting in concert with each of them, the Company, UBS or Somerley Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Mandatory General Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Mandatory General Offer.

**9. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance, Share certificate(s), letter(s) of grant for the Share Options, transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Mandatory General Offer to be delivered by or sent to or from the Independent Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Purchaser, the Offeror, parties acting in concert with any of them, the Company or UBS and any of their respective directors nor the Registrar or other parties involved in the Mandatory General Offer or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form(s) part of the terms and conditions of the Mandatory General Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Mandatory General Offer are made will not invalidate the Mandatory General Offer in any way.
- (d) The Mandatory General Offer are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Purchaser, the Offeror, UBS or such person or persons as the Purchaser and the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Mandatory General Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares and the Share Options in respect of which such person or persons has/have accepted the Mandatory General Offer.

- (f) By accepting the Mandatory General Offer, provided that valid Forms of Acceptances and the relevant Share certificate(s) and/or letter(s) of grant for the Share Options and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar (in respect of acceptance of the Share Offer) and/or the human resources department of the Company (in respect of acceptance of the Option Offer), (i) the Independent Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of this Composite Document, including the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of this Composite Document (for the avoidance of doubt, in the event that the relevant Offer Shares are acquired by the Offeror on or before the Record Date, the Declared Dividend in respect of such Offer Shares will become the entitlement of the Offeror; in the event that the relevant Offer Shares are acquired by the Offeror after the Record Date, the Declared Dividend in respect of such Offer Shares will be the entitlement of the Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on the Record Date), and the Share Offer Price after deducting the net Declared Dividend i.e. the Adjusted Share Offer Price of HK\$3.1244, will become the consideration for each Offer Share for such Shareholders; or (ii) the Optionholders will cancel their tendered Share Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of the despatch of this Composite Document (as the case maybe). The making of the Mandatory General Offer to a person with a registered address in a jurisdiction outside Hong Kong or who is a citizen, resident or national of a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders and Overseas Optionholders with registered addresses in jurisdictions outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (g) Acceptance of the Mandatory General Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Share Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Share Options held by such nominee for such beneficial owner who is accepting the Mandatory General Offer.
- (h) Any Independent Shareholder or Optionholder accepting the Share Offer and/or the Option Offer, respectively, will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (i) Reference to the Mandatory General Offer in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.
- (j) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and/or Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

**10. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders and Optionholders, those Independent Shareholders and/or Optionholders who hold Shares and/or Share Options as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares and/or Share Options whose investments are registered in the names of nominees to accept the Mandatory General Offer, it is essential that they provide instructions of their intentions with regard to the Mandatory General Offer to their nominees.

## 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2018 (which is extracted from the annual reports of the Company for the relevant years) and for the six months ended 30 June 2019 (as extracted from the 2019 interim report of the Company) (the “2019 Interim Report”).

	For the six	For the year ended		
	months ended	31 December		
	30 June 2019	2018	2017	2016
	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(audited and restated)
				HK\$'000
Turnover	22,724,403	45,581,970	40,822,357	33,361,250
Profit before tax	1,462,797	1,161,628	933,164	201,206
Income tax	(94,245)	(226,778)	(136,303)	(24,428)
Profit/(loss) attributable to:				
– Owners of the parent	1,362,015	944,235	814,639	182,764
– Non-controlling interests	6,537	(9,385)	(17,778)	(5,986)
Total comprehensive income/(loss) attributable to:				
– Owners of the parent	1,285,168	631,559	1,137,835	(125,842)
– Non-controlling interests	(1,673)	(11,519)	(13,016)	(12,729)
Earnings per Share attributable to ordinary equity holders of the parent				
– Basic	HK60.01 cents	HK42.63 cents	HK47.43 cents	HK11.40 cents
– Diluted	HK58.70 cents	HK41.58 cents	HK46.55 cents	HK10.99 cents
Total dividends	249,275	448,588	419,428	–
Dividend per Share	HK10.56 cents	HK19.18 cents	HK18.97 cents	–

Save as above, there are no items of any income or expense which are material in respect of the consolidated financial results of the Group for each of the three financial years ended 31 December of 2016, 2017 and 2018 and the six months ended 30 June 2019.

The auditors of the Company for the three years ended 31 December 2016, 2017 and 2018 were Ernst & Young. Their opinions on the consolidated financial statements of the Group for each of the three years ended 31 December 2016, 2017 and 2018 were unqualified.

**2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2018**

The Company is required to set out or refer in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the audited consolidated financial statements of the Company for the three years ended 31 December 2018, together with the relevant notes thereto, and disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([electronics.tcl.com](http://electronics.tcl.com)):

- pages 124 to 281 in the annual report of the Company for the year ended 31 December 2018 published on 18 April 2019;
- pages 110 to 223 in the annual report of the Company for the year ended 31 December 2017 published on 20 April 2018; and
- pages 103 to 207 in the annual report of the Company for the year ended 31 December 2016 published on 19 April 2017.

The management discussion and analysis of the Group for the three years ended 31 December 2018 are disclosed in the published annual reports of the Company for the relevant years. Please also see below the links to the relevant annual reports of the Company:

**Annual report of the Company for the year ended 31 December 2018:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn201904181133.pdf>

**Annual report of the Company for the year ended 31 December 2017:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn201804201616.pdf>

**Annual report of the Company for the year ended 31 December 2016:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0419/ltn20170419742.pdf>

**3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The Company is required to set out or refer in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019, together with the relevant notes thereto, as disclosed in pages 3 to 45 in the 2019 Interim Report which were published on 23 September 2019 on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([electronics.tcl.com](http://electronics.tcl.com)). The management discussion and analysis of the Group for the six months ended 30 June 2019 is also disclosed in the published 2019 Interim Report, which is accessible through the following link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0923/ltn20190923099.pdf>

#### 4. INDEBTEDNESS OF THE GROUP

##### **Borrowings**

As at the close of business on 30 September 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had total interest-bearing borrowings of approximately HK\$740,988,000, comprising (a) unsecured bank loans of approximately HK\$583,010,000; (b) unsecured trust receipt loans of approximately HK\$138,023,000; and (c) other loans of approximately HK\$19,955,000.

##### **Lease obligations**

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to ten years. As at 30 September 2019, the Group's total lease liabilities recognized under Hong Kong Financial Reporting Standards 16 under non-cancellable operating leases contracts was HK\$125,982,000.

##### **Capital commitments and contingent liabilities**

As at 30 September 2019, (a) the Group had capital commitments of approximately HK\$490,888,000 and HK\$246,067,000 which were contracted but not provided for and authorised but not contracted for, respectively; (b) a provision in the amount of HK\$631,478,000 for warranties and restructuring; and (c) the guarantees given to suppliers in connection with the payments of purchases by subsidiaries of the Company amounted to HK\$31,365,000.

##### **Pledge of assets**

As at 30 September 2019, no assets of the Group was pledged.

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 2019, being the latest practicable date for the purpose of this indebtedness statement.

## 5. NO MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

### **Increase in unaudited consolidated profit attributable to owners of the parent for the six months ended 30 June 2019**

As disclosed in the 2019 Interim Report, for the six months ended 30 June 2019, the Group recorded profit attributable to owners of the parent of approximately HK\$1,362 million, representing an increase of approximately 138% compared with the same period last year, which was mainly driven by a one-off gain of HK\$787 million on the fair value remeasurement of 44.44% pre-existing equity interest in Shenzhen Falcon Network Technology Co., Ltd.\* (深圳市雷鳥網絡科技有限公司) (“**Falcon Network Technology**”) and its subsidiaries (“**Falcon Network Technology Group**”) held by the Group. For the six months ended 30 June 2019, the Group recorded profit attributable to owners of the parent after deducting one-time non-operating gain of approximately HK\$554 million, representing an increase of approximately 33% year-on-year, which was boosted by the rapid growth of its overseas markets and Internet business. Further details are set out in the 2019 Interim Report.

### **The acquisitions (the “Acquisitions”) of equity interest in Falcon Network Technology Group and Shenzhen Falcon Digital Entertainment Technology Co., Ltd.\* (深圳市雷鳥數字娛樂科技有限公司) (formerly known as Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\*(豪客數字娛樂科技(深圳)有限公司)) (“OPCO”)**

As disclosed in the Company’s announcement dated 23 January 2019 and the 2019 Interim Report, on 23 January 2019, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to acquire an additional 15.56% equity interest in Falcon Network Technology, a former 44.44% owned associate of the Group, at the consideration of RMB420,120,000 (equivalent to approximately HK\$489,776,000). The transaction was completed on 22 March 2019. Thereafter, Falcon Network Technology became a subsidiary of the Company, and was consolidated into the financial statements of the Group. On 23 July 2019, Falcon Network Technology entered into a number of agreements with OPCO. Through the entering into of these agreements, the financial results of OPCO will be consolidated into the consolidated financial statements of the Group and OPCO would become an indirect subsidiary of the Company. Further details regarding the Acquisitions are set out in the Company’s announcements dated 23 January 2019 and 23 July 2019, and the 2019 Interim Report.

**The disposal (the “Disposal”) of 14% equity interest in TCL Finance Co., Ltd.**

As disclosed in the Company’s announcement dated 12 August 2019 and the 2019 Interim Report, on 12 August 2019, a subsidiary of the Company entered into a sale and purchase agreement with a subsidiary of TCL Corporation, pursuant to which the subsidiary of the Company agreed to sell 14% equity interest in TCL Finance Co., Ltd. at the consideration of approximately RMB255 million (equivalent to approximately HK\$290 million). Further details regarding the Disposal are set out in the Company’s announcement dated 12 August 2019 and the 2019 Interim Report.

**The Restructuring and the Mandatory General Offer**

As set out in this Composite Document, immediately before the Restructuring, the Vendor held 100% of the issued share capital of the Offeror, which in turn held 1,235,272,639 Shares, representing approximately 52.89% of the then issued share capital of the Company. Upon the Restructuring Completion, the Purchaser holds the entire issued capital of the Offeror. Due to the Restructuring, the Purchaser and parties acting in concert with it are, pursuant to directions provided by the Executive, required to make a mandatory general offer for all the Offer Shares pursuant to Note 8 of Rule 26.1 of the Takeovers Code and to make an appropriate offer to the Optionholders for all the outstanding Share Options in compliance with Rule 13 of the Takeovers Code by way of cancellation of the Share Options (other than those held by persons acting in concert with the Purchaser and/or the Offeror). The Offeror, a wholly-owned subsidiary of the Purchaser upon the Restructuring Completion, implements the Mandatory General Offer. Further details regarding the Restructuring and the Mandatory General Offer are set out in the Joint Announcement and the “LETTER FROM UBS” in this Composite Document.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Group and the Mandatory General Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information (in relation to the information relating the Group only) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived (in relation to opinions expressed by the Directors only) at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL

The Shares are listed and traded on the Main Board of the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange. As at the Latest Practicable Date, the authorised share capital of the Company was HK\$3,000,000,000 divided into 3,000,000,000 Shares with par value of HK\$1.00 per Share and the issued share capital of the Company was HK\$2,362,972,379 divided into 2,362,972,379 Shares.

Other than the Shares, there are no other classes of securities in the share capital of the Company in issue. All the Shares rank *pari passu* in all respects as regards rights to dividends, voting and interest in capital. Since 31 December 2018 up to the Latest Practicable Date, 27,478,505 Shares have been issued by the Company, as a result of the exercise of Share Options by the relevant Optionholders. Save for the 185,263,219 outstanding Share Options as at the Latest Practicable Date, the Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. The following is the list of outstanding Share Options:

Date of grant	Exercise price (HK\$ per Share)	Number of outstanding Share Options		Exercisable period	Number of underlying Shares
		Exercisable	Not exercisable		
9 March 2015	4.4834	25,347,552	–	Note 1	25,347,552
31 August 2015	3.3918	54,626,899	–	Note 2	54,626,899
2 June 2016	4.3860	8,898,050	–	Note 3	8,898,050
12 May 2017	3.7329	10,863,165	–	Note 4	10,863,165
23 January 2018	4.1520	10,966,566	64,831,842	Note 5	75,798,408
25 April 2018	3.5700	6,574,931	3,154,214	Note 6	9,729,145

*Note 1:* One-third of such Share Options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

*Note 2:* For Share Options granted to the employees of the Group, approximately one-third of such Share Options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

For Share Options granted to the employees of TCL Corporation and/or its subsidiaries (excluding the Group), approximately one-third of such Share Options are exercisable commencing from 31 December 2015, a further approximately one-third are exercisable commencing from 31 December 2016, and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.

*Note 3:* For Share Options granted to the employees of the Group, approximately 13% of such Share Options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

For Share Options granted to the employees of TCL Corporation and/or its subsidiaries (excluding the Group), approximately one-third of such Share Options are exercisable commencing from 31 December 2016, a further approximately one-third are exercisable commencing from 31 December 2017, and the remaining approximately one-third are exercisable commencing from 31 December 2018, up to 1 June 2022.

*Note 4:* Approximately 21% of such Share Options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.

*Note 5:* Approximately one-sixth of such Share Options are exercisable commencing from 18 May 2019, approximately one-sixth from 9 January 2020, approximately one-sixth from 18 May 2020, approximately one-sixth from 9 January 2021, a further approximately one-sixth are exercisable commencing from 18 May 2021, and the remaining approximately one-sixth are exercisable commencing from 9 January 2022, up to 22 January 2024.

*Note 6:* For Share Options granted to the employees of the Group, all of such Share Options are exercisable commencing from 9 January 2019, up to 24 April 2024.

For Share Options granted to the employees of TCL Corporation and/or its subsidiaries (excluding the Group), approximately one-third of such Share Options are exercisable commencing from 15 June 2018, a further approximately one-third are exercisable commencing from 15 June 2019, and the remaining approximately one-third are exercisable commencing from 15 June 2020, up to 24 April 2024.

### 3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last Business Day preceding the date of the Joint Announcement; (ii) the date of the Joint Announcement; (iii) the Latest Practicable Date; and (iv) the last Business Day of each of the calendar months during the Relevant Period:

Date	Closing Price (HK\$)
30 April 2019	4.20
31 May 2019	3.35
28 June 2019	3.77
31 July 2019	3.56
30 August 2019	3.45
30 September 2019 (also the Business Day immediately prior to the date of the Joint Announcement)	3.93
2 October 2019 (date of the Joint Announcement)	3.95
31 October 2019	3.72
20 November 2019 (Latest Practicable Date)	3.68

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$4.68 per Share on 8 April 2019 and HK\$3.12 per Share on 6 August 2019, respectively.

## 4. DISCLOSURE OF INTERESTS

## (a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**Model Code**”), or as required to be disclosed under the Takeovers Code, were as follows:

## (i) 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 the number of issued Shares of the Company (Note 2)
	Personal Interests	Spouse Interests	Other Interests (Note 1)	Personal Interests	Spouse Interests		
LI Dongsheng	55,394,385	2,429,752	868,655	7,312,235	504,895	66,509,922	2.81%
WANG Cheng Kevin	862,695	-	1,378,385	7,262,284	-	9,503,364	0.40%
YAN Xiaolin	200,306	-	88,919	1,970,324	-	2,259,549	0.10%
WANG Yi Michael	2,058,728	-	689,192	5,509,395	-	8,257,315	0.35%
Albert Thomas DA ROSA, Junior	70,796	-	37,315	315,907	-	424,018	0.02%
YANG Anming	45,983	-	18,088	270,922	-	334,993	0.01%
LI Yuhao	24,000	-	-	-	-	24,000	0.001%
Robert Maarten WESTERHOF	7,463	-	37,315	315,907	-	360,685	0.02%
WANG Yijiang	7,230	-	37,315	242,260	-	286,805	0.01%
LAU Siu Ki	7,463	-	37,315	236,301	-	281,079	0.01%

## (ii) Interest in Associated Corporation of the Company – Long Positions

*TCL Holdings (Note 3)*

Name of Director	Number of ordinary shares held	Approximate percentage of the number of issued shares of TCL Holdings (Note 4)
LI Dongsheng (Note 5)	2,149,980,000	33.33%

*Tonly Holdings (Note 6)*

Name of Directors	Number of ordinary Shares held			Number of underlying shares held under equity derivatives		Total	Approximate percentage of the number of issued Shares of Tonly Holdings (Note 7)
	Personal Interests	Spouse Interests	Other Interests (Note 8)	Personal Interests	Spouse Interests		
LI Dongsheng	684,590	35,929	41,049	1,214,852	178,868	2,155,288	0.80%
WANG Cheng Kevin	9,684	-	-	33,463	-	43,147	0.02%
YAN Xiaolin	38,612	-	11,803	226,098	-	276,513	0.10%
YANG Anming	12,395	-	4,134	68,323	-	84,852	0.03%

*Notes:*

- These interests are Restricted Shares that have been granted to the relevant Directors under the Restricted Share Award Scheme and were not vested as at the Latest Practicable Date. Further, the Restricted Shares that have been granted to the spouse of the relevant Directors under the Restricted Share Award Scheme are included.
- The percentages are calculated based on the number of issued shares of the Company as at the Latest Practicable Date, i.e. 2,362,972,379 Shares.
- TCL Holdings, a joint stock company established under the laws of the PRC, is the purchaser in the Restructuring Agreement and the ultimate controlling shareholder of the Company.
- The percentage is calculated based on the number of issued shares of TCL Holdings as at the Latest Practicable Date, being 6,450,000,000 in issue, as informed by TCL Holdings.
- As at the Latest Practicable Date, Mr. LI Dongsheng was deemed to be interested in TCL Holdings via:
  - Lida Tiancheng has a 3.1005% shareholding in TCL Holdings. Mr. LI Dongsheng owns more than 50% of equity interest in Lida Tiancheng; and

- (b) Lida Zhihui has a 30.2326% shareholding in TCL Holdings. Lida Zhihui is a limited partnership and Mr. LI Dongsheng owns more than 50% economic interest in Lida Zhihui as a limited partner. The general partner of Lida Zhihui is Lida Tiancheng, in which Mr. LI Dongsheng owns more than 50% equity interest as set out in (a) above.
6. Tonly Holdings is a subsidiary of TCL Holdings and hence an associated corporation of the Company under Part XV of the SFO.
  7. The percentages are calculated based on the number of issued shares of Tonly Holdings as at the Latest Practicable Date, being 268,746,877 shares in issue, as informed by Tonly Holdings.
  8. These interests are awarded shares that have been granted to the relevant Directors under the award scheme of Tonly Holdings and were not vested as at the Latest Practicable Date. Further, the awarded shares that have been granted to the spouse of the relevant Directors under the award scheme of Tonly Holdings are included.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, or as required to be disclosed under the Takeovers Code.

**(b) Substantial shareholders' interests in shares and underlying shares**

As at the Latest Practicable Date, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

**Long positions in Shares of the Company**

Shareholders	Capacity	Number of Shares held	Percentage of the number of issued Shares of the Company <i>(Note 1)</i>
TCL Holdings <i>(Note 2)</i>	Interest of controlled corporation	1,235,272,639 <i>(Note 3)</i>	52.28%
WANG Jingbo	Interest of controlled corporation	348,850,000 <i>(Note 4)</i>	14.76%
ZENG Edward Qiang	Interest of controlled corporation	348,850,000 <i>(Note 4)</i>	14.76%
Noah Holdings Limited	Interest of controlled corporation	348,850,000 <i>(Note 5)</i>	14.76%

Shareholders	Capacity	Number of Shares held	Percentage of the number of issued Shares of the Company (Note 1)
Shanghai Noah Investment Management Co., Ltd* (上海諾亞投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.76%
諾亞正行基金銷售有限公司	Interest of controlled corporation	348,850,000 (Note 5)	14.76%
China Bridge Capital Management Co., Ltd* (北京鑫根投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.76%
歌斐創世鑫根併購一號投資基金	Interest of controlled corporation	348,850,000 (Note 4)	14.76%
歌斐創世鑫根併購基金F投資基金	Interest of controlled corporation	348,850,000 (Note 6)	14.76%
Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司)	Interest of controlled corporation	348,850,000 (Note 7)	14.76%
Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.76%
Leshi Internet Information and Technology Corp., Beijing* (樂視網信息技術(北京)股份有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.76%
深圳市樂視鑫根併購基金投資管理企業(有限合夥)	Interest of controlled corporation	348,850,000 (Note 4)	14.76%
深圳市樂視鑫根併購基金投資管理有限公司	Interest of controlled corporation	348,850,000 (Note 4)	14.76%

*Notes:*

1. The percentage in respect of the interest of the relevant substantial Shareholder was calculated based on the number of shares and underlying shares of the Company in which such substantial Shareholder was interested as notified to the Company and/or disclosed on the website of the Stock Exchange against the number of issued shares of the Company as at the Latest Practicable Date, being 2,362,972,379 Shares.
2. The following Directors are directors/employees of TCL Holdings who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
  - (a) Mr. LI Dongsheng is also a director of TCL Holdings and the Offeror, a direct wholly-owned subsidiary of TCL Holdings;
  - (b) Mr. WANG Cheng Kevin is also the chief executive officer of TCL Holdings; and
  - (c) Mr. WANG Yi Michael is also a vice-president of TCL Holdings.
3. TCL Holdings, being the purchaser in the Restructuring Agreement, was deemed to be interested in 1,235,272,639 shares held by the Offeror.
4. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the 348,850,000 shares were held by Zeal Limited, a wholly-owned subsidiary of Shenzhen LETV Bridge Merger Acquisition Fund Investment Management Enterprise (Limited Partnership)\* (深圳市樂視鑫根併購基金投資管理企業(有限合夥)), which was in turn indirectly held as to
  - (a) 0.1% by Mr. ZENG Edward Qiang through China Bridge Capital Management Co., Ltd.\* (北京鑫根投資管理有限公司);
  - (b) 20.81% by Leshi Internet Information and Technology Corp., Beijing\* (樂視網信息技術(北京)股份有限公司) through 深圳市樂視鑫根併購基金投資管理有限公司; and
  - (c) 63.14% by Mr. WANG Jingbo through Shanghai Noah Investment Management Co., Ltd.\* (上海諾亞投資管理有限公司), Wuhu Gopher Asset Management Co., Ltd.\* (蕪湖歌斐資產管理有限公司) and 歌斐創世鑫根併購一號投資基金.
5. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the 348,850,000 Shares were held on trust for 諾亞正行基金銷售有限公司 as one of the beneficiaries, and Noah Holdings Limited was deemed to be interested in the shares through its indirect 100% interest in 諾亞正行基金銷售有限公司.
6. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), 歌斐創世鑫根併購基金F投資基金 was deemed to be interested in 348,850,000 Shares through its 65.4% indirect interest in 歌斐創世鑫根併購一號投資基金.
7. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the 348,850,000 Shares were held on trust for Aeon Life Insurance Co. Ltd\* (百年人壽保險股份有限公司) as one of the beneficiaries.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors and chief executive of the Company whose interests are set out in the paragraph “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

**5. ADDITIONAL DISCLOSURE OF INTERESTS AND ARRANGEMENTS IN CONNECTION WITH THE MANDATORY GENERAL OFFER**

As at the Latest Practicable Date:

- (i) save from UBS's interests in the Company under exempt principal trader or exempt fund manager status, no subsidiary of the Company, nor any pension fund of the Group (if any), nor any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) save as disclosed in the section headed "Irrevocable Undertaking" in the "LETTER FROM UBS" or otherwise disclosed in this Composite Document, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and no such person had owned or controlled any Shares or any convertible securities, warrants, options or derivative of the Company;
- (iii) no fund manager connected with the Company manages on a discretionary basis any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (iv) no Director intended to accept the Mandatory General Offer in respect of the Shares and the Share Options held by him, directly or indirectly;
- (v) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (vi) no benefit (other than statutory compensation) had been given or would be given to any Director as compensation for the loss of office or otherwise in connection with the Mandatory General Offer;
- (vii) save for our executive Director Mr. LI Dongsheng, who is indirectly interested in the issued share capital of the Purchaser, which is a party to the Restructuring Agreement, no material contract had been entered into by the Purchaser and/or the Offeror in which any Director had a material personal interest; and
- (viii) save for the Restructuring Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Mandatory General Offer or otherwise connected with the Mandatory General Offer.

## 6. SHAREHOLDINGS AND DEALINGS IN SHARES OF THE PURCHASER AND THE OFFEROR

During the Relevant Period, other than indirect interests held by our executive Directors, Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. WANG Yi Michael, and our non-executive Director, Mr. YANG Anming, in the Offeror and the Restructuring as disclosed in “LETTER FROM UBS” of this Composite Document, none of the Company nor any of the Directors had any interest in the shares of the Purchaser or the Offeror, and no such person (including the Company) had dealt in the shares of the Purchaser or the Offeror.

As at the Latest Practicable Date, the Purchaser had a total of 6,450,000,000 ordinary shares in issue and the Offeror had a total of 1,541,971,690 ordinary shares in issue. Save for the aforesaid, the Purchaser and the Offeror had no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

## 7. DEALINGS IN THE SHARES

During the Relevant Period:

- (a) save as disclosed below, none of the Directors (save Mr. LI Dongsheng who is also a party acting in concert with the Purchaser and the Offeror, details of his dealings are set out in Appendix X) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares:

Name	Nature of Dealing	Dealing Date	Number of Shares vested	Unit price of Shares
WANG Cheng Kevin (Note 1)	Vesting of Restricted Shares	18 May 2019	268,045	N/A
WANG Yi Michael (Note 2)	Vesting of Restricted Shares	18 May 2019	226,936	N/A
YAN Xiaolin (Note 3)	Vesting of Restricted Shares	15 Jun 2019	45,316	N/A
	Vesting of Restricted Shares	18 May 2019	7,227	N/A
YANG Anming (Note 4)	Vesting of Restricted Shares	15 Jun 2019	17,079	N/A
Albert Thomas DA ROSA, Junior	Vesting of Restricted Shares	18 May 2019	7,463	N/A
Rober Maarten WESTERHOF	Vesting of Restricted Shares	18 May 2019	7,463	N/A
WANG Yijiang (Note 5)	Vesting of Restricted Shares	18 May 2019	7,230	N/A
LAU Siu Ki	Vesting of Restricted Shares	18 May 2019	7,463	N/A

*Notes:*

1. For Mr. WANG Cheng Kevin, in addition to the 268,045 Restricted Shares vested on 18 May 2019 listed above, 157,959 Restricted Shares at the unit price of RMB3.1311 were used to reimburse the Company for tax payment purpose.
  2. For Mr. WANG Yi Michael, in addition to the 226,936 Restricted Shares vested on 18 May 2019 listed above, 134,657 Restricted Shares at the unit price of RMB3.1311 were used to reimburse the Company for tax payment purpose.
  3. For Mr. YAN Xiaolin, (i) in addition to 45,316 Restricted Shares vested on 15 June 2019 listed above, additional 6,288 Restricted Shares at the unit price of RMB3.0593 were used to reimburse the Company; and (ii) in addition to the 7,227 Restricted Shares vested on 18 May 2019 listed above, 236 Restricted Shares at the unit price of RMB3.1229 were used to reimburse the Company for tax payment purpose.
  4. For Mr. YANG Anming, who has been appointed as a non-executive Director on 10 January 2019, in addition to the 17,079 Restricted Shares vested on 15 June 2019 listed above, 1,009 Restricted Shares at the unit price of RMB3.0575 were used to reimburse the Company for tax payment purpose.
  5. For Professor WANG Yijiang, in addition to the 7,230 Restricted Shares vested on 18 May 2019 listed above, 233 Restricted Shares at the unit price of RMB3.1974 were used to reimburse the Company for the tax payment purpose.
- (b) save from UBS's dealings under exempt principal trader or exempt fund manager status, no subsidiary of the Company, nor any pension fund of the Group (if any), nor any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) no person who had an arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (d) no fund manager connected with the Company manages on a discretionary basis, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

**8. MATERIAL CONTRACTS**

Save as disclosed below and in compliance with the disclosure requirements under paragraph 9 of Schedule II to the Takeovers Code, no member of the Group entered into any material contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group) within the period commencing two years before the commencement of the Offer Period (i.e., the date of the Joint Announcement dated 2 October 2019), and up to and including the Latest Practicable Date:

- (a) the sale and purchase agreement dated 12 August 2019 entered into between TCL King Electrical Appliances (Chengdu) Company Limited\* (TCL王牌電器(成都)有限公司) as seller and Shenzhen China Star Optoelectronics Technology Co., Ltd.\* (深圳市華星光電技術有限公司) as purchaser for the transfer of 14% equity interest in TCL Finance Co., Ltd.\* (TCL集團財務有限公司) at a consideration of approximately RMB255 million;
- (b) the exclusive business co-operation agreement (獨家業務合作協議) entered into among Shenzhen Falcon Network Technology Co., Ltd.\* (深圳市雷鳥網絡科技有限公司) and Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\* on 23 July 2019 for the provision of business support, technical services, consulting services and other services by Shenzhen Falcon Network Technology Co., Ltd.\* at a fee equivalent to all profits generated by Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\* after deducting relevant costs, expenses and taxes;
- (c) the exclusive purchase right agreement (獨家購買權協議) dated 23 July 2019 entered into among Shenzhen Falcon Network Technology Co., Ltd.\*, Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\*, Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 for the grant of an exclusive right to Shenzhen Falcon Network Technology Co., Ltd.\* to purchase or nominate any individuals/entities to purchase all or part of the equity interests in Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\* at the lowest price permissible under the PRC Laws;
- (d) the equity pledge agreement (股份質押協議) entered into among Shenzhen Falcon Network Technology Co., Ltd.\*, Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\*, Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 for the pledge in interests in Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\* in favour of Shenzhen Falcon Network Technology Co., Ltd.\* to secure any payment by Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\* to Shenzhen Falcon Network Technology Co., Ltd.\*;
- (e) the authorisation letter(s) entered into by each of Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 to unconditionally and irrevocably authorise Shenzhen Falcon Network Technology Co., Ltd.\* and its successor to exercise all the rights as a shareholder of Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\* under the relevant PRC laws;
- (f) the confirmation letter(s) entered into by each of Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 regarding certain matters relating to their interests in Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.\*;
- (g) the spousal consent letter(s) entered into by the spouse of each of Mr. WANG Hao and Ms. ZHU Xiaojiang on 23 July 2019 regarding their rights relating to the interests in Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd. due to their being the spouse of Mr. WANG Hao and Ms. ZHU Xiaojiang respectively;

- (h) the master sale and purchase (2019-2021) agreement dated 14 June 2019 entered into between TCL Electronics Holdings Limited and TCL Industries Holdings Co., Ltd.\* in relation to the sourcing and/or sale of products between associates of TCL Industries Holdings Co., Ltd.\* and TCL Electronics Holdings Limited upon shareholders' approval to December 2021 at an annual consideration of no more than the specified annual cap;
- (i) the master services (2019-2021) agreement dated 14 June 2019 entered into between TCL Electronics Holdings Limited and TCL Industries Holdings Co., Ltd.\* in relation to the provision of certain services for consumer and electronic products, subcontracting services, after sale services, logistics services, human resources services, IT services and other services between associates of TCL Industries Holdings Co., Ltd.\* and TCL Electronics Holdings Limited upon shareholders' approval to December 2021 at an annual consideration of no more than the specified annual cap;
- (j) the master brand promotion (2019-2021) agreement dated 14 June 2019 entered into between TCL Electronics Holdings Limited and TCL Industries Holdings Co., Ltd.\* in relation to the promotion fee paid to TCL Industries Holdings Co., Ltd.\* for advertisement, promotion and maintenance of the "TCL" trademark by TCL Industries Holdings Co., Ltd.\* upon shareholders' approval to December 2021 at an annual consideration of no more than the specified annual cap;
- (k) the master rental (2019-2021) agreement dated 14 June 2019 entered into between TCL Electronics Holdings Limited and TCL Industries Holdings Co., Ltd.\* for the rental, lease and/or license, share and/or make available the use of certain properties and vehicles among the parties from June 2019 to December 2021 at an annual consideration of no more than the specified annual cap;
- (l) the master services (2019) agreement dated 10 April 2019 entered into among TCL Electronics Holdings Limited, T.C.L. Industries Holdings (H.K.) Limited, Huizhou Kuyu Network and Technology Co., Ltd.\* (惠州酷友網絡科技有限公司), Huizhou TCL Home Appliance Group Co., Ltd.\* (惠州TCL家電集團有限公司), TCL Home Appliance (Hefei) Co., Ltd.\* (TCL家用電器(合肥)有限公司), TCL Intelligence Industry (Huizhou) Co., Ltd.\* (TCL智慧工業(惠州)有限公司), Gechuang Dongzhi Technology Co., Ltd.\* (格創東智科技有限公司) and Huizhou Keyin Business Service Co., Ltd.\* (惠州客音商務服務有限公司) in relation to the provision of certain services between the relevant parties from April 2019 to September 2019 at a consideration of no more than the specified annual cap;
- (m) the master rental (2019) agreement dated 10 April 2019 entered into among TCL Electronics Holdings Limited, T.C.L. Industries Holdings (H.K.) Limited, TCL Intelligence Industry (Huizhou) Co. Ltd.\*, TCL Technology Industrial Park Co., Ltd\* (TCL科技產業園有限公司), Huizhou Keyin Business Service Co., Ltd.\* and Huizhou Kuyu Network and Technology Co., Ltd.\* for the rental, lease and/or license, share and/or make available the use of certain properties and vehicles among the parties from April 2019 to September 2019 at a consideration of no more than the specified annual cap;

- (n) the master sale and purchase (2019) agreement dated 10 April 2019 entered into among TCL Electronics Holdings Limited, T.C.L. Industries Holdings (H.K.) Limited, Huizhou TCL Home Appliance Group Co. Ltd.\*, TCL Home Appliance (Hefei) Co., Ltd.\*, Huizhou Kuyu Network and Technology Co. Ltd.\* and TCL Intelligence Industry (Huizhou) Co. Ltd.\* in relation to the provision of sale of certain electronic consumer products and other products between the relevant parties from April 2019 to September 2019 at a consideration of no more than the specified annual cap;
- (o) the sale & purchase agreement entered into between TCL King Electrical Appliances (Huizhou) Company Limited\* (TCL王牌電器(惠州)有限公司) as purchaser and Shenzhen Qianhai Fende Industries Investment Company Limited\* (深圳市前海芬德實業投資有限公司) as seller on 23 January 2019 for the transfer of approximately 15.56% equity interest in Shenzhen Falcon Network Technology Co., Ltd.\* at a consideration of RMB420.12 million;
- (p) the 2018 master services agreement dated 31 October 2018 entered into between TCL Electronics Holdings Limited and TCL Corporation in respect of the provision of certain services by the TCL Corporation and its subsidiaries and associates and the provision of certain services by the Group from October 2018 to December 2020 at a consideration of no more than the specified annual cap;
- (q) the articles of association of Gechuang Dongzhi Technology Co., Ltd.\* entered into among Shenzhen TCL Digital Technology Co., Ltd.\* (深圳TCL數字技術有限公司), TCL Corporation, Ningbo Xingxing Jiuli Investment Management Partnership (Limited Partnership)\* (寧波星興久力投資管理合夥企業(有限合夥)), Ningbo Juge Yingrui Investment Partnership (Limited Partnership)\* (寧波聚格盈睿投資合夥企業(有限合夥)), Shenzhen China Star Optoelectronics Technology Co., Ltd.\* and Mr. HE Jun (何軍) on 21 September 2018 in relation to the establishment of Gechuang Dongzhi Technology Co., Ltd.\*;
- (r) the sale and purchase agreement entered into between TCL King Electrical Appliance (Huizhou) Company Limited\* and TCL Intelligence Industry (Huizhou) Co., Ltd.\* on 20 July 2018 for the purchase of certain equipment at a consideration of RMB15,494,434.63;
- (s) the equity transfer agreement dated 1 June 2018 between TCL Corporation, Ningbo Yuanheng Juyuan Investment Partnership (Limited Partnership)\* (寧波元亨聚源投資合夥企業(有限合夥)) and Huizhou Guanlian Industrial Investment Co., Ltd. (惠州市冠聯實業投資有限公司) as vendors and TCL King Electrical Appliances (Huizhou) Company Limited\* and Shenzhen TCL New Technology Company Limited\* (深圳TCL新技術有限公司) as purchasers in relation to the acquisition of TCL Commercial Information Technology (Huizhou) Co., Ltd.\* (TCL商用信息科技(惠州)股份有限公司) at a consideration of RMB793,020,340.79;
- (t) the termination agreement entered into on 28 May 2018 among TCL Argentina Investments Holdings Limited, Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. with regard to the termination of the subscription agreement dated 28 November 2017 (Argentina time) (as mentioned in item (dd) below);

- (u) the subscription agreement entered into on 28 May 2018 among TCL Netherlands B.V. as subscriber, Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. as counter parties, pursuant to which TCL Netherlands B.V. shall subscribe for shares in Radio Victoria Fueguina S.A. and Sontec S.A. based on the net book value of the certain operating companies, after which (i) TCL Netherlands B.V. and RV TECH S.A. will own 15% and 85% respectively of the issued shares in Radio Victoria Fueguina S.A.; and (ii) TCL Netherlands B.V. and JWG S.A. will own 15% and 85% respectively of the issued shares in Sontec S.A.;
- (v) the shareholder agreement entered into on 29 June 2018 among TCL Netherlands B.V., Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A., pursuant to which TCL Netherlands B.V. would grant call option and lock-up option in certain operating companies to RV TECH S.A. and JWG S.A.;
- (w) the trademark licence agreement entered into on 29 June 2018 between TCL Netherlands B.V. as the licensor and Radio Victoria Fueguina S.A. as the licensee for the use of certain trademarks being the word “TCL” in connection with certain products in Argentina for a period of 50 years at an annual consideration of 2% of free on board price of relevant licensed products;
- (x) the capital increase agreement entered into among Shenzhen TCL New Technology Company Limited\*, Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd.\* (樂融致新電子科技(天津)有限公司), Le Shi Internet Information and Technology Corp., Beijing\* (樂視網信息技術(北京)股份有限公司) and Tianjin Jiarui Huixin Corporate Management Co., Ltd.\* (天津嘉睿匯鑫企業管理有限公司) on 18 May 2018 for, among others, the capital contribution of RMB0.3 billion by Shenzhen TCL New Technology Company Limited\* to Lerong Zhixin Electronic Technology (Tianjin) Co., Ltd.\*(樂融致新電子科技(天津)有限公司);
- (y) the sale and purchase agreement entered into between Shenzhen TCL New Technology Company Limited\* as vendor and TCL Technology Industrial Park (Shenzhen) Co., Ltd.\* (TCL科技產業園(深圳)有限公司) as purchaser on 10 May 2018 in relation to the transfer of certain assets and businesses at a consideration of RMB328,964,988.18;
- (z) the Restricted Share Award Scheme;
- (aa) the subscription agreement entered into on 23 March 2018 between TCL Ventures Inc. and TTE Corporation with regard to the USD15 million capital commitment by TTE Corporation into TCL Ventures Fund L.P.;
- (bb) the partnership agreement entered into on 23 March 2018 among TCL Ventures Inc., TTE Corporation, China Star Optoelectronics International (HK) Limited and Plus Incentive Investment Limited and Mr. TONG Aaron Xuesong with regard to the operation and administration of TCL Ventures Fund L.P. with a total capital commitment of USD75,000,001 and for a partnership period of eight years upon the first investment made by TCL Ventures Fund L.P.;

- (cc) the partnership agreement entered into on 23 March 2018 among Huizhou TCL Kaichuang Enterprise Management Co., Ltd.\* (惠州市TCL愷創企業管理有限公司) and TCL Corporation, Shenzhen China Star Optoelectronics Technology Co., Ltd.\* and Shenzhen TCL New Technology Company Limited\* with regard to the establishment of Shenzhen TCL Strategic Share Investment Fund Limited Partnership (Limited Partnership)\* (深圳TCL戰略股權投資基金合夥企業(有限合夥)) with a total capital commitment of RMB201 million and for a period of eight years upon establishment of Shenzhen TCL Strategic Share Investment Fund Limited Partnership (Limited Partnership)\*;
- (dd) the subscription agreement entered into among TCL Argentina Investments Holdings Limited as subscriber, Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. as counter parties on 28 November 2017 (Argentina time), pursuant to which TCL Argentina Investments Holdings Limited agreed to subscribe for such number of shares based on the net book value of the certain operating companies so that TCL Argentina Investments Holdings Limited and RV TECH S.A. will own 15% and 85% respectively of the issued shares in Radio Victoria Fueguina S.A., and TCL Argentina Investments Holdings Limited and JWG S.A. will own 15% and 85% respectively of the issued shares in Sontec S.A., according to the terms and subject to the conditions thereof;
- (ee) the underwriting agreement dated 28 November 2017 entered into between TCL Electronics Holdings Limited and BNP Paribus in relation to the underwriting of the new Share(s) proposed to be allotted and issued under the rights issue and certain other arrangements in respect of the rights issue, at a underwriter's commission of USD1,432,395;
- (ff) the Master TCL Trademark License (2017 Renewal) Agreement entered into between TCL Electronics Holdings Limited and TCL Corporation on 29 September 2017, pursuant to which TCL Corporation Group has granted to the Group an exclusive (subject to certain limited exceptions which are related to some existing obligations or business of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks for the manufacture, production, sale and distribution of Multimedia Products in the territories as specified in the Master TCL Trademark License (2017 Renewal) Agreement. The Group is also entitled (subject to certain exceptions) to use the trademark "TCL" as part of its business name and in all business applications in which a company's name is commonly used;
- (gg) the Master Qianhai Sailing Cooperation (2017) Agreement entered into between TCL Electronics Holdings Limited and Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd.\* (深圳前海啟航供應鏈管理有限公司) on 29 September 2017, pursuant to which Qianhai Sailing Group will source those articles, things, components or raw materials which are required for the manufacturing or production of the electronic products including televisions, audio-visual products and commercial use display products manufactured, produced or otherwise sold or distributed by the Group for the Group in accordance with the Group's production need;

- (hh) the Supplemental Agreement entered into among TCL Electronics Holdings Limited, Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd.\* and TCL Corporation on 27 November 2017 in respect of the Master Sale And Purchase (2017) Agreement, the Master Sourcing (2017 Renewal) Agreement and the Master Qianhai Sailing Cooperation (2017) Renewal Agreement; and
- (ii) the subscription agreement entered into among TCL Argentina Investments Holdings Limited and Radio Victoria Fueguina S.A., Sontec S.A., RV TECH S.A. and JWG S.A. on 29 November 2017 (Hong Kong time), pursuant to which TCL Argentina Investments Holdings Limited shall subscribe for the shares in each of Radio Victoria Fueguina S.A., Sontec S.A.

## 9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, service contracts have been entered into between the Company and the following Directors with the following particulars:

Name of Director	Position	Duration	Annual Remuneration (HK\$)
Mr. LI Dongsheng	Executive Director	An initial term of 3 years commencing from 2 March 2018 and shall be automatically renewed for a further term of one year on each subsequent year	-
Mr. YANG Anming	Non-executive Director	3 years commencing from 10 January 2019	-
Mr. LI Yuhao	Non-executive Director	3 years commencing from 24 August 2018	225,000
Professor WANG Yijiang	Independent non-executive Director	An initial term of 3 years commencing from 1 February 2016 and shall be automatically renewed for such further term as approved by Shareholders upon re-election at the annual general meeting of the Company	300,000
Mr. LAU Siu Ki	Independent non-executive Director	3 years commencing from 3 November 2017 and shall be automatically renewed for such further term as approved by Shareholders upon re-election at the annual general meeting of the Company	300,000

Pursuant to the terms of the abovementioned service contracts:

- subject to any amendment stated in paragraph 5 below, Mr. LI Dongsheng is not entitled to any director's fees in addition to his salary of HK\$650,000 per annum;

2. subject to any amendment stated in paragraph 5 below, Mr. YANG Anming is not entitled to any director's fees but is entitled to receive discretionary bonus payment or other benefits as may be determined by the Board based on the recommendation by the remuneration committee with reference to his duties and responsibilities in the Company;
3. the appointment of each of the abovementioned Directors may be terminated by either party giving not less than three months' notice in writing to the other or in accordance with the terms of the respective service contracts;
4. the duration of each of such service contracts is subject to the retirement of the Directors by rotation and re-election at the annual general meeting(s) of the Company in accordance with the articles of association of the Company and the Listing Rules;
5. the remuneration of each of the abovementioned Directors is subject to review and adjustment in the absolute discretion by the Board after considering the recommendation by the remuneration committee of the Company; and
6. the Directors who may contribute or have contributed to the Group may participate in the Share Option Scheme(s) and Restricted Share Award Scheme in accordance with the rules of the relevant schemes.

As at the Latest Practicable Date, save as disclosed hereinabove, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Group which:

- (a) (including both continuous and fixed term contracts) have been entered into or amended within six months prior to the commencement of the Offer Period (i.e., the date of the Joint Announcement dated 2 October 2019);
- (b) are continuous contracts with a notice period of 12 months or more; or
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

**10. EXPERTS' QUALIFICATIONS AND CONSENTS**

In addition to the Purchaser and Offeror's experts listed in paragraph 4 of Appendix IV, the following are the qualifications of Somerley Capital and Ernst & Young, who have been named in this Composite Document and given their opinion or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Somerley Capital	A corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Ernst & Young	Auditors

Each of Somerley Capital and Ernst & Young has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and with references to its names in the form and context in which they respectively appear.

**11. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or known to the Board to be threatened by or against any member of the Group.

**12. GENERAL**

The registered office address of the Company is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and its principal office in Hong Kong is at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong. The company secretary of the Company is Ms. CHOY Fung Yee, Solicitor, Hong Kong.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m., Monday to Friday, both days inclusive, at (i) the principal office of the Company in Hong Kong at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong; (ii) the website of the Company at [electronics.tcl.com](http://electronics.tcl.com); and (iii) the website of SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company containing the audited financial statements of the Group for the three years ended 31 December 2016, 2017 and 2018;
- (c) the 2019 Interim Report;

- (d) the letter from the Board, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (g) the IFA letter (for the updated appraisal report), the text of which is set out in Appendix VII of this Composite Document;
- (h) the auditors' letter from Ernst & Young (for the updated appraisal report), the text of which is set out in Appendix VIII of this Composite Document;
- (i) the IFA letter (for the appraisal report), the text of which is set out in Appendix XIII of this Composite Document;
- (j) the auditors' letter from Ernst & Young (for the appraisal report), the text of which is set out in Appendix XIV of this Composite Document;
- (k) the notice to Optionholders and Grantees, the sample of which is set out in Appendix XV of this Composite Document;
- (l) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this Appendix III;
- (m) the service contracts of the Directors referred to in the paragraph headed "9. DIRECTORS' SERVICE CONTRACTS" in this Appendix III; and
- (n) the written consents from Somerley Capital and Ernst & Young referred to in the paragraph headed "10. EXPERTS' QUALIFICATIONS AND CONSENTS" in this Appendix III.

**1. RESPONSIBILITY STATEMENT**

The directors of the Purchaser and the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

**2. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, the Purchaser, through the Offeror, was interested in 1,235,272,639 Shares, which represented approximately 52.28% of the issued share capital of the Company. Save as disclosed above, the Purchaser and the Offeror confirm that:

- (a) As at the Latest Practicable Date, save as disclosed in the section headed “Purchaser’s and Offeror’s Interests in Securities of the Company” in “LETTER FROM UBS” of this Composite Document, none of the Purchaser, the Offeror, the directors of the Purchaser and the Offeror, nor parties acting in concert with any of them owned or controlled any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date.
- (b) Save as disclosed in the section headed “Purchaser’s and Offeror’s Interests in Securities of the Company” in “LETTER FROM UBS” and Appendix X of this Composite Document, none of the Purchaser and the Offeror, their directors, nor parties acting in concert with any of them had dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.
- (c) As at the Latest Practicable Date, save as disclosed in the section headed “Irrevocable Undertaking” in the “LETTER FROM UBS” of this Composite Document, none of the Purchaser, the Offeror and/or the parties acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of Takeovers Code with any person.
- (d) As at the Latest Practicable Date, save as disclosed in the section headed “Irrevocable Undertaking” in the “LETTER FROM UBS” of this Composite Document, no person had irrevocably committed himself to accept or not to accept the Mandatory General Offer. Zeal Limited, which has given the Irrevocable Undertaking, was interested in 348,850,000 Shares (representing approximately 14.77% of the then issued share capital of the Company and approximately 32.66% of the then total issued Shares held by the Independent Shareholders) and is currently interested in the same number of Shares (representing approximately 14.76% of the issued share capital of the Company as at the Latest Practicable Date), and has not dealt in such Shares during the Relevant Period.

- (e) Save as disclosed in the section headed “Irrevocable Undertaking” in the “LETTER FROM UBS” of this Composite Document, no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person on the one hand and the Purchaser, the Offeror or any party acting in concert with any of them on the other hand during the Relevant Period.
- (f) During the Relevant Period and up to and including the Latest Practicable Date, none of the Purchaser, the Offeror, nor any party acting in concert with any of them had borrowed or lent any Shares or convertible securities, warrants, options or derivatives of the Company.
- (g) No Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Purchaser, the Offeror or any party acting in concert with any of them, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

### 3. OTHER ARRANGEMENTS IN RELATION TO THE MANDATORY GENERAL OFFER

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “Irrevocable Undertaking” in the “LETTER FROM UBS” of this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Purchaser, the Offeror and parties acting in concert with any of them and any Director, recent Director, Shareholder, or recent Shareholder, which had any connection with or dependent on the Mandatory General Offer;
- (b) save for Mr. LI Dongsheng, executive Director, who is indirectly interested in the issued share capital of the Purchaser, which is a party to the Restructuring Agreement, no material contracts had been entered into by the Purchaser and/or the Offeror in which any Director has a material personal interest;
- (c) there was no agreement or arrangement to which the Purchaser, the Offeror and parties acting in concert with any of them is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Mandatory General Offer;
- (d) there was no agreement, arrangement or understanding between the Purchaser, the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be purchased by the Offeror (or any of their respective wholly-owned subsidiaries) upon completion of the Mandatory General Offer;
- (e) the Purchaser and the Offeror had not entered into any agreement, arrangement, or understanding in relation to and/or will not transfer, charge or pledge any securities in the Company acquired pursuant to the Mandatory General Offer to any other person;

- (f) no benefit is or will be paid to any Directors as compensation for loss of office or otherwise in connection with the Mandatory General Offer; and
- (g) save as disclosed in the section headed “Irrevocable Undertaking” in the “LETTER FROM UBS” of this Composite Document, there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares (or other relevant securities of the Company) or the shares of the Purchaser and the Offeror (or other relevant securities of the Purchaser and the Offeror) which might be material to the Mandatory General Offer.

#### 4. EXPERTS’ QUALIFICATIONS AND CONSENTS

In addition to the Company’s experts listed in the paragraph listed headed “9. Expert’s Qualifications and Consents” in Appendix III, the following are the qualifications of the experts who have given opinion and advice, which is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
UBS	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Purchaser, Offeror in relation to the Mandatory General Offer. UBS AG is incorporated in Switzerland with limited liability
PRC Appraiser	an appraisal institution with securities and futures related business evaluation qualification in the PRC
PRC Appraiser (Shenzhen)	a group company of the PRC Appraiser and an appraisal institution with assets and projects evaluation qualification in the PRC

As at the Latest Practicable Date, each of UBS, the PRC Appraiser and the PRC Appraiser (Shenzhen) has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion in this Composite Document of the text of its respective letter, reports or opinions, as the case may be, and references to its name in the form and context in which it respectively appears.

**5. MISCELLANEOUS**

As at the Latest Practicable Date:

- (i) The registered office and correspondence address of the Purchaser was situated at 22/F, TCL Science and Technology Building, No. 17 Huifeng Third Road, Zhong Kai Gaoxin District, Huizhou City, Guangdong Province, PRC.
- (ii) The address of Mr. LI Dongsheng was 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.
- (iii) The address of Ms. DU Juan was Room 204, Pazhou Street Public Collective Housing, Number 14 Mo Die Sha Road, Hai Zhu District, Guangzhou, PRC.
- (iv) The address of Mr. MI Xin was No. 610, 7/F, Court 16, Cuiwei Road, Haidian District, Beijing, PRC.
- (v) The address of Mr. LIU Lefei was 10/F Jinbao Tower, 89 Jinbao Street, Dongcheng District, Beijing, PRC.
- (vi) The address of Mr. ZOU Wenchao was Apt 602, 6/F, Hongcheng Business Building, 3 Huabian Bei Road, Huicheng District, Huizhou City, Guangdong Province, PRC.
- (vii) The registered office and correspondence address of the Offeror was situated at 8th Floor, Building 22E, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.
- (viii) The address of Mr. DU Yuanhua was Flat A, 12/F, Tower 11, Discovery Park, Tsuen Wan, New Territories, Hong Kong.
- (ix) The address of Ms. XIONG Yan was Room A, 7/F, Block 9, Double Cove-Summit, 8 Wu Kai Sha Road, Ma On Shan, New Territories, Hong Kong.
- (x) The registered office of UBS was situated at 2 International Finance Centre, 52/F, 8 Finance Street, Central, Hong Kong.
- (xi) The registered office and correspondence address of the PRC Appraiser was situated at Floor F4, Kaichen World Trade Centre East Block, No. 28 Fu Xing Men Nei Road, Xi Cheng District, Beijing, the PRC.
- (xii) The registered office and correspondence address of the PRC Appraiser (Shenzhen) was situated at 16/F, Qing Hai Building, No. 7043 Bei Huan Road, Futian District, Shenzhen, the PRC.
- (xiii) The English text of this Composite Document shall prevail over the Chinese text in the case of inconsistency.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m., Monday to Friday, at (i) the principal place of business in Hong Kong of the Company at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong; (ii) on the website of SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) the website of the Company at [electronics.tcl.com](http://electronics.tcl.com), from the date of this Composite Document up to and including the Closing Date:

- (i) the Memorandum and Articles of Association of the Offeror;
- (ii) the Restructuring Agreement;
- (iii) the letter from UBS, the text of which is set out in this Composite Document;
- (iv) full version of the Appraisal Report (資產評估報告) for the Offeror dated 3 December 2018 issued by the PRC Appraiser with documents listed in the appendices, extract regarding the appraised value of the Company as of 30 June 2018 is set out in Appendix XI of this Composite Document;
- (v) the Verified Opinions from the PRC Appraiser in response to enquiries raised by Shenzhen Stock Exchange on the Restructuring (中聯資產評估集團有限公司對深圳證券交易所《關於對TCL集團股份有限公司的重組問詢函》評估問題的回覆的核查意見) published at the website of the Shenzhen Stock Exchange on 22 December 2018, extract regarding the appraised value of the Company as of 30 June 2018 is set out in Appendix XI of this Composite Document;
- (vi) the UBS letter (for the appraisal report), the text of which is set out in Appendix XII of this Composite Document;
- (vii) full version of the updated Appraisal Report dated 1 November 2019 from PRC Appraiser (Shenzhen) with documents listed in the appendices, the main content of the updated Appraisal Report is set out in Appendix V of this Composite Document;
- (viii) the UBS letter (for the updated appraisal report), the text of which is set out in Appendix VI of this Composite Document;
- (ix) the Irrevocable Undertaking; and
- (x) the written consent from UBS, the PRC Appraiser and the PRC Appraiser (Shenzhen), as referred to in the paragraph headed “EXPERTS’ QUALIFICATIONS AND CONSENTS” in this Appendix.

Original text of the main content of updated appraisal report:

**TCL實業控股股份有限公司擬了解**  
**TCL電子控股有限公司股東全部權益價值項目**  
**估值報告**  
**深中聯評諮字(2019)第43號**

**摘要**

深圳中聯資產評估有限公司受TCL實業控股股份有限公司的委託，對TCL電子控股有限公司(標的公司)股東全部權益在估值基準日的市場價值進行了估值。

估值對象是TCL電子控股有限公司申報的模擬合併報表(即，期後通過VIE協議併表的深圳市雷鳥數字娛樂科技有限公司(以下簡稱「OPCO」)模擬於基準日納入TCL電子控股有限公司合併報表)股東全部權益，估值範圍是TCL電子控股有限公司申報的模擬合併報表的全部資產及負債，包括流動資產、非流動資產及相關負債。

估值基準日為2019年6月30日。

本次估值的價值類型為市場價值。

本次估值以持續使用和公開市場為前提，結合估值對象的實際情況，綜合考慮各種影響因素，採用收益法對TCL電子控股有限公司進行整體評估，並以收益法評估結果作為本次估值結論。

基於產權持有人及企業管理層對未來發展趨勢的判斷及經營規劃落實的前提下，TCL電子控股有限公司股東全部權益(模擬合併報表範圍歸母所有者權益)在估值基準日2019年6月30日的市場價值為729,503.00萬元。

參照國內的相關規定，本估值報告結論在基準日後一年內有效。我們對比了標的公司截至2019年9月30日的重要運營和財務數據，經分析後認為，本估值報告結論與標的公司2019年9月30日股東全部權益現時價值無重大差異。

在使用本估值結論時，特別提請報告使用者使用本報告時注意報告中所載明的特殊事項以及期後重大事項。

以上內容摘自估值報告正文，欲瞭解本估值項目的詳細情況和合理解理解估值結論，應當閱讀估值報告全文。

## TCL實業控股股份有限公司擬了解

## TCL電子控股有限公司股東全部權益價值項目

## 估值報告

## 深中聯評諮字(2019)第43號

TCL實業控股股份有限公司：

深圳中聯資產評估有限公司接受 貴公司的委託，參考法律、行政法規的規定，堅持獨立、客觀和公正的原則，採用收益法，按照必要的估值程序，為 貴公司擬了解2019年6月30日TCL電子控股有限公司股東全部權益價值事宜，對涉及的TCL電子控股有限公司股東全部權益於估值基準日的市場價值進行了估值。現將估值情況報告如下：

一、 委託人、估值對象和其他報告使用者

本評估項目委託人為TCL實業控股股份有限公司，估值對象為TCL電子控股有限公司。委託人及估值對象有關情況介紹如下：

(一) 委託人

公司名稱：	TCL實業控股股份有限公司(以下簡稱「TCL控股」)
註冊地址：	惠州仲愷高新區惠風三路17號TCL科技大廈22層
法定代表人：	李東生
統一社會信用代碼：	91441300MA529HEL43
註冊資本：	人民幣322,500萬元
公司類型：	其他股份有限公司(非上市)
設立日期：	2018年9月17日
經營期限：	2018年9月17日至無固定期限
經營範圍：	股權投資，不動產租賃，會務服務，軟件開發，研發、生產、銷售：通訊設備、音視頻產品、LCD電視產品、空調、洗衣機、家用電器，提供市場推廣服務。(依法須經批准的項目，經相關部門批准後方可開展經營活動)

## (二) 估值對象概況

公司名稱：	TCL電子控股有限公司(以下簡稱「TCL電子」)
註冊地址：	P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
辦公地址：	香港新界沙田香港科學園科技大道東22號22E大樓7樓
董事會主席：	李東生
商業登記號：	30517148-000-11-17-A
法定股本：	300,000萬港元(截止2019年6月30日)
成立日期：	1999年4月23日
上市地點：	香港交易所
股票代碼：	01070.HK

## 1、 公司歷史沿革

## (1) 1999年4月，設立

1999年4月23日，TCL電子在開曼群島註冊成立，法定股本為50,000.00美元，每股面值1.00美元，已發行股本2.00美元，由Anthony Webster和Shaun Denton分別實繳1.00美元。

設立時，TCL電子的股權結構如下：

序號	股東名稱	實繳出資額 (美元)	持股比例 (%)
1	Anthony Webster	1.00	50.00%
2	Shaun Denton	1.00	50.00%
	合計	<u>2.00</u>	<u>100.00%</u>

## (2) 1999年11月，上市

1999年11月26日，TCL電子在香港聯合交易所有限公司主板上市，本次新增發行600,000,000股，每股面值0.10港元，發行價格為1.75港元／股。上市後，TCL電子的股權結構如下：

序號	股東名稱	實繳出資額 (萬港元)	持股比例 (%)
1	T.C.L.實業控股(香港)有限公司	12,276.00	51.15
2	Lotus Pacific Inc.當時之若干股東	2,700.00	11.25
3	Luks Industrial Company Limited	1,800.00	7.50
4	Capital China Limited	684.00	2.85
5	Sumitomo Corporation	540.00	2.25
6	其他股東	6,000.00	25.00
合計		<b>24,000.00</b>	<b>100.00</b>

## (3) 最近3年及一期，TCL電子股權及股本變動

2015年，由於激勵對象行使期權以及獎勵性股票生效，TCL電子共發行股本52,762,700股，其中期權行使增加9,089,266股，限制性股票生效增加43,673,434股。2015年末，TCL電子法定股本為2,200,000,000.00港元，每股1.00港元，已發行股份數為1,386,361,214股。

2015年12月11日，TCL電子與樂視致新投資(香港)有限公司簽訂認購協議，約定由後者按每股6.5港元的價格認購TCL電子新增股份348,850,000股。2016年5月11日，樂視致新投資(香港)有限公司完成認購交割。本次增資後，股權結構如下所示：

股東名稱	出資額 (萬港元)	出資比例 (%)
T.C.L.實業控股(香港)有限公司	89,254.85	51.42
樂視致新投資(香港)有限公司	34,885.00	20.10
其他股東	49,448.61	28.49
合計	<b>173,588.45</b>	<b>100.00</b>

2016年，由於激勵對象行使期權，TCL電子增加股本1,235,091股。

2016年末，TCL電子法定股本為2,200,000,000.00港元，每股1.00港元，已發行股份數為1,736,446,305股。

2017年，由於激勵對象行使期權，TCL電子共發行股本11,186,809股。2017年末，TCL電子法定股本為2,200,000,000.00港元，每股1.00港元，已發行股份數為1,747,633,114股。

2017年11月28日，TCL電子發布公告，擬按3:1的基準以每股3.46港元的認購價，進行不少於582,253,403股及不多於596,378,593股股份的供股，2018年1月25日，TCL電子完成了本次供股，每股價格為3.46港元，共發行了582,544,371股，其中TCL實業認購318,859,164股，認購金額11.03億港元。本次供股後，TCL電子股權結構如下所示：

股東名稱	出資額 (萬港元)	出資比例 (%)
T.C.L.實業控股(香港)有限公司	122,418.16	52.52
樂視致新投資(香港)有限公司	34,885.00	14.97
其他股東	75,782.98	32.51
合計	<b>233,086.14</b>	<b>100.00</b>

2018年，由於激勵對象行使期權，TCL電子共發行股本5,316,389股。

2019年1-6月，由於激勵對象行使期權，TCL電子共發行股本25,061,243股。

截至估值基準日，TCL電子共發行股本2,360,555,117股，TCL電子控股有限公司股權結構如下：

股東名稱	出資額 (萬港元)	出資比例 (%)
T.C.L.實業控股(香港)有限公司	123,527.26	52.33
Zeal Limited	34,885.00	14.78
其他股東	77,643.25	32.89
合計	<b>236,055.51</b>	<b>100.00</b>

## 2、 公司簡介

TCL電子是香港聯交所上市公司(股票代碼：01070)，是全球領先的消費電子產品生產商，主要從事彩電、AV產品、商用產品的研發、製造和銷售，其中彩電是公司的核心產品。公司近年來在全球堅定TCL品牌戰略，除此之外，也有部分非品牌業務(OEM & ODM業務)。

TCL電子總部設於中國，研發、製造和銷售的分支機構遍佈世界各地。現有2萬名員工，在80多個國家和地區設有銷售機構，業務遍及全球160多個國家和地區。其中研發中心主要在中國深圳和惠州，研發人員超過1,000人，研發範圍涉及從生產技術服務到結構、造型、各種功能、前沿技術的開發。製造基地分別位於廣東惠州、內蒙古呼和浩特、四川成都、墨西哥Juarez、波蘭Zyrardow和越南胡志明市等，為全球客戶提供高品質的產品和服務。TCL電子旗下子公司深圳市雷鳥網絡科技有限公司主要負責TCL電子及其控股子公司在全球的智能電視終端平台運營。

TCL電子通過「智能+互聯網」及「產品+服務」的「雙+」戰略，構建同時經營產品和用戶的商業模式，基於智能設備業務構建互聯互通、智慧健康的生態系統，實現萬物連接和各種場景融合，為用戶提供智慧健康生活相關的產品與服務，致力成為全球領先的智慧科技公司。

## 3、 經營範圍：投資控股。

## 4、 資產及財務狀況

截止2019年6月30日，TCL電子模擬合併報表賬面資產總額2,268,141.50萬元，負債1,344,618.66萬元，淨資產923,522.84萬元，歸母淨資產894,279.37萬元。2019年1-6月，實現營業收入1,990,064萬元，淨利潤121,171萬元，歸母淨利潤120,607萬元。TCL電子三年一期模擬合併資產負債及經營狀況見下表，模擬合併會計報表未經會計師事務所審計。

## TCL電子三年一期資產、負債及財務狀況(模擬合併)

單位：人民幣萬元

項目	2016年 12月31日	2017年 12月31日	2018年 12月31日	2019年 6月30日
總資產	1,818,895.80	2,316,736.94	2,332,829.95	2,268,141.50
負債	1,318,953.30	1,751,406.33	1,550,360.38	1,344,618.66
淨資產	499,942.50	565,330.61	782,469.57	923,522.84
歸母淨資產	490,650.00	533,393.01	757,213.94	894,279.37
項目	2016年度	2017年度	2018年度	2019年1-6月
營業收入	2,991,170.50	3,644,278.08	3,997,603.44	1,990,063.87
利潤總額	29,314.77	93,469.29	107,251.44	130,129.18
淨利潤	26,309.07	78,436.99	86,433.97	121,171.01
歸屬母公司淨利潤	26,822.00	80,329.01	85,468.90	120,606.54
審計機構	未經審計	未經審計	未經審計	未經審計

## (三) 委託人、估值委託合同約定的其他報告使用者

本估值報告的使用者為委託人、TCL集團股份有限公司及T.C.L.實業控股(香港)有限公司以及其他有必要知悉信息的前述使用人的僱員、會計師、律師、財務顧問及其它中介機構。

除國家法律法規另有規定外，任何未經評估機構和委託人確認的機構或個人不能由於得到估值報告而成為估值報告使用者。

## (四) 委託人與估值對象之間的關係

委託人間接控制標的公司，是標的公司的間接持股股東。

## 二、 估值目的

本次估值目的是反映TCL電子股東全部權益於估值基準日的市場價值，為TCL實業控股股份有限公司了解2019年6月30日TCL電子股東全部權益價值提供估值意見。

## 三、 估值對象和估值範圍

估值對象為TCL電子合併報表歸母所有者權益。估值範圍是TCL電子申報的合併報表的全部資產及相關負債，截止2019年6月30日，TCL電子模擬合併報表賬面資產總額2,268,141.50萬元，負債1,344,618.66萬元，淨資產923,522.84萬元，歸母淨資產894,279.37萬元，少數股東權益29,243.46萬元。具體包括流動資產1,876,338.81萬元；非流動資產391,802.69萬元；流動負債1,273,343.30萬元，非流動負債71,275.36萬元。

上述資產與負債賬面值摘自TCL電子模擬合併報表。

委託人及估值對象確認委託估值範圍與本次估值目的一致。

### (一) 委估主要資產情況

納入估值範圍內的主要資產有貨幣資金、交易性金融資產、應收賬款、存貨、長期股權投資、其他權益工具投資、投資性房地產、固定資產、無形資產等，實物資產主要資產為存貨、投資性房地產、固定資產、在建土建、在建設備等，實物資產主要在中國惠州、成都、內蒙古、香港以及波蘭、越南、墨西哥工廠內。

(二) 主要子公司架構圖

圖3-1 TCL電子股權投資架構圖

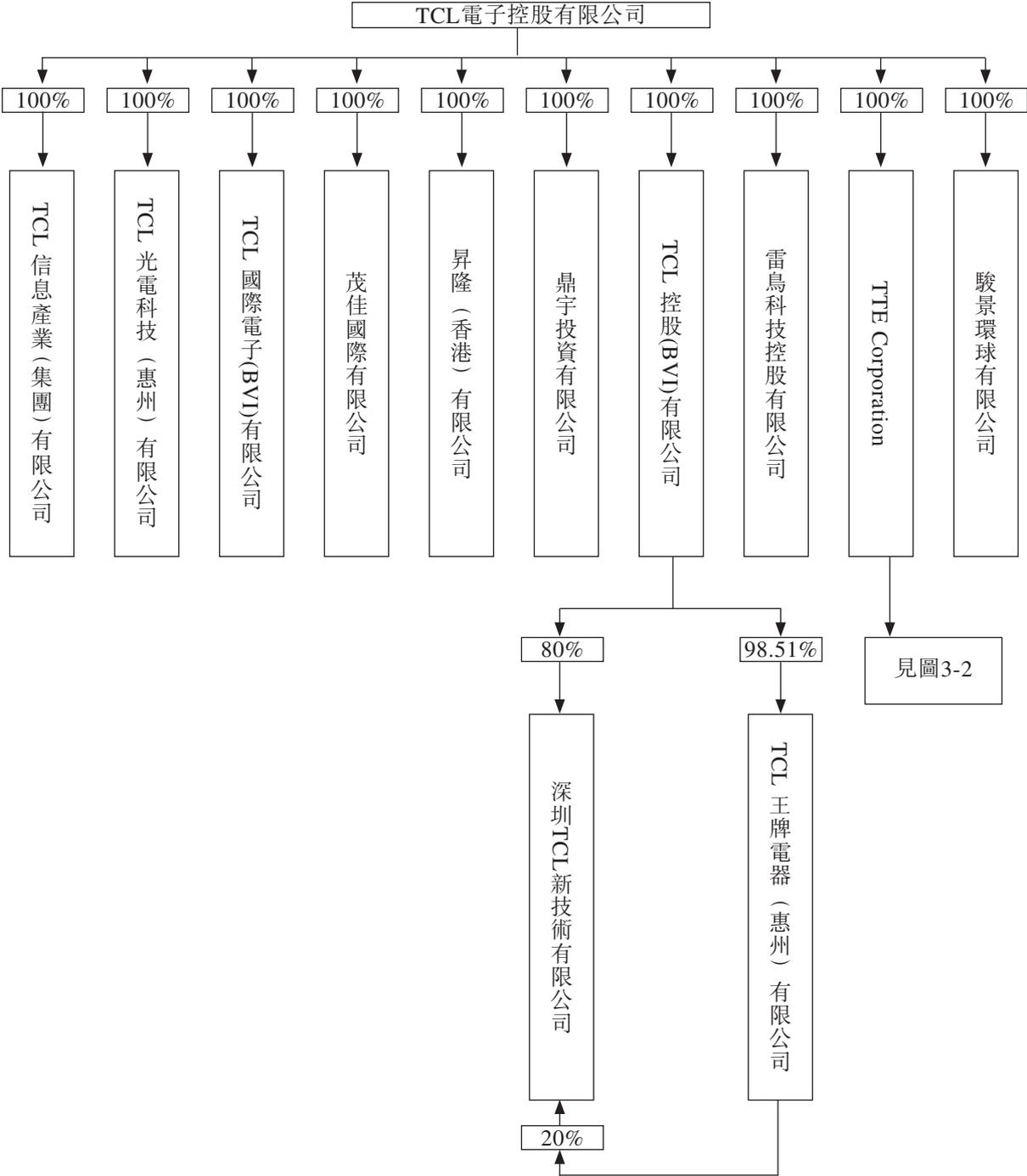
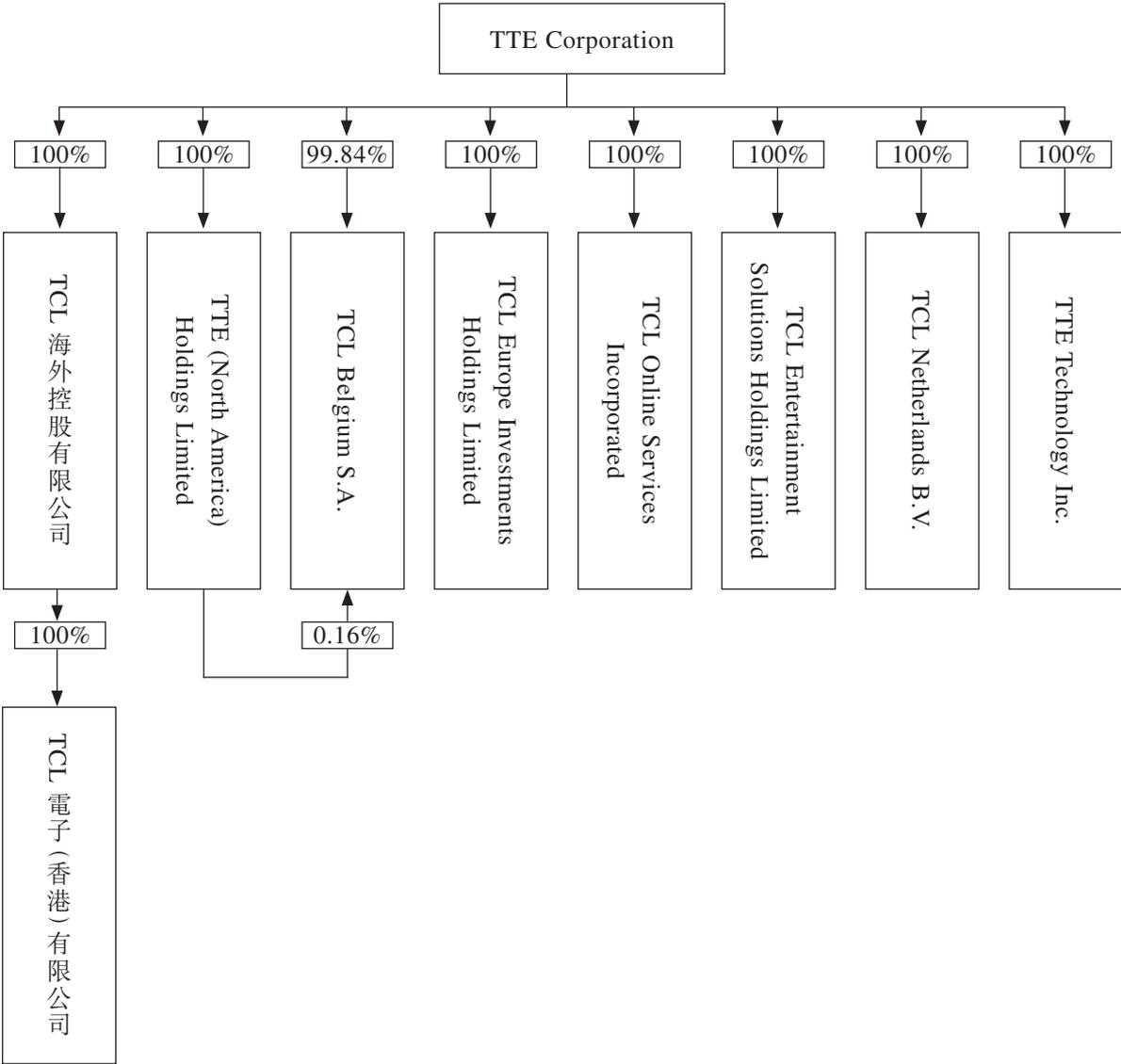


圖3-2 TTE Corporation 股權投資架構圖



## (三) 企業申報的賬面記錄或者未記錄的無形資產情況

截止估值基準日2019年6月30日，被評估單位及下屬子公司申報評估的賬面記錄的無形資產包括土地使用權、土地所有權和外購軟件；賬面未記錄的無形資產包括專利技術、軟件著作權和註冊商標。

1、 納入本次估值範圍的土地使用權共12宗，基本情況如下表：

土地使用權基本情況表

序號	宗地號	土地使用權人	土地位置	取得日期	土地用途	終止日期	面積(m <sup>2</sup> )
1	惠府國用(2008) 第13021400122號	TCL光電科技(惠州) 有限公司	惠州市仲愷高新區 36號小區	2008/7/3	工業用地	2058/6/4	19,796.7
2	惠府國用(2008) 第13021400123號	TCL光電科技(惠州) 有限公司	惠州市仲愷高新區 37號小區	2009/2/12	工業用地	2058/6/4	94,617.4
3	惠府國用(2014) 第13021450494號	惠州市茂佳電子科技 有限公司	惠州市仲愷開發區 19號小區	2017/12/31	工業用地	2048/11/29	69,160.10
4	惠府國用(2014) 第13021450493號	惠州市茂佳電子科技 有限公司	惠州市仲愷開發區 19號小區主廠房	2017/12/31	工業用地	2046/12/16	60,818.70
5	惠府國用(2014) 第13021450492號	惠州市茂佳電子科技 有限公司	惠州市仲愷開發區 19號小區	2017/12/31	工業用地	2049/6/25	6,896.60
6	惠府國用(2013) 第13021450774號	TCL王牌電器(惠州) 有限公司	惠州市仲愷高新區 37號小區	2013/12/26	工業用地	2061/9/8	12,763.20
7	惠府國用(2013) 第13021450777號	TCL王牌電器(惠州) 有限公司	惠州市仲愷高新區 38號小區	2013/12/26	城鎮住宅 用地	2081/11/21	17,715.50
8	惠府國用(2009) 第13021400005號	TCL王牌電器(惠州) 有限公司	惠州市仲愷高新區 37號小區	2009/2/11	工業用地	2058/6/4	53,376.90
9	惠府國用(2010) 第13021400048號	惠州市科達精密部品 有限公司	惠州市仲愷高新區 37號小區	2010/9/7	工業用地	2060/12/30	20,968.30
10	PL1Z/00025376/9	TCL OPERATIONS POLSKA SP.Z O.O.	Ulica.Mickiewicza 31 in Zyrardow	2007/4/19	Office	79年	5,032.00
11	PL1Z/00013479/4	TCL OPERATIONS POLSKA SP.Z O.O.	Ulica. Mickiewicza no.2D, no.33, no.35, no.39, no.41 in Zyrardow	2007/4/19	工業用地	79年	42,731.00
12	PL1Z/00032668/5	TCL OPERATIONS POLSKA SP.Z O.O.	Ulica.Mickiewicza no.32/38 and Mickiewicza no.24/30 in Zyrardow	2007/4/19	工業用地	79年	57,268.00

2、 納入本次估值範圍的土地所有權共5宗，基本情況如下表：

土地所有權基本情況表

序號	宗地號	土地所有權人	土地位置	取得日期	土地用途	終止日期	面積(m <sup>2</sup> )
1	ESCRITURA34578	TCL Moka, S.deR. L.de C.V.	Calle Cuarta No.55, Ciudad Industrial, Tijuana BC Mexico	2014/5/1	工業用地	永久產權	79,131.79
2	ESCRITURA35890	TCL Moka, S.deR. L.deC.V.	Calle Cuarta No.55, Ciudad Industrial, Tijuana BC Mexico	2015/4/1	工業用地	永久產權	5,950.24
3	TW1311614	TCL電子(香港)有限 公司	愉景新城11期 12樓A室單位	1999/10/31		2047/6/30	61.00
4	TW1311612	TCL電子(香港)有限 公司	愉景新城7期 6樓H室單位	1999/10/31		2047/6/30	61.00
5	TW1311616	TCL電子(香港)有限 公司	愉景新城10期 25樓H室單位	1999/10/31		2047/6/30	61.00

3、 納入本次估值範圍的賬面記錄的外購軟件包括數字電視測試系統軟件、PLM軟件、結構設計工具模塊、測試軟件等軟件。

4、 納入本次估值範圍的賬面未記錄的已授權專利權共3,477項，具體分佈情況如下：

各子公司所持專利數量統計表

序號	專利權人	國內發明型專利數量	國內實用新型專利數量	國內外觀設計專利數量	國外發明型專利數量
1	TCL光電科技(惠州)有限公司	22	110	7	0
2	TCL海外電子(惠州)有限公司	14	97	17	0
3	TCL王牌電器(惠州)有限公司	32	173	1	0
4	TCL王牌電器(無錫)有限公司	0	1	0	0
5	深圳TCL數字技術有限公司	198	133	109	2
6	深圳TCL新技術有限公司	694	1,129	453	49
7	深圳TCL新技術有限公司， TCL集團股份有限公司	50	44	10	0
8	深圳前海茂佳軟件科技有限公司	1	1	0	0
9	TTE TECHNOLOGY,INC	0	0	0	13
10	TTE Indianapolis	0	0	0	1
11	TCL商用信息科技(惠州)有限責任公司	21	13	0	0
12	TCL商用信息科技(惠州)有限責任公司， TCL數碼科技(深圳)有限責任公司	1	2	0	0
13	TCL新技術(惠州)有限公司	30	33	16	0
14	深圳市華勝軟件技術有限公司	0	0	0	0

- 5、 截止估值基準日，納入本次估值範圍內TCL電子及子公司申報的賬面未記錄的軟件著作權共117項，其中深圳TCL數字技術有限公司持有23項，深圳TCL新技術有限公司持有57項，TCL商用信息科技(惠州)有限責任公司持有8項，TCL新技術惠州有限公司持有10項，深圳市華勝軟件技術有限公司持有19項。
- 6、 截止估值基準日，納入本次估值範圍內TCL電子及子公司申報的賬面未記錄的註冊商標共188個，其中TCL王牌電器(惠州)有限公司持有24個，深圳TCL數字技術有限公司持有5個，深圳TCL新技術有限公司持有49個，深圳市雷鳥數字娛樂科技有限公司持有33個，雷鳥網絡持有77個。

#### (四) 企業申報的表外資產的類型、數量

委託方及估值對象確認，截止估值基準日2019年6月30日，除上述申報的未在賬面記錄的專利權、著作權、商標，企業申報評估的資產全部為企業賬面記錄的資產，未申報其他表外資產。

#### (五) 引用其他機構出具的報告的結論所涉及的資產類型、數量和賬面金額

本次估值報告未引用其他機構報告內容。

### 四、 價值類型及其定義

依據本次估值目的，確定本次估值的價值類型為市場價值。

市場價值是指自願買方和自願賣方在各自理性行事且未受任何強迫的情況下，估值對象在估值基準日進行正常公平交易的價值估計數額。

### 五、 估值基準日

本項目估值基準日是2019年6月30日。

## 六、 估值依據

本次估值參考的資產權屬依據，及評定估算時採用的取價依據和其他參考資料等，具體如下：

### (一) 資產權屬依據

- 1、 土地和房屋相關權屬證書；
- 2、 《專利證書》；
- 3、 《計算機軟件著作權登記證書》；
- 4、 重要資產購置合同或憑證。

### (二) 取價依據

- 1、 《中華人民共和國企業所得稅法》(中華人民共和國第十二屆全國人民代表大會常務委員會第二十六次會議於2017年2月24日第通過)；
- 2、 《中華人民共和國企業所得稅法實施條例》(2007年11月28日國務院第197次常務會議通過)；
- 3、 《中華人民共和國增值稅暫行條例》(2017年中華人民共和國國務院令第691號公布)；
- 4、 《關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告2019年第39號)；
- 5、 委託人和估值對象提供的未來收益預測資料；
- 6、 估值對象提供的2016年、2017年、2018年及基準日2019年6月30日的TCL電子的模擬財務報表；
- 7、 國家發佈和TCL電子當前執行的有關稅收條例和法規及TCL電子提供的稅收優惠文件；
- 8、 估值基準日執行的匯率。

### (三) 主要參考資料

- 1、 《企業會計準則—基本準則》(財政部令第33號)；
- 2、 《企業會計準則—應用指南》(財會(2006)18號)；
- 3、 《企業會計準則第1號—存貨》等38項具體準則(財會(2006)3號)；
- 4、 《資產評估常用方法與參數手冊》(機械工業出版社2011版)；
- 5、 Wind資訊金融終端；
- 6、 《投資估價》((美)Damodaran著，(加)林謙譯，清華大學出版社)；
- 7、 《價值評估：公司價值的衡量與管理(第3版)》((美)Copeland, T.等著，郝紹倫，謝關平譯，電子工業出版社)；
- 8、 其他參考資料。

## 七、估值方法

### (一) 估值方法的選擇

企業價值評估可以採用收益法、市場法、資產基礎法三種方法。收益法是企業整體資產預期獲利能力的量化與現值化，強調的是企業的整體預期盈利能力。市場法是以現實市場上的參照物來評價估值對象的現行公平市場價值，它具有估值數據直接取材於市場，估值結果說服力強的特點。資產基礎法是指在合理評估企業各項資產價值和負債的基礎上確定估值對象價值的思路。

並根據本項目的特點，選取收益法作為本次估值方法。

## (二) 收益法介紹

### 1、 概述

參考《資產評估執業準則—企業價值》及國際和國內類似交易評估慣例，本次估值確定按照收益途徑、採用現金流折現方法(DCF)估算TCL電子的權益資本價值。

現金流折現方法是通過將企業未來預期淨現金流量折算為現值，評估資產價值的一種方法。其基本思路是通過估算資產在未來預期的淨現金流量和採用適宜的折現率折算成現時價值，得出評估值。其適用的基本條件是：企業具備持續經營的基礎和條件，經營與收益之間存有較穩定的對應關係，並且未來收益和風險能夠預測及可量化。使用現金流折現法的最大難度在於未來預期現金流的預測，以及數據採集和處理的客觀性和可靠性等。當對未來預期現金流的預測較為客觀公正、折現率的選取較為合理時，其估值結果具有較好的客觀性。

### 2、 基本估值思路

根據盡職調查情況以及估值對象資產構成和主營業務特點，TCL電子模擬合併報表中的各法人主體分別為液晶電視及顯示產品的生產、研發、銷售服務，可視同為同一利潤主體，故本次估值的基本思路是以估值對象經審計的TCL電子模擬合併報表為基礎估算其權益資本價值，即首先按收益途徑採用現金流折現方法(DCF)，估算估值對象的經營性資產的價值，再加上其基準日的其他非經營性或溢餘性資產的價值，來得到估值對象的企業價值，並由企業價值經扣減付息債務價值後，來得出估值對象的股東全部權益價值。

本次收益法估值的基本思路是：

- (1) 對納入報表範圍的資產和主營業務，按照最近幾年的歷史經營狀況的變化趨勢和業務類型估算預期收益估算預期淨現金流量，並折現得到經營性資產的價值；
- (2) 對納入報表範圍，但在預期收益（淨現金流量）估算中未予考慮的諸如基準日存在的現金類資產（負債）等類資產，定義為基準日存在的溢餘性或非經營性資產（負債），單獨估算其價值；
- (3) 由上述計算得出的經營性資產價值加溢餘性資產或非經營性資產價值，並扣減企業應承擔的付息債務價值後得到估值對象的股東全部權益價值。

### 3、 估值模型

- (1) 基本模型

本次估值的基本模型為：

$$P = E - M \quad (1)$$

式中：

P： 歸屬於母公司所有者權益評估價值；

E： 所有者權益評估價值；

M： 少數股東權益評估價值；

$$M = \text{所有者權益評估價值} \times \text{少數股東權益比例} \quad (2)$$

少數股東權益比例=少數股東權益價值賬面價值／(少數股東權益賬面價值+母公司所有者權益賬面價值)。

其中：

$$E = B - D \quad (3)$$

B：估值對象的企業價值；

$$B = P - \sum C_i \quad (4)$$

P：估值對象的經營性資產價值；

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n} \quad (5)$$

式中：

$R_i$ ：估值對象合併口徑未來第*i*年的預期收益（自由現金流量）；

$R_n$ ：估值對象合併口徑永續期的預期收益（自由現金流量）；

$r$ ：折現率；

$n$ ：估值對象的未來經營期。

$\sum C_i$ ：基準日存在的非經營性、溢餘資產的價值。

$$C_i = C_1 + C_2 + C_3 + C_4 \quad (6)$$

式中：

$C_1$ ：預期收益（自由現金流量）中未體現投資收益的全資、控股或參股投資價值；

$C_2$ ：基準日現金類資產（負債）價值；

$C_3$ ：預期收益（自由現金流量）中未計及收益的在建工程價值；

$C_4$ ：基準日呆滯或閒置設備、房產等資產價值；

D：估值對象付息債務價值。

## (2) 收益指標

本次估值，使用企業自由現金流作為經營性資產的收益指標，其基本定義為：

$$R = \text{淨利潤} + \text{折舊攤銷} + \text{扣稅後付息債務利息} - \text{追加資本} \quad (7)$$

式中：

$$\text{淨利潤} = \text{營業收入} - \text{營業成本} - \text{銷售税金及附加} - \text{期間費用} (\text{營業費用} + \text{管理費用} + \text{財務費用}) - \text{所得稅} \quad (8)$$

$$\text{折舊攤銷} = \text{成本和費用} (\text{營業費用及管理費用}) \text{中的折舊攤銷}$$

$$\text{扣稅後付息債務利息} = \text{長短期付息債務利息合計} \times (1 - \text{所得稅率})$$

$$\text{追加資本} = \text{資產更新投資} + \text{營運資本增加額} + \text{新增長期資產投資} \quad (9)$$

其中：

$$\text{資產更新投資} = \text{房屋建築物更新} + \text{機器設備更新} + \text{其他自動化設備} (\text{電子、運輸等}) \text{更新} + \text{無形資產更新} \quad (10)$$

$$\text{營運資金增加額} = \text{當期營運資金} - \text{上期營運資金} \quad (11)$$

其中：

$$\text{營運資金} = \text{現金保有量} + \text{存貨} + \text{應收款項} - \text{應付款項} + \text{期末留抵增值稅} \quad (12)$$

本次估值基於企業的具體情況，假設為保持企業的正常經營，所需的最低現金保有量為企業54天的付現成本費用。

$$\text{年付現成本總額} = \text{銷售成本總額} + \text{期間費用總額} + \text{税金} - \text{非付現成本總額} \quad (12-1)$$

$$\text{存貨周轉率} = \text{付現成本} / \text{期末存貨} \quad (12-2)$$

$$\text{應收款項周轉率} = \text{銷售收入} / \text{期末應收款項} \quad (12-3)$$

$$\text{應付款項周轉率} = \text{付現成本} / \text{期末應付款項} \quad (12-4)$$

$$\text{應收款項} = \text{應收票據} + \text{應收賬款} - \text{預收款項} + \text{其他應收款 (扣減非經營性其他應收款後)} \quad (12-5)$$

$$\text{應付款項} = \text{應付票據} + \text{應付帳款} - \text{預付款項} + \text{應付職工薪酬} + \text{應交稅費} + \text{其他應付款 (扣減非經營性其他應付款後)} \quad (12-6)$$

$$\text{期末留抵增值稅} = \text{期初可抵扣增值稅} + \text{增值稅進項稅} - \text{增值稅銷項稅} - \text{增值稅出口退稅} - \text{進口設備退稅} \quad (12-7)$$

$$\text{新增長期資產投資} = \text{新增固定資產投資} + \text{新增無形或其他長期資產} \quad (13)$$

根據企業的經營歷史以及未來市場發展等，估算其未來預期的自由現金流量，並假設其在預測期後仍可經營一個較長的永續期，在永續期內估值對象的預期收益等額於其預測期最後一年的自由現金流量。將未來經營期內的自由現金流量進行折現處理並加和，測算得到企業經營性資產價值。

### (3) 折現率

本次估值採用加權平均資本資產成本模型(WACC)確定折現率r

$$r = r_d + w_d + r_e + w_e \quad (14)$$

式中：

$W_d$ ：估值對象的債務比率；

$$W_d = \frac{D}{(E + D)} \quad (15)$$

$W_e$ ：估值對象的股權資本比率；

$$W_e = \frac{E}{(E + D)} \quad (16)$$

$r_e$ ：權益資本成本，按資本資產定價模型(CAPM)確定權益資本成本 $r_e$ ；

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (17)$$

式中：

$r_f$ ：無風險報酬率；

$r_m$ ：市場預期報酬率；

$\varepsilon$ ：估值對象的特性風險調整系數；

$\beta_e$ ：估值對象權益資本的預期市場風險系數；

$$\beta_e = \beta_u \times (1 + (1-t) \times \frac{D}{E}) \quad (18)$$

$\beta_u$ ：可比公司的預期無槓桿市場風險系數；

$$\beta_u = \frac{\beta_t}{1 + (1-t) \frac{D_i}{E_i}} \quad (19)$$

$\beta_t$ ：可比公司股票（資產）的預期市場平均風險系數；

$$\beta_t = 34\%K + 66\% \beta_x \quad (20)$$

$D_i$ 、 $E_i$ ：分別為可比公司的付息債務與權益資本。

#### (4) 預測期的確定

企業已經正常運行，運營狀況比較穩定；由於企業資本性支出至2025年達到穩定，本次預測期自2019年7月至2025年，2026年起保持穩定。

#### (5) 收益期的確定

企業通過正常的固定資產等長期資產更新，是可以保持長時間的運行的，故收益期按永續確定。

## 八、 估值程序實施過程和情況

整個估值工作分四個階段進行：

### (一) 準備階段

- 1、 委託人與評估機構就本次估值的目的、估值基準日、估值範圍等問題協商一致。
- 2、 對委估資產進行了詳細瞭解，布置資產評估工作，協助企業進行委估資產申報工作，收集資產評估所需文件資料等。

### (二) 現場階段

項目組現場評估主要工作如下：

- 1、 對委託人、估值對象和相關當事人進行訪談。聽取委託人及估值對象有關人員介紹企業總體情況和委估資產的歷史及現狀，了解企業的財務制度、經營狀況、固定資產技術狀態等情況。
- 2、 對企業提供的資產清查評估申報明細表進行審核、鑒別，並與企業有關財務記錄數據進行核對，對發現的問題協同企業做出調整。
- 3、 對估值對象提供的收益預測(預測性財務信息)進行核查驗證。
- 4、 根據資產清查評估申報明細表，對固定資產進行了全面核實，對流動資產中的存貨類實物資產進行了抽查盤點。
- 5、 對主要設備，查閱了技術資料、竣工驗收資料、了解設備管理制度；對通用設備，主要通過市場調研和查詢有關資料，收集價格資料；對房屋建築物，了解管理制度和維護、改建、擴建情況，收集相關資料。
- 6、 查閱收集委估資產的產權證明文件，對企業提供的權屬資料進行查驗。
- 7、 對估值範圍內的資產及負債，在核實的基礎上做出初步評估測算。

### (三) 評估匯總階段

對各類資產評估及負債審核的初步結果進行分析匯總，對估值結果進行必要的調整、修改和完善。

### (四) 提交報告階段

在上述工作基礎上，起草初步估值報告，初步審核後與委託人就估值結果交換意見。在獨立分析相關意見後，按評估機構內部審核制度和程序進行修正調整，最後出具估值報告。

## 九、 估值假設

本次估值中，評估人員遵循了以下估值假設：

### (一) 一般假設

#### 1、 交易假設

交易假設是假定所有待評估資產已經處在交易的過程中，評估師根據待評估資產的交易條件等模擬市場進行估價。交易假設是估值得以進行的一個最基本的前提假設。

#### 2、 公開市場假設

公開市場假設，是假定在市場上交易的資產，或擬在市場上交易的資產，資產交易雙方彼此地位平等，彼此都有獲取足夠市場信息的機會和時間，以便於對資產的功能、用途及其交易價格等作出理智的判斷。公開市場假設以資產在市場上可以公開買賣為基礎。

#### 3、資產持續使用假設

資產持續使用假設是指評估時需根據被評估資產按目前的用途和使用的方式、規模、頻度、環境等情況繼續使用，或者在有所改變的基礎上使用，相應確定估值方法、參數和依據。

## (二) 特殊假設

- 1、 假設估值基準日後估值對象持續經營；
- 2、 假設估值報告日後估值對象所處國家和地區的政治、經濟和社會環境無重大變化；
- 3、 假設估值報告日後評估實體所處國家和地區的宏觀經濟政策、產業政策和區域發展政策除公眾已獲知的變化外，無其他重大變化；
- 4、 假設與估值對象相關的賦稅基準及稅率、政策性徵收費用等估值報告日後，除公眾已獲知的變化外，不發生重大變化；
- 5、 假設截止估值報告日，在本報告披露的涉訴事項及或有事項外，估值對象及其下屬子公司不存在影響其期後經營或估值結果的涉訴事項及或有事項。
- 6、 假設估值報告日後估值對象的管理層是負責的、穩定的，且有能力擔當其職務；
- 7、 假設估值對象遵守相關的法律法規，不會出現影響公司發展和收益實現的重大違規事項；
- 8、 假設估值基準日後估值對象採用的會計政策和編寫估值報告時所採用的會計政策在重要方面保持一致；
- 9、 委託方及估值對象提供的基礎資料和財務資料真實、準確、完整；
- 10、 假設估值報告日後估值對象在現有管理方式和管理水平的基礎上，其經營範圍、經營方式除估值報告中披露事項外不發生重大變化；
- 11、 假設估值對象在未來預測期內的資產構成，主營業務的結構，收入與成本的構成以及銷售策略和成本控制等仍保持其基準日前後的狀態持續，並隨經營規模的變化而同步變動；

- 12、 假設估值基準日後被評估單位及其下屬子公司仍可合法使用TCL品牌，並參照報告日前最新簽訂的品牌推廣協議(2019-2021)約定的比例支付品牌推廣費用；
- 13、 估值對象現有在惠州的生產經營場所為自有廠房，TCL電子根據計劃將租賃TCL潼湖工業園，2019年開始搬遷，並向產業園繳納租金。管理層預計工廠搬遷將於2020年底完成。搬遷完成後，TCL電子在惠州的產能提升至3,000萬台。原自有廠房將轉投資性房地產科目核算；
- 14、 假設估值對象在未來預測期內的國內銷售比例佔銷售總收入的比例不變，國外銷售部分根據海關的出口退稅政策，出口產品的原材料進口免徵關稅及增值稅；
- 15、 在未來的經營期內，估值對象的各項期間費用的構成不會在現有基礎上發生大幅的變化，並隨經營規模的變化而同步變動。本評估所指的財務費用是企業在生產經營過程中，為籌集正常經營或建設性資金而發生的融資成本費用。鑒於企業的貨幣資金或其銀行存款等在生產經營過程中頻繁變化或變化較大，評估時不考慮存款產生的利息收入，也不考慮付息債務之外的其他不確定性損益；
- 16、 估值範圍僅以委託方及被評估單位提供的評估申報表為準，未考慮委託方及被評估單位提供清單以外可能存在的或有資產及或有負債；
- 17、 假設估值基準日後無不可抗力對被評估單位造成重大不利影響；

當上述條件發生變化時，評估結果一般會失效。

## 十、 估值結論

### (一) 估值結論

基於產權持有人及企業管理層對未來發展趨勢的判斷及經營規劃落實的前提下，採用收益法，按照必要的估值程序，對TCL電子股東全部權益（模擬合併報表範圍歸母所有者權益）在估值基準日2019年6月30日的市場價值進行了估值，具體估值結論如下：

TCL電子在估值基準日2019年6月30日的模擬報表歸母淨資產賬面價值894,279.37萬元，估值729,503.00萬元，估值減值164,776.37萬元，減值率18.43%。

參照國內的相關規定，本估值報告結論在基準日後一年內有效。我們對比了標的公司截至2019年9月30日的重要運營和財務數據，經分析後認為，本估值報告結論與標的公司2019年9月30日股東全部權益現時價值無重大差異。

### (二) 估值結論與賬面價值比較變動情況及原因

採用收益法評估得出的估值基準日2019年6月30日的估值結論與賬面價值變動情況如下：

TCL電子在估值基準日2019年6月30日的模擬報表歸母淨資產賬面價值894,279.37萬元，估值729,503.00萬元，估值減值164,776.37萬元，減值率18.43%。

減值原因：一是TCL電子屬於傳統彩電製造類企業，在國內市場，面對國內彩電產品同質化趨勢而導致的頻繁價格戰，使得公司和國內同業近幾年整體盈利水平均有所下降；海外市場的高端市場長期由三星、SONY佔據，TCL實行產品高性價比策略迅速提升全球市場份額，隨著國內彩電市場飽和，國內彩電廠家陸續進軍海外市場，海外市場的競爭日趨激烈；二是彩電產品更新換代較快，產品趨勢為更大尺寸、高清、智能等，企業需要投入大量的資金進行技術研發及產線升級；三是企業的產品大部分出口或在海外銷售，中美戰略博弈或持續加劇，若中美貿易摩擦升級，可能會對中國出口北美產品有潛在影響，TCL電子在近期公告中表示已做好全球化產能佈局應對，最大化降低潛在風險。

## 十一、特別事項說明

## (一) 權屬等主要資料不完整或者存在瑕疵的情形

- 1、截止估值報告日，TCL電子申報範圍內有27項房屋建築物未辦理相關產權登記，房屋具體情況如下表：

TCL電子未辦理房產證房屋建築物明細表

序號	權證編號	證載權利人	建築物名稱	結構	建成年月	計量單位	建築面積／容積	備註
1	粵房地權證惠州字第1100279986號	TCL海外電子(惠州)有限公司	四期倉庫(六棟)仲愷高新區19號小區(倉庫)A	鋼筋混凝土	2014/9/2	m <sup>2</sup>	9,871.44	海外電子2017年12月1日簽訂轉讓協議轉讓給惠州市茂佳電子科技有限公司，截止估值基準日房產證證載權利人仍為海外電子，茂佳電子的房產證正在辦理中
2	粵房地權證惠州字第1100279985號	TCL海外電子(惠州)有限公司	五期倉庫(七棟)仲愷高新區19號小區(廠房)A	鋼筋混凝土	2014/9/2	m <sup>2</sup>	13,547.04	
3	粵房地權證惠州字第1100279989號	TCL海外電子(惠州)有限公司	五期倉庫(八棟)仲愷高新區19號小區(廠房)B	鋼筋混凝土	2014/9/2	m <sup>2</sup>	10,167.04	
4	粵房地權證惠州字第1100279994號	TCL海外電子(惠州)有限公司	PMC大樓(三棟)仲愷高新區19號小區(倉庫)B	鋼筋混凝土	2014/9/2	m <sup>2</sup>	13,927.00	
5	粵房地權證惠州字第1100279992號	TCL海外電子(惠州)有限公司	三期倉庫(五棟)仲愷高新區19號小區(廠房)C	鋼筋混凝土	2014/9/2	m <sup>2</sup>	21,471.87	
6	粵房地權證惠州字第1100279991號	TCL海外電子(惠州)有限公司	塑膠廠(四棟)仲愷高新區19號小區注塑廠房	鋼筋混凝土	2014/9/2	m <sup>2</sup>	14,463.84	
7	粵房地權證惠州字第1100279990號	TCL海外電子(惠州)有限公司	主廠房主體工程仲愷高新區19號小區主廠房	鋼筋混凝土	2014/9/2	m <sup>2</sup>	39,394.00	
8	無	蘭州TCL電器銷售有限公司	房屋及建築物(范利軍)	鋼混	1998/8/1	m <sup>2</sup>	145.86	員工福利房，截止估值基準日房產證證載權利人為范利軍
9	無	瀋陽TCL電器銷售有限公司	房屋(劉源發)	磚混	1996/7/1	m <sup>2</sup>	85.00	員工福利房，截止估值基準日房產證證載權利人為離職員工劉源發
10	無	瀋陽TCL電器銷售有限公司	房屋(肖靜波)	磚混	1997/7/29	m <sup>2</sup>	122.00	員工福利房，截止估值基準日房產證證載權利人為離職員工肖靜波
11	無	長春TCL電器銷售有限公司	分公司辦公樓	鋼筋混凝土	1999	m <sup>2</sup>	1,081.28	
12	無	TCL王牌電器(惠州)有限公司	藍圖一期與TOT廠房間兩個連廊	磚混	2013/8/30	m <sup>2</sup>	260.00	
13	無	TCL王牌電器(惠州)有限公司	TCL藍圖二期圍牆建設工程	磚混	2013/12/30	m <sup>2</sup>	891.00	
14	無	TCL王牌電器(惠州)有限公司	工業藍圖二期連廊3、4工程	磚混	2013/12/30	m <sup>2</sup>	385.19	
15	無	TCL王牌電器(惠州)有限公司	38#小區6#7#宿舍	磚混	2014/5/31	m <sup>2</sup>	17,086.36	
16	無	TCL王牌電器(惠州)有限公司	11#公寓樓	磚混	2014/11/30	m <sup>2</sup>	18,771.52	
17	無	TCL王牌電器(惠州)有限公司	新建一混凝土結構的建築物	磚混	2016/10/19	m <sup>2</sup>	80.60	
18	無	TCL王牌電器(惠州)有限公司	新建一500立方的防腐消防水池	磚混	2017/6/24	m <sup>2</sup>	500.00	
19	無	TCL王牌電器(惠州)有限公司	D-E倉庫連廊	磚混	2017/7/29	m <sup>2</sup>	217.30	
20	無	內蒙古TCL光電科技有限公司	100000一生產廠房	框架	2012/11/29	m <sup>2</sup>	35,610.00	

序號	權證編號	證載權利人	建築物名稱	結構	建成年月	計量單位	建築面積／ 容積	備註
21	無	內蒙古TCL光電科技 有限公司	100001－生活區廠房	框架	2012/11/29	m <sup>2</sup>	16,145.00	
22	無	內蒙古TCL光電科技 有限公司	100002－注塑設備房	框架	2012/11/29	m <sup>2</sup>	270.00	
23	無	內蒙古TCL光電科技 有限公司	100003－保安室1	框架	2012/11/29	m <sup>2</sup>	128.00	
24	無	內蒙古TCL光電科技 有限公司	100004－保安室2	框架	2012/11/29	m <sup>2</sup>	42.00	
25	無	內蒙古TCL光電科技 有限公司	100005－保安室3	框架	2012/11/29	m <sup>2</sup>		
26	無	內蒙古TCL光電科技 有限公司	100006－連廊	框架	2012/11/29	m <sup>2</sup>	240.00	
27	無	內蒙古TCL光電科技 有限公司	100034－危廢庫(三 間)	簡易	2014/4/30	m <sup>2</sup>	95.00	

企業承諾上述房屋建築物屬於其所有，由於企業原因相關產權登記手續沒有辦理，因該部分資產權屬可能造成的糾紛與評估機構及相關評估人員無關。

本次估值以企業申報面積進行評估，如未來產權登記的面積與企業申報面積有差異，需進行相應調整。特提請報告使用者關注。

除上述事項外，本報告未發現其他產權瑕疵事項。

## (二) 未決事項、法律糾紛等不確定因素

截止估值基準日，根據企業申報，TCL電子涉及的重要未決事項、法律糾紛等如下：

## TCL電子涉訴事項進展說明

序號	原告名稱	案件性質	發案時間	案情概況	涉案金額	案件最新進展
1	Personalized Media Communications LLC	專利訴訟	2017-5-17	PMC公司針對TCL集團和TCL多媒體的專利侵權訴訟，涉及美國數字電視技術，訴訟請求包括判決侵權成立、賠償侵權損失和原告律師費、頒發禁止令等等。	350萬美元	2018年9月雙方已和解結案，和解費用170萬美元，由TCL電子先行承擔。

上述案件的和解費用170萬美元TCL電子已於2018年9月先行賠付，根據TCL電子與供應商的知識產權擔保協議，相關供應商承擔最終責任，目前正在與供應商協商支付事宜。本次估值已考慮TCL電子先行賠付對估值結論的影響，未考慮報告日後若供應商承擔最終賠付責任對估值結論的影響。特提請報告使用者關注。

## (三) 重要的利用專家工作及相關報告情況

本次估值未引用其他機構報告內容。

**(四) 重大期後事項**

- 1、 估值基準日後，人民幣兌美元、歐元、日元、港元等主要外幣匯率均出現了較大幅度的波動。本次估值未考慮估值基準日後的匯率波動對估值結果的影響。特提請報告使用者關注。
- 2、 根據TCL電子2019年8月12日公告，TCL電子的子公司TCL王牌(成都)與買方訂立買賣協議，買方有條件地收購TCL王牌(成都)持有的TCL集團財務有限公司14%的股權，交易對價約為人民幣25,500.00萬元。本次估值已考慮上述期後股權轉讓價格對估值結論的影響。特提請報告使用者關注。

**(五) 其他需要說明的事項**

- 1、 根據委託，本次估值採用的估值基準日財務報表是基於以下事項下的模擬合併報表：
  - (1) TCL電子於估值基準日並未直接或間接持有OPCO股權，TCL電子持股60%的子公司深圳市雷鳥網絡科技有限公司通過VIE協議，使OPCO成為TCL電子的間接控股子公司，並於2019年8月納入合併報表範圍；本次估值日的合併報表將該項股權投資按60%持股比例模擬併入，因VIE協議未約定對價，故未考慮若報告日後TCL電子購買OPCO的股權所需支付的對價對TCL電子股權價值影響。

本次估值，是以未經審計的估值基準日TCL電子模擬報表為基礎進行價值估算，特提請報告使用者關注。

- 2、 由於TCL電子及其長期股權投資單位的客戶及工廠分佈在世界不同國家和地區，其業務交易會涉及不同的貨幣，由於各國匯率變動具有不確定性，不同種類貨幣的匯率波動可能給其未來運營帶來匯兌風險。特提請報告使用者關注。

- 3、 評估師和評估機構的責任是對本報告所述估值目的下的資產價值量做出專業判斷，並不涉及到評估師和評估機構對該項估值目的所對應的經濟行為做出任何判斷。評估工作在很大程度上，依賴於委託方及估值對象提供的有關資料。因此，評估工作是以委託方及估值對象提供的有關資產所有權文件、證件及會計憑證，有關法律文件的真實合法為前提。
- 4、 本次估值範圍及採用的由估值對象提供的數據、報表及有關資料，委託方及估值對象對其提供資料的真實性、完整性負責。
- 5、 估值報告中涉及的有關權屬證明文件及相關資料由估值對象提供，委託方及估值對象對其真實性、合法性承擔法律責任。
- 6、 在估值基準日以後，如果資產數量及作價標準發生變化時，應按以下原則處理：
  - (1) 當資產數量發生變化時，應根據原估值方法對資產數額進行相應調整；
  - (2) 當資產價格標準發生變化、且對估值結果產生明顯影響時，委託人應及時聘請有資格的資產評估機構重新確定資產價值；
  - (3) 對估值基準日後，資產數量、價格標準的變化，委託人在資產實際作價時應給予充分考慮，進行相應調整。
- 7、 評估機構獲得的被評估企業盈利預測是本估值報告收益法的基礎。評估師對被評估企業盈利預測進行了必要的調查、分析、判斷，經過與被評估企業管理層及其主要股東多次討論，被評估企業進一步修正、完善後，評估機構採信了被評估企業盈利預測的相關數據。評估機構對被評估企業盈利預測的利用，不是對被評估企業未來盈利能力的保證。

- 8、 本次估值結論建立在估值對象產權持有人及其管理層對企業未來發展趨勢的準確判斷及相關規劃落實的基礎上，如企業未來實際經營狀況與經營規劃發生偏差，且產權持有人及其時任管理層未採取有效措施彌補偏差，估值結論將會失效。

## 十二、估值報告使用限制說明

### (一) 使用範圍

- 1、 本估值報告只能由估值報告載明的估值報告使用者使用。估值報告的使用權歸委託方所有，未經委託方許可，本評估機構不會隨意向他人公開；
- 2、 本估值報告只能用於本報告載明的估值目的和用途；

(二) 委託人或者其他估值報告使用人未按照法律、行政法規規定和估值報告載明的使用範圍使用估值報告的，資產評估機構及其資產評估師不承擔責任；

(三) 除委託人、資產評估委託合同中約定的其他估值報告使用人和法律、行政法規規定的估值報告使用人之外，其他任何機構和個人不能成為估值報告的使用人；

(四) 估值報告使用人應當正確理解估值結論，估值結論不等同於估值對象可實現價格，估值結論不應當被認為是對估值對象可實現價格的保證。

## 十三、估值報告日

估值報告日為二〇一九年十一月一日。

深圳中聯資產評估有限公司

估值人員：

估值人員：

二〇一九年十一月一日

附件目錄

- 1、 TCL電子估值基準日的模擬報表(複印件)；
- 2、 委託人和估值對象企業法人營業執照(複印件)；
- 3、 委託人及估值對象承諾函；
- 4、 深圳中聯資產評估有限公司變更備案公告(複印件)；
- 5、 深圳中聯資產評估有限公司企業法人營業執照(複印件)。

English translation of the main content of the updated appraisal report:

## TCL INDUSTRIES HOLDINGS CO., LTD.

### PROPOSED UNDERSTANDING OF THE VALUE OF THE ENTIRE SHAREHOLDERS' EQUITY OF TCL ELECTRONICS HOLDINGS LIMITED.

#### Valuation Report

#### Shen Zhong Lian Ping Zi Zi (2019) No. 43

#### Abstract

Shenzhen China United Assets Appraisal Co., Ltd. (深圳中聯資產評估有限公司) (“**Shenzhen CUA**”) was appointed by TCL Industries Holdings Co., Ltd. to evaluate the market value of the entire shareholders' equity of TCL Electronics Holdings Limited (the “**Target Company**”) as at the valuation benchmark date.

The subject of valuation was the equity value attributable to common shareholders in the pro forma consolidated financial statements of TCL Electronics Holdings Limited, including Shenzhen Falcon Digital Entertainment Technology Co., Ltd.\* (深圳市雷鳥數字娛樂科技有限公司) (“**OPCO**”), which would be consolidated subsequently through the VIE Agreements and in the consolidated statements of TCL Electronics Holdings Limited as at the reference date on a pro forma basis. The scope of valuation covered all the assets and liabilities in the pro forma consolidated financial statements of TCL Electronics Holdings Limited, including current assets, non-current assets and corresponding liabilities.

The valuation benchmark date is 30 June 2019.

This valuation represents an appraisal of market value.

After taking into account various factors, this valuation adopted the income approach to evaluate TCL Electronic Holdings Limited as a whole, on the premise of continuous use and open market and based on the actual situation of the subject of the valuation, and the result of the income approach was adopted to represent the valuation results.

Based on the judgment of the equity owners and the management team on future development trend and subject to the implementation of the business plan, the market value of the entire shareholders' equity of TCL Electronic Holdings Limited (the owners' equity attributable to the parent company within the scope of the pro forma consolidated financial statements) as at the valuation benchmark date, i.e. 30 June 2019, was RMB7,295,030,000.

With reference to the relevant regulations in China, this valuation conclusion is valid for one year after the valuation benchmark date. We compared the important operational and financial data of the Target Company as of 30 September 2019, and confirmed there is no material difference between the valuation conclusion and the value of TCL Electronic Holdings Limited as of 30 September 2019.

When using this valuation conclusion, the users of the report are reminded to pay attention to special matters and major subsequent events contained in this report.

**The above is extracted from the text of the valuation report. For details of this valuation project and to properly understand the valuation conclusion, please read the full text of the valuation report.**

**TCL INDUSTRIES HOLDINGS CO., LTD.****PROPOSED UNDERSTANDING OF THE VALUE OF  
THE ENTIRE SHAREHOLDERS' EQUITY OF TCL ELECTRONICS  
HOLDINGS LIMITED.****Valuation Report  
Shen Zhong Lian Ping Zi Zi (2019) No. 43**

To TCL Industries Holdings Co., Ltd.,

Shenzhen China United Assets Appraisal Co., Ltd. was appointed by the Company to evaluate the market value of the entire shareholders' equity of TCL Electronics Holdings Limited as at the valuation benchmark date. By complying with the laws and administrative regulations and upholding the principles of independence, objectivity and impartiality, we adopted the income approach and followed the necessary valuation procedures, in conducting the valuation, for the purpose of the Company's understanding of the value of the entire shareholders' equity interest of TCL Electronics Holdings Limited as at 30 June 2019. The details of valuation are hereby reported as follows:

**I. APPOINTOR, SUBJECT OF VALUATION AND OTHER USERS OF THE REPORT**

The appointor of this valuation is TCL Industries Holdings Co., Ltd. ("**Appointor**"). The subject of valuation is TCL Electronics Holdings Limited ("**Subject of Valuation**"). Information in relation to the Appointor and the Subject of Valuation is provided as follows:

**(1) APPOINTOR**

<b>Company name:</b>	<b>TCL Industries Holdings Co., Ltd (hereinafter referred to as "TCL Holdings")</b>
Registered address:	22nd floor, TCL Technology Building, No. 17 Huifeng 3rd Road, Zhongkai High-tech Zone, Huizhou
Legal representative:	LI Dongsheng
Unified social credit code:	91441300MA529HEL43
Registered capital:	RMB3,225 million
Company type:	Other Company Limited by Shares (unlisted)
Date of incorporation:	17 September 2018

Operation term: No fixed term from 17 September 2018

Business scope: equity investment, real estate leasing, conference services, software development, research and development, production and sales of communication equipment, audio and video products, LCD TV products, air-conditioning, washing machines and household appliances, provision of marketing services. (Approvals by relevant authorities must be obtained for projects that require approval according to laws before operation.)

**(2) INFORMATION ON THE SUBJECT OF VALUATION**

Company name: TCL Electronics Holdings Limited (hereinafter referred to as “**TCL Electronics**”)

Registered address: P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands

Office address: 7/F, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong

Chairman of the board of directors: LI Dongsheng

Business registration No.: 30517148-000-11-17-A

Authorized share capital: HK\$3,000,000,000 (as of 30 June 2019)

Date of incorporation: 23 April 1999

Place of listing: Hong Kong Stock Exchange

Stock code: 01070.HK

**1. History of TCL Electronics**

**(1) Incorporated in April 1999**

On 23 April 1999, TCL Electronics was incorporated in the Cayman Islands. Its authorised share capital was US\$50,000.00, with a par value of US\$1.00 per share, and its issued share capital was US\$2.00, which was paid up by Anthony Webster and Shaun Denton each for US\$1.00.

The shareholding structure of TCL Electronics as at its incorporation was as follows:

No.	Name of Shareholders	<b>Actual</b>	
		<b>Amount of Contribution (US\$)</b>	<b>Percentage of Shareholding (%)</b>
1	Anthony Webster	1.00	50.00%
2	Shaun Denton	1.00	50.00%
<b>Total</b>		<b>2.00</b>	<b>100.00%</b>

**(2) Listed in November 1999**

On 26 November 1999, TCL Electronics was listed on the Main Board of the Stock Exchange of Hong Kong Limited. It issued 600,000,000 additional shares with a par value of HK\$0.10 each, at a price of HK\$1.75 per share. After the listing, TCL Electronics' shareholding structure was as follows:

No.	Name of Shareholders	<b>Actual</b>	
		<b>Amount of Contribution (HK\$'0000)</b>	<b>Percentage of Shareholding (%)</b>
1	T.C.L. Industries Holdings (H.K.) Limited	12,276.00	51.15
2	Certain then existing shareholders of Lotus Pacific Inc.	2,700.00	11.25
3	Luks Industrial Company Limited	1,800.00	7.50
4	Capital China Limited	684.00	2.85
5	Sumitomo Corporation	540.00	2.25
6	Others	6,000.00	25.00
<b>Total</b>		<b>24,000.00</b>	<b>100.00</b>

**(3) Changes in the equity and share capital of TCL Electronics for the last three years and a period**

In 2015, since the grantees under incentive scheme exercised options and incentive shares became effective, TCL Electronics issued a total of 52,762,700 additional shares, of which 9,089,266 shares were issued due to the exercise of share options and 43,673,434 shares issued as a result of the restricted shares becoming effective. At the end of 2015, the authorized share capital of TCL Electronics was HK\$2,200,000,000.00, with a par value of HK\$1.00 per share, and the number of issued shares was 1,386,361,214 shares.

On 11 December 2015, TCL Electronics entered into a subscription agreement with Letv Zhixin Investment (HK) Ltd, pursuant to which the latter should subscribe for 348,850,000 new shares of TCL Electronics at a price of HK\$6.5 per share. On 11 May 2016, Letv Zhixin Investment (HK) Ltd completed the subscription. Upon such capital increase, the shareholding structure was as follows:

Name of Shareholders	Amount of Contribution (HK\$'0000)	Percentage of Shareholding (%)
T.C.L. Industries Holdings (H.K.) Limited	89,254.85	51.42
Letv Zhixin Investment (HK) Ltd	34,885.00	20.10
Others	49,448.61	28.49
<b>Total</b>	<b>173,588.45</b>	<b>100.00</b>

In 2016, due to the exercise of options by grantees under incentive scheme, the share capital of TCL Electronics increased by 1,235,091 shares.

At the end of 2016, the authorized share capital of TCL Electronics was HK\$2,200,000,000.00, with a par value of HK\$1.00 per share, and the number of issued shares was 1,736,446,305 shares.

In 2017, TCL Electronics issued a total of 11,186,809 additional shares due to the exercise of share options by grantees under incentive scheme. At the end of 2017, the authorized share capital of TCL Electronics was HK\$2,200,000,000.00, with a par value of HK\$1.00 per share, and the number of issued shares was 1,747,633,114 shares.

On 28 November 2017, TCL Electronics published an announcement in relation to a rights issue of no less than 582,253,403 shares and no more than 596,378,593 shares at a subscription price of HK\$3.46 per share on the basis of 3:1. On 25 January 2018, TCL Electronics completed the rights issue at a price of HK\$3.46 per share, pursuant to which a total of 582,544,371 shares were issued, 318,859,164 shares of which were subscribed for by TCL Industries with the subscription sum amounting to HK\$1,103 million. Upon this rights issue, TCL Electronics' shareholding structure was as follows:

<b>Name of Shareholders</b>	<b>Amount of Contribution</b> <i>(HK\$'0000)</i>	<b>Percentage of Contribution</b> <i>(%)</i>
T.C.L. Industries Holdings (H.K.) Limited	122,418.16	52.52
Letv Zhixin Investment (HK) Ltd	34,885.00	14.97
Others	75,782.98	32.51
<b>Total</b>	<b>233,086.14</b>	<b>100.00</b>

In 2018, TCL Electronics issued a total of 5,316,389 shares due to the exercise of share options by grantees under incentive scheme.

From January to June 2019, TCL Electronics issued a total of 25,061,243 shares due to the exercise of share options by grantees under incentive scheme.

As of the valuation benchmark date, TCL Electronics issued a total of 2,360,555,117 shares. The shareholding structure of TCL Electronics was as follows:

<b>Name of Shareholders</b>	<b>Amount of Contribution</b> <i>(HK\$'0000)</i>	<b>Percentage of Contribution</b> <i>(%)</i>
T.C.L. Industries Holdings (H.K.) Limited	123,527.26	52.33
Zeal Limited	34,885.00	14.78
Others	77,643.25	32.89
<b>Total</b>	<b>236,055.51</b>	<b>100.00</b>

## 2. Company profile of TCL Electronics

TCL Electronics, a company listed on the Hong Kong Stock Exchange (stock code: 01070), is a leading global consumer electronics manufacturer. It is engaged mainly in the research and development, manufacturing and sales of color TV, AV products and commercial products, with Color TV being its core product. Apart from consolidating the TCL brand strategy across the world in recent years, the Company is also engaged in some non-brand businesses (OEM and ODM business).

Headquartered in China, TCL Electronics has branches of R&D, manufacturing and sales all over the world. It has more than 20,000 employees, with sales offices in more than 80 countries and regions and operations in more than 160 countries and regions around the world. In particular, its major R&D centers are located in Shenzhen and Huizhou, China, with more than 1,000 R&D personnel. The scope of R&D covers from production technology services to structure, modeling, various functions and the development of cutting-edge technologies. The manufacturing facilities are located in Huizhou Guangdong, Hohhot Inner Mongolia, Chengdu Sichuan, Juarez Mexico, Zyrardow Poland and Ho Chi Minh City Vietnam, etc. providing high quality products and services to customers around the world. Shenzhen Falcon Network Technology Co., Ltd., a subsidiary of TCL Electronics, is responsible for the operation of smart TV platform of TCL Electronics and its controlling subsidiaries in the world.

TCL Electronics is building a business model under which the operation caters for products as well as users through the “double +” strategy of “intelligence + Internet” and “products + services”. It is also constructing an interconnected, intelligent and healthy ecosystem based on intelligent equipment business to achieve connectivity of all things and integration of various scenarios. By providing customers with products and services related to intelligent and healthy life, it strives to become a global leading company in intelligent technology.

## 3. Business scope: investment holding.

## 4. Assets and financial conditions

As of 30 June 2019, in the pro forma consolidated financial statements of TCL Electronics, the carrying amount of total assets, liabilities, net assets and net assets attributable to the parent company was RMB22,681,415,000, RMB13,446,186,600, RMB9,235,228,400 and RMB8,942,793,700, respectively. From January to June 2019, the Company realized an operating revenue of RMB19,900,640,000, a net profit of RMB1,211,710,000 and a net profit attributable to the parent company of RMB1,206,070,000. The pro forma consolidated assets and liabilities and operating conditions of TCL Electronics for the three years and one period are shown in the table below. The pro forma consolidated financial statements have not been audited by an accounting firm.

**Assets and liabilities and financial conditions of TCL Electronics for the three historical years and one historical period (pro forma consolidated)**

*Unit: RMB'0000*

Item	31 December 2016	31 December 2017	31 December 2018	30 June 2019
Total assets	1,818,895.80	2,316,736.94	2,332,829.95	2,268,141.50
Liabilities	1,318,953.30	1,751,406.33	1,550,360.38	1,344,618.66
Net assets	499,942.50	565,330.61	782,469.57	923,522.84
Net assets attributable to parent company	490,650.00	533,393.01	757,213.94	894,279.37
				<b>From January to June 2019</b>
Item	2016	2017	2018	
Revenue	2,991,170.50	3,644,278.08	3,997,603.44	1,990,063.87
Total profit	29,314.77	93,469.29	107,251.44	130,129.18
Net profit	26,309.07	78,436.99	86,433.97	121,171.01
Net profit attributable to parent company	26,822.00	80,329.01	85,468.90	120,606.54
Audit institution	Unaudited	Unaudited	Unaudited	Unaudited

**(3) OTHER REPORT USERS SPECIFIED BY THE APPOINTOR AND VALUATION ENGAGEMENT CONTRACT**

This valuation report is used by the Appointor, TCL Corporation and T.C.L. Industries Holdings (H.K.) Limited and employees, accountants, lawyers, financial advisors and other intermediaries of the said users who need to be informed of the information.

Except as otherwise provided by national laws and regulations, any entity or individual that has not been recognized by the evaluation agency and the Appointor may not become a user of the valuation report because of its receipt thereof.

**(4) THE RELATIONSHIP BETWEEN THE APPOINTOR AND THE SUBJECT OF VALUATION**

The Appointor indirectly controls the Target Company and is an indirect shareholder of the Target Company.

**II. PURPOSE OF VALUATION**

This valuation aims to reflect the market value of the entire shareholders' equity of TCL Electronics as at the valuation benchmark date, and to advise TCL Industries Holdings Co., Ltd. on the value of the entire shareholders' equity of TCL Electronics as at 30 June 2019.

**III. SUBJECT AND SCOPE OF VALUATION**

The Subject of Valuation is the owners' equity attributable to the parent company in the consolidated financial statements of TCL Electronics. The valuation covers all the assets and liabilities in the consolidated financial statements of TCL Electronics. As of 30 June 2019, in the pro forma consolidated financial statements of TCL Electronics, the carrying amount of total assets, liabilities, net assets, net assets attributable to the parent company and minority interests was RMB22,681,415,000, RMB13,446,186,600, RMB9,235,228,400, RMB8,942,793,700 and RMB292,434,600, respectively, including current assets of RMB18,763,388,100, non-current assets of RMB3,918,026,900, current liabilities of RMB12,733,433,000 and non-current liabilities of RMB712,753,600.

The carrying amounts of the abovementioned assets and liabilities are extracted from the pro forma consolidated financial statements of TCL Electronics.

The Appointor and the Subject of Valuation confirm that the scope of the valuation engagement is consistent with the purpose of this valuation.

**(1) MAJOR ASSETS VALUED**

The major assets within the scope of the valuation include monetary funds, trading financial assets, trade receivables, inventories, long-term equity investments, other equity instrument investments, investment properties, fixed assets and intangible assets. The physical assets are mainly inventories, investment properties, fixed assets, construction in progress, facilities in progress and etc., which mainly locate in the plants in Huizhou, Chengdu, Inner Mongolia and Hong Kong in China, Poland, Vietnam and Mexico.

(2) STRUCTURE CHART OF MAIN SUBSIDIARIES

Figure 3-1 Group Chart of TCL Electronics

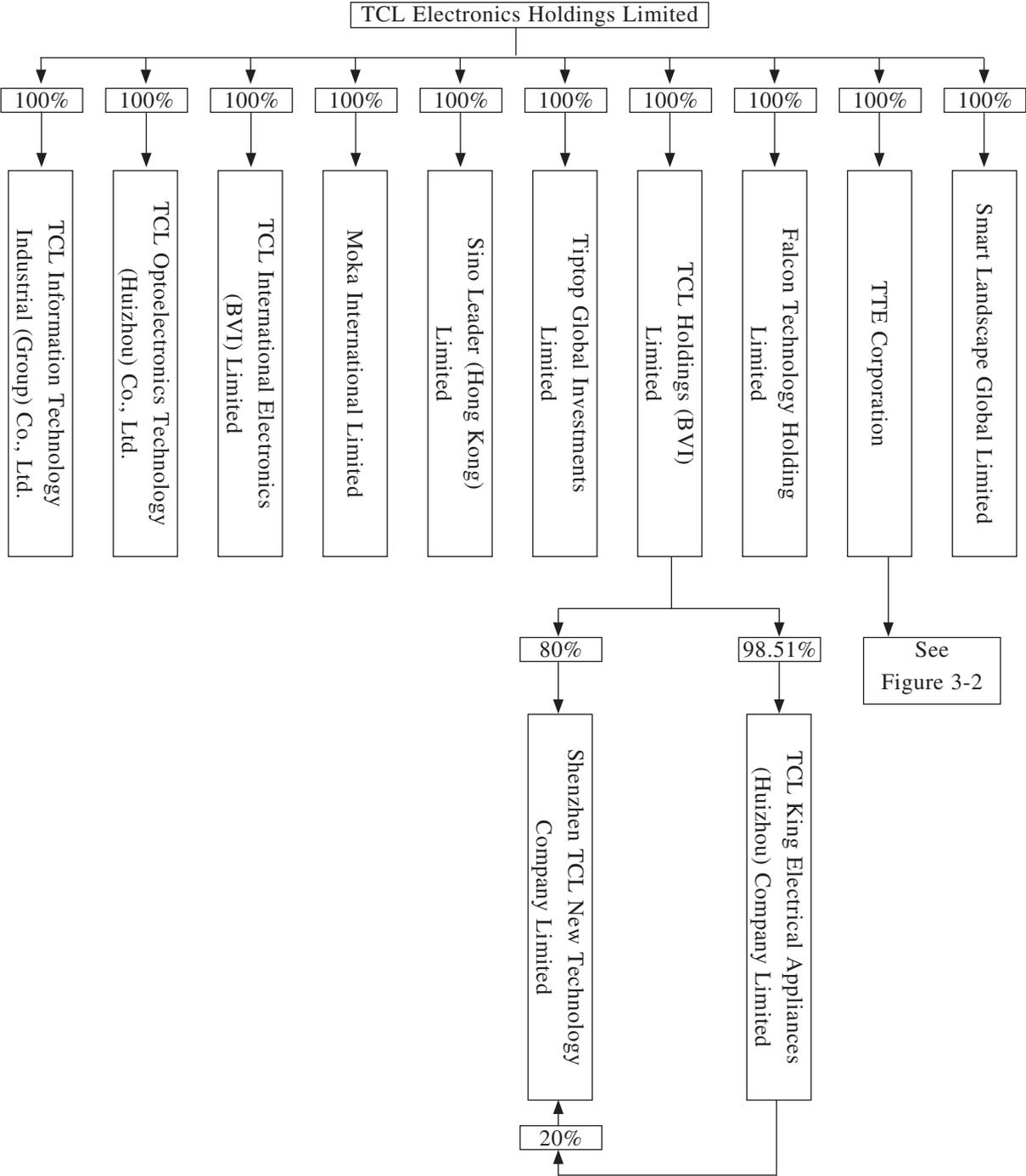
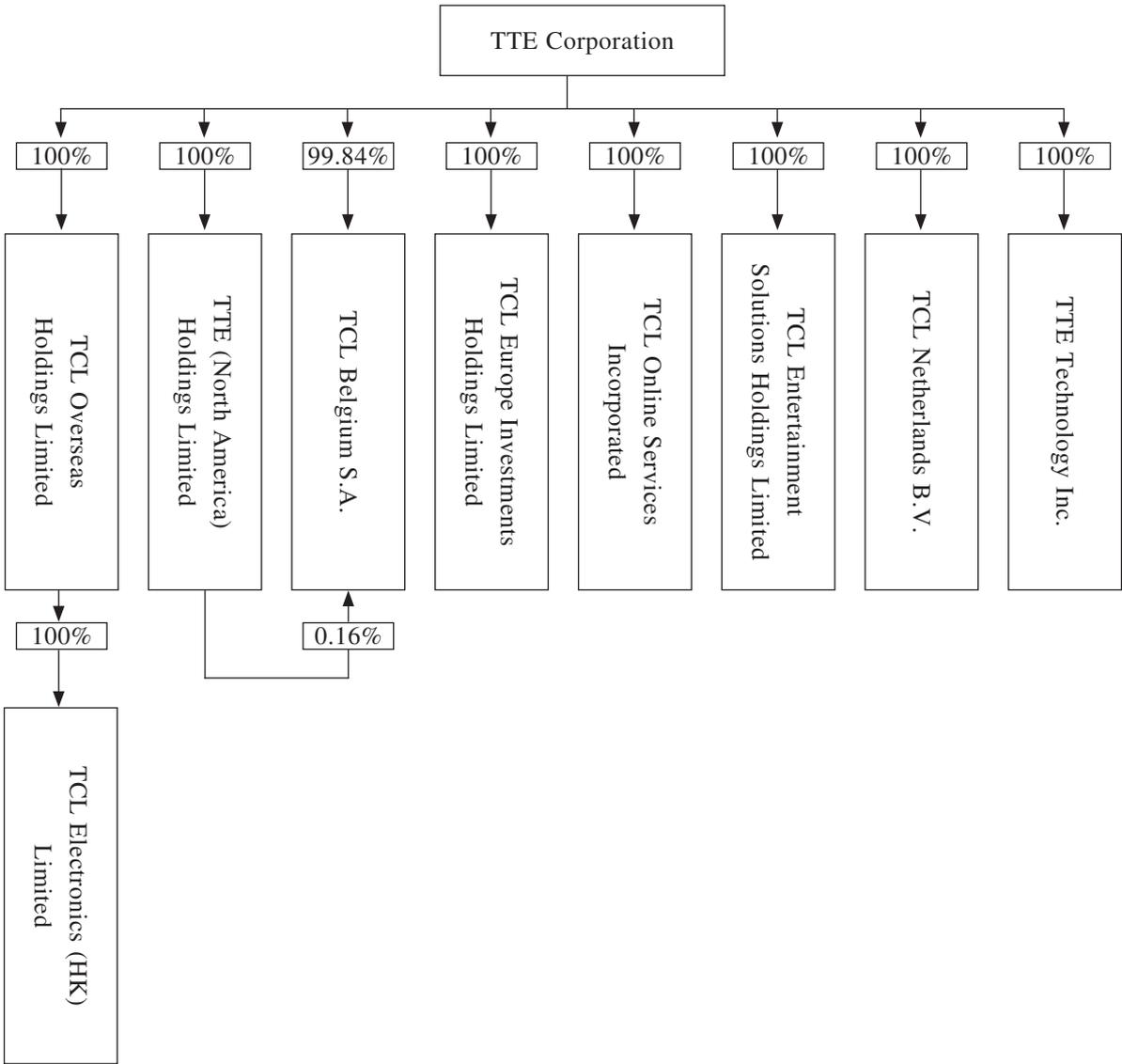


Figure 3-2 Chart of Equity Investment Structure of TTE Corporation



**(3) INTANGIBLE ASSETS UNDER VALUATION THAT HAVE BEEN ACCOUNTED OR NOT ACCOUNTED FOR**

As of 30 June 2019, the valuation benchmark date, the intangible assets under valuation of the valuated entity and its subsidiaries that have been accounted for included land use rights, land ownership and purchased software; the intangible assets that have not been accounted for included patented technology and copyrights of software and registered trademarks.

1. A total of 12 land use rights have been included in the scope of this valuation, particulars of which are set out in the table below:

**Particulars of Land Use Rights**

No.	Parcel No.	Owner of land use rights	Location	Date of acquisition	Land use	Expiration date	Area (m <sup>2</sup> )
1	Hui Fu Guo Yong (2008) No. 13021400122	TCL Optoelectronics Technology (Huizhou) Co., Ltd.	Section 36 Zhongkai High-tech Zone, Huizhou	2008/7/3	Industrial	2058/6/4	19,796.7
2	Hui Fu Guo Yong (2008) No. 13021400123	TCL Optoelectronics Technology (Huizhou) Co., Ltd.	Section 37 Zhongkai High-tech Zone, Huizhou	2009/2/12	Industrial	2058/6/4	94,617.4
3	Hui Fu Guo Yong (2014) No. 13021450494	Huizhou Moka Electronics Technology Co., Ltd.	Section 19 Zhongkai Development Zone, Huizhou	2017/12/31	Industrial	2048/11/29	69,160.10
4	Hui Fu Guo Yong (2014) No. 13021450493	Huizhou Moka Electronics Technology Co., Ltd.	Main plants at Section 19 Zhongkai Development Zone, Huizhou	2017/12/31	Industrial	2046/12/16	60,818.70
5	Hui Fu Guo Yong (2014) No. 13021450492	Huizhou Moka Electronics Technology Co., Ltd.	Section 19 Zhongkai Development Zone, Huizhou	2017/12/31	Industrial	2049/6/25	6,896.60
6	Hui Fu Guo Yong (2013) No. 13021450774	TCL King Electrical Appliances (Huizhou) Company Limited	Section 37 Zhongkai High-tech Zone, Huizhou	2013/12/26	Industrial	2061/9/8	12,763.20

No.	Parcel No.	Owner of land use rights	Location	Date of acquisition	Land use	Expiration date	Area (m <sup>2</sup> )
7	Hui Fu Guo Yong (2013) No. 13021450777	TCL King Electrical Appliances (Huizhou) Company Limited	Section 38 Zhongkai High-tech Zone, Huizhou	2013/12/26	Urban residential	2081/11/21	17,715.50
8	Hui Fu Guo Yong (2009) No. 13021400005	TCL King Electrical Appliances (Huizhou) Company Limited	Section 37 Zhongkai High-tech Zone, Huizhou	2009/2/11	Industrial	2058/6/4	53,376.90
9	Hui Fu Guo Yong (2010) No. 13021400048	Huizhou Keda Precision Parts Co., Ltd.	Section 37 Zhongkai High-tech Zone, Huizhou	2010/9/7	Industrial	2060/12/30	20,968.30
10	PL1Z/00025376/9	TCL OPERATIONS POLSKA SP.Z O.O.	Ulica. Mickiewicza 31 in Zyrardow	2007/4/19	Office	79 years	5,032.00
11	PL1Z/00013479/4	TCL OPERATIONS POLSKA SP.Z O.O.	Ulica. Mickiewicza no.2D, no.33, no.35, no.39, no.41 in Zyrardow	2007/4/19	Industrial area	79 years	42,731.00
12	PL1Z/00032668/5	TCL OPERATIONS POLSKA SP.Z O.O.	Ulica. Mickiewicza no.32/38 and Mickiewicza no.24/30 in Zyrardow	2007/4/19	Industrial area	79 years	57,268.00

2. A total of 5 land ownerships have been included in the scope of this valuation, particulars of which are set out in the table below:

**Particulars of Land Ownerships**

No.	Parcel No.	Land owner	Location	Date of acquisition	Land use	Expiration date	Area (m <sup>2</sup> )
1	ESCRITURA34578	TCL Moka, S.deR.L.de C.V.	Calle Cuarta No.55, Ciudad Industrial, Tijuana BC Mexico	2014/5/1	Industrial	Freehold	79,131.79
2	ESCRITURA35890	TCL Moka, S.deR.L.de C.V.	Calle Cuarta No.55, Ciudad Industrial, Tijuana BC Mexico	2015/4/1	Industrial	Freehold	5,950.24
3	TW1311614	TCL Electronics (HK) Limited	Unit A, 12th Floor, Phase XI, Discovery Park	1999/10/31		2047/6/30	61.00
4	TW1311612	TCL Electronics (HK) Limited	Unit H, 6th Floor, Phase VII, Discovery Park	1999/10/31		2047/6/30	61.00
5	TW1311616	TCL Electronics (HK) Limited	Unit H, 25th Floor, Phase X, Discovery Park	1999/10/31		2047/6/30	61.00

3. The software purchased externally included in the scope of this valuation, which has been accounted for, includes digital TV testing system software, PLM software, structural design tool modules and testing software, among others.

4. A total of 3,477 licensed patents, which have not been accounted for, have been included in the scope of this valuation, particulars of which are set out in the table below:

**Particulars on Number of the Patents Licensed to Subsidiaries**

No.	Patentee	Number of invention patents in China	Number of utility model patents in China	Number of design patents in China	Number of invention patents overseas
1	TCL Optoelectronics Technology (Huizhou) Company Limited	22	110	7	0
2	TCL Overseas Electronics (Huizhou) Limited	14	97	17	0
3	TCL King Electrical Appliances (Huizhou) Company Limited	32	173	1	0
4	TCL King Electrical Appliances (Wuxi) Company Limited	0	1	0	0
5	Shenzhen TCL Digital Technology Company Limited	198	133	109	2
6	Shenzhen TCL New Technology Company Limited	694	1,129	453	49
7	Shenzhen TCL New Technology Company Limited, TCL Corporation	50	44	10	0
8	Shenzhen Qianhai Moka Software Technology Company Limited	1	1	0	0
9	TTE TECHNOLOGY, INC	0	0	0	13
10	TTE Indianapolis	0	0	0	1
11	TCL Commercial Information Technology (Huizhou) Co., Ltd	21	13	0	0
12	TCL Commercial Information Technology (Huizhou) Co., Ltd, TCL Digital Science and Technology (Shenzhen) Company Limited	1	2	0	0
13	TCL New Technology (Huizhou) Company Limited	30	33	16	0
14	Shenzhen Huasheng Software Technology Co., Ltd.	0	0	0	0

5. As of the valuation benchmark date, a total of 117 software copyrights of TCL Electronics and its subsidiaries, which have not been accounted for, have been included in the scope of this valuation. Among which, 23 software copyrights are held by Shenzhen TCL Digital Technology Company Limited, 57 software copyrights held by Shenzhen TCL New Technology Company Limited, 8 software copyrights held by TCL Commercial Information Technology (Huizhou) Co., Ltd., 10 software copyrights held by TCL New Technology (Huizhou) Company Limited and 19 software copyrights held by Shenzhen Huasheng Software Technology Co., Ltd..
  
6. As of the valuation benchmark date, a total of 188 registered trademarks of TCL Electronics and its subsidiaries, which have not been accounted for, have been included in the scope of this valuation. Among which, 24 registered trademarks are held by TCL King Electrical Appliances (Huizhou) Company Limited, 5 registered trademarks held by Shenzhen TCL Digital Technology Company Limited, 49 registered trademarks held by Shenzhen TCL New Technology Company Limited, 33 registered trademarks held by Shenzhen Falcon Digital Entertainment Technology Co., Ltd. and 77 registered trademarks held by Falcon Technology.

**(4) CLASS AND QUANTITY OF OFF-BALANCE SHEET ASSETS APPLIED FOR VALUATION**

As confirmed by the Appointor and the Subject of Valuation, as of the valuation benchmark date, i.e. 30 June 2019, all the assets applied for valuation have been accounted for, and no off-balance sheet assets are applied for valuation, other than those patents, copyrights and trademarks as mentioned in the preceding paragraphs that have not been accounted for.

**(5) THE CLASS, QUANTITY AND CARRYING AMOUNT OF THE ASSETS AS REFERRED TO IN THE CONCLUSIONS OF CITED REPORTS ISSUED BY OTHER ORGANIZATIONS**

This valuation report does not cite any contents of reports issued by other organizations.

**IV. VALUE TYPE AND DEFINITION**

Based on the purpose of the valuation, the type of value to be evaluated is determined to be the market value.

Market value refers to the estimated value of an arm's length transaction made by the Subject of Valuation in the ordinary course of business on the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

**V. VALUATION BENCHMARK DATE**

The valuation benchmark date for this project is 30 June 2019.

**VI. BASIS OF VALUATION**

The basis of asset ownerships, pricing estimation and other references are detailed as follows:

**(1) ASSET OWNERSHIP**

1. Land and house ownership certificates;
2. *Patent Certificates*;
3. *Registration Certificates of Computer Software Copyrights*;
4. Purchase contracts or certificates for material assets.

**(2) BASIS OF PRICING**

1. *Enterprise Income Tax Law of the People's Republic of China* (as approved at the 26th meeting of the Standing Committee of the 12th session of National People's Congress of the PRC on 24 February 2017);
2. *Regulations for the Implementation of Enterprise Income Tax Law of the People's Republic of China* (as approved at the 197th executive meeting of the State Council on 28 November 2007);
3. *The Provisional Regulations on Value Added Tax of the People's Republic of China* (The State Council Decree of the PRC No. 691 in 2017);
4. *Circular on Policies in relation to Deepening Value-Added Tax Reform* (Circular of the Ministry of Finance, General Administration of Taxation and General Administration of Customs, No. 39 in 2019);
5. Future revenue forecast data provided by the Appointor and the Subject of Valuation;
6. The pro forma financial statements of TCL Electronics for 2016, 2017 and 2018 and as of the reference date, i.e. 30 June 2019, provided by the Subject of Valuation;
7. The prevailing tax rules and regulations promulgated by the state and currently implemented by TCL Electronics, and tax incentive documents provided by TCL Electronics;
8. The exchange rate prevailing on the valuation benchmark date.

**(3) MAIN REFERENCES**

1. *Accounting Standards for Business Enterprises - General Principles* (MOF Order No. 33);
2. *Accounting Standards for Business Enterprises – Practices Notes* (Cai Kuai (2006) No. 18);
3. 38 specific standards, including *Accounting Standards for Business Enterprises I – Inventories* (Cai Kuai (2006) No. 3);
4. *Manual for Commonly-used Methods and Inputs for Asset Evaluation* (China Machine Press, 2011 version);
5. Wind financial information terminal;
6. *Investment Valuation* ((US) written by Damodaran, and (Canada) translated by Lin Qian, Tsinghua University Press);
7. *Value Assessment: Measurement and Management of Corporate Value* (3rd Edition) ((US) written by Copeland, T. and etc., and translated by Hao Shaolun and Xie Guanping, Electronic Industry Press);
8. Other references.

**VII. VALUATION APPROACH****(1) SELECTION OF VALUATION APPROACH**

An appraisal of enterprise value may be conducted using the following three methods - income method, market method and assets-based method. Income method is the quantification and discounting of the expected profit of the total assets of a company, emphasizing the overall expected profitability of such company. Market method, characterized by valuation data being originated from market and valuation results being compelling, is the appraisal of the current fair market value of the Subject of Valuation by comparing with objects of reference in the market. Asset-based method is determining the value of the Subject of Valuation based on reasonable valuation of the assets and liabilities of an enterprise.

Considering the characteristics of this project, income method has been adopted for the valuation.

**(2) DESCRIPTION OF THE INCOME APPROACH****1. Overview**

According to *Practice Guidelines for Asset Appraisal - Enterprise Value* as well as evaluation practices for similar transactions internationally and domestically, the capital value of equity interests in TCL Electronics has been appraised by adopting the Discounted Cash Flow (“DCF”) method based on income sources in this valuation.

Discounted Cash Flow is a method of appraising asset value by discounting the expected net cash flow of the enterprise in future, that is, the appraisal value is reached by appraising the expected net cash flow of the asset in future and then discounting it into the present value with applicable discount rates. The basic conditions for the application of this method include the following: (i) the enterprise possesses all bases and conditions to operate its business as a going concern; (ii) there is a positive correlation between operation and revenue; and (iii) future revenue and risks are predictable and quantitative. The difficulties of using DCF lie in the prediction of future expected cash flow as well as the objectivity and reliability of data collection and processing. The valuation is considered to be objective if and when the prediction on future expected cash flow can be relatively objective and fair, and the discount rate adopted is relatively reasonable.

**2. General principles**

Based on the results of due diligence, the assets composition and characteristics of the main businesses of the Subject of Valuation, the main businesses of the legal entities within the pro forma consolidated financial statements of TCL Electronics were production, research and development and sales of LCD TVs and display products, which should be regarded as the same profit subject. Therefore this valuation exercise was conducted by estimating the equity value of the Subject of Valuation based on TCL Electronics’ audited pro forma consolidated financial statements. To begin with, the value of the operating assets were valued using discounted cash flow method (DCF) based on income sources, plus the value of other non-operating or surplus assets as at the reference date, to derive the enterprise value of the Subject of Valuation. Then, the interest-bearing debts were deducted from the corporate value to arrive at the value of the total equity value of the Subject of Valuation.

Basic principles of this valuation:

- (1) In respect of the assets and main businesses included in the scope of the financial statements, the expected net cash flow were estimated based on the trend of historical operating conditions in recent years and the types of businesses, and discounted to obtain the value of the operating assets;
- (2) Cash assets (liabilities) as at the reference date which were included in the scope of the financial statements but were not taken into account in the expected income (net cash flow) during the valuation, were defined as surplus or non-operating assets (liabilities) existed as at the reference date, and their values were valued separately;
- (3) The value of the entire shareholders' equity of the Subject of Valuation was arrived at by adding the value of the operating assets and of the surplus or non-operating assets derived as mentioned above, and deducting the interest-bearing debts due from the entity.

### 3. Valuation model

- (1) Basic model

The basic model for this valuation is as follows:

$$P = E - M \quad (1)$$

Where:

P: Appraised value of equity interest attributable to owners of the parent company;

E: Appraised value of owners' equity;

M: Appraised value of minority equity interest;

$$M = \text{Appraised value of owners' equity} \times \text{percentage of minority equity interests} \quad (2)$$

Percentage of minority equity interests = book value of minority equity interests / (book value of minority equity interests + book value of equity interest attributable to owners of the parent company).

Where:

$$E = B - D \quad (3)$$

B: Enterprise value of the Subject of Valuation;

$$B = P - \sum C_i \quad (4)$$

P: Value of operating assets of the Subject of Valuation;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n} \quad (5)$$

Where:

$R_i$ : The expected income (free cash flow) of the Subject of Valuation in the  $i$ th year in the future on a consolidated basis;

$R_n$ : The expected income (free cash flow) of the Subject of Valuation in a sustainable period on a consolidated basis;

$r$ : Discount rate;

$n$ : The future operating term of the Subject of Valuation.

$\sum C_i$ : The value of non-operating and surplus assets that exist as at the reference date.

$$C_i = C_1 + C_2 + C_3 + C_4 \quad (6)$$

Where:

$C_1$ : Value of wholly-owned, controlling or non-controlling investments that do not reflect investment income in the expected revenue (free cash flow);

$C_2$ : Value of cash or equivalent assets (liabilities) as at the reference date;

$C_3$ : Value of construction in progress that was not taken into account when calculating the income in the expected revenue (free cash flow);

$C_4$ : Value of assets including bad or idle equipment and properties as at the reference date;

D: Value of interest-bearing debts of the Subject of Valuation.

## (2) Income metrics

In this valuation, the Company's free cash flow was used as an income indicator of its operating assets, as defined below:

$$R = \text{net profit} + \text{depreciation and amortization} + \text{post tax interest on interest-bearing debt} - \text{additional capital} \quad (7)$$

Where:

$$\text{Net profit} = \text{operating revenue} - \text{operating cost} - \text{sales tax and surcharges} - \text{expenses for the period (operational expenses} + \text{administrative expenses} + \text{finance costs)} - \text{income tax} \quad (8)$$

Depreciation and amortization = depreciation and amortization in costs and expenses (operational expenses and administrative expenses)

Interest on interest-bearing debts net of tax = total interests on long-term and short-term interest-bearing debt  $\times$  (1 - income tax rate)

$$\text{Additional capital} = \text{investment in assets renewal} + \text{incremental working capital} + \text{additional investment in long-term assets} \quad (9)$$

Where:

Investment in assets renewal = renewal of buildings + replacement of machines and equipment + replacement of other automation equipment (electronics, transportation and etc.) + renewal of intangible assets (10)

Incremental working capital = current working capital - previous working capital (11)

Where:

Working capital = cash reserves + inventories + receivables - payables + retained VAT at the end of the period (12)

This valuation was based on the specific circumstances of the enterprise, assuming that the minimum amount of cash required to maintain the normal operation of the enterprise was the costs and expenses paid in cash for a period of 54 days.

Total costs paid in cash for the year = total cost of sales + total expenses during the period + tax - total costs not paid in cash (12-1)

Inventory turnover rate = costs paid in cash/inventory at end of period (12-2)

Receivables turnover rate = sales revenue/receivables at the end of the period  
(12-3)

Payables turnover rate = costs paid in cash/payables at the end of the period  
(12-4)

Receivables = notes receivables – accounts receivable – advances received +  
other receivables (net of non-operating other receivables) (12-5)

Payables = notes payable + accounts payable – prepayments + payroll payable  
+ tax payable + other payables (net of non-operating other payables) (12-6)

Retained VAT at the end of the period = deductible VAT at the beginning of  
the period + input VAT – output VAT – export VAT rebate – import equipment tax  
rebate (12-7)

Additional long-term assets investment = additional investment in fixed assets  
+ additional in long-term assets investment in intangible or other long-term assets(13)

The expected future free cash flow of an enterprise is calculated according to  
its operating history and future market development, assuming that it would continue  
to operate as a going concern for a longer sustainable period after the forecast period,  
and the expected revenue of the Subject of Valuation in the sustainable period would  
be equal to the free cash flow for the final year of the forecast period. The value of  
the operating assets of the enterprise was calculated by discounting and adding the  
free cash flow which would be generated in the future operating term.

(3) Discount rate

This valuation adopted the weighted average cost of capital model (WACC) to  
determine the discount rate  $r$

$$r = r_d + w_d + r_e + w_e \quad (14)$$

Where:

$W_d$ : Debt ratio of the Subject of Valuation;

$$W_d = \frac{D}{(E + D)} \quad (15)$$

$W_e$ : Equity to capital ratio of the Subject of Valuation;

$$W_e = \frac{E}{(E + D)} \quad (16)$$

$r_e$ : Cost of equity capital, as determined based on the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (17)$$

Where:

$r_f$ : Risk-free rate of return;

$r_m$ : Market expected return rate;

$\varepsilon$ : Specific risk-adjusted factor of the Subject of Valuation;

$\beta_e$ : Expected market risk factor of equity capital of the Subject of Valuation;

$$\beta_e = \beta_u \times (1 + (1-t) \times \frac{D}{E}) \quad (18)$$

$\beta_u$ : Expected unleveraged market risk factor for comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1-t) \frac{D_i}{E_i}} \quad (19)$$

$\beta_t$ : The expected market average risk factor for the shares (assets) of comparable companies;

$$\beta_t = 34\%K + 66\% \beta_x \quad (20)$$

$D_i, E_i$ : Interest-bearing debt and equity capital of comparable companies, respectively.

#### (4) Determination of forecast period

The entity had been operating normally with relatively stable business conditions. As the enterprise capital expenditure would reach a stable stage in 2025, with the forecast period from July 2019 to 2025, the revenue would remain stable starting from 2026 onwards.

#### (5) Determination of yielding period

As the entity would be able to operate as a going concern in the long run through normal renewal of long-term assets including fixed assets, the yielding period was determined on a perpetual basis.

**VIII. PARTICULARS OF THE VALUATION PROCESS**

The entire valuation work was carried out in four stages:

**(1) PREPARATION STAGE**

1. The Appointor and the appraisal institution agreed on issues such as the purpose, the reference date and the scope of the valuation.
2. Detailed understanding of the appraised assets, arrangement of the assets valuation tasks, assistance to the enterprise in carrying out the reporting of the valuation assignment, and collection of documents required for asset valuation were completed.

**(2) ON-SITE ENGAGEMENT STAGE**

The on-site engagement took place. The main tasks were as follows:

1. Interviews were conducted with the Appointor, the Subject of Valuation and relevant stakeholders. The Appointor and relevant parties of the Subject of Valuation introduced the overall situation of the enterprise and the historical and current conditions of the valuated assets, and explained the financial system, operation situation, fixed assets and technological conditions of the enterprise.
2. Detailed reports on the asset inventory provided by the enterprise were verified, identified and checked against the corresponding financial data of the enterprise, and coordinated efforts were made in correcting any problems if identified.
3. The revenue forecast (predictive financial information) provided by the Subject of Valuation were inspected.
4. A comprehensive verification of fixed assets was carried out according to the detailed list of asset inventory and verified and random stock-taking have been carried out on the physical inventory assets within the current assets.
5. The technical information, completion and acceptance information of major facilities were inspected and the facility management system reviewed; pricing information of general facilities was collected through market research and inquiries of relevant data; the relevant information in relation to the management systems, maintenance, alteration and expansion of buildings and constructions was collected.
6. Title documents of the valuated assets were collected and reviewed, and the ownership information provided by the enterprise was verified.
7. A preliminary assessment of the assets and liabilities within the scope of the valuation was performed on the basis of verified information.

**(3) VALUATION CONSOLIDATION STAGE**

The preliminary results of the valuation on various types of assets and liabilities were analysed and consolidated, and necessary adjustments, amendments and improvements were made to the valuation results.

**(4) REPORT SUBMISSION STAGE**

On the basis of the above processes, a valuation report was drafted and preliminarily reviewed, and ideas were exchanged with the Appointor in respect of the valuation results. After independent analysis of relevant opinions had been carried out, corrections and adjustments were made according to the internal audit system and procedures of the valuation institution and the final valuation report was produced.

**IX. VALUATION ASSUMPTIONS**

In this valuation, the valuer followed the valuation assumptions as below:

**(1) GENERAL ASSUMPTIONS****1. Transactional assumption**

Under the transactional assumption, it is assumed that all assets being valued are in the process of being transacted, and the valuer carries out the valuation based on the transactional conditions of the valued assets in a simulated market. Transactional assumption is the most fundamental precedent assumption under which the valuation can proceed.

**2. Open market assumption**

Under the open market assumption, it is assumed that the parties of the assets being transacted, or proposed to be transacted in the market, have equal status with ample opportunities and time in obtaining sufficient market information, such that rational judgements can be made in respect of the functions, usages and transactional prices of the assets.

**3. Assumption of continuous use of assets**

The assumption of continuous use of assets means that when the valuation is conducted, it is assumed that the valued assets will be used continuously according to their current uses and methods of usage, as well as their scales, frequencies and environment. In the case of altered usage, the corresponding valuation method, parameters and references should be determined.

**(2) SPECIAL ASSUMPTIONS**

1. The valuated entity would continue to operate as a going concern after the valuation benchmark date;
2. There would be no significant change in the political, economic and social conditions of the countries and regions where the valuated entity locates after the valuation benchmark date;
3. There would be no significant change, other than those as known to the public, in the macroeconomic, industrial and regional development policies of the countries and regions where the valuated entity is located after the valuation benchmark date;
4. There would be no significant change, other than those as known to the public, in the basis and rates of taxation and policy levies in relation to the valuated entity after the valuation benchmark date;
5. As of the valuation benchmark date, the valuated entity and its subsidiaries did not have any litigations and contingencies that might affect their subsequent operations or valuation results, except for those as disclosed herein;
6. The management of the valuated entity would be responsible, stable, and competent after the valuation benchmark date;
7. The valuated entity would comply with relevant laws and regulations, and there would be no material non-compliance matters that might affect the Company's development and realization of revenue;
8. The accounting policies adopted by the valuated entity after the valuation benchmark date would be consistent with those used in the preparation of the valuation report in all material aspects;
9. The basic information and financial information provided by the Appointor and the valuated entity were true, accurate and complete;
10. There would be no significant change in the business scope and business model of the valuated entity after the valuation benchmark date, other than those as disclosed in the valuation report, on the basis of the existing management method and level;
11. The asset composition, the structure of main business, the revenue and cost structure, marketing strategy and cost control of the Subject of Valuation during the future forecast period would remain consistent with those before and after the reference date, and would change in accordance with the scale of its business;

12. The valuated entity and its subsidiaries would continue to use the TCL brand legally after the valuation benchmark date, and would pay the agreed brand promotion fee pursuant to Master Brand Promotion (2019–2021) Agreement which was entered into before the reference date;
13. The current production premises of the Subject of Valuation in Huizhou is its self-owned production plant. TCL Electronics is planning to lease the TCL Tonghu Industrial Park, move to the industrial park in 2019 and pay the rental to TCL Tonghu Industrial Park. The management expects the relocation plan will complete by the end of 2020, after which the production capacity of TCL Electronics in Huizhou will be increased to 30 million units. The original self-owned factory will be reclassified as investment property.
14. The proportion of domestic sales revenue of the Subject of Valuation to the total sales revenue would remain unchanged during the future forecast period. For overseas sales, exported products would be exempted from duties and value-added tax on the import of raw materials according to the export tax rebate policy of the Customs;
15. During the future operation periods, the expense structure for respective periods of the Subject of Valuation would not be materially different from the existing one, and would change in accordance to its business scale. The financial expenses as referred to by this valuation represent the finance cost incurred by the entity to fund its normal operation or construction during its production and operation. In view of frequent or significant changes in the monetary funds or bank deposits of an entity during its production and operation, the interest income from deposits was not taken into account in the valuation, and neither were contingent profit or loss other than interest-bearing liabilities;
16. The valuation only covered the items as shown in the valuation application form provided by the Appointor and the valuated entity, and does not include contingent assets and contingent liabilities that might exist other than those as contained in the list provided by the Appointor and the valuated entity;
17. No force majeure that would have a material adverse effect on the valuated entity after the valuation benchmark date;

If there should be any change of the above conditions, the valuation results would generally cease to be effective.

**X. CONCLUSION OF VALUATION****(1) CONCLUSION OF VALUATION**

Based on the judgement of the equity rights owners and the management of the enterprise on the future development trend and the implementation of business plans, the income approach has been adopted. In accordance with the necessary valuation procedures, assessment of the market value of the entire equity interest of TCL Electronics' shareholders (owners' equity attributable to the parent company within the scope of the pro forma consolidated financial statements) as at the valuation benchmark date on 30 June 2019 was carried out. The specific valuation conclusion is presented as below:

As at the valuation benchmark date on 30 June 2019, the carrying amount of net asset value of TCL Electronics attributable to common shareholders was RMB8,942,793,700 according to the pro forma consolidated financial statements, the amount of valued value was RMB7,295,030,000, representing a valuation impairment of RMB1,647,763,700 or an discount rate of 18.43%.

With reference to the relevant regulations in China, this valuation conclusion is valid for one year after the valuation benchmark date. We compared the important operation and financial data as of 30 September 2019, and concluded after analysis that this valuation conclusion is not significantly different from the current value of the entire shareholders' equity of the Target Company as at 30 September 2019.

**(2) CHANGES IN COMPARISON BETWEEN VALUATION RESULTS AND BOOK VALUE AND REASON**

The changes in comparison between the valuation results as at the valuation benchmark date on 30 June 2019 using the income approach and the book value is shown as follows:

As at the valuation benchmark date on 30 June 2019, the carrying amount of net asset value of TCL Electronics attributable to its parent was RMB8,942,793,700 according to the pro forma consolidated financial statements, the amount of valued value was RMB7,295,030,000, representing a valuation impairment of RMB1,647,763,700 or an impairment rate of 18.43%.

Reasons for the impairment: First, TCL Electronics is a traditional colour TV manufacturer, which is faced with frequent price wars as a result of the trend of homogeneity in domestic colour TV products, contributing to the decrease of overall profit levels in the Company and its peers in recent years in the domestic market. The overseas high-end market has long been dominated by Samsung and Sony. By adopting a product strategy of high quality-price ratio, TCL has rapidly increased its global market share. As the domestic colour TV market has become saturated and the domestic colour TV manufacturers gradually enter the overseas market, the competition in the overseas market is getting more intense. Second, with the relatively frequent upgrade of features in colour TV products such as wider screens, higher definition and intelligence, etc., enterprises need to invest a large amount of capital for technological research and development as well as production line upgrades. Third, as most of the Company's products are for export or overseas sales, if the Sino-US strategic rivalry continues and the Sino-US trade dispute escalates, there may be potential impact on China's export to North America. TCL Electronics indicated in recent announcements that in response, it has well prepared for its global production capacity layout so as to minimize the potential risks.

## XI. SPECIAL NOTES

## (1) KEY INFORMATION SUCH AS OWNERSHIP RIGHTS MAY BE INCOMPLETE OR FLAWED

1. As of the valuation report date, there were 27 buildings and constructions within the scope of TCL Electronics' reporting which were not registered with the relevant property rights. Details of these buildings are listed in the following table:

## Details of TCL Electronics' Buildings Not Registered with Property Rights

No.	No. of Property Ownership Certificate	Published Property Owner	Name of Buildings	Structure	Completion Date	Measuring Unit	Gross Floor Area/ Capacity	Remarks
1	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279986	TCL Overseas Electronics (Huizhou) Limited	Phase 4 Warehouses (Block 6), District 19 (Warehouse) A, Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	9,871.44	On 1 December 2017, TCL Overseas Electronics (Huizhou) Limited entered into a transfer agreement, pursuant to which the properties would be transferred to Huizhou Moka Electronics Technology Co. Ltd.. As of the valuation benchmark date, the beneficial owners on the certificates of property ownership remained as TCL Overseas Electronics (Huizhou) Limited. The certificates of ownership for Moka Electronics were in process.
2	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279985	TCL Overseas Electronics (Huizhou) Limited	Phase 5 Warehouses (Block 7), District 19 (Plant) A, Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	13,547.04	
3	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279989	TCL Overseas Electronics (Huizhou) Limited	Phase 5 Warehouses (Block 8), District 19 (Plant) B, Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	10,167.04	
4	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279994	TCL Overseas Electronics (Huizhou) Limited	PMC Buildings (Block 3), District 19 (Warehouse) B, Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	13,927.00	
5	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279992	TCL Overseas Electronics (Huizhou) Limited	Phase 3 Warehouses (Block 5), District 19 (Plant) C, Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	21,471.87	
6	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279991	TCL Overseas Electronics (Huizhou) Limited	Injection Molding Plant (Block 4), District 19 (Injection Molding Plants), Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	14,463.84	
7	Yue Fang Di Quan Zheng Huizhou Zi Di No. 1100279990	TCL Overseas Electronics (Huizhou) Limited	Min Construction Works of the Main Manufacturing Plant, District 19 (Main Plants), Zhongkai Hi-Tech Zone	Reinforced concrete	2014/9/2	m <sup>2</sup>	39,394.00	
8	N/A	Lanzhou TCL Electric Appliance Sales Co Ltd	Building and Structure (Fan Lijun)	Reinforced concrete	1998/8/1	m <sup>2</sup>	145.86	As of the valuation benchmark date, the beneficial owner on the certificate of property ownership for building for employees' housing benefit was Fan Lijun
9	N/A	Shenyang TCL Electric Appliance Sales Co Ltd	Building (Liu Yuanfa)	brick and concrete	1996/7/1	m <sup>2</sup>	85.00	As of the valuation benchmark date, the beneficial owner on the certificate of property ownership for building for employees' housing benefit was Liu Yuanfa

No.	No. of Property Ownership Certificate	Published Property Owner	Name of Buildings	Structure	Completion Date	Measuring Unit	Gross Floor Area/Capacity	Remarks
10	N/A	Shenyang TCL Electric Appliance Sales Co Ltd	Building (Xiao Jinbo)	Brick and concrete	1997/7/29	m <sup>2</sup>	122.00	As of the valuation benchmark date, the beneficial owner on the certificate of property ownership for building for employees' housing benefit was Xiao Jinbo
11	N/A	Changchun TCL Electric Appliance Sales Co Ltd	Office building of branch	Reinforced concrete	1999	m <sup>2</sup>	1,081.28	
12	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	2 corridors linking planned Phase I to TOT plant	Brick and concrete	2013/8/30	m <sup>2</sup>	260.00	
13	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	Construction of surrounding wall for planned TCL Phase II	Brick and concrete	2013/12/30	m <sup>2</sup>	891.00	
14	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	Construction of corridors 3 & 4 for planned Phase 2 industrial park	Brick and concrete	2013/12/30	m <sup>2</sup>	385.19	
15	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	Staff Quarters 6#7# in District 38#	Brick and concrete	2014/5/31	m <sup>2</sup>	17,086.36	
16	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	Apartment 11#	Brick and concrete	2014/11/30	m <sup>2</sup>	18,771.52	
17	N/A	(TCL King Electrical Appliance (Huizhou) Company Limited)	A newly constructed concrete structured building	Brick and concrete	2016/10/19	m <sup>2</sup>	80.60	
18	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	A newly constructed 500m <sup>3</sup> fire extinguishing water tank	Brick and concrete	2017/6/24	m <sup>2</sup>	500.00	
19	N/A	TCL King Electrical Appliance (Huizhou) Company Limited	Corridor linking warehouses D-E	Brick and concrete	2017/7/29	m <sup>2</sup>	217.30	
20	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100000 – manufacturing plant	Framework	2012/11/29	m <sup>2</sup>	35,610.00	
21	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100001 – manufacturing plant in living area	Framework	2012/11/29	m <sup>2</sup>	16,145.00	
22	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100002 – injection molding equipment room	Framework	2012/11/29	m <sup>2</sup>	270.00	
23	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100003 - Security Room 1	Framework	2012/11/29	m <sup>2</sup>	128.00	
24	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100004 – Security Room 2	Framework	2012/11/29	m <sup>2</sup>	42.00	
25	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100005 – Security Room 3	Framework	2012/11/29	m <sup>2</sup>		
26	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100006 - Corridor	Framework	2012/11/29	m <sup>2</sup>	240.00	
27	N/A	Inner Mongolia TCL Optoelectronics Technology Co., Ltd.	100034 – Hazardous waste storage (3 warehouses)	Simple	2014/4/30	m <sup>2</sup>	95.00	

The enterprise declares that the ownership of the above buildings and structures belong to the enterprise. Due to certain corporate issues, related property ownership registrations have not been processed. The appraisal institution and relevant assessment personnel shall not be responsible for any disputes which may arise from such property ownerships.

The valuation is carried out based on the areas reported by the enterprise. Corresponding adjustments shall be made if there is any variance in the future property rights registrations. Users of this report are reminded to pay special attention.

Save for the above, no other ownership issues have been found in this report.

**(2) UNCERTAINTIES INCLUDING UNRESOLVED MATTERS AND LEGAL DISPUTES**

As of the valuation benchmark date, major unresolved matters and legal disputes in relation to TCL Electronics as reported by the enterprise were listed as follows:

**Description of proceedings involving TCL Electronics**

<b>Item</b>	<b>Name of plaintiff</b>	<b>Nature of the case</b>	<b>Time of the case</b>	<b>Brief description of the case</b>	<b>Involved dollar amount</b>	<b>Latest update</b>
1	Personalized Media Communications LLC	Patent litigation	2017-5-17	PMC's patent infringement lawsuit against TCL Corporation and TCL Multimedia, which involved digital television technology in the U.S. in respect of claims for infringement, indemnity for infringement, plaintiff's legal fees and the issuance of injunctions, etc.	US\$3.5 million	In September 2018, both parties agreed to settle the case with a settlement fee of US\$1.7 million, which was paid by TCL Electronics in advance.

In September 2018, the settlement fee of US\$1.7 million in the above case was paid by TCL Electronics in advance. Pursuant to the intellectual property guarantee agreement entered into between TCL Electronics and the supplier, the relevant supplier bears the ultimate responsibility and TCL Electronics is currently negotiating with the supplier for payment. This valuation has taken into consideration the impact of the advance payment of TCL Electronics, on the valuation conclusion but did not consider the impact on the valuation conclusion if the supplier takes the ultimate compensation responsibility. Users of this report are reminded to pay special attention.

**(3) SIGNIFICANT USE OF EXPERT WORKS AND RELEVANT REPORTS**

This valuation did not refer to the contents of reports issued by other institutions.

**(4) MAJOR EVENTS AFTER THE PERIOD**

1. Since the valuation benchmark date, the exchange rates of Renminbi against major currencies such as the U.S. dollar, Euro, Japanese Yen and Hong Kong dollar have fluctuated rather significantly. This valuation has not considered the impact of exchange rate fluctuations on the valuation results after the valuation benchmark date. Users of this report are reminded to pay special attention.
2. According to the announcement of TCL Electronics dated 12 August 2019, TCL King (Chengdu), an indirect wholly-owned subsidiary of the Company entered into a sales and purchase agreement with the purchaser, pursuant to which, the purchaser has conditionally agreed to acquire and TCL King (Chengdu) (as the seller) has conditionally agreed to sell 14% equity interest in TCL Finance held by TCL King (Chengdu) at the consideration of approximately RMB255 million. This valuation has already taken into consideration the impact of the above transfer of equity interest after the reference date on the valuation results. Users of this report are reminded to pay special attention.

**(5) OTHER MATTERS REQUIRED TO BE EXPLAINED**

1. According to the engagement arrangement, the financial statements used in this valuation were the pro forma consolidated statements as at the valuation benchmark date based on the following events:
  - (1) As at the valuation benchmark date, TCL Electronics did not hold any equity interest, directly or indirectly, of OPCO. Through the VIE agreements with Shenzhen Falcon Network Technology Co. Ltd., which was held as to 60% by TCL Electronics, OPCO became an indirect holding subsidiary of TCL electronics, and was included in the consolidated financial statements in August 2019. The pro forma consolidated financial statements as at the valuation benchmark date included the 60% ratio of the equity right. As no consideration was stipulated in the VIE agreements, the effect of the consideration for the acquired share holding after the report date on the value of the equity interest in TCL Electronics has not been considered.

In this valuation, value assessments were carried out based on the unaudited pro forma financial statements of TCL Electronics as at the valuation benchmark date. Users of this report are reminded to pay special attention.

2. As the customers and production plants of TCL Electronics and its long-term equity investment units are located in different countries and regions of the world, the business transactions involve different currencies. There are uncertainties in the changes of different countries' exchange rates, and the fluctuation of different currencies may present foreign exchange risks to its future operations. Users of this report are reminded to pay special attention.

3. The responsibility of the appraiser and the appraisal institution was to exercise professional judgement on determining the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve the making of judgement by the appraiser and the appraisal institution on the economic activities corresponding to such valuation purpose. To a large extent, the evaluation depends on the relevant information provided by the appointor and the Subject of Valuation. Therefore, the valuation work was very much based on the authenticity and legality of the title documents of ownership rights, certificates, accounting documents and legal documents provided by the Appointer and Subject of Valuation.
4. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the Subject of Valuation. The Appointor and the Subject of Valuation are responsible for the authenticity and completeness of the information provided.
5. The relevant title documents of ownership rights and related information are provided by the Subject of Valuation. The Appointor and the Subject of Valuation are responsible for the authenticity and legality of the information provided.
6. If, after the valuation benchmark date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
  - (1) when there is a change in the quantity of assets, the valuated amount of the assets should be adjusted according to the original valuation method;
  - (2) When there is a change in the standard of valuation which has a significant impact on the valuation results, the Appointor should promptly engage a qualified appraisal institution to re-determine the value of the assets;
  - (3) In the event of any change in the quantity of assets or the standard of valuation after the valuation date, the Appointor should give full consideration to the actual value of the assets and make corresponding adjustments.
7. The profit forecast of the valuated enterprise obtained by the appraisal institution is the basis of the income approach used in this valuation report. The appraiser has carried out the necessary investigation, analysis and judgement on the profit forecast of the valuated enterprise. After a number of discussions with the management of the valuated enterprise and its shareholders and the subsequent revision and improvement by the valuated enterprise, the valuation institution adopted the relevant data of the profit forecast provided by the valuated enterprise. Using the profit forecast of the valuated enterprise by the valuated institution does not guarantee the future profitability of the enterprise.

8. The conclusion of this valuation is based on the accurate judgement of the equity holders and management of the Subject of Valuation on the future development trend and the implementation of related planning. If the actual operating conditions of the enterprise deviate from its business plan in the future and the existing management fails to take effective measures to address the deviation the valuation conclusion will become invalid.

**XII. LIMITATIONS ON THE USE OF THIS VALUATION REPORT**

- (1) Scope of use
  1. This valuation report may only be used by the users of valuation report as specified in this valuation report. The right to use the information of this valuation report belongs to the Appointor. Without the permission of the Appointor, the valuation institution will not disclose such information freely to any other parties;
  2. This valuation report can only be used for the purpose of valuation as stated in this report;
- (2) The valuation institution and the appraiser shall not be held responsible if the Appointor or any other user of the valuation report fails to use the valuation report in accordance with the provisions of laws and administrative regulations, or within the scope as specified in the valuation report;
- (3) This valuation report may not be used by institutions or individuals other than the Appointor, other users of the valuation report as agreed in the asset valuation engagement agreement and the users of the valuation report as prescribed by laws and administrative regulations;
- (4) The user of the valuation report should correctly understand the conclusion of the valuation, that the valuation conclusion does not reflect the realizable price of the Subject of Valuation and should not be regarded as the guarantee of the realizable price of the Subject of Valuation.

**XIII. VALUATION REPORT DATE**

The valuation report date was 1 November 2019.

**Shenzhen China United Assets Appraisal Co. Ltd.**

**Asset Appraiser:**

**Asset Appraiser:**

1 November 2019

**APPENDICES**

1. Pro forma financial statements of TCL Electronics as at valuation benchmark date (copy);
2. Business licences of the legal representatives of the engaging entity and the Subject of Valuation (copies);
3. Letters of undertaking of the engaging entity and the Subject of Valuation;
4. Notice of filing for change of registration of Shenzhen China United Assets Appraisal Co. Ltd. (深圳中聯資產評估有限公司) (copy);
5. Business licence of Shenzhen China United Assets Appraisal Co. Ltd. (copy)

**UBS AG**

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2 International Finance Centre  
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22 November 2019

The Board of Directors

T.C.L. Industries Holdings (H.K.) Limited

8/F, Building 22E, Phase 3, Hong Kong Science Park, Pak Shek Kok, NT, Hong Kong

The Board of Directors

TCL Industries Holdings Co., Ltd.

22/F, TCL Technology Building, 17 Huifeng 3rd Road, Zhongkai Hi-Tech District, Huizhou City, China

Dear Sirs,

We refer to the composite document dated 22 November 2019 jointly issued by TCL Industries Holdings Co., Ltd. (the “**Purchaser**”), T.C.L. Industries Holdings (H.K.) Limited (the “**Offeror**”) and TCL Electronics Holdings Limited (the “**Company**”) (the “**Composite Document**”), of which this letter forms part, and the appraisal report dated 1 November 2019 prepared by Shenzhen China United Assets Appraisal Co., Ltd (深圳中聯資產評估有限公司) (the “**Appraisal Report**”). Shenzhen China United Assets Appraisal Co., Ltd (深圳中聯資產評估有限公司) (the “**PRC Appraiser**”) is an independent appraiser in respect of the valuation of the Company and the Offeror (which directly holds a controlling interest in the Company) (the “**Valuation**”).

The Appraisal Report is set out in Appendix V to the Composite Document.

We note that since the appraised value of the Company stated in the Appraisal Report was derived from the discounted future cash flows method, the Valuation constitutes a profit forecast under Rule 10 of the Takeovers Code (the “**Profit Forecast**”). Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Composite Document.

This letter is issued in compliance with the requirement under Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. We have reviewed the Profit Forecast and discussed with the management of the Purchaser, the Offeror and the PRC Appraiser regarding the Profit Forecast, including, in particular, the valuation methodologies, the qualifications, the bases and assumptions adopted in the Appraisal Report, and the reasons thereof.

We have also considered the letter from Ernst & Young dated 22 November 2019 addressed to the Company regarding their opinion on whether, so far as the calculations are concerned, the discounted future cash flows have been properly compiled on the basis of the assumptions set out in the Appraisal Report.

We have not independently verified the computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value of the Company. We have assumed that all information, materials and representations provided to us by the Purchaser, the Offeror, the Company and the PRC Appraiser, including all information, materials, and representations referred to or contained in the Composite Document, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Composite Document and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Appraisal Report.

This letter also constitutes a report pursuant to Rule 11.1(b) of the Takeovers Code and sets out our assessment and review of the qualifications and experience of the PRC Appraiser, the key responsible valuers for the Appraisal Report, being Ms. Qian WANG and Mr. Lei WU. We have conducted reasonable checks and assessment of the relevant qualification, experience and expertise of the PRC Appraiser, Ms. Qian WANG and Mr. Lei WU, including, among other things, reviewing the professional licences and other supporting documents of the PRC Appraiser, Ms. Qian WANG and Mr. Lei WU, and discussing with representatives of the PRC Appraiser the qualifications and experience of Ms. Qian WANG, Mr. Lei WU and the PRC Appraiser and confirm that their qualifications and experience meet the applicable legal and regulatory requirements for issuing the Appraisal Report.

On the basis of the foregoing, and the calculations reviewed by Ernst & Young, we are of the opinion that the adoption of the income approach as the valuation methodology as well as the bases and assumptions adopted in the Appraisal Report have been made with due care and objectivity and on a reasonable basis, and that the Profit Forecast, for which the directors of the Offeror and the Purchaser are jointly and severally responsible, has been made with due care and consideration. We are also satisfied that Ms. Qian WANG, Mr. Lei WU and the PRC Appraiser are suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

Yours faithfully,  
For and on behalf of  
**UBS AG Hong Kong Branch**

**Samson LO**  
*Managing Director*

**Jun LUO**  
*Managing Director*

**SOMERLEY CAPITAL LIMITED**

20<sup>th</sup> Floor  
China Building  
29 Queen's Road Central  
Hong Kong

22 November 2019

The board of directors  
TCL Electronics Holdings Limited  
7th Floor, Building 22E  
22 Science Park East Avenue  
Hong Kong Science Park, Shatin  
New Territories, Hong Kong

Dear Sirs,

We refer to (a) the composite document (the “**Composite Document**”) jointly issued by TCL Industries Holdings Co., Ltd., T.C.L. Industries Holdings (H.K.) Limited and TCL Electronics Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 22 November 2019 in relation to, among others, the mandatory unconditional cash offers by UBS AG, Hong Kong Branch, on behalf of T.C.L. Industries Holdings (H.K.) Limited; and (b) the updated valuation (the “**Updated Valuation**”) of the market value of 100% equity interests of the Company as of 30 June 2019 prepared by Shenzhen China United Assets Appraisal Co., Ltd. (深圳中聯資產評估有限公司) (the “**Independent Valuer**”), details of which are set out in Appendix V to the Composite Document. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless otherwise specified.

As set out in Appendix V to the Composite Document, the appraised value of the Company has been derived from income approach which takes into account the future cash flow forecast of the Group. As such, the Updated Valuation is regarded as a profit forecast pursuant to Rule 10 of the Takeovers Code and Rule 14.61 of the Listing Rules and is required to be reported on (as set out below). Furthermore, our report on the qualifications and experience of the Independent Valuer to prepare the Updated Valuation is required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us.

We have relied on the information and facts supplied, and the opinion expressed by the Purchaser, the Company and the Independent Valuer, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied nor verified the computations leading to the appraised value of the Company as detailed in Appendix V to the Composite Document.

Pursuant to the Corporate Finance Adviser Code of Conduct, we have, among others, reviewed the supporting documents relating to the Updated Valuation and discussed with the management of the Purchaser and the Company, and the Independent Valuer regarding the Updated Valuation, including, in particular, the valuation approach, key bases and assumptions, and the forecast upon which the Updated Valuation has been made (the “**Forecast**”). We have also considered the letter dated 22 November 2019 issued by Ernst & Young pursuant to Rule 10 of the Takeovers Code, the text of which is set out in Appendix VIII to the Composite Document.

With regard to the qualifications and experience of the Independent Valuer, based on the review work conducted by us, which includes reviewing the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussing the same with the Independent Valuer, we are satisfied that the Independent Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Updated Valuation competently.

On the basis of the foregoing, we are satisfied that the Forecast, for which the Purchaser and the Company are responsible, has been made with due care and consideration. We concur with the Independent Valuer that the income approach is commonly used and is the appropriate method for deriving the appraised value of the Company, and the valuation methodologies as well as the bases and assumptions adopted in the Updated Valuation have been made by the Independent Valuer with due care and objectivity, and on a reasonable basis.

Yours faithfully,

For and on behalf of

**SOMERLEY CAPITAL LIMITED**

**Stephanie CHOW**

*Director*



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

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The Directors  
TCL Electronics Holdings Limited  
7th Floor, Building 22E,  
22 Science Park East Avenue,  
Hong Kong Science Park,  
Shatin, New Territories, Hong Kong

22 November 2019

Dear Sirs,

**REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF TCL ELECTRONICS HOLDINGS LIMITED (“TCL Electronics”)**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation prepared by Shenzhen China United Assets Appraisal Co., Ltd. dated 1 November 2019 in respect of TCL Electronics as at 30 June 2019 is based. The valuation is disclosed in the composite document jointly issued by TCL Industries Holdings Co., Ltd., T.C.L. Industries Holdings (H.K.) Limited (“T.C.L. Industries”) and TCL Electronics dated 22 November 2019 (the “Composite Document”) in connection with T.C.L. Industries’ proposed mandatory unconditional cash offers to acquire all the issued shares of TCL Electronics and cancel all the outstanding share options of TCL Electronics. The Forecast is required to be reported on under Rule 10 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

**DIRECTORS’ RESPONSIBILITIES**

The directors of TCL Electronics (the “Directors”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the headed “Assumptions” in the Appendix V of the Composite Document.

**OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions made by the Directors of TCL Electronics. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of TCL Electronics. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 10 of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

#### **OPINION**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

## 1. Mr. LI Dongsheng

Number of Share Options held	Exercise price (HK\$)	Exercise period of the Share Options
1,026,216	4.4834 (Note)	9 January 2017 to 8 March 2021
1,026,216		9 January 2018 to 8 March 2021
1,026,218		9 January 2019 to 8 March 2021
92,548	3.3918 (Note)	31 December 2015 to 30 August 2021
92,548		31 December 2016 to 30 August 2021
92,549		31 December 2017 to 30 August 2021
68,445	4.3860 (Note)	31 December 2016 to 1 June 2022
68,445		31 December 2017 to 1 June 2022
68,447		31 December 2018 to 1 June 2022
358,450	4.1520	18 May 2019 to 22 January 2024
358,450		9 January 2020 to 22 January 2024
358,450		18 May 2020 to 22 January 2024
358,450		9 January 2021 to 22 January 2024
358,450		18 May 2021 to 22 January 2024
358,450		9 January 2022 to 22 January 2024
533,301		3.5700
533,301	15 June 2019 to 24 April 2024	
533,301	15 June 2020 to 24 April 2024	

## 2. Ms. ICHIKAWA Yuki

Number of Share Options held	Exercise price (HK\$)	Exercise period of the Share Options
35,033	3.3918 (Note)	31 December 2015 to 30 August 2021
35,033		31 December 2016 to 30 August 2021
35,032		31 December 2017 to 30 August 2021
42,443	4.3860 (Note)	31 December 2016 to 1 June 2022
42,443		31 December 2017 to 1 June 2022
42,443		31 December 2018 to 1 June 2022
90,823	3.5700	15 June 2018 to 24 April 2024
90,823		15 June 2019 to 24 April 2024
90,822		15 June 2020 to 24 April 2024

## 3. Ms. DU Juan

Number of Share Options held	Exercise price (HK\$)	Exercise period of the Share Options
50,022	3.3918 (Note)	31 December 2015 to 30 August 2021
50,022		31 December 2016 to 30 August 2021
50,022		31 December 2017 to 30 August 2021

## 4. Ms. XIONG Yan

Number of Share Options held	Exercise price (HK\$)	Exercise period of the Share Options
6,391	3.3918 (Note)	31 December 2015 to 30 August 2021
6,391		31 December 2016 to 30 August 2021
6,390		31 December 2017 to 30 August 2021
4,147	4.3860 (Note)	31 December 2016 to 1 June 2022
4,147		31 December 2017 to 1 June 2022
4,147		31 December 2018 to 1 June 2022
26,140	3.5700	15 June 2018 to 24 April 2024
26,140		15 June 2019 to 24 April 2024
26,139		15 June 2020 to 24 April 2024

## 5. Mr. DU Yuanhua

Number of Share Options held	Exercise price (HK\$)	Exercise period of the Share Options
19,521	3.3918 (Note)	31 December 2015 to 30 August 2021
19,521		31 December 2016 to 30 August 2021
19,521		31 December 2017 to 30 August 2021
14,768	4.3860 (Note)	31 December 2016 to 1 June 2022
14,768		31 December 2017 to 1 June 2022
14,768		31 December 2018 to 1 June 2022
43,108	3.5700	15 June 2018 to 24 April 2024
43,108		15 June 2019 to 24 April 2024
43,108		15 June 2020 to 24 April 2024

Note: The exercise price showed herein is the adjusted exercise price as a result of the completion of rights issue of the Company on 25 January 2018.

<b>APPENDIX X</b>	<b>DEALINGS OF PERSONS ACTING IN CONCERT WITH THE PURCHASER AND THE OFFEROR IN SECURITIES OF THE COMPANY</b>
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**1. Mr. LI Dongsheng and his spouse**

*Ordinary Shares*

<b>Date of dealing</b>	<b>Range of traded price (HK\$)</b>	<b>Weighted average traded price (HK\$)</b>	<b>Total number of Shares of the Company involved</b>	<b>Nature of the dealing</b>	<b>Description of the relevant securities</b>	<b>Acquisition or disposal</b>
11 December 2018	2.92 – 3.00	2.9827	667,000	Personal acquisitions on Stock Exchange	Ordinary Shares	Acquisition
13 December 2018	3.05	3.0500	21,000			
21 December 2018	2.92 – 3.00	2.9838	1,312,000			
28 December 2018	2.92 – 3.00	2.9789	429,000			
31 December 2018	3.00	3.0000	21,000			
2 January 2019	3.00	3.0000	550,000			
25 March 2019	4.80 – 4.82	4.8018	2,000,000	Personal disposals on Stock Exchange	Ordinary Shares	Disposal
26 March 2019	4.79	4.7900	24,000			
2 April 2019	4.51	4.5100	5,000			
3 April 2019	4.50	4.5000	114,000			
4 April 2019	4.50 – 4.57	4.5006	881,000			

**APPENDIX X**

**DEALINGS OF PERSONS ACTING IN CONCERT WITH  
THE PURCHASER AND THE OFFEROR IN SECURITIES  
OF THE COMPANY**

*Share Options and Restricted Shares*

Nature	Date of grant	Total number of Shares of the Company involved	Vesting date	Total number of Shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of Restricted Shares on date of grant	Closing price of Restricted Shares on vesting date	Expiry date for exercise of Share Options	Share Options exercised (Note 1)
Share Options	9 March 2015	3,078,650	9 January 2017	1,026,216	4.4834 (Note 2)	N/A	N/A	8 March 2021	No
			9 January 2018	1,026,216					
			9 January 2019	1,026,218					
	31 August 2015	382,743	31 December 2015	127,581	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	127,581					
			31 December 2017	127,581					
	2 June 2016	332,666	31 December 2016	110,888	4.3860 (Note 2)	N/A	N/A	1 June 2022	No
			31 December 2017	110,888					
			31 December 2018	110,890					
	23 January 2018	2,150,700	18 May 2019	358,450	4.1520 (Note 3)	N/A	N/A	22 January 2024	No
25 April 2018	1,872,371	15 June 2018	624,124	3.5700	N/A	N/A	24 April 2024	No	
		15 June 2019	624,124						
Restricted Shares	2 June 2016	137,757	31 December 2018	45,919	N/A	4.386 (Note 4)	3.00	N/A	N/A
	23 January 2018	827,031	18 May 2019	137,839 (Note 5)	N/A	4.02	3.65 (Note 6)	N/A	N/A
	25 April 2018	538,393	15 June 2018	179,465	N/A	3.57	4.01	N/A	N/A
			15 June 2019	179,464 (Note 5)	N/A	3.57	3.48 (Note 7)	N/A	N/A

## 2. Ms. DU Juan

*Share Options and Restricted Shares*

Nature	Date of grant	Total number of Shares of the Company involved	Vesting date	Total number of Shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of Restricted Shares on date of grant	Closing price of restricted shares on vesting date	Expiry date for exercise of Share Options	Share Options exercised (Note 1)
Share Options	31 August 2015	150,066	31 December 2015	50,022	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	50,022					
			31 December 2017	50,022					

## 3. Ms. XIONG Yan and her spouse

*Ordinary Shares*

Date of dealing	Range of traded price (HK\$)	Weighted average traded price (HK\$)	Total number of shares of the Company involved	Nature of the dealing	Description of the relevant securities	Acquisition or disposal
8 April 2019	4.61 – 4.65	4.6383	100,000	Personal disposals on Stock Exchange	Ordinary shares	Disposal

*Share Options and Restricted Shares*

Nature	Date of grant	Total number of Shares of the Company involved	Vesting date	Total number of Shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of Restricted Shares on date of grant	Closing price of Restricted Shares on vesting date	Expiry date for exercise of Share Options	Share Options exercised (Note 1)
Share Options	31 August 2015	19,172	31 December 2015	6,391	3,3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	6,391					
			31 December 2017	6,390					
	2 June 2016	12,441	31 December 2016	4,147	4,3860 (Note 2)	N/A	N/A	1 June 2022	No
			31 December 2017	4,147					
			31 December 2018	4,147					
25 April 2018	78,419	15 June 2018	26,140	3,5700	N/A	N/A	24 April 2024	No	
		15 June 2019	26,140						
Restricted Shares	2 June 2016	5,152	31 December 2018	1,718	N/A	4.386 (Note 4)	3.00	N/A	N/A
	25 April 2018	22,548	15 June 2018	7,516	N/A	3.57	4.01	N/A	N/A
			15 June 2019	7,516 (Note 5)	N/A	3.57	3.48 (Note 7)	N/A	N/A

**4. Mr. DU Yuanhua**

*Ordinary Shares*

Date of dealing	Range of traded price (HK\$)	Weighted average traded price (HK\$)	Total number of Shares of the Company involved	Nature of the dealing	Description of the relevant securities	Acquisition or disposal
25 March 2019	4.6	4.6000	350,000	Personal disposal on Stock Exchange	Ordinary Shares	Disposal

*Share Options and Restricted Shares*

Nature	Date of grant	Total number of Shares of the Company involved	Vesting date	Total number of Shares of the Company vested on the vesting date	Exercise price (HK\$)	Closing price of Restricted Shares on date of grant	Closing price of Restricted Shares on vesting date	Expiry date for exercise of Share Options	Share Options exercised (Note 1)
Share Options	31 August 2015	58,563	31 December 2015	19,521	3.3918 (Note 2)	N/A	N/A	30 August 2021	No
			31 December 2016	19,521					
			31 December 2017	19,521					
	2 June 2016	44,304	31 December 2016	14,768	4.3860 (Note 2)	N/A	N/A	1 June 2022	No
			31 December 2017	14,768					
			31 December 2018	14,768					
25 April 2018	129,324	15 June 2018	43,108	3.5700	N/A	N/A	24 April 2024	No	
		15 June 2019	43,108						
Restricted Shares	2 June 2016	18,347	31 December 2018	6,115	N/A	4.386 (Note 4)	3.00	N/A	N/A
	25 April 2018	37,187	15 June 2018	12,396	N/A	3.57	4.01	N/A	N/A
			15 June 2019	12,396 (Note 5)	N/A	3.57	3.48 (Note 7)	N/A	N/A

*Note 1:* The person has voluntarily locked the share option platform of his/her personal account and he/she will not exercise the exercisable Share Options.

*Note 2:* The exercise price was adjusted as a result of the completion of rights issue of the Company on 25 January 2018.

*Note 3:* The exercise price was determined with reference to the average closing price of the Shares of the Company in the 5 business days immediately preceding the date of grant of the relevant Share Options.

*Note 4:* The closing price was adjusted as a result of the completion of rights issue of the Company on 25 January 2018.

*Note 5:* Such Shares were held on trust by the Trustee and have not been transferred to the personal account of the person.

*Note 6:* As the relevant vesting date was not a trading day, the closing price of the next trading date i.e. 20 May 2019 was used.

*Note 7:* As the relevant vesting date was not a trading day, the closing price of the next trading date i.e. 17 June 2019 was used.

## 摘錄的原文：

中聯資產評估集團有限公司（「中聯」）受TCL集團股份有限公司的委託，就TCL集團股份有限公司擬出售T.C.L.實業控股（香港）有限公司股權事宜，對所涉及的T.C.L.實業控股（香港）有限公司模擬報表範圍股東全部權益在評估基準日的市場價值進行了評估。

評估對象是T.C.L.實業控股（香港）有限公司模擬報表範圍股東全部權益，評估範圍為T.C.L.實業控股（香港）有限公司於申報評估的基準日模擬報表範圍的全部資產和負債，包括流動資產、非流動資產及相關負債。

本次評估範圍內的一級長期股權投資共23項，均為長期股權投資。長期股權投資的被投資單位包括TCL電子控股有限公司（「TCL電子」）。

### TCL電子

#### (1) 本次評估的基本情況

中聯對TCL電子100%的股權分別採用市場法和收益法進行了評估：評估基準日為2018年6月30日，TCL電子的歸母淨資產賬面價值人民幣760,405.20萬元，經收益法評估，評估值為人民幣634,836.06萬元，評估減值人民幣125,569.14萬元，減值率16.51%；經市場法評估，評估值為人民幣708,677.24萬元，評估減值人民幣51,727.96萬元，減值率6.80%。

市場法結果與收益法結果差異的主要原因在於市場法是企業在某時點所反映的外部市場價格，其結果會受到市場投資環境、投機程度、以及投資者信心等一些因素影響而波動相對劇烈，而收益法則是在評估人員對企業歷史經營狀況進行專業分析的基礎上，對企業未來收益做出合理預測而得出的結論，相比市場法波動相對較小。

TCL電子是全球最大的電視機生產及分銷企業之一，其產品銷售遍及全球各市場。市場法是參照同行上市公司的股價間接定價，評估結果受股市波動影響較大。收益法是通過對被評估單位內在經營情況及外部市場經營環境進行全面分析後，結合被評估單位的歷史盈利情況、未來的業務發展預測等諸多因素後的價值判斷，評估結果更能體現企業股東權益價值。

故本次評估選用收益法評估結果作為TCL電子全部股東權益的評估結果。

## (2) 基本假設

- i. 假設評估基準日後被評估單位持續經營；
- ii. 假設評估基準日後被評估單位所處國家和地區的政治、經濟和社會環境無重大變化；
- iii. 假設評估基準日後評估實體所處國家和地區的宏觀經濟政策、產業政策和區域發展政策除公眾已獲知的變化外，無其他重大變化；
- iv. 假設與被評估單位相關的賦稅基準及稅率、政策性徵收費用等評估基準日後，除公眾已獲知的變化外，不發生重大變化；
- v. 假設截止評估基準日，在本報告披露的涉訴事項及或有事項外，被評估單位及其下屬子公司不存在影響其期後經營或評估結果的涉訴事項及或有事項；
- vi. 假設評估基準日後被評估單位的管理層是負責的、穩定的，且有能力擔當其職務；公司產品在必要的研發投入下，技術保持領先；
- vii. 假設被評估單位遵守相關的法律法規，不會出現影響公司發展和收益實現的重大違規事項；
- viii. 假設評估基準日後被評估單位採用的會計政策和編寫評估報告時所採用的會計政策在重要方面保持一致；
- ix. 委託方及被評估單位提供的基礎資料和財務資料真實、準確、完整；
- x. 假設評估基準日後被評估單位在現有管理方式和管理水平的基礎上，其經營範圍、經營方式除評估報告中披露事項外不發生重大變化；
- xi. 假設評估對象在未來預測期內的資產構成，主營業務的結構，收入與成本的構成以及銷售策略和成本控制等仍保持其基準日前後的狀態持續，並隨經營規模的變化而同步變動；
- xii. 假設評估基準日後被評估單位及其下屬子公司仍可合法使用TCL品牌，並參照基準日前的比例投入品牌費用；
- xiii. 評估對象現有在惠州的生產經營場所為自有廠房和租賃廠房；
- xiv. 假設評估對象在未來預測期內的國內銷售比例佔銷售總收入的比例不變，國外銷售部分根據海關的出口退稅政策，出口產品的原材料進口免徵關稅及增值稅；
- xv. 在未來的經營期內，評估對象的各項期間費用的構成不會在現有基礎上發生大幅的變化，並隨經營規模的變化而同步變動。本評估所指的財務費用是企業在生產經營過程中，為籌集正常經營或建設性資金而發生的融資成本費用。鑒於企業的貨幣資金或其銀行存款等在生產經營過程中頻繁變化或變化較大，評估時不考慮存款產生的利息收入，也不考慮付息債務之外的其他不確定性損益；

xvi. 評估範圍僅以委託方及被評估單位提供的評估申報表為準，未考慮委託方及被評估單位提供清單以外可能存在的或有資產及或有負債；

xvii. 假設評估基準日後無不可抗力對被評估單位造成重大不利影響；

xviii. 本次評估測算各項參數取值未考慮通貨膨脹因素。

當上述條件發生變化時，評估結果一般會失效。

**(3) 本次評估的評估方法**

被評估單位下屬子公司眾多，股權架構較為複雜，不適宜採用資產基礎法，但其核心業務突出，故適宜採用合併口徑收益法和市場法（上市公司比較法）進行評估。考慮到市場法是企業在某時點所反映的外部市場價格，其結果受到市場投資環境、投機程度、以及投資者信心等一些因素影響而波動相對劇烈，而收益法則是在對企業歷史經營狀況進行專業分析的基礎上，對企業未來收益做出合理預測而得出的結論，故選取收益法結果作為評估結論。

**(4) 收益法評估情況****i. 基本評估思路**

根據本次評估盡職調查情況以及評估對象資產構成和主營業務特點，TCL電子模擬合併報表中的各法人主體的主營業務分別為液晶電視及顯示產品的生產、研發、銷售服務，可視同為同一利潤主體，故本次評估的基本思路是以評估對象經審計的TCL電子模擬合併報表為基礎估算其權益資本價值，即首先按收益途徑採用現金流折現方法（DCF），估算評估對象的經營性資產的價值，再加上其基準日的其他非經營性或溢餘性資產的價值，來得到評估對象的企業價值，並由企業價值經扣減付息債務價值後，來得出評估對象的股東全部權益價值。

本次評估的基本評估思路是：

- A. 對納入報表範圍的資產和主營業務，按照最近幾年的歷史經營狀況的變化趨勢和業務類型估算預期淨現金流量，並折現得到經營性資產的價值；
- B. 對納入報表範圍，但在預期收益（淨現金流量）估算中未予考慮的諸如基準日存在的現金類資產（負債），定義為基準日存在的溢餘性或非經營性資產（負債），單獨估算其價值；
- C. 由上述計算得出的經營性資產價值加溢餘性資產或非經營性資產價值，並扣減企業應承擔的付息債務價值後得到評估對象的股東全部權益價值。

**ii. 評估模型****A. 基本模型**

本次評估的基本模型為：

$$P = E - M$$

式中：

P：歸屬於母公司所有者權益評估價值；

E：所有者權益評估價值；

M：少數股東權益評估價值；

M=所有者權益評估價值×少數股東權益比例

少數股東權益比例=少數股東權益價值賬面價值／（少數股東權益賬面價值+母公司所有者權益賬面價值）。

其中：

$$E = B - D$$

B：評估對象的企業價值；

$$B = P + \sum C_i$$

P：評估對象的經營性資產價值；

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

式中：

$R_1$ ：評估對象合併口徑未來第1年的預期收益（自由現金流量）；

$R_n$ ：評估對象合併口徑永續期的預期收益（自由現金流量）；

r：折現率；

n：評估對象的未來經營期；

$\sum C_i$ ：基準日存在的非經營性、溢餘資產的價值。

$$C_i = C_1 + C_2 + C_3 + C_4$$

式中：

$C_1$ ：預期收益（自由現金流量）中未體現投資收益的全資、控股或參股投資價值；

$C_2$ ：基準日現金類資產（負債）價值；

$C_3$ ：預期收益（自由現金流量）中未計及收益的在建工程價值；

$C_4$ ：基準日呆滯或閒置設備、房產等資產價值；

D：評估對象付息債務價值。

## B. 收益指標

本次評估，使用企業自由現金流作為經營性資產的收益指標，其基本定義為：

$$R = \text{淨利潤} + \text{折舊攤銷} + \text{扣稅後付息債務利息} - \text{追加資本}$$

式中：

$$\text{淨利潤} = \text{營業收入} - \text{營業成本} - \text{銷售税金及附加} - \text{期間費用} (\text{營業費用} + \text{管理費用} + \text{財務費用}) - \text{所得稅}$$

$$\text{折舊攤銷} = \text{成本和費用} (\text{營業費用及管理費用}) \text{中的折舊攤銷}$$

$$\text{扣稅後付息債務利息} = \text{長短期付息債務利息合計} \times (1 - \text{所得稅率})$$

$$\text{追加資本} = \text{資產更新投資} + \text{營運資本增加額} + \text{新增長期資產投資}$$

其中：

$$\text{資產更新投資} = \text{房屋建築物更新} + \text{機器設備更新} + \text{其他自動化設備} (\text{電子、運輸等}) \\ \text{更新} + \text{無形資產更新}$$

$$\text{營運資金增加額} = \text{當期營運資金} - \text{上期營運資金}$$

其中：

$$\text{營運資金} = \text{現金保有量} + \text{存貨} + \text{應收款項} - \text{應付款項}$$

新增長期資產投資=新增固定資產投資+新增無形或其他長期資產

根據企業的經營歷史以及未來市場發展等，估算其未來預期的自由現金流量，並假設其在預測期後仍可經營一個較長的永續期，在永續期內評估對象的預期收益等額於其預測期最後一年的自由現金流量。將未來經營期內的自由現金流量進行折現處理並加和，測算得到企業經營性資產價值。

C. 折現率

本次評估採用加權平均資本成本模型(WACC)確定折現率 $r$

$$r = r_d + w_d + r_e + w_e$$

式中：

$W_d$ ：評估對象的債務比率；

$$W_d = \frac{D}{(E + D)}$$

$W_e$ ：評估對象的股權資本比率；

$$W_e = \frac{E}{(E + D)}$$

$r_e$ ：權益資本成本，按資本資產定價模型(CAPM)確定權益資本成本 $r_e$ ；

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

式中：

$r_f$ ：無風險報酬率；

$r_m$ ：市場預期報酬率；

$\varepsilon$ ：評估對象的特性風險調整系數；

$\beta_e$ ：評估對象權益資本的預期市場風險系數；

## D. 預測期的確定

企業已經正常運行，運營狀況比較穩定，故預測期取5年1期，即2018年7月~2023年，2024年起收入保持穩定。

## E. 收益期的確定

企業通過正常的固定資產等長期資產更新，是可以保持長時間的運行的，故收益期按永續確定。

## (5) 市場法評估情況

## i. 可比上市公司的選取

TCL電子主營業務為從事液晶電視及商業顯示器、警用顯示器的研發、生產、銷售，屬於消費電子行業，H股消費電子行業及家用電器行業有類似業務的上市公司，因此本次評估選擇了15家主營業務類似的上市公司作為可比公司。

## ii. TCL電子與可比公司間的比較量化

本次評估從盈利能力、發展能力、營運能力及償付能力四個方面來評價企業的績效。具體選取以下10個指標作為評價體系中的可比指標：a、盈利能力：營業利潤率、總資產報酬率、淨資產收益率；b、發展能力：營業收入增長率、總資產增長率；c、營運能力：總資產周轉率、應收賬款周轉率、存貨周轉率；d、償付能力：流動比率、速動比率。

## iii. 價值比率的確定

在市場法評估中所採用的價值比率一般有市盈率(PE)、市淨率(PB)、市銷率(PS)、企業價值與折舊息稅前利潤比率(EV/EBITA)、企業價值與稅後經營收益比率(EVIAT)等。在上述五個指標中，企業價值與折舊息稅前利潤比率(EV/EBITA)、企業價值與稅後經營收益比率(EVIAT)側重企業整體價值的判斷；而市盈率(PE)、市淨率(PB)、市銷率(PS)側重股東權益價值的判斷，以合理確定評估對象的價值為目的，適合選取市盈率(PE)、市淨率(PB)、市銷率(PS)作為價值比率。

根據被評估企業的特點，在確定價值比率時綜合考慮了盈利能力、融資結構以及折舊銷攤銷政策等因素，結合被評估單位的實際情況，公司成立時間較長，歷史年度均有較穩定的收入及利潤，盈利狀況良好，本次評估選擇市盈率(PE)為價值比率。

iv. 計算比准價值比率

可比公司市盈率的選取：本次選擇的可比公司價值比率為市盈率(PE)。

本次按照盈利能力、償債能力、營運能力、發展能力各佔權重25%計算，得到各可比案例的價值比例調整系數，然後乘以可比案例中對應的市盈率得到各可比案例的比准市盈率，對各企業比准市盈率求平均得到被評估企業的市盈率。剔除偏離最大的最高值與最低值後，可比公司中最終計算的比准市盈率平均值為9。

v. 計算TCL電子扣除流動性折扣前股東全部權益的價值

由於選用的市盈率为LYR，對應最新一期年報數據，故乘以被評估企業2017年的歸屬於母公司所有者的淨利潤，由此得出TCL電子歸屬於母公司所有者權益的價值。

- vi. 評估對象扣除流動性折扣前歸屬於母公司所有者權益的價值：

扣除流動性折扣前歸屬於母公司所有者權益的價值=歸屬於母公司所有者的淨利潤×市盈率價值比率

$$= 79,325.30 \times 9.00$$

$$= 713,927.70 \text{萬元}$$

- vii. 確定流動性折扣

由於被評估單位與本次選用的可比公司均為上市公司，其股份具有較強的流動性，不需考慮流動性折扣。故流動性折扣=0%。

- viii. 歸屬於母公司所有者權益價值計算

歸屬於母公司所有者權益價值=扣除流動性折扣前歸屬於母公司所有者權益的價值×(1-流動性折扣)

$$= 713,927.70 \times (1-0\%)$$

$$= 713,927.70 \text{萬元}$$

- ix. 計算歸屬於母公司股東權益價值

2018年6月30日合併資產負債表顯示，母公司少數股東權益佔所有者權益的比例為0.735%。

歸屬於母公司股東權益價值=股東全部權益價值×(1-少數股東權益佔所有者權益比例)

$$= 713,927.70 \times (1-0.735\%)$$

$$= 708,677.24 \text{萬元}$$

**摘錄的英文譯本：**

China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) (“CUAA”) was appointed by TCL Corporation to evaluate the market value of the entire shareholders’ equity as at the reference date in the pro forma financial statements of T.C.L. Industries Holdings (H.K.) Limited in relation to the proposed disposal of the equity interests in T.C.L. Industries Holdings (H.K.) Limited by TCL Corporation.

The subject of valuation was the entire shareholders’ equity in the pro forma financial statements of T.C.L. Industries Holdings (H.K.) Limited. The scope of valuation covered all the assets and liabilities of T.C.L. Industries Holdings (H.K.) Limited, including current assets, non-current assets and corresponding liabilities, in the pro forma financial statements as at the reference date on which the valuation was submitted.

There are 23 long-term primary equity investments within the scope of this valuation, all of which are long-term equity investments, including TCL Electronics Holdings Limited (TCL電子控股有限公司) (“TCL Electronics”).

TCL Electronics

**(1) Profile of the Valuation**

CUAA performed valuation on the 100% equity interest of TCL Electronics by adopting the market approach and income approach separately, with the valuation reference date being June 30, 2018. The carrying amount of net asset value of TCL Electronics attributable to its parent was RMB7,604,052,000. With income approach, the valuation came up to RMB6,348,360,600, representing a discount of RMB1,255,691,400, or 16.51%; with market approach, the valuation came up to RMB7,086,772,400, representing a discount of RMB517,279,600 or 6.80%.

The main reason for the difference between the results of the market approach and the income approach is that the market approach reflects the external market price of an enterprise at a certain point in time, the result of which may fluctuate violently due to the influence of a number of factors such as the environment of market investment, the degree of speculations, and the confidence of investors; whereas the income approach is based on the professional analysis of the historical operation of an enterprise, the result of which is obtained by making a reasonable prediction of future incomes of the enterprise, and thus the fluctuation is relatively smaller as compared with the market approach.

TCL Electronics is one of the largest global TV manufacturers and distributors and its products are sold all over the world. With the market approach, valuation is indirectly determined by referring to the stock prices of peer listed companies and the valuation results are affected more by the volatility of the stock market. The income approach is the judgment of the value of the valuated entity after a comprehensive analysis of its internal business operation and external market environment, combined with the valuated entity's historical profit condition, the forecast of future business development and many other factors. The valuation results can better reflect the value of shareholders' equity interest in the enterprise.

Therefore, the result of the income approach was adopted to represent the valuated results of the equity interest of all the shareholders of TCL Electronics.

**(2) Basic Assumptions**

- i. The valuated entity would continue to operate as a going concern after the valuation reference date;
- ii. There would be no significant change in the political, economic and social conditions of the countries and regions where the valuated entity locates after the valuation reference date;
- iii. There would be no significant change, other than those as known to the public, in the macroeconomic, industrial and regional development policies of the countries and regions where the valuated entity is located after the valuation reference date;
- iv. There would be no significant change, other than those as known to the public, in the basis and rates of taxation and policy levies in relation to the valuated entity after the valuation reference date;
- v. As of the valuation reference date, the valuated entity and its subsidiaries did not have any litigations and contingencies that might affect their subsequent operations or valuation results, except for those as disclosed herein;
- vi. The management of the valuated entity would be responsible, stable, and competent after the valuation reference date; and the products of the company could maintain a leading position in terms of technologies used, with necessary investment in research and development;
- vii. The valuated entity would comply with relevant laws and regulations, and there would be no material non-compliance matters that might affect the company's development and realization of revenue;

- viii. The accounting policies adopted by the valuated entity after the valuation reference date would be consistent with those used in the preparation of the valuation report in all material aspects;
- ix. The basic information and financial information provided by the appointor and the valuated entity were true, accurate and complete;
- x. There would be no significant change in the business scope and business model of the valuated entity after the valuation reference date, other than those as disclosed in the valuation report, on the basis of the existing management method and level;
- xi. The asset composition, the structure of main business, the revenue and cost structure, marketing strategy and cost control of the subject of valuation during the future forecast period would remain consistent with those before and after the reference date, and would change in accordance with the scale of its business;
- xii. The valuated entity and its subsidiaries would continue to use the TCL brand legally after the valuation reference date, and would invest on the brand in the same proportion as before the reference date;
- xiii. The existing production and operation premises of the subject of valuation in Huizhou were self-owned and leased factories;
- xiv. The proportion of domestic sales revenue of the subject of valuation to the total sales revenue would remain unchanged during the future forecast period. For overseas sales, exported products would be exempted from duties and value-added tax on the import of raw materials according to the export tax rebate policy of the Customs;
- xv. During the future operation periods, the expense structure for respective periods of the subject of valuation would not be materially different from the existing one, and would change in accordance to its business scale. The financial expenses as referred to by this valuation represent the finance cost incurred by the entity to fund its normal operation or construction during its production and operation. In view of frequent or significant changes in the monetary funds or bank deposits of an entity during its production and operation, the interest income from deposits was not taken into account in the valuation, and neither were contingent profit or loss other than interest-bearing liabilities;

- xvi. The valuation only covered the items as shown in the valuation application form provided by the appointor and the valuated entity, and does not include contingent assets and contingent liabilities that might exist other than those as contained in the list provided by the appointor and the valuated entity;
- xvii. No force majeure that would have a material adverse effect on the valuated entity after the valuation reference date;
- xviii. Inflation was not taken into account in the estimation of the inputs for this valuation.

If there should be any change of the above conditions, the valuation results would generally cease to be effective.

**(3) Valuation Method of this Valuation**

Having a large number of subsidiaries, the valuated entity's shareholding structure is rather complicated and therefore not suitable to adopt the asset-based approach. As its core business is prominent, therefore it is appropriate to adopt a method combined with the income and market approach (comparison method of listed companies). Considering that the market approach reflects the external market price of an enterprise at a certain point in time, the result of which may fluctuate violently due to the influence of a number of factors such as the environment of market investment, the degree of speculations, and the confidence of investors; whereas the income approach is based on the professional analysis of the historical operation of an enterprise, the result of which is obtained by making a reasonable prediction of future incomes of the enterprise. Therefore the result of the income approach is selected as the final conclusion of the valuation.

**(4) Particulars on the Valuation by Income Approach**

*i. General principle of this valuation*

Based on the results of due diligence for this valuation and the assets composition and characteristics of the main businesses of the subject of valuation, the main businesses of the legal entities within the pro forma consolidated financial statements of TCL Electronics were production, research and development and sales of LCD TVs and display products, which should be regarded as the same profit subject. Therefore this valuation exercise was conducted by estimating the equity value of the subject of valuation based on TCL Electronics' audited pro forma consolidated financial statements. To begin with, the value of the operating assets were valued using discounted cash flow method (DCF) based on income sources, plus the value of other non-operating or surplus assets as at the reference date, to derive the enterprise value of the subject of valuation. Then, the interest-bearing debts were deducted from the corporate value to arrive at the value of the total equity value of the subject of valuation.

Basic principles of this valuation:

- A. In respect of the assets and main businesses included in the scope of the financial statements, the expected net cash flow were estimated based on the trend of historical operating conditions in recent years and the types of businesses, and discounted to obtain the value of the operating assets;
- B. Cash assets (liabilities) as at the reference date which were included in the scope of the financial statements but were not taken into account in the expected income (net cash flow) during the valuation, were defined as surplus or non-operating assets (liabilities) existed as at the reference date, and their values were valued separately;
- C. The value of the entire shareholders' equity of the subject of valuation was arrived at by adding the value of the operating assets and of the surplus or non-operating assets derived as mentioned above, and deducting the interest-bearing debts due from the entity.

*ii. Valuation model*

- A. Basic model

The basic model for this valuation is as follows:

$$P = E - M$$

Where:

P: Appraised value of equity interest attributable to owners of the parent company;

E: Appraised value of owners' equity;

M: Appraised value of minority equity interest;

$M = \text{Appraised value of owners' equity} \times \text{percentage of minority equity interests}$

$\text{Percentage of minority equity interests} = \frac{\text{book value of minority equity interests}}{\text{book value of minority equity interests} + \text{book value of equity interest attributable to owners of the parent company}}$ .

Where:

$$E = B - D$$

B: Enterprise value of the subject of valuation;

$$B = P + \sum C_i$$

P: Value of all operating assets of the subject of valuation;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

Where:

$R_i$ : The expected income (free cash flow) of the subject of valuation in the  $i$ th year in the future on a consolidated basis;

$R_n$ : The expected income (free cash flow) of the subject of valuation in a sustainable period on a consolidated basis;

r: Discount rate;

n: The future operating term of the subject of valuation;

$\sum C_i$ : The value of non-operating and surplus assets that exist as at the reference date.

$$C_i = C_1 + C_2 + C_3 + C_4$$

Where:

$C_1$ : Value of wholly-owned, controlling or non-controlling investments that do not reflect investment income in the expected revenue (free cash flow);

$C_2$ : Value of cash or equivalent assets (liabilities) as at the reference date;

$C_3$ : Value of construction in progress that was not taken into account when calculating the income in the expected revenue (free cash flow);

$C_4$ : Value of assets including bad or idle equipment and properties as at the reference date;

D: Value of interest-bearing debts of the subject of valuation.

**B. Income metrics**

In this valuation, the company's free cash flow was used as an income indicator of its operating assets, as defined below:

$$R = \text{net profit} + \text{depreciation and amortization} + \text{post tax interest on interest-bearing debt} - \text{additional capital}$$

Where:

$$\text{Net profit} = \text{operating revenue} - \text{operating cost} - \text{sales tax and surcharges} - \text{expenses for the period (operational expenses} + \text{administrative expenses} + \text{finance costs)} - \text{income tax}$$

$$\text{Depreciation and amortization} = \text{depreciation and amortization in costs and expenses (operational expenses and administrative expenses)}$$

$$\text{Interest on interest-bearing debts net of tax} = \text{total interests on long-term and short-term interest-bearing debt} \times (1 - \text{income tax rate})$$

$$\text{Additional capital} = \text{investment in assets renewal} + \text{incremental working capital} + \text{additional investment in long-term assets}$$

Where:

$$\text{Investment in assets renewal} = \text{renewal of buildings} + \text{replacement of machines and equipment} + \text{replacement of other automation equipment (electronics, transportation and etc.)} + \text{renewal of intangible assets}$$

$$\text{Incremental working capital} = \text{current working capital} - \text{previous working capital}$$

Where:

$$\text{Working capital} = \text{cash reserves} + \text{inventories} + \text{receivables} - \text{payables}$$

Additional investment = additional investment in fixed assets + additional  
in long-term assets investment in intangible or other long-term assets

The expected future free cash flow of an enterprise is calculated according to its operating history and future market development, assuming that it would continue to operate as a going concern for a longer sustainable period after the forecast period, and the expected revenue of the subject of valuation in the sustainable period would be equal to the free cash flow for the final year of the forecast period. The value of the operating assets of the enterprise was calculated by discounting and adding the free cash flow which would be generated in the future operating term.

C. Discount rate

This valuation adopted the weighted average cost of capital model (WACC) to determine the discount rate  $r$

$$r = r_d + w_d + r_e + w_e$$

Where:

$W_d$ : Debt ratio of the subject of valuation;

$$W_d = \frac{D}{(E + D)}$$

$W_e$ : Equity to capital ratio of the subject of valuation;

$$W_e = \frac{E}{(E + D)}$$

$r_e$ : Cost of equity capital, as determined based on the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

Where:

$r_f$ : Risk-free rate of return;

$r_m$ : Market expected return rate;

$\varepsilon$ : Specific risk-adjusted factor of the subject of valuation;

$\beta_e$ : Expected market risk factor of equity capital of the subject of valuation;

D. Determination of forecast period

As the entity had been operating normally with relatively stable business conditions, the forecast period was defined as 5 years for each period, that is, from July 2018 to 2023. The revenue would remain stable starting from 2024 onwards.

E. Determination of yielding period

As the entity would be able to operate as a going concern in the long run through normal renewal of long-term assets including fixed assets, the yielding period was determined on a perpetual basis.

**(5) Particulars on the Valuation by Market Approach**

*i. Selection of comparable listed companies*

TCL Electronics is principally engaged in the research and development, production and sale of LCD TVs, commercial displays and police monitors, and is categorized as the consumer electronics industry. There are listed companies with similar business in the H-shares consumer electronics industry and household appliances industry. Therefore, 15 listed companies principally engaged in similar business have been selected as comparable companies for this valuation.

*ii. Quantifying comparison between TCL Electronics and comparable companies*

This valuation evaluates the performance of the enterprises in four aspects, including profitability, development capability, operating capability and solvency. Specifically, the following 10 indicators are selected as comparable indicators in the valuation system: a. Profitability: operating profit margin, return on total assets, return on net assets; b. Development capacity: operating income growth rate, total assets growth rate; c. Operating capacity: total assets turnover, accounts receivable turnover, inventory turnover; d. Solvency: current ratio, quick ratio.

*iii. Determination of value ratio*

Value ratios used in the market approach of valuation generally include price-to-earnings ratio (PE), price-to-book ratio (PB), price-to-sale ratio (PS), enterprise value to earnings before interests, taxation, depreciation and amortization ratio (EV/EBITA), enterprise value to operating income after tax ratio (EVIAT), etc. Among the above five indicators, enterprise value to earnings before interests, taxation, depreciation and amortization ratio (EV/EBITA) and enterprise value to operating income after tax ratio (EVIAT) focus on the judgment of the overall value of the enterprise; whereas price-to-earnings ratio (PE),

price-to-book ratio (PB) and price-to-sale ratio (PS) focus on the judgment of the value of the equity interest of shareholders. For the purpose of reasonably determining the value of the subject of valuation, it is appropriate to choose price-to-earnings ratio (PE), price-to-book ratio (PB) and price-to-sales ratio (PS) as value ratios.

Based on the characteristics of the enterprise being evaluated, the profitability, financing structure and depreciation and amortization policies, along with other factors are comprehensively considered when determining the value ratios. Combined with the actual situation of the valuated entity, and considering that the company has been established for a long time and has maintained a relatively stable income and profit in the historical years, which indicate a good profitability condition, price-earnings ratio (PE) is selected as the value ratio for this valuation.

*iv. Calculation of comparative benchmark value ratio*

Selection of comparable companies' price-to-earnings ratios: the comparable value ratio selected this time is price-to-earnings ratio (PE).

Based on the weight of 25% for each of the profitability, solvency, operating capacity and development capacity, the ratio adjustment factors for the comparable cases were obtained, which were then multiplied by the corresponding price-to-earnings ratios in the comparable cases to obtain the comparative benchmark price-to-earnings ratios for the comparable cases. The price-to-earnings ratio of the valuated enterprise was derived from the average of the comparative benchmark price-to-earnings ratios of the comparable companies. After excluding the largest deviations, i.e. the maximum and minimum values, the final average value of the comparative benchmark price-to-earnings ratio derived from the comparable companies came up to 9.

*v. Calculation of the value of total equity interest of shareholders of TCL Electronics before deducting liquidity discount*

Since the selected ratio was price-to-earnings (LYR), which corresponded to the latest annual report data, it was multiplied by the net profit attributable to owners of the parent of the valuated enterprise for the year 2017, resulting in the value of TCL Electronics attributable to owners' equity interest of the parent company.

*vi. Value of the subject of valuation attributable to the owners' equity interest of the parent company before deducting liquidity discount:*

Value attributable to the owners' equity interest of the parent company before deducting liquidity discount	=	Net profit attributable to owners of the parent company × comparative benchmark PE ratio
		= RMB793,253,000 × 9.00
		= RMB7,139,277,000

*vii. Determining liquidity discount*

As the evaluated entity and the selected comparable companies are listed companies, their shares have strong liquidity and do not need to consider liquidity discount. Therefore, liquidity discount = 0%.

*viii. Calculation of owners' equity interest attributable to the parent company*

Owners' equity interest attributable to the parent company	=	Value attributable to the owners' equity interest of the parent company before deducting liquidity discount x (1 – liquidity discount)
		= RMB7,139,277,000 x (1 – 0%)
		= RMB7,139,277,000

*ix. Calculation of the value of shareholders' equity interest attributable to the parent company*

According to the consolidated balance sheet as at 30 June 2018, the minority equity interest of the parent company accounted for 0.735% of its owners' equity interest.

Value of shareholders' equity interest attributable to the parent company	=	Entire equity interest of shareholders x (1 – minority interest as a percentage of owners' equity)
		= RMB7,139,277,000 x (1 – 0.735%)
		= RMB7,086,772,400

**UBS AG**

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[www.ubs.com](http://www.ubs.com)

2 October 2019

The Board of Directors

T.C.L. Industries Holdings (H.K.) Limited

8/F, Building 22E, Phase 3, Hong Kong Science Park, Pak Shek Kok, NT, Hong Kong

The Board of Directors

TCL Industries Holdings Co., Ltd.

22/F, TCL Technology Building, 17 Huifeng 3rd Road, Zhongkai Hi-Tech District, Huizhou City, China

Dear Sirs,

We refer to the announcement dated 2 October 2019 jointly issued by TCL Industries Holdings Co., Ltd. (the “**Purchaser**”), T.C.L. Industries Holdings (H.K.) Limited (the “**Offeror**”) and TCL Electronics Holdings Limited (the “**Company**”) (the “**Announcement**”), of which this letter forms part, and the appraisal report dated 3 December 2018 prepared by China United Assets Appraisal Group Co., Ltd (the “**PRC Appraiser**”) (the “**Appraisal Report**”), an independent appraiser engaged by TCL Corporation (the “**Vendor**”) in respect of the valuation of the Offeror (which directly holds a controlling interest in the Company) (the “**Valuation**”). An extract of the Appraisal Report is included in Appendix I of the Announcement.

We note that since the appraised value of the Company stated in Appraisal Report was derived from the discounted future cash flows method, the Valuation constitutes a profit forecast under Rule 10 of the Takeovers Code (the “**Profit Forecast**”). Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Announcement.

This letter is issued in compliance with the requirement under Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. We have reviewed the Profit Forecast and discussed with the management of the Purchaser, the Offeror and the Vendor, and the PRC Appraiser regarding the Profit Forecast, including, in particular, the valuation methodologies, the qualifications, the bases and assumptions adopted in the Appraisal Report and the reasons thereof.

We have also considered the letter from Ernst & Young dated 2 October 2019 addressed to the Company regarding their opinion on whether, so far as the calculations are concerned, the discounted future cash flows have been properly compiled on the basis of the assumptions set out in the Appraisal Report.

We have not independently verified the computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the value of the Company. We have assumed that all information, materials and representations provided to us by the Vendor, the Purchaser, the Offeror, the Company and the PRC Appraiser, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Appraisal Report.

This letter also constitutes a report pursuant to Rule 11.1(b) of the Takeovers Code and sets out our assessment and review of the qualifications and experience of the PRC Appraiser, and the key responsible valuers for the Appraisal Report, being Mr. Yanfei YU and Ms. Aijian LI. We have conducted reasonable checks and assessment of the relevant qualification, experience and expertise of the PRC Appraiser, Mr. Yanfei YU and Ms. Aijian LI, including, among other things, reviewing the professional licences and other supporting documents of the PRC Appraiser, Mr. Yanfei YU and Ms. Aijian LI, and discussing with representatives of the PRC Appraiser the qualifications and experience of Mr. Yanfei YU, Ms. Aijian LI and the PRC Appraiser and confirm that their qualifications and experience meet the applicable legal and regulatory requirements for issuing the Appraisal Report.

On the basis of the foregoing, and the calculations reviewed by Ernst & Young, we are of the opinion that the adoption of the income approach as the valuation methodology as well as the bases and assumptions adopted in the Appraisal Report have been made with due care and objectivity and on a reasonable basis, and that the Profit Forecast, for which the directors of the Offeror and the Purchaser are jointly and severally responsible, has been made with due care and consideration. We are also satisfied that Mr. Yanfei YU, Ms. Aijian LI and the PRC Appraiser are suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

Yours faithfully,

For and on behalf of

**UBS AG Hong Kong Branch**

**Samson LO**

*Managing Director*

**Jun LUO**

*Managing Director*

**SOMERLEY CAPITAL LIMITED**

20th Floor, China Building

29 Queen's Road Central

Hong Kong

2 October 2019

The board of directors  
TCL Electronics Holdings Limited  
7th Floor, Building 22E  
22 Science Park East Avenue  
Hong Kong Science Park, Shatin  
New Territories, Hong Kong

Dear Sirs,

We refer to (a) this joint announcement of TCL Electronics Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 October 2019 in relation to, among others, the mandatory unconditional cash offer by UBS AG, Hong Kong Branch, on behalf of T.C.L. Industries Holdings (H.K.) Limited; and (b) the valuation (the “**Valuation**”) of the market value of 100% equity interests of the Company prepared by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) (the “**Independent Valuer**”), details of which are set out in Appendix I to this joint announcement. Capitalised terms used in this letter shall have the same meanings as defined in this joint announcement unless otherwise specified.

As set out in Appendix I to this joint announcement, the appraised value of the Company has been derived from income approach which takes into account the future cash flow forecast of the Group. As such, the Valuation is regarded as a profit forecast pursuant to Rule 10 of the Takeovers Code and Rule 14.61 of the Listing Rules and is required to be reported on (as set out below). Furthermore, our report on the qualifications and experience of the Independent Valuer to prepare the Valuation is required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us.

We have relied on the information and facts supplied, and the opinion expressed by the Vendor, Purchaser, Company and the Independent Valuer, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied nor verified the computations leading to the appraised value of the Company as detailed in Appendix I to this joint announcement.

Pursuant to the Corporate Finance Adviser Code of Conduct, we have, among others, reviewed the supporting documents relating to the Valuation and discussed with the management of the Vendor and the Independent Valuer regarding the Valuation, including, in particular, the valuation approach, key bases and assumptions, and the forecast upon which the Valuation has been made (the “**Forecast**”). We have also considered the letter dated 2 October 2019 issued by Ernst & Young pursuant to Rule 10 of the Takeovers Code, the text of which is set out in Appendix IV to this joint announcement.

With regard to the qualifications and experience of the Independent Valuer, based on the review work conducted by us, which includes reviewing the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussing the same with the Independent Valuer, we are satisfied that the Independent Valuer is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation competently.

On the basis of the foregoing, we are satisfied that the Forecast, for which the Purchaser is responsible, has been made with due care and consideration. We concur with the Independent Valuer that the income approach is commonly used and is the appropriate method for deriving the appraised value of the Company, and the valuation methodologies as well as the bases and assumptions adopted in the Valuation have been made by the Independent Valuer with due care and objectivity, and on a reasonable basis.

Yours faithfully,

For and on behalf of

**SOMERLEY CAPITAL LIMITED**

**Stephanie CHOW**

*Director*



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

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2 October 2019

The Directors  
TCL Electronics Holdings Limited  
7th Floor, Building 22E,  
22 Science Park East Avenue,  
Hong Kong Science Park,  
Shatin, New Territories, Hong Kong

Dear Sirs,

**REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF TCL ELECTRONICS HOLDINGS LIMITED (“TCL Electronics”)**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation prepared by China United Assets Appraisal Group Co., Ltd. in respect of TCL Electronics as at 30 June 2018 is based. The valuation is disclosed in the announcement jointly issued by TCL Industries Holdings Co., Ltd. (“**TCL Holdings**”), T.C.L. Industries Holdings (H.K.) Limited (“**T.C.L. Industries**”) and TCL Electronics dated 2 October 2019 (the “**Announcement**”) in connection with T.C.L. Industries’ proposed mandatory unconditional cash offer to acquire all the issued shares of TCL Electronics. The Forecast is required to be reported on under Rule 10 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

**DIRECTORS’ RESPONSIBILITIES**

The directors (the “**Directors**”) of TCL Corporation and TCL Electronics are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the headed “Assumptions” in the Appendix I of the Announcement.

**OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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## **APPENDIX XIV      AUDITOR'S LETTER (FOR THE APPRAISAL REPORT)**

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Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions made by the Directors of TCL Corporation and reviewed by the Directors of TCL Electronics. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of TCL Electronics. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 10 of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **OPINION**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions.

Yours faithfully,

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

*To Holders of Share Options and/or Restricted Shares in TCL Electronics Holdings Limited*

Dear Sir or Madam,

**Re: The cash offers made by T.C.L. Industries Holdings (H.K.) Limited to the shares (including Restricted Shares) and Share Options of TCL Electronics Holdings Limited (the “Company”)**

1. You are a holder of Share Option(s) and/or Restricted Shares of the Company based on the information available to the Company.
2. TCL Industries Holdings Co., Ltd, T.C.L. Industries Holdings (H.K.) Limited (the “Offeror”) and the Company had jointly issued an announcement on 2 October 2019 and a composite document on 22 November 2019 in relation to the unconditional mandatory general offer (“General Offer”) made by the Offeror to the shares of the Company, among others, including the offer to acquire the Restricted Shares and for cancellation of the outstanding Share Options.
3. The Share Option(s) and/or Restricted Shares held by you are subject to the General Offer and the following summarizes your option as a holder thereof:

	<b>Holder(s) of Share Options<sup>(1)</sup></b>	<b>Holder(s) of Restricted Shares<sup>(1)</sup></b>
<b>Offer Price</b>	HK\$0.0001 per Share Option	HK\$3.23 per Restricted Share <sup>(2)</sup>
<b>Options</b>	<p>Irrespective of whether the Share Option(s) are exercisable or not:</p> <ol style="list-style-type: none"> <li>1. If you accept the Option Offer, you will receive HK\$0.0001 per Share Option and the Share Option(s) together with all rights attaching thereto will be cancelled and renounced in their entirety.</li> <li>2. If you are the holder of a Share Option that is not exercisable, you are still entitled to accept the Option Offer in the manner set out in paragraph 1. If you do not accept the Option Offer, your Share Options will still be subject to the original exercise schedule and exercise price. You may exercise your Share Options at any time after such Share options become exercisable in accordance with the terms thereof.</li> </ol>	<ol style="list-style-type: none"> <li>1. If you accept the Share Offer, please give a written notice of acceptance to the Human Resources Department of the Company at least three (3) Business Days before the Closing Date of the Mandatory General Offer and in such case, the Restricted Shares will vest pursuant to the relevant rules of the Restricted Share Award Scheme and form part of the Offer Shares and be subject to the Share Offer, you will receive HK\$3.23 per Restricted Share<sup>(2)</sup>.</li> <li>2. If you do not accept the Share Offer, please give a written notice of non-acceptance to the Human Resources Department of the Company within the aforesaid period. If no reply is obtained from you within the aforesaid period, the Company will assume that you do not intend to accept the Share Offer. In such case, your Restricted Share(s) shall remain unvested and will be vested in accordance with their respective original vesting schedules.</li> </ol>

*Notes:*

1. Please refer to Appendix I of the composite document for the arrangements, terms and procedures of the General Offer. You can download the composite document from the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([electronics.tcl.com](http://electronics.tcl.com)).
2. If you accept the Share Offer after 29 November 2019, the offer price will be adjusted to HK\$3.1244 per Restricted Share as an interim dividend of HK10.56 cents per Share will be payable to shareholders whose names appear on the register of members of the Company at 4:30 p.m. on 29 November 2019.

For further details of the General Offer, please refer to the composite document of the Company. Should you have any queries, please contact Human Resources Department of the Company.

TCL Electronics Holdings Limited  
22 November 2019

*This notice shall be read in conjunction with the attached composite document of the Company regarding the cash offers for shares and share options in the Company. Unless the context otherwise requires, capitalised terms used in this notice shall have the same meanings as in the composite document.*

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

*The directors of TCL Industries Holdings Co., Ltd and the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this notice and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this notice have been arrived at after due and careful consideration and there are no other facts not contained in this notice, the omission of which would make any statements in this notice misleading.*