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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE INTERNET TV COOPERATION AGREEMENT

INTERNET TV COOPERATION AGREEMENT

Since 2014, the Group has been cooperating and collaborating with Tencent Group to establish a leading Internet-based content ecosystem.

In an attempt to improve its software experience, and to integrate its smart TV platform and user operation to enhance user experience and platform capabilities and expand the content for operation, on 7 March 2017, the Company entered into the Original Internet TV Cooperation Agreement with Tencent Computer (a subsidiary of Tencent Holdings), pursuant to which, among others, Tencent Computer shall cooperate with the Company to provide Film & TV Services to end-users of designated products of Falcon Network Technology Group in accordance with the terms and conditions thereof.

On 22 March 2019, Falcon Network Technology became a subsidiary of the Company following the completion of the acquisition of approximately 15.56% of equity interest of Falcon Network Technology by King Electrical (a subsidiary of the Company) pursuant to a sale and purchase agreement dated 23 January 2019. At that time, Tencent Cyber, a wholly-owned subsidiary of Tencent Holdings, held approximately 16.67% of Falcon Network Technology, and hence each of Tencent Holdings, Tencent Cyber and Tencent Computer has become a connected person of the Company at the subsidiary level and the transactions contemplated under the Internet TV Cooperation Agreement have constituted continuing connected transactions of the Company with connected person at the subsidiary level since 22 March 2019. Nevertheless, as none of the applicable percentage ratios (other than the profits ratio) with reference to the Original Annual Caps set in respect of such transactions exceeded 1%, the continuing connected transactions contemplated thereunder were fully exempt under Rule 14A.76(1)(b) of the Listing Rules.

In view of the increase in business scale and transaction volume of Falcon Network Technology Group, the Board has resolved to revise the Original Annual Caps for the continuing connected transactions contemplated under the Internet TV Cooperation Agreement to the Revised Annual Caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent Cyber, a wholly-owned subsidiary of Tencent Holdings, held approximately 16.67% of Falcon Network Technology, and as such Tencent Holdings is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Tencent Computer, a subsidiary of Tencent Holdings, is therefore also a connected person of the Company at the subsidiary level.

The Board has approved the continuing connected transactions under the Internet TV Cooperation Agreement and the Revised Annual Caps and the independent non-executive Directors also confirmed that the Internet TV Cooperation Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms thereof (including the Revised Annual Caps) are fair and reasonable. As none of the Directors had a material interest in the above transactions, none of them was required to abstain from voting on the relevant resolutions approving the above transactions. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the continuing connected transactions contemplated under the Internet TV Cooperation Agreement are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and the Shareholders' approval requirements.

As the term of the Internet TV Cooperation Agreement exceeds 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to explain why the Internet TV Cooperation Agreement requires a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

BACKGROUND

Since 2014, the Group has been cooperating and collaborating with Tencent Group to establish a leading Internet-based content ecosystem.

In an attempt to improve its software experience, and to integrate its smart TV platform and user operation to enhance user experience and platform capabilities and expand the content for operation, on 7 March 2017, the Company entered into the Original Internet TV Cooperation Agreement with Tencent Computer (a subsidiary of Tencent Holdings), pursuant to which, among others, Tencent Computer shall cooperate with the Company to provide Film & TV Services to end-users of designated products of Falcon Network Technology Group in accordance with the terms and conditions thereof.

Falcon Network Technology was established in May 2017 to engage in the smart TV platform operation business and was positioned as the focal point of the cross-sector cooperation between the Group and Tencent Computer, in which Falcon Network Technology was to provide the “Intelligence + Internet” new business model, combining joint content operation, membership consolidation as well as implanted marketing, co-branding strategy and other promotions capitalising on complementary resources, thereby allowing Falcon Network Technology to possess a complete upstream and downstream industry chain and a comprehensive service system. In order to deepen the cooperation in various areas such as content sharing, product innovation, marketing, and member operations to enhance cross-sector strategic resources complementation and software and hardware collaboration, on 2 July 2017, Falcon Network Technology entered into a capital injection agreement with Tencent Cyber (a subsidiary of Tencent Holdings) in respect of a strategic investment of RMB450 million by Tencent Cyber for a then 16.67% equity interest in Falcon Network Technology. Immediately following the completion of the capital injection on 1 September 2017 and up to the date of this announcement, Tencent Holdings, through its wholly-owned subsidiary, Tencent Cyber, is interested in 16.67% equity interest of Falcon Network Technology, while Falcon Network Technology ceased to be a subsidiary of the Company for the period from 1 September 2017 to 21 March 2019. For more details of such capital increase arrangement, please refer to the Company’s announcements dated 2 July 2017 and 1 September 2017 respectively.

Following the establishment of Falcon Network Technology, the Company and/or other members of the Group entered into the Supplemental Agreements with Tencent Computer to supplement and amend the Original Internet TV Cooperation Agreement to, among others, allow other members of Falcon Network Technology Group to participate in the cooperation with Tencent Computer.

On 22 March 2019, Falcon Network Technology became a subsidiary of the Company following the completion of the acquisition of approximately 15.56% of equity interest of Falcon Network Technology by King Electrical (a subsidiary of the Company) pursuant to a sale and purchase agreement dated 23 January 2019. For more information, please refer to the announcement of the Company dated 23 January 2019. Accordingly, since 22 March 2019 and up to the date of this announcement, each of Tencent Holdings, Tencent Cyber and Tencent Computer is a connected person of the Company at the subsidiary level and the transactions contemplated under the Internet TV Cooperation Agreement constitute continuing connected transactions of the Company with connected person at the subsidiary level. The Company has set the Original Annual Caps in respect of the foregoing continuing connected transactions since then and as none of the applicable percentage ratios (other than the profits ratio) with reference to the Original Annual Caps exceeded 1%, the continuing connected transactions contemplated thereunder were fully exempt under Rule 14A.76(1)(b) of the Listing Rules.

In view of the increase in business scale and transaction volume of Falcon Network Technology Group, the Board has resolved to revise the Original Annual Caps for the continuing connected transactions contemplated under the Internet TV Cooperation Agreement to the Revised Annual Caps.

Internet TV Cooperation Agreement

As of the date of this announcement, the material terms of the Internet TV Cooperation Agreement are set out below:

Duration: A maximum of 10 years from 7 March 2017 to 6 March 2027 (both dates inclusive)

Major terms: Tencent Computer would provide users of Internet TV products of the Group with a wide range of Internet TV content whilst the Group would promote and provide relevant and related value-added services to Tencent Computer, details of which are summarised as follows:

VOD Online Services

Tencent Computer shall provide Film & TV Services to end-users of designated products of Falcon Network Technology Group, and Tencent Computer is responsible for the system services and maintenance of the Film & TV Services platform. The Group shall not install into the designated products of Falcon Network Technology Group free-of-charge film & TV contents other than those provided by Tencent Computer or paid contents identical to those provided by Tencent Computer. With prior written notice to the Group, Tencent Computer may adjust the Film & TV Services provided (including but not limited to online and offline arrangements and price adjustments), in order to align with the overall product strategy of Tencent Computer. The Group is not required to pay Tencent Computer any licence fee for cooperation in this respect.

The Group will pay Tencent Computer a portion of AV Payment Income generated from the users' consumption of the VOD Online Services, which will vary depending on the type of Film & TV Services involved.

Procurement of Tencent platform resources

The Group will procure resources available on Tencent platform from Tencent Computer from time to time and Tencent Computer will offer discount to the Group for such procurement. If there is any change to the discount policy of Tencent Computer, the Group and Tencent Computer could agree to adjustments to the discount policy at most once per year. In such case, Tencent Computer will refund a portion of the total procurement amount paid by the Group for that year.

TV commercials

Where Tencent Computer derives income from broadcasting TV commercials on designated products of Falcon Network Technology Group, the Group would receive a portion of the TV Commercials Distributable Income generated in that respect.

Online membership income

If users purchase Tencent online membership via designated products of Falcon Network Technology Group for contents provided by Tencent Computer, the Group would receive from Tencent Computer a portion of income generated from such purchase.

Value-added services

The Group will from time to time provide certain value-added services to Tencent Computer, which are ancillary to and/or in support of the provision of digital content by Tencent Computer to end-users of Falcon Network Technology Group's Internet TV business, and the Group will receive from Tencent Computer service fees arising from and in connection with such value-added services.

Payment terms:

The Group and Tencent Computer will confirm to each other their relevant portion of Operating Income quarterly/semiannually and depending on the type of cooperation as aforesaid, the Group or Tencent Computer (as the case may be) shall settle the relevant amount within the designated period stipulated in the relevant value-added tax invoice after receiving the such invoice from the other party.

HISTORICAL FIGURES AND THE ORIGINAL ANNUAL CAPS

The transactions contemplated under the Internet TV Cooperation Agreement became continuing connected transactions of the Company with connected person at the subsidiary level only since 22 March 2019 when Falcon Network Technology became a subsidiary of the Company, thus the Original Annual Caps for the year ended 31 December 2019 were set for the period from 22 March 2019 to 31 December 2019. As such, the actual transaction amount under some of the heads for the period from 1 January 2019 to 31 December 2019 under the Internet TV Cooperation Agreement may be larger than the respective Original Annual Caps for the year ended 31 December 2019, but none of the applicable percentage ratios (other than the profits ratio) with reference to the Original Annual Caps nor the actual transaction amount in respect of such transactions under the Internet TV Cooperation Agreement for the period from 22 March 2019 to 31 December 2019 exceeded 1%.

The following table sets out the respective historical figures of the Internet TV Cooperation Agreement for the three years ended 31 December 2019 and for the four months ended 30 April 2020, and the Original Annual Caps for the two years ending 31 December 2020:

	For the year ended 31 December 2017 HK\$'000	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2019 (for actual amount only)/ For the period from 22 March 2019 to 31 December 2019 (for Original Annual Cap only) HK\$'000	For the four months ended 30 April 2020 (for actual amount only)/ For the year ending 31 December 2020 (for Original Annual Cap only) HK\$'000
VOD Online Services fee				
– Original Annual Cap	N/A	N/A	103,450	103,450
– Actual amount	16,360	54,880	102,288	63,351
Procurement of Tencent platform resources fee				
– Original Annual Cap	N/A	N/A	35,000	42,000
– Actual amount	15,483	13,892	34,790	13,391
TV Commercials Distributable Income				
– Original Annual Cap	N/A	N/A	103,450	103,450
– Actual amount	56,813	94,443	132,652	56,377
Online membership income				
– Original Annual Cap	N/A	N/A	32,000	38,400
– Actual amount	43,192	24,532	25,141	7,554
Value-added services income				
– Original Annual Cap	N/A	N/A	18,000	23,400
– Actual amount	11,288	5,383	5,265	1,784

REVISION OF ANNUAL CAPS

The following table sets out the Original Annual Caps and the Revised Annual Caps of the continuing connected transactions under the Internet TV Cooperation Agreement for the period from 1 January 2020 to 6 March 2027:

	For the year ending 31 December 2020 <i>HK\$'000</i>	For the year ending 31 December 2021 <i>HK\$'000</i>	For the year ending 31 December 2022 <i>HK\$'000</i>	For the year ending 31 December 2023 <i>HK\$'000</i>	For the year ending 31 December 2024 <i>HK\$'000</i>	For the year ending 31 December 2025 <i>HK\$'000</i>	For the year ending 31 December 2026 <i>HK\$'000</i>	For the period from 1 January 2027 to 6 March 2027 <i>HK\$'000</i>
VOD Online Services fee								
– Original Annual Cap	103,450	103,450	N/A	N/A	N/A	N/A	N/A	N/A
– Revised Annual Cap	272,615	436,184	697,895	977,053	1,367,874	1,846,630	2,492,951	841,371
Procurement of Tencent platform resources fee								
– Original Annual Cap	42,000	50,400	N/A	N/A	N/A	N/A	N/A	N/A
– Revised Annual Cap	79,438	127,101	203,361	284,706	398,588	558,023	781,232	273,431
TV Commercials Distributable Income								
– Original Annual Cap	103,450	103,450	N/A	N/A	N/A	N/A	N/A	N/A
– Revised Annual Cap	247,390	395,825	633,319	886,647	1,241,306	1,737,829	2,432,960	851,536
Online membership income								
– Original Annual Cap	38,400	46,080	N/A	N/A	N/A	N/A	N/A	N/A
– Revised Annual Cap	35,484	37,258	39,121	43,033	47,337	52,070	57,277	15,751
Value-added services income								
– Original Annual Cap	23,400	30,420	N/A	N/A	N/A	N/A	N/A	N/A
– Revised Annual Cap	14,085	34,974	63,921	89,490	134,235	201,353	302,029	113,261

BASIS FOR DETERMINATION OF THE REVISED ANNUAL CAPS

The Revised Annual Caps are determined with reference to the historical amounts of the relevant transactions and having taken into account the following factors:

- (i) The Group has been proactively improving the user experience of its Internet business and enriching its platform content. The revenue derived from services provided by Falcon Network Technology Group reached approximately HK\$546 million for the financial year ended 31 December 2019, up by approximately 50.7% year-on-year, with an average revenue per user (“ARPU”) of HK\$34.9. The profit derived from services provided by Falcon Network Technology Group was approximately HK\$175 million for the financial year ended 31 December 2019, representing a significant increase of approximately 137.8% year-on-year;
- (ii) The user base and user loyalty of the Group’s Internet business have further improved in recent years. As of 31 December 2019, the cumulative number of activated users of the Group’s Internet business around the world reached 42.34 million with an increase of 32.7% year-on-year. Moreover, as of December 2019, the global average daily number of active users reached 20.79 million with an increase of 36.1% over the year 2018 and the average time spent on TV per user per day increased to 5.7 hours;
- (iii) Despite the outbreak of novel coronavirus disease 2019 (COVID-19), the user base and revenue of Falcon Network Technology Group have both recorded substantial growth for the period from January to April 2020. During such period, the average daily time spent on TV per user under the Group’s Internet TV business steadily grew to 6.6 hours, up by 23.2% year-on-year. In particular, the average daily time spent on TV per user under the Group’s Internet TV business surged to 7.8 hours in February 2020. In the first four months of 2020, the Group’s total number of global activated users increased by 29.9%, reaching 45.96 million, while the average daily number of global active users of the Group’s Internet TV business reached 23.41 million, up by 33.5% year-on-year, as a result of Falcon Network Technology Group’s effort in expanding its user base. As of April 2020, the number of its existing subscribers has significantly increased by 122.3% year-on-year;
- (iv) The Group’s Internet TV business has now entered into the growth phase following the first few years of launch phase and is expected to experience continuing rapid growth. In particular, with reference to the historical financial information of Falcon Network Technology and the market trend, it is expected that the Internet TV business of Falcon Network Technology would continue to expand in the following years and as a result the income generated from VOD Online Services, TV commercials and provision of value-added services, and the volume of resources to be procured on Tencent platform are expected to experience explosive development in the coming years;

- (v) It is expected that the income derived from the purchase of online membership by users of Falcon Network Technology Group will continue its organic growth in the future in light of its strategic business planning; and
- (vi) It is expected that the gross domestic product of the PRC would maintain a steady growth and the Renminbi would appreciate in the future.

PRICING POLICY AND INTERNAL CONTROL

In respect of services provided by Tencent Computer to the Group under the Internet TV Cooperation Agreement, the overall terms (including the amount of payment to be made to Tencent Computer and the relevant payment terms) offered by Tencent Computer shall be no less favourable than (i) those offered by Tencent Computer to other Independent Third Parties; and/or (ii) those offered by other Independent Third Parties to the Group for similar cooperation arrangement.

In respect of services provided by the Group to Tencent Computer under the Internet TV Cooperation Agreement, the overall terms (including the portion of income to be received by the Group and the relevant payment terms) offered by the Group shall be no more favourable than those offered or to be offered by the Group to other Independent Third Parties for similar cooperation arrangement.

In determining if the overall terms under the Internet TV Cooperation Agreement are provided on normal commercial terms, the Group shall obtain quotations from other Independent Third Parties for comparable cooperation arrangement on a periodic basis and make comparisons.

If there are no comparable terms offered to the Group by other Independent Third Parties for comparable services, the overall terms of the cooperation arrangement with Tencent Computer shall then be determined after negotiations at arms' length between the parties and shall be on normal commercial terms.

The Company will closely monitor the transaction amounts pursuant to the Internet TV Cooperation Agreement by developing management accounts for continuing connected transactions and designating specialists for management and maintenance, and consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis to ensure the transaction amounts would not exceed the Revised Annual Caps. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps.

The independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transaction amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions.

REASONS FOR AND BENEFITS OF THE INTERNET TV COOPERATION AGREEMENT

- (i) As one of the leading digital content providers in the PRC, Tencent Group offers a wide range of attractive self-commissioned and licensed content, including but not limited to top films and popular drama series, variety shows and sports content, many of which are exclusively available on Tencent Group's video platform. Such appealing range of content helps enhance the stickiness of terminal users;
- (ii) The entering into of the Internet TV Cooperation Agreement is advantageous to the consolidation of the Internet TV industry supply chain (OTT industry) resources, and also facilitates the cooperation with quality business partners to create a win-win ecosystem to unleash the synergy effect;
- (iii) Tencent Group would promote to the market the products designated by Falcon Network Technology Group pursuant to the terms of the Internet TV Cooperation Agreement, which could enhance the popularity of the Falcon brand;
- (iv) With the Internet TV Cooperation Agreement, Falcon Network Technology Group and Tencent Group may cooperate in exploring services in family Internet set-up (such as games, e-commerce and live streaming) to enhance operational value; and
- (v) Since the entering into of the Internet TV Cooperation Agreement, the Group has yielded significant benefits from the resources consolidation advantage, while the user scale and ARPU value of Falcon Network Technology Group saw rapid growth. The cooperation also helps Falcon Network Technology Group to grasp the golden opportunity of online sales to increase its market share; it is expected such cooperation would continue to contribute to Falcon Network Technology Group's revenue and net profit.

Based on the above, the Directors consider that the terms of the Internet TV Cooperation Agreement and the transactions contemplated thereunder and the Revised Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and it is in the interests of the Company and the Shareholders as a whole to enter into the Internet TV Cooperation Agreement and the transactions contemplated thereunder.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the term of the Internet TV Cooperation Agreement exceeds 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to issue an independent opinion which is stated below.

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

- (i) The Company is an investment holding company, and its subsidiaries are principally engaged in the manufacture and sale of a wide range of consumer electronics products including TV sets. The Group distributes its products in all major markets globally;
- (ii) Tencent Computer is principally engaged in the provision of value-added services and Internet advertisement services in the PRC;
- (iii) Pursuant to the Internet TV Cooperation Agreement, among others, Tencent Computer shall cooperate with the Company to provide Film & TV Services to end-users in accordance with the terms and conditions thereof;
- (iv) Before Tencent Computer became a connected person of the Company, both parties had been cooperating with each other in respect of Internet TV successfully. The entering into of the Internet TV Cooperation Agreement enables the Group to consolidate its Internet TV industry supply chain (OTT industry) resources, and cooperate with quality business partners to create a win-win ecosystem which can unleash the synergy effect;
- (v) The Internet TV Cooperation Agreement of more than 3 years is in the interest of the Company and its shareholders as a whole, as it will enable both parties to save the monetary and time costs required for renegotiating renewal terms in relation to the cooperation. Taking Tencent Computer as a long-term cooperative partner also enables the Group to secure long-term benefits in the fiercely competitive Internet video industry given the resources, such as technology and networks, of Tencent Holdings;
- (vi) It is a normal business practice for agreements with nature similar to the Internet TV Cooperation Agreement to have a term of such duration. Pelican Financial Limited has identified and reviewed 20 transactions involving similar cooperation agreements related to Internet video or OTT that had a duration of more than 3 years, all of which were entered into and disclosed by Hong Kong- and/or China-listed companies during the period between 1 May 2010 and the date of this announcement, being a period of more than 10 years prior to the date of this announcement (the “Comparable Transactions”). Noteworthy, Pelican Financial Limited had extended its research by taking into account the Comparable

Transactions entered into and disclosed by China-listed companies, since (a) the amount of Comparable Transactions of Hong Kong-listed companies as disclosed on the website of the Stock Exchange is limited; and (b) the Comparable Transactions of China-listed companies are similar to those of Hong Kong-listed companies; and

- (vii) Based on the Comparable Transactions, Pelican Financial Limited noted that (a) the duration of the Comparable Transactions ranged from 5 to 15 years, with nine of them having a duration of more than ten years; and (b) the average and median duration terms of the Comparable Transactions were approximately 8.7 years and 8 years respectively. Accordingly, the maximum duration of 10 years of the Internet TV Cooperation Agreement falls within the range of the duration of the Comparable Transactions and is close to the average thereof.

Having considered the principal factors discussed above, Pelican Financial Limited is of the view that it is a normal business practice for agreements with nature similar to the Internet TV Cooperation Agreement to have a duration of more than three years.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent Cyber, a wholly-owned subsidiary of Tencent Holdings, held approximately 16.67% of Falcon Network Technology, and as such Tencent Holdings is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Tencent Computer, a subsidiary of Tencent Holdings, is therefore also a connected person of the Company at the subsidiary level.

The Board has approved the continuing connected transactions under the Internet TV Cooperation Agreement and the Revised Annual Caps and the independent non-executive Directors also confirmed that the Internet TV Cooperation Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms thereof (including the Revised Annual Caps) are fair and reasonable. As none of the Directors had a material interest in the above transactions, none of them was required to abstain from voting on the relevant resolutions approving the above transactions. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the continuing connected transactions contemplated under the Internet TV Cooperation Agreement are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and the Shareholders' approval requirements.

As the term of the Internet TV Cooperation Agreement exceeds 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Pelican Financial Limited as the Independent Financial Adviser to explain why the Internet TV Cooperation Agreement requires a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

GENERAL INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sale of a wide range of consumer electronics products including TV sets. The Group distributes its products in all major markets globally. For more information on the Group, please visit its official website at <http://electronics.tcl.com> (the information that appears in this website does not form part of this announcement).

Falcon Network Technology Group is principally engaged in Internet TV platform operation business.

Based on the information provided by Tencent Computer, Tencent Computer is principally engaged in the provision of value-added services and Internet advertisement services in the PRC and it is a wholly-owned subsidiary of Tencent Holdings.

DEFINITIONS

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

“AV Payment Income”	the payment income derived from the provision of Film & TV Services on designated products of Falcon Network Technology Group, without any deductions (such as licence fee, system administrative fee or tax)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01070)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Falcon Digital”	Shenzhen Falcon Digital Entertainment Technology Co., Ltd.* (深圳市雷鳥數字娛樂科技有限公司), previously known as Hawk Digital Entertainment Technology (Shenzhen) Co., Ltd.* (豪客數字娛樂科技(深圳)有限公司), a limited liability company established and subsisting under the laws of the PRC, which is effectively controlled by Falcon Network Technology by way of contractual arrangement. For details of the contractual arrangement, please refer to the announcement of the Company dated 23 July 2019
“Falcon Network Media”	Shenzhen Falcon Network Media Co., Ltd.* (深圳市雷鳥網絡傳媒有限公司), a limited liability company established and subsisting under the laws of the PRC, and a wholly-owned subsidiary of Falcon Network Technology
“Falcon Network Technology”	Shenzhen Falcon Network Technology Co., Ltd.* (深圳市雷鳥網絡科技有限公司), a limited liability company established and subsisting under the laws of the PRC, and as the date of this announcement is held by King Electrical as to 15.56% and by FFalcon as to 44.44%
“Falcon Network Technology Group”	Falcon Network Technology and its subsidiaries
“FFalcon”	FFalcon Technology Holding Limited, a limited liability company incorporated and subsisting under the laws of Hong Kong and a subsidiary of the Company
“Film & TV Services”	the film & TV content which has been pre-installed in designated products of Falcon Network Technology Group, applications or software development kits which offer Internet film and TV service products provided by Tencent Computer, including but not limited to new films, film database, paid and free streaming of new dramas
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Financial Adviser” or “Pelican Financial Limited”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise on the term of the Internet TV Cooperation Agreement
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its Subsidiaries and their respective associates
“Internet”	a global network of interconnected, separately administered public and private computer networks that uses the Transmission Control Protocol/Internet Protocol for communications
“Internet TV Cooperation Agreement”	the Original Internet TV Cooperation Agreement as supplemented and/or amended from time to time (including but not limited to being supplemented and/or amended by the Supplemental Agreements)
“Internet TV Cooperation 1st Supplemental Agreement”	the Internet TV cooperation supplemental agreement dated 26 July 2017 entered into among the Company, Falcon Network Technology and Tencent Computer
“Internet TV Cooperation 2nd Supplemental Agreement”	the Internet TV cooperation 2nd supplemental agreement dated 23 August 2017 entered into among the Company, Falcon Network Technology, Falcon Network Media and Tencent Computer
“Internet TV Cooperation 3rd Supplemental Agreement”	the Internet TV cooperation 3rd supplemental agreement entered into between Falcon Network Media and Tencent Computer with effect from 1 January 2019
“Internet TV Cooperation 4th Supplemental Agreement”	the Internet TV cooperation 4th supplemental agreement entered into between Falcon Network Media and Tencent Computer with effect from 1 April 2019
“Internet TV Cooperation 5th Supplemental Agreement”	the Internet TV cooperation 5th supplemental agreement entered into between Falcon Network Media and Tencent Computer with effect from 1 May 2019

“Internet TV Cooperation 6th Supplemental Agreement”	the Internet TV cooperation 6th supplemental agreement entered into among Falcon Network Technology, Falcon Network Media, Falcon Digital and Tencent Computer with effect from 1 June 2019
“Internet TV Cooperation 7th Supplemental Agreement”	the Internet TV cooperation 7th supplemental agreement entered into between Falcon Network Media and Tencent Computer with effect from 1 July 2019
“Internet TV Cooperation 8th Supplemental Agreement”	the entity information variation agreement entered into between Falcon Digital and Tencent Computer with effect from 1 October 2019
“King Electrical”	TCL King Electrical Appliances (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司), a company established under the laws of PRC with limited liability and an indirect subsidiary of the Company
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“Operating Income”	AV Payment Income and TV Commercials Distributable Income
“Original Annual Cap(s)”	the original annual cap(s) for the continuing connected transactions contemplated under the Internet TV Cooperation Agreement
“Original Internet TV Cooperation Agreement”	the Internet TV cooperation agreement dated 7 March 2017 entered into between the Company and Tencent Computer
“OTT”	over-the-top
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Qiwei Supplemental Agreement”	the supplemental agreement to the Original Internet TV Cooperation Agreement dated 21 November 2019 entered into among the Company, Qiwei Technology and Tencent Computer

“Qiwei Technology”	Shenzhen Qiwei Technology Development Company Limited* (深圳市七威科技開發有限公司), a limited liability company established under the laws of the PRC, and a then wholly-owned subsidiary of the Company, which has been liquidated as at the date of this announcement
“Revised Annual Cap(s)”	the revised annual cap(s) for the continuing connected transactions contemplated under the Internet TV Cooperation Agreement
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“Supplemental Agreements”	collectively Qiwei Supplemental Agreement, Internet TV Cooperation 1st Supplemental Agreement, Internet TV Cooperation 2nd Supplemental Agreement, Internet TV Cooperation 3rd Supplemental Agreement, Internet TV Cooperation 4th Supplemental Agreement, Internet TV Cooperation 5th Supplemental Agreement, Internet TV Cooperation 6th Supplemental Agreement, Internet TV Cooperation 7th Supplemental Agreement and Internet TV Cooperation 8th Supplemental Agreement
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Tencent Holdings
“Tencent Cyber”	Tencent Cyber (Shenzhen) Company Limited* (騰訊數碼(深圳)有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Tencent Holdings
“Tencent Group”	Tencent Holdings and its subsidiaries

“Tencent Holdings”	Tencent Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange with the stock code 0700.HK
“TV”	television
“TV Commercials Channel Costs”	the channel agent fee paid by Tencent Computer to relevant TV commercial channel agents
“TV Commercials Distributable Income”	the net income derived from broadcasting TV commercials on designated products of Falcon Network Technology Group after deducting bad debts, TV Commercials Channel Costs and tax (including 6% value-added tax and 3% cultural construction fee)
“VOD Online Services”	the provision of Film & TV Services by Tencent Computer to end-users of designated products of Falcon Network Technology Group
“%”	percent

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 22 June 2020

The English translation of Chinese names or words in this announcement, where indicated by “”, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Board comprises Mr. LI Dongsheng, Mr. WANG Cheng Kevin, Mr. YAN Xiaolin and Mr. HU Lihua as executive Directors, Mr. Albert Thomas DA ROSA, Junior, Mr. SUN Li, and Mr. LI Yuhao as non-executive Directors and Mr. Robert Maarten WESTERHOF, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.