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## **TCL ELECTRONICS HOLDINGS LIMITED**

### **TCL 電子控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

#### **(1) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND (2) MAJOR TRANSACTION – ADVANCES TO AN ENTITY AND PROVISION OF FINANCIAL ASSISTANCE UNDER MASTER FINANCIAL (2022-2024) AGREEMENT**

##### **INTRODUCTION**

On 11 November 2021 (after trading hours), the Company entered into the following Agreements with TCL Holdings and/or Finance Company (HK) and the transactions contemplated thereunder constitute continuing connected transactions of the Company:

1. Master Sale and Purchase (2022-2024) Agreement;
2. Master Services (2022-2024) Agreement;
3. Master Financial (2022-2024) Agreement;
4. Master Brand Promotion (2022-2024) Agreement; and
5. Master Rental (2022-2024) Agreement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 1,260,358,288 Shares, representing approximately 50.82% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Holdings. As such, T.C.L. Industries (H.K.) is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Holdings is the holding company of T.C.L. Industries (H.K.), it is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. Further, as Finance Company (HK) is a direct subsidiary of T.C.L. Industries (H.K.), it is also an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the Agreements therefore constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of the Master Sale and Purchase (2022-2024) Agreement, Master Services (2022-2024) Agreement, Master Financial (2022-2024) Agreement and the Master Brand Promotion (2022-2024) Agreement (i.e. agreements for the Non-exempt Transactions) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Deposit Services and the Credit Services under the Master Financial (2022-2024) Agreement exceed 25%, the aforementioned transactions constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Credit Services under the Master Financial (2022-2024) Agreement exceeds 8%, the aforementioned transactions also constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Rental (2022-2024) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempted from the circular (including independent financial advice) and Shareholders' approval under Rule 14A.76(2)(a) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

On 11 November 2021 (after trading hours), the Company entered into the following Agreements with TCL Holdings and/or Finance Company (HK) and the transactions contemplated thereunder constitute continuing connected transactions of the Company:

1. Master Sale and Purchase (2022-2024) Agreement;
2. Master Services (2022-2024) Agreement;
3. Master Financial (2022-2024) Agreement;
4. Master Brand Promotion (2022-2024) Agreement; and
5. Master Rental (2022-2024) Agreement.

The above Agreements are in substance renewal of the Existing Agreements and the terms of the renewal agreements are substantially the same as the Existing Agreements, save as otherwise specified below, and except for the Master Financial (2022-2024) Agreement which consolidates and integrates the scope of services under the Master Financial Agreement (TCL Holdings) (2020-2022) and Master Financing Services (2021-2022) Agreement and further expands the scope of services to cover Foreign Exchange Transactions.

## CONTINUING CONNECTED TRANSACTIONS

Set out below are details of the continuing connected transactions:

### ***1. Master Sale and Purchase (2022-2024) Agreement***

On 14 June 2019, the Company entered into the Master Sale and Purchase (2019-2021) Agreement with TCL Holdings, which will expire on 31 December 2021. For details, please refer to the June 2019 Circular. As the Company and TCL Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 11 November 2021 (after trading hours) entered into the Master Sale and Purchase (2022-2024) Agreement with TCL Holdings, subject to Shareholders' approval.

The Master Sale and Purchase (2022-2024) Agreement is on substantially similar terms as the Master Sale and Purchase (2019-2021) Agreement, with the major differences set out as follows:

- (i) the expansion of the scope of Electronics Products to cover, among others, (a) all products manufactured, produced or otherwise sold or distributed by the Group rather than only electronic consumer products manufactured, produced or otherwise sold or distributed by the Group; and (b) waste products arising from manufacturing or production process of the Group rather than only waste products arising from manufacturing or production of electronic consumer goods by the Group;

- (ii) the relevant member of the Group may no longer demand the relevant member of TCL Holdings Group to purchase back the TCL Associates Products if such products remain unsold to third parties for six months; and
- (iii) the Master Sale and Purchase (2022-2024) Agreement will be for a term of 3 years.

The material terms of the Master Sale and Purchase (2022-2024) Agreement are summarised below:

Date:	11 November 2021 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of the Group); and  (ii) TCL Holdings (for itself and on behalf of TCL Holdings Group).
Duration:	From 1 January 2022 or the Shareholders' Approval Date (whichever is later) to 31 December 2024 (both days inclusive).
Condition precedent:	The Master Sale and Purchase (2022-2024) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Sale and Purchase (2022-2024) Agreement, including but not limited to obtaining the Shareholders' approval at the EGM.
Major terms:	<b>Sourcing of TCL Associates Products</b>  Each member of the Group may, at its absolute discretion, request to purchase its required TCL Associates Products from members of TCL Holdings Group. Upon receiving purchase request from members of the Group, TCL Holdings may, at its absolute discretion, procure the relevant member of TCL Holdings Group to sell to the relevant member of the Group the required TCL Associates Products.

## **Sale of Electronics Products**

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

## **General terms**

The terms and conditions (including price and payment terms) of any sale and purchase conducted pursuant to the Master Sale and Purchase (2022-2024) Agreement shall be agreed between relevant member(s) of the Group and TCL Holdings Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Sale and Purchase (2022-2024) Agreement save and except for the clauses regarding applicable law and dispute resolution.

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

Pricing policy and basis  
of price determination:

The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of TCL Holdings Group to the relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each individual agreement shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors including the fair market price ranges and pricing terms of products of identical, or (if that is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

## **2. *Master Services (2022-2024) Agreement***

On 14 June 2019, the Company entered into the Master Services (2019-2021) Agreement with TCL Holdings, which will expire on 31 December 2021. For details, please refer to the June 2019 Circular. As the Company and TCL Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 11 November 2021 (after trading hours) entered into the Master Services (2022-2024) Agreement with TCL Holdings, subject to Shareholders' approval.

The Master Services (2022-2024) Agreement is on substantially similar terms as the Master Services (2019-2021) Agreement, with the major differences set out as follows:

- (i) from the perspective of neat drafting and easier administrative purpose, Electronics Services (as defined in the June 2019 Circular) and TCL Associates Services (as defined in the June 2019 Circular) under the Master Services (2019-2021) Agreement have been consolidated into Services under the Master Services (2022-2024) Agreement; and
- (ii) the Master Services (2022-2024) Agreement will be for a term of 3 years.

The material terms of the Master Services (2022-2024) Agreement are summarised below:

- Date: 11 November 2021 (after trading hours)
- Parties:
- (i) the Company (for itself and on behalf of the Group); and
  - (ii) TCL Holdings (for itself and on behalf of TCL Holdings Group).

Duration:	From 1 January 2022 or the Shareholders' Approval Date (whichever is later) to 31 December 2024 (both days inclusive).
Condition precedent:	The Master Services (2022-2024) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Services (2022-2024) Agreement, including but not limited to obtaining the Shareholders' approval at the EGM.
Major terms:	<p>Each member of TCL Holdings Group may from time to time at its absolute discretion request members of the Group to provide the Services in its ordinary and usual course of business, and the relevant member of the Group may at its absolute discretion decide whether to provide the Services to the relevant member of TCL Holdings Group.</p> <p>Each member of the Group may from time to time, in its ordinary and usual course of business and at its absolute discretion, request members of TCL Holdings Group to provide the Services, and the relevant member of TCL Holdings Group may at its absolute discretion decide whether to provide the Services to the relevant member of the Group.</p> <p>The terms and conditions (including Service Fees and payment terms) of any Services conducted pursuant to the Master Services (2022-2024) Agreement shall be agreed between relevant member(s) of the Group and TCL Holdings Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Services (2022-2024) Agreement save and except for the clauses regarding applicable law and dispute resolution.</p> <p>The Service Fees shall be payable in accordance with the payment terms and time as specified in the individual agreements.</p>

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

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

### **3. *Master Financial (2022-2024) Agreement***

On 25 March 2020, the Company entered into the Master Financial Agreement (TCL Holdings) (2020-2022) with TCL Holdings and Finance Company (HK), which will expire on 31 December 2022; and on 9 June 2021, the Company entered into the Master Financing Services (2021-2022) Agreement with TCL Holdings, which will expire on 31 December 2022. For details, please refer to the April 2020 Circular and the June 2021 Announcement respectively.

As the Company, TCL Holdings and Finance Company (HK) wish to continue the continuing connected transactions contemplated thereunder, and in order to consolidate and integrate the scope of services under the Master Financial Agreement (TCL Holdings) (2020-2022) and the Master Financing Services (2021-2022) Agreement, the Company has on 11 November 2021 (after trading hours) entered into the Master Financial (2022-2024) Agreement with TCL Holdings and Finance Company (HK), subject to Shareholders' approval, pursuant to which the Master Financial Agreement (TCL Holdings) (2020-2022) and the Master Financing Services (2021-2022) Agreement shall be automatically terminated upon the coming into effect of the Master Financial (2022-2024) Agreement.

The Master Financial (2022-2024) Agreement is on substantially similar terms as the Master Financial Agreement (TCL Holdings) (2020-2022) and the Master Financing Services (2021-2022) Agreement (as the case may be), with the major differences set out as follows:

- (i) the expansion of the scope of services to include the Foreign Exchange Transactions; and
- (ii) the Master Financial (2022-2024) Agreement will be for a term of 3 years.

The material terms of the Master Financial (2022-2024) Agreement are summarised below:

Date:	11 November 2021 (after trading hours)
Parties:	<ul style="list-style-type: none"><li>(i) the Company (for itself and on behalf of the Group);</li><li>(ii) TCL Holdings (for itself and on behalf of TCL Holdings Group); and</li><li>(iii) Finance Company (HK).</li></ul>
Duration:	From 1 January 2022 or the Shareholders' Approval Date (whichever is later) to 31 December 2024 (both days inclusive).
Condition precedent:	The Master Financial (2022-2024) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Financial (2022-2024) Agreement, including but not limited to obtaining the Shareholders' approval at the EGM.
Major terms:	<b>Deposit Services</b>  Any TCL Electronics Qualified Member may from time to time and at its absolute discretion request to deposit money with Finance Company (HK) and/or other TCL Holdings Financial Services Associates, and Finance Company (HK) and/or other TCL Holdings Financial Services Associates may at its absolute discretion decide whether to accept the deposit from the relevant TCL Electronics Qualified Member.

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

The terms and conditions of Deposit Services conducted pursuant to the Master Financial (2022-2024) Agreement shall be agreed between relevant TCL Electronics Qualified Member and Finance Company (HK) and/or TCL Holdings Financial Services Associate in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2022-2024) Agreement save and except for the clauses regarding applicable law and dispute resolution.

### **Credit Services**

Any member of Qualified Holdings Group may from time to time and at its absolute discretion request members of the Group to advance loans, and the relevant member of the Group may at its absolute discretion decide whether to advance loans to the relevant member of Qualified Holdings Group.

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

The terms and conditions of Credit Services conducted pursuant to the Master Financial (2022-2024) Agreement shall be agreed between relevant member of Qualified Holdings Group and relevant member of the Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2022-2024) Agreement save and except for the clauses regarding applicable law and dispute resolution.

### **Financing Services**

Any TCL Electronics Qualified Member may from time to time and at its absolute discretion request Financing Services from TCL Holdings Financial Services Associates, and the relevant TCL Holdings Financial Services Associate may at its absolute discretion decide whether to provide Financing Services to the relevant TCL Electronics Qualified Member.

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

The Company undertakes with TCL Holdings, among others, that in case the relevant TCL Electronics Qualified Members are unable to repay the relevant loans (including the interest) under the Financing Services provided by TCL Holdings Financial Services Associates to the relevant TCL Holdings Financial Services Associates, the Company will (and the relevant TCL Holdings Financial Services Associates are entitled to request the Company to) repay such outstanding loans (including the interest) for the relevant TCL Electronics Qualified Members.

The terms and conditions of Financing Services conducted pursuant to the Master Financial (2022-2024) Agreement shall be agreed between the relevant TCL Electronics Qualified Member and the relevant TCL Holdings Financial Services Associate in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2022-2024) Agreement save and except for the clauses regarding applicable law and dispute resolution.

### **Foreign Exchange Transactions**

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

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

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

The terms and conditions of Foreign Exchange Transactions conducted pursuant to the Master Financial (2022-2024) Agreement shall be agreed between the relevant member of the Group and Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associate in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Master Financial (2022-2024) Agreement save and except for the clauses regarding applicable law and dispute resolution.

Pricing policy and basis  
of price determination:

### **Deposit Services**

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

- (a) for deposits made within the PRC, be within the range of or higher than:
  - (i) the minimum interest rate promulgated by the PBOC for the same type of deposit services from time to time;
  - (ii) the interest rates for the same type of deposits offered by major commercial banks of the PRC (*see Note 2*) to the relevant TCL Electronics Qualified Member; and
  - (iii) the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group); and

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

- (b) for deposits made outside the PRC, be within the range of or higher than:
  - (i) the interest rates for the same type of deposits offered by major commercial banks located in the place where the relevant TCL Electronics Qualified Member is located (*see Note 3*) to the relevant TCL Electronics Qualified Member; and
  - (ii) the interest rates for the same type of deposits offered by the Finance Company (HK) and/or TCL Holdings Financial Services Associates to any other members of the TCL Holdings Group (including the Group); and

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

## Credit Services

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

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

(i) the interest rates for loans of the same type offered by major commercial banks of the PRC (*see Note 1*) to the relevant member of Qualified Holdings Group; and

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

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

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

(i) the interest rates for loans of the same type offered by major commercial banks located in the place where the relevant member of Qualified Holdings Group is located (*see Note 2*) to the relevant member of Qualified Holdings Group; and

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

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

## **Financing Services**

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

## **Foreign Exchange Transactions**

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

*Notes:*

1. For illustration purpose, as at 30 September 2021, the historical interest rates of USD, RMB and HK\$ deposits under the Master Financial Agreement (TCL Holdings) (2020-2022) ranged from 0.01% to 1.8%; 1.7% to 3.5%; and 0.01% to 0.32% respectively.
2. The major commercial banks of PRC refer to Bank of China Limited, Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited or China Construction Bank Corporation, etc.
3. The major commercial banks located in the place where the relevant TCL Electronics Qualified Member or member of Qualified Holdings Group (as the case may be) is located refer to, in the case of Hong Kong, Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited or Industrial and Commercial Bank of China (Asia) Limited, etc.
4. For illustration purpose, as at 30 September 2021, the historical interest rates of unsecured loans under the Master Financial Agreement (TCL Holdings) (2020-2022) ranged from 3.2% to 8.0%.

**4. *Master Brand Promotion (2022-2024) Agreement***

On 14 June 2019, the Company entered into the Master Brand Promotion (2019-2021) Agreement with TCL Holdings, which will expire on 31 December 2021. For details, please refer to the June 2019 Circular. As the Company and TCL Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 11 November 2021 (after trading hours) entered into the Master Brand Promotion (2022-2024) Agreement with TCL Holdings, subject to Shareholders' approval. The Master Brand Promotion (2022-2024) Agreement is on substantially similar terms as the Master Brand Promotion (2019-2021) Agreement, with its scope being clarified to include promotion of TCL Holdings Brand.

The material terms of the Master Brand Promotion (2022-2024) Agreement are summarised below:

Date:	11 November 2021 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of the Group); and  (ii) TCL Holdings (for itself and on behalf of TCL Holdings Group).
Duration:	From 1 January 2022 or the Shareholders' Approval Date (whichever is later) to 31 December 2024 (both days inclusive).
Condition precedent:	The Master Brand Promotion (2022-2024) Agreement is conditional on and subject to the compliance by the Company with relevant Listing Rules requirements in respect of the Master Financial (2022-2024) Agreement, including but not limited to obtaining the Shareholders' approval at the EGM.
Major terms:	<p>The Company shall pay a brand promotion fee to TCL Holdings on a monthly basis during the term of the Master Brand Promotion (2022-2024) Agreement, which shall be determined with reference to the pricing policy and basis of price determination as set out below, and TCL Holdings shall use the brand promotion fee to set up and/or maintain promotion fund(s) for advertisement, promotion, management and maintenance of TCL Brand and/or TCL Holdings Brand.</p> <p>TCL Brand Management Centre is authorised to conduct planning, implementation and consulting work in relation to the use of the fund and promotion activities of TCL Brand.</p> <p>The relevant member(s) of TCL Holdings Group shall, and TCL Holdings shall procure that the relevant member(s) of TCL Holdings Group shall, use the promotion fund(s) in accordance with the Master Brand Promotion (2022-2024) Agreement, provide brand promotion services and allow members of the Group to benefit therefrom.</p>

Pricing policy and basis  
of price determination:

Under the Master Brand Promotion (2022-2024) Agreement, the annual amount of the brand promotion fee in relation to TCL Brand payable by the Group to TCL Holdings during each financial year shall range from 0.25% to 2.25% of the projected annual sales revenue of the Group from the particular type of products for that financial year subject to adjustments as stated below, depending on the types of products as set out below:

<b>Type of products</b>	<b>Brand promotion fee rate (% of projected annual sales revenue of the Group in respect of the particular type of products)</b>
TCL Brand products sold within the PRC (including sub-brand)	2.25%
TCL Brand products sold outside of the PRC (including sub-brand)	0.75%
Processing of OEM and ODM products	0.25%

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

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

## 5. *Master Rental (2022-2024) Agreement*

Reference is made to the 25 August 2020 Announcement. As stated therein, on 25 August 2020, the Company entered into the Master Rental (2020-2021) Agreement with TCL Holdings, which will expire on 31 December 2021. As the Company and TCL Holdings wish to continue the continuing connected transactions contemplated thereunder, the Company has on 11 November 2021 (after trading hours) entered into the Master Rental (2022-2024) Agreement with TCL Holdings. The Master Rental (2022-2024) Agreement is on substantially similar terms as the Master Rental (2020-2021) Agreement, with the scope of Vehicles to be leased being expanded to include both manned and unmanned vehicles (including but not limited to mobility devices, drones, ships and other transports).

The material terms of the Master Rental (2022-2024) Agreement are summarised below:

Date:	11 November 2021 (after trading hours)
Parties:	(i) the Company (for itself and on behalf of the Group); and  (ii) TCL Holdings (for itself and on behalf of TCL Holdings Group).
Duration:	From 1 January 2022 to 31 December 2024 (both days inclusive).
Major terms:	Each member of the Group (as lessor/licensor) may from time to time rent, lease and/or license (including share and/or make available the use thereof) certain Assets to member(s) of TCL Holdings Group (as lessee/licensee) at certain fee (including but not limited to rental fee, license fee, management fee, electricity fee, water fee and/or repair fee as agreed by the parties) to be paid subject to the payment terms as agreed by the parties and other terms of the individual agreement(s) to be entered into between the parties in conformity with the Master Rental (2022-2024) Agreement (save and except for the clauses regarding applicable law and dispute resolution).

Each member of TCL Holdings Group (as lessor/licensor) may from time to time rent, lease and/or license (including share and/or make available the use thereof) certain Assets to member(s) of the Group (as lessee/licensee) at certain fee (including but not limited to rental fee, license fee, management fee, electricity fee, water fee and/or repair fee as agreed by the parties) to be paid monthly and subject to the terms of the individual agreement(s) to be entered into between the parties in conformity with the Master Rental (2022-2024) Agreement (save and except for the clauses regarding applicable law and dispute resolution).

Unless otherwise agreed in the individual agreements to be entered into between the relevant lessor/licensor and the relevant lessee/licensee, the relevant lessor/licensor shall pay all the taxes, management fees and other charges payable to the local or central government arising out of or in connection with the lease of Assets, and the routine repair and maintenance fees.

In the event the relevant lessor/licensor desires to sell the Assets and/or relevant land use rights under the Master Rental (2022-2024) Agreement, the relevant lessee/licensee shall have the right of first refusal to purchase such Assets and/or relevant land use rights.

Pricing policy and basis of price determination: The overall terms and conditions (including but not limited to rental or licensing fees) of all leases and licenses of Assets contemplated under the Master Rental (2022-2024) Agreement shall be on normal commercial terms (or on terms more favourable to the relevant member of the Group), negotiated on arms' length basis and no less favourable to the relevant member of the Group than those offered by Independent Third Parties.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors including the rental or licensing fees and payment terms of assets that are of the identical, or (if that is not available) of comparable or similar lot, location, user, size, quality, type and scale, and in general, (i) where the Group is the lessor/licensor, the fees payable to the Group shall not be lower than fees that may be paid by Independent Third Parties to the Group in respect of the lease or license of the Assets; and (ii) where the Group is the lessee/licensee, the fees payable by the Group shall not be higher than fees that may be paid by the Group to Independent Third Parties in respect of the lease or license of the Assets.

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

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

### **General internal control procedures and pricing policies**

- (i) The Group will periodically collect market information from connected persons and Independent Third Parties and enter such information into its internal database. Before each continuing connected transaction is to be carried out, the Group will compare the terms offered by the relevant connected person with the market data in its internal database to ensure the overall terms offered by such connected person are on normal commercial terms and no less favourable to the Group than those offered by Independent Third Parties.

- (ii) The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the finance director of the Group for review.
- (iii) Before conducting any transactions with connected persons, the finance department would confirm the utilisation status of the annual caps to ensure that the Group still have sufficient room under the annual caps for carrying out the relevant continuing connected transactions. The finance department would on a regular basis review the continuing connected transactions carried out during the period under review to assess (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Company's pricing policy; and (ii) the transactions amount during the month under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, the Company would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules including but not limited to revising the relevant annual caps before entering into the proposed transactions.
- (iv) Every time before conducting any continuing connected transactions, the relevant department of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the internal control unit and legal department of the Group for review and approval. The internal control unit and the legal department of the Group would review the terms of the proposed transaction and the draft individual agreement to be entered into to make sure that the terms are in compliance with the master agreement and the pricing policy of the Group and that the overall terms and conditions (including prices and payment terms) are no less favourable to the Group than those offered by Independent Third Parties. The transactions could only be carried out after the internal control unit and the legal department have separately given their approval therefor.
- (v) All such personnel involved in the Group's internal control procedures are independent of TCL Holdings and its associates.

## **Specific internal control procedures and pricing policies**

### Regarding Master Sale and Purchase (2022-2024) Agreement

- (i) The Group will set up periodic targets for Sourcing of TCL Associates Products and Sale of Electronics Products respectively, from which it could project the approximate amount of sales and purchase with TCL Holdings Group, which will be subject to review from time to time depending on the surrounding circumstances such as the Group's performance and overall market conditions. The sales unit and purchase unit will from time to time compare the actual figures against the sales targets and purchase targets in general and will make necessary adjustment for the sales and purchase from TCL Holdings Group for the remaining period.
  
- (ii) Upon receiving purchase request for TCL Associates Products from the relevant department of the Group, the procurement department of the Group will compare the price offered for the TCL Associates Products with the price offered for comparable products or, if no quotation for comparable products is available, similar products from at least two Independent Third Party suppliers (if available) and make an overall assessment of the terms of supply by such suppliers, including the quality of the products, past history of dealing with such suppliers (if any), payment terms and price, to ensure that the transactions would be conducted in accordance with the terms of the Master Sale and Purchase (2022-2024) Agreement. To the extent where there are no similar or comparable products from Independent Third Party suppliers, the procurement department will obtain quotation information from TCL Holdings Group to ensure that the prices of TCL Associates Products offered by TCL Holdings Group to the Group shall be no higher than those offered by TCL Holdings Group to Independent Third Parties. Whilst there is a wide range of TCL Associates Products and the price of each type of TCL Associate Products varies, for illustrative purpose, taking household appliances products as an example, the current average mark-up rate of the majority of the household appliances type TCL Associate Products offered to the Group and Independent Third Parties is in general within the range of approximately 10%-20% of the production costs of TCL Holdings Group. The procurement department will obtain production cost information from TCL Holdings to ascertain the mark-up rates. Where the mark-up rate is higher than the expected mark-up rate, the Group will consider whether to purchase TCL Associates Products from TCL Holdings Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties; (ii) quality of products and timeliness of supply; and (iii) the impact to the profitability of the Group, and the Group shall only purchase TCL Associates Products from TCL Holdings Group if it is in the interest of the Shareholders and the Group to do so. Nevertheless, such mark-up rate may vary during the term of Master Sale and Purchase (2022-2024) Agreement depending on factors such as market circumstances, supplier relationship, seasonal demand, product specifications, exchange rate fluctuation, mode of delivery, transportation cost and business strategies.

- (iii) The procurement director of the Group is responsible for approving the purchase orders from members of the Group. The Group normally selects potential suppliers by reference to a number of factors such as their operation scale, product quality, cost, delivery arrangement, range of services and technology capability. Whilst there are Independent Third Parties which provide products similar to TCL Associates Products such that quotations from Independent Third Party suppliers for comparable goods are generally available, however, products supplied by different suppliers may vary in terms of price, quality, specifications, and a wide range of factors as aforementioned. The Group would only engage TCL Holdings Group for Sourcing of TCL Associates Products when, in accordance with the results of the overall assessment of a basket of factors (including but not limited to price, payment terms, credit terms, and whether the products offered are in line with the business line, brand development, overall strategy and planning of the Group), TCL Holdings Group can offer terms of supply for the TCL Associates Products which are no less favourable to the Group than those offered by Independent Third Parties for identical, comparable or similar products (as the case may be).
  
- (iv) Under the Group's pricing model, the per unit selling price of the Electronics Products is determined with reference to the target price offered by individual customers together with the raw material cost, direct labour cost, manufacturing overhead and the gross profit margin for the Group, and the weight of each factor will vary from order to order based on negotiations with its customers. Whilst there is a wide range of Electronics Products and the price of each type of Electronics Products varies, taking household appliances products as an example, the current gross profit margin of the majority of the household appliance type Electronics Products offered to TCL Holdings Group and Independent Third Parties is in general within the range of approximately 10% to 20%. Where the gross profit margin is lower than the expected profit margin, the Group will consider whether to sell Electronics Products to TCL Holdings Group based on a basket of factors, including not limited to (i) whether the Group is able to obtain better offer from Independent Third Parties; (ii) the business strategy of the Group such as brand development and competition for market share; and (iii) the impact to the profitability of the Group and the Group shall only sell Electronics Products to TCL Holdings Group if it is in the interest of the Shareholders and the Group to do so. Nevertheless, the margin that the Company charges may vary during the term of the Master Sale and Purchase (2022-2024) Agreement depending on factors such as market circumstances, customer relationship, credit granted, product specifications, transportation and mode of delivery, production cost, licensing cost.
  
- (v) Upon receiving proposed orders and offering pricing for Electronics Products from TCL Holdings Group, the sales and marketing team reviews the orders, and checks with relevant units (including production, research and development, product plan control, procurement) for production capacity, production cost, pricing, production lead time and confirms or negotiates the terms with customers. The price will then

be submitted to management for approval. The Group would only accept orders from TCL Holdings Group for Sale of Electronics Products when, in accordance with the results of the overall assessment of a basket of factors (including but not limited to price, payment terms, credit terms, sales expenses, logistics and storage expenses and whether the sale is in line with the business line, brand development, overall strategy and planning of the Group), TCL Holdings Group can offer terms of purchase for the Electronics Products which are no less favourable to the Group than those offered by Independent Third Parties for identical, comparable or similar products (as the case may be).

#### Regarding Master Services (2022-2024) Agreement

- (i) Before entering into individual transactions under the Master Services (2022-2024) Agreement, the operation unit of the relevant member of the Group will examine the terms of the draft individual agreement to ensure that the terms are on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, and conform with the Master Services (2022-2024) Agreement.
- (ii) In order to maintain a fair assessment of the overall terms, when a member of the Group requires Services from or is requested to provide Services to TCL Holdings Group, the Group will obtain quotations for comparable services or, in the absence of quotation for comparable services, similar services from at least two Independent Third Parties (whom the Group considers are able to provide the required services of satisfactory quality and at satisfactory standard) (if available) to make sure that (i) the Service Fees to be paid by the Group are not higher than those offered to the Group by Independent Third Parties under prevailing local market conditions; and (ii) the Service Fees to be received by the Group under the contract for Services are not lower than those received from Independent Third Parties under prevailing local market conditions. To the extent where there are no similar or comparable services from Independent Third Parties, the Group will obtain quotation information from TCL Holdings Group to ensure that the prices offered by TCL Holdings Group to the Group shall be no less favourable than those offered by TCL Holdings Group to Independent Third Parties.
- (iii) The Group would also from time to time identify further Independent Third Parties whom it considers are capable of providing the required services of satisfactory quality and at satisfactory standard, and obtain quotations for the required Services from them upon identification.

## Regarding Master Financial (2022-2024) Agreement

### *General*

- (i) The Group has adopted a sound and independent audit system and a comprehensive financial management system. The Group also maintains bank accounts with independent banks. TCL Holdings Group does not share any bank account with the Group.
- (ii) Before entering into individual transactions under the Master Financial (2022-2024) Agreement, the Company's treasury department will, in addition to monitoring the pricing terms (as disclosed below), also examine other terms of the transactions to ensure that the terms conform with the Master Financial (2022-2024) Agreement.
- (iii) The management of the Group will regularly assess the risk of (i) the funds deposited with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates; (ii) the loans advanced to Qualified Holdings Group; (iii) the Financing Services obtained and the value of security provided by the Group; and (iv) the aggregate amount of Foreign Exchange Transactions entered into by the Group. The scope of such risk assessments includes the total balance and maximum daily balance of the deposits, loans and value of security for the period under review, the exchange rate of currencies being the subject of Foreign Exchange Transactions which the Group entered into and the trend thereof, the interest rates of the deposits or loans with/to Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or relevant members of Qualified Holdings Group (as the case may be) during the period under review, and the terms thereof. The management of the Group will also report to the Board every six months with respect to the Deposit Services, Credit Services, Financing Services and Foreign Exchange Transactions under the Master Financial (2022-2024) Agreement including utilisation rate of annual caps.
- (iv) In particular, the Company's audit committee will scrutinise the implementation and enforcement of the transactions under the Master Financial (2022-2024) Agreement. If the Company's audit committee is of the view and decides that it would be in the Company's interests to (i) reduce the level of deposits with Finance Company (HK) and/or TCL Holdings Financial Services Associates; and/or (ii) reduce the level of loans advanced to relevant member of Qualified Holdings Group; and/or (iii) reduce the level of Financing Services obtained and/or the value of security provided by the Group; and/or (iv) reduce the amount of currencies being the subject of Foreign Exchange Transactions to be entered into by the Group, the Group will take appropriate steps to implement its decision, and in such case, any material findings in the risk assessment reports, the views of the Company's audit committee on the deposits, loans, Financing Services and Foreign Exchange Transactions under the Master Financial (2022-2024) Agreement (including its views on how the terms of the Master Financial (2022-2024) Agreement have been complied with) and its decisions on matters in relation thereto will be disclosed in the Company's annual reports.

- (v) Pursuant to the Master Financial (2022-2024) Agreement, TCL Holdings has undertaken that if Finance Company (HK) and/or any of the TCL Holdings Financial Services Associates and/or any member of Qualified Holdings Group (as the case may be) fails to make any repayment in accordance with the relevant terms and procedures under the Deposit Services, Credit Services and Foreign Exchange Transactions, TCL Holdings shall repay any outstanding deposits, loans or transaction amount (as the case may be) on behalf of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or the relevant member of Qualified Holdings Group (as the case may be) in full. Such undertaking provides indemnification for the deposits, loans and Foreign Exchange Transactions under the Master Financial (2022-2024) Agreement.
  
- (vi) The Company will regularly obtain benchmarks (such as prevailing market interest rates in respect of the various services under the Master Financial (2022-2024) Agreement, including but not limited to the deposit and lending interest rates and foreign currency exchange rate stipulated by the major commercial banks and/or the PBOC) periodically during the term of the Master Financial (2022-2024) Agreement. All the benchmarks obtained by the Company will be kept in a database maintained by the Company, which will be used internally for, in addition to determining the interest rates and services fees etc. under the Master Financial (2022-2024) Agreement, monitoring the market trend and allowing the Group to better formulate its funds management strategy. With all the benchmarks mentioned above collected, the Company's treasury department will negotiate with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or members of Qualified Holdings Group on the best interest rates/exchange rates/fees most favourable to the relevant member of the Group that can be obtained. The benchmarks will set the bottom line for members of the Group in the negotiation process. The head of the treasury department of the Company would have the right to make decision as to whether to enter into transactions with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates and/or members of Qualified Holdings Group at the negotiated interest rates/exchange rates/fees provided that such interest rates/exchange rates/fees comply with the terms of the Master Financial (2022-2024) Agreement.

#### *Deposit Services*

- (i) To enable the Group to monitor and ensure that the relevant annual caps under the Master Financial (2022-2024) Agreement have not been exceeded, Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates will provide the Group with a monthly report on the status of the Group's deposits.
  
- (ii) The Group's finance department will monitor the maximum daily balance of the deposits on a daily basis to ensure that the aggregate deposits do not exceed the applicable annual caps.

- (iii) Finance Company (HK) and/or relevant TCL Holdings Financial Services Associates utilise deposits placed with them, to the extent permitted by applicable laws and regulations, by lending the funds out to Holdings Qualified Members (including TCL Electronics Qualified Members). Since the terms of the deposits and loans are often different, Finance Company (HK) and/or relevant TCL Holdings Financial Services Associates face liquidity risks if any deposit becomes due and they do not have sufficient immediately available fund for repayment. The nature of such risk does not differ materially from the liquidity risks faced by the commercial banks and financial institutions. To manage such risks, the Group will request Finance Company (HK), the relevant TCL Holdings Financial Services Associates and TCL Holdings Group to provide the Group with sufficient information including various financial indicators, such as their asset sizes, liquidity ratios, level of bad assets and their risk ratings assessed by the PBOC (if and when available) as well as annual and interim financial statements to enable the Group to monitor and review their financial condition. Each of Finance Company (HK), the relevant TCL Holdings Financial Services Associates and TCL Holdings Group shall notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates, the Group will take appropriate measures (including early uplift of deposits and a moratorium on further deposits) to protect the Group's financial position.
- (iv) The Company will, from time to time and at its sole discretion, request for the deposits with Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the Group's deposits.
- (v) Should the balance at the end of any day exceed the maximum daily balance of deposits, the excess funds will be transferred to the Group's designated bank accounts held with an independent commercial bank.

### *Credit Services*

- (i) The Group's finance department will monitor the maximum daily balance of the loans on a daily basis to ensure that the aggregate loans do not exceed the applicable annual caps.
- (ii) The Group will request the relevant member of Qualified Holdings Group to provide the Group with sufficient information including various financial indicators, such as its asset size, liquidity ratios, level of bad assets and its risk rating assessed by the PBOC (if and when available) as well as annual and interim financial statements to enable the Group to monitor and review its financial condition. The relevant member of Qualified Holdings Group shall also notify the Group, subject to compliance with applicable laws and regulations, should it be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Group considers that there is any material adverse change in the financial condition of the relevant member of Qualified Holdings Group, the Group will take appropriate measures (including ceasing to advance further loans) to protect the Group's financial position.
- (iii) Should the balance of loan at the end of any day reaches 90% of the annual cap, the finance department of the Group would issue a warning to the Group. Upon receiving the warning, the Group would cease advancing further loans to Qualified Holdings Group until the balance of loan falls below 90%.

### *Financing Services*

- (i) The Group's finance department will monitor the maximum daily balance of value of security on a daily basis to ensure that the aggregate value of security does not exceed the applicable annual caps.

### *Foreign Exchange Transactions*

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

### Regarding Master Brand Promotion (2022-2024) Agreement

- (i) The rates of brand promotion fee as disclosed in the “pricing policy and basis of price determination” section above in the major terms were determined with reference to a basket of factors, including:
  - (a) the significance of the TCL Brand and/or TCL Holdings Brand to the particular type of products;
  - (b) the difference in terms of promotion scale within and outside the PRC;
  - (c) the proportion of the sales revenue of the Group to that of TCL Holdings Group from the sales of products covered by the Master Brand Promotion (2022-2024) Agreement;
  - (d) the anticipated amount of branding expenses to be incurred by TCL Holdings;
  - (e) the expected growth in sales of the Group derived from the brand promotion activities carried out by TCL Holdings Group; and
  - (f) whether the rate of brand promotion fee is reasonable as a reimbursement of the branding expenses of TCL Holdings Group and as an investment of the Group with reference to the value and benefits brought by such promotion activities.
  
- (ii) Any variation of the brand promotion fee rates must be approved by the management of the Group, which would consider the effect of such variation based on the projected financial performance of the Group and the proposed annual caps for the remaining term of the Master Brand Promotion (2022-2024) Agreement and the reasons for the variation. Once there is a likelihood that the variation will render the relevant annual cap being exceeded, the relevant department will report to the management immediately. The Group will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual cap in accordance with the relevant requirements of the Listing Rules.

## **5. *Master Rental (2022-2024) Agreement***

- (i) The business department(s) will consider the overall terms (including but not limited to the location, size and scale of the subject matter and payment terms) from comprehensive perspectives and endeavour to obtain quotations of rental/license and relevant fees payable/receivable to/from at least two Independent Third Parties for comparable tenancies/licenses and make comparisons (if applicable). If there are no comparable terms offered to the Group by Independent Third Parties for comparable tenancies/licenses, the overall terms of the individual agreements shall then be determined after negotiations at arms' length between the parties and shall be on normal commercial terms. The transactions could only be carried out after the relevant departments of the Group have separately given their approval therefor.

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

- (i) The independent non-executive Directors shall review annually the Agreements and the transactions thereunder and confirm in the Company's corresponding annual report that the Agreements and the transactions thereunder have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms or better; and
  - (c) according to the respective agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (ii) The auditors of the Company shall review annually the Agreements and the transactions thereunder and confirm in a letter to the Board (a copy of which shall be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) that the Agreements and the transactions contemplated thereunder:
  - (a) have received the approval of the Board;
  - (b) have been, in all material respects, in accordance with the pricing policies of the Group (for these Agreements involving the provision of goods and services by the Group);
  - (c) have been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
  - (d) have not exceeded the caps.

- (iii) The Directors shall state in the Company's annual report whether its auditors have confirmed the matters stated in Rule 14A.56 of the Listing Rules.
- (iv) The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters under Rules 14A.55 and 14A.56 of the Listing Rules.
- (v) The Company shall allow, and shall ensure that the counterparties to the continuing connected transactions shall allow the Company's auditors sufficient access to the relevant records for the purpose of the auditors' review of the continuing connected transactions in accordance with the Listing Rules.

## HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

The following table sets out the respective historical figures of the continuing connected transactions as described above for the two years ended 31 December 2020 and the eight months ended 31 August 2021, and the respective proposed annual caps of the Agreements for the three years ending 31 December 2024:

	For the year ended 31 December 2019 (audited) (for actual amount only) HK\$'000	For the year ended 31 December 2020 (audited) (for actual amount only) HK\$'000	For the 8 months ended 31 August 2021 (unaudited) (for actual amount only)/ For the year ending 31 December 2021 (for historical annual cap only) HK\$'000	For the year ending 31 December 2022 HK\$'000	For the year ending 31 December 2023 HK\$'000	For the year ending 31 December 2024 HK\$'000
<b>Continuing Connected Transactions (Note 1)</b>						
<i>Master Sale and Purchase (2022-2024) Agreement</i>						
Sourcing of TCL Associates Products						
– Historical annual cap (Note 2)	5,795,689	12,216,442	13,130,786			
– Actual (Note 2)	1,204,898	4,526,900	4,284,155			
– Utilisation rate	20.79%	37.06%	32.63%			
– Proposed annual cap				13,508,055	18,335,883	23,242,820
Sale of Electronics Products						
– Historical annual cap (Note 2)	10,251,464	11,404,054	12,542,273			
– Actual (Note 2)	3,517,773	6,881,867	3,289,740			
– Utilisation rate	34.31%	60.35%	26.23%			
– Proposed annual cap				9,002,689	9,756,534	10,666,695
<i>Master Services (2022-2024) Agreement</i>						
Service Fees to be paid by the Group						
– Historical annual cap (Note 3)	1,726,012	1,944,358	2,139,688			
– Actual (Note 3)	543,140	724,336	556,402			
– Utilisation rate	31.47%	37.25%	26.00%			
– Proposed annual cap				1,885,609	2,164,064	2,456,792
Service Fees to be received by the Group						
– Historical annual cap (Note 3)	260,586	360,637	475,473			
– Actual (Note)	16,565	165,492	141,905			
– Utilisation rate	6.36%	45.89%	29.85%			
– Proposed annual cap				410,985	505,104	625,617

	For the year ended 31 December 2019 (audited) (for actual amount only) HK\$'000	For the year ended 31 December 2020 (audited) (for actual amount only) HK\$'000	For the 8 months ended 31 August 2021 (unaudited) (for actual amount only)/ For the year ending 31 December 2021 (for historical annual cap only) HK\$'000	For the year ending 31 December 2022 HK\$'000	For the year ending 31 December 2023 HK\$'000	For the year ending 31 December 2024 HK\$'000
<b>Continuing Connected Transactions (Note 1)</b>						

#### Master Financial (2022-2024) Agreement

##### Deposit Services

Maximum outstanding daily balances of deposits  
(including interest receivables in respect of  
these deposits and deposits as security)

- Historical annual cap (Note 4)	N/A	1,544,000	1,791,000	2,077,000		
- Actual (Note 4)	N/A	1,490,175	1,730,539	N/A		
- Utilisation rate	N/A	96.51%	96.62%			
- Proposed annual cap				2,328,300	3,026,790	3,934,827

##### Credit Services

Maximum daily balances of outstanding loans  
(including interest receivables in respect of  
these loans)

- Historical annual cap (Note 4)	N/A	3,500,000	3,500,000	3,500,000		
- Actual (Note 4)	N/A	3,112,844	3,231,647	N/A		
- Utilisation rate	N/A	88.94%	92.33%			
- Proposed annual cap				4,550,000	5,915,000	7,689,500

##### Financing Services

Facility limit (including interest and handling  
fees) (Note 5)

- Historical annual cap (Notes 6 and 7)	N/A	N/A	594,000	623,100		
- Actual (Notes 6 and 7)	N/A	N/A	Nil (Note 10)	N/A		
- Utilisation rate	N/A	N/A	0%			
- Proposed annual cap (Note 8)				765,565	956,956	1,196,196

Maximum daily balance of value of security  
provided for Financing Services (including  
cash deposits, financial instruments,  
receivables, machinery or equipment etc.)

- Historical annual cap (Note 6)	N/A	N/A	591,000	620,000		
- Actual (Note 6)	N/A	N/A	Nil (Note 10)	N/A		
- Utilisation rate	N/A	N/A	0%			
- Proposed annual cap				765,565	956,956	1,196,196

	For the year ended 31 December 2019 (audited) (for actual amount only) HK\$'000	For the year ended 31 December 2020 (audited) (for actual amount only) HK\$'000	For the 8 months ended 31 August 2021 (unaudited) (for actual amount only)/ For the year ending 31 December 2021 (for historical annual cap only) HK\$'000	For the year ending 31 December 2022 HK\$'000	For the year ending 31 December 2023 HK\$'000	For the year ending 31 December 2024 HK\$'000
<b>Continuing Connected Transactions</b> (Note 1)						
<b>Foreign Exchange Transactions</b>						
Aggregate transaction amount						
- Proposed annual cap				11,666,700	15,555,600	23,333,400
<b>Master Brand Promotion (2022-2024) Agreement</b>						
Brand Promotion Fee						
- Historical annual cap (Note 9)	637,014	930,074	992,555			
- Actual (Note 9)	219,732	244,910	153,225			
- Utilisation rate	34.49%	26.33%	15.44%			
- Proposed annual cap				755,376	854,741	998,174
<b>Master Rental (2022-2024) Agreement</b>						
- Historical annual cap (Note 11)	N/A	478,000	625,000			
- Actual (Note 11)	N/A	170,203	138,721			
- Utilisation rate	N/A	35.61%	22.20%			
- Proposed annual cap (Note 12)				290,179	354,904	442,415

**Notes:**

- For easy comparison of the historical figures and the proposed annual caps transactions are categorised with reference to the Agreements and hence names of the Agreements are used for categorisation in this table.
- The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Sale and Purchase (2019-2021) Agreement.
- The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Services (2019-2021) Agreement.
- The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Financial Agreement (TCL Holdings) (2020-2022).

5. The facility limit includes facility amount with security (including but not limited to facility amount from factoring facility (recourse and without-recourse) and bill discounting facility, facility with cash deposits or other assets as collaterals). For the avoidance of doubt, the facility limit excludes the facility amount provided by TCL Holdings Financial Services Associates to the TCL Electronics Qualified Members without security which, if conducted on normal commercial terms or better, are fully exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules.
6. The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Financing Services (2021-2022) Agreement.
7. The respective historical caps and transaction amounts refer to the aggregate annual caps of facility limit and interest and handling fees under the Master Financing Services (2021-2022) Agreement.
8. The proposed annual caps under the Master Financial (2022-2024) Agreement consolidate the respective annual caps for facility limit and interest and handling fees under the Master Financing Services (2021-2022) Agreement.
9. The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Brand Promotion (2019-2021) Agreement.
10. Due to the business needs and seasonality of Financing Services required by the Group, the Group has not utilised any Financing Services contemplated under the Master Financing Services (2021-2022) Agreement as of 31 August 2021. It is expected that transactions contemplated thereunder will be conducted in the fourth quarter of 2021.
11. The respective historical caps and transaction amounts refer to the annual caps and transaction amounts under the Master Rental (2020-2021) Agreement.
12. The proposed annual cap for each year is the aggregate of (i) rental/license income to be received from TCL Holdings Group; (ii) rental/license cost to be paid to TCL Holdings Group; and (iii) the total annual maximum value of the right-of-use assets for TCL Holdings Group to be leased to the Group under the Master Rental (2022-2024) Agreement.

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

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

### **1. General**

The annual caps for the Master Sale and Purchase (2019-2021) Agreement, Master Services (2019-2021) Agreement and Master Brand Promotion (2019-2021) Agreement were set by the Group in early 2019 based on the business scope and extent of the Group at that time and the projection of the business scale and development of the Group from 2019 to 2021 based on the information then available. However, the global market and economy were seriously impacted by the outbreak of coronavirus disease 2019 (COVID-19) in early 2020 and the continuing pandemic, in particular the transportation and logistics restrictions imposed by national governments to curb the COVID-19 pandemic have created tremendous obstacles and even barriers for both domestic and international trade. Against such background which have not been taken into account when setting the annual caps for 2019 to 2021, the utilisation rates of annual caps for such period are relatively low.

In 2021, the COVID-19 pandemic starts to be contained in most regions as a result of the development of COVID-19 vaccines and medication and growing vaccination rate, which in turn allows impacted markets to gradually recover. Moreover, national governments are implementing policies to boost economy and both international and domestic trade. Having taken into account these factors, it is expected that the sales revenue and sales volume of products of the Group will increase from 2022 to 2024, in response to which proposed annual caps with gradual annual increase from 2022 to 2024 are set for the Master Sale and Purchase (2022-2024) Agreement, Master Services (2022-2024) Agreement and Master Brand Promotion (2022-2024) Agreement.

Further, as stated in the 31 August 2020 Announcement, the completion of the acquisition of TCL Communication by the Group took place on 31 August 2020 and as a result thereof, TCL Communication, which was an indirect wholly-owned subsidiary of TCL Holdings prior to the completion which took place on 31 August 2020, ceased to be a connected person of the Company on 31 August 2020 and accordingly (i) the transactions conducted between TCL Communication Group and the Group thereafter no longer constituted connected transactions of the Company, which resulted in lower utilisation rates of annual caps for 2020 and 2021; and (ii) any future transactions conducted between TCL Communication Group and TCL Holdings Group will become connected transactions of the Group and hence the relevant annual caps under the Agreements have taken into account such proposed transactions contemplated.

## 2. Proposed annual caps for the Master Sale and Purchase (2022-2024) Agreement

The proposed annual caps for the transactions under the Master Sale and Purchase (2022-2024) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Sale and Purchase (2019-2021) Agreement;
- (ii) the anticipated increase in overall demand for Sale of Electronics Products and Sourcing of TCL Associates Products from 2022 to 2024: as disclosed in the 2020 annual report of the Company, the global annual sales volume of TCL smart screens for the year ended 31 December 2020 reached 23.93 million sets, with a year-on-year growth of 15.9%, further, according to a retail market researcher China Market Monitor Co., Ltd., the market share by sales volume of TCL smart screens in the PRC was 10.69% and 13.72% respectively in 2019 and 2020, whilst according to global market research company NPD Group, the market share by sales volume of TCL smart screens in the United States of America ranked No.2 in 2019 and 2020, and such trend of market share increase is expected to continue in the coming three years, in view of the foregoing factors coupled with the policy of boosting domestic demand and relevant policy support as announced by the PRC government and the anticipated gradual recovery from the pandemic around the globe, the overall demand for Sale of Electronics Products and Sourcing of TCL Associates Products in the coming years is therefore expected to increase accordingly. Also, the Group has seized the opportunity of industry changes by firmly taking smart display as its core business, and is vigorously implementing the “AI x IoT” all-scenario smart and healthy-living strategy. The Group will offer smart living services to users across “All Scenarios, All Categories and Inter-connectivity” which is expected to drive steady expansion of all-category business and firmly move towards global leadership by taking advantage of the synergy of different type of Electronics Products and TCL Associate Products under TCL Brand, and hence leading to considerable increase in overall demand for Sale of Electronics Products and Sourcing of TCL Associate Products;
- (iii) the possible demand for TCL Associates Products with respect to the projected business volumes and the estimated growth rates of the relevant business lines of the Group (which in turn are estimated by reference to, among other things, the relevant industry demand and the target market share of the Group) under the “AI x IoT” all-scenario smart strategy, together with the prevailing market rates for similar products, taking into account of which the proposed annual caps of Sourcing of TCL Associates Products are set with an increase of approximately 36% from 2022 to 2023, and approximately 27% from 2023 to 2024;

- (iv) the projection of demand for Electronics Products, which is expected to increase gradually from 2022 to 2024, in view of the continuing rebound of global economy, improvement in the external environment for corporate development, and the expansion of online sales channel through TCL Holdings Group, together with the prevailing market rates for similar products, taking into account of which the proposed annual caps for Sale of Electronics Products are set with an annual increase of approximately 9% from 2022 to 2024;
- (v) the anticipated increase in price of panels (being a major component of Electronic Products) from 2022 to 2024: according to the data from Sigmaintell, an IT research and advisory company, in June 2021, the price of small and medium-sized panels such as 32-inch, 43-inch and 55-inch panels increased by more than 100% year-on-year, and the price of large-sized 65-inch panels increased by more than 60% year-on-year, and such increasing trend is expected to subsist in the coming years;
- (vi) the expected organic growth of around 10% per year in respect of the amount of Electronics Products to be sold to TCL Holdings Group and in respect of the amount of TCL Associates Products to be sourced from TCL Holdings Group during the three years ending 31 December 2024;
- (vii) the available alternatives of supplier or customers (as the case may be) for comparable or similar products in the market;
- (viii) the possible increase in the purchase price taking into account the current trend of surging producer price index which is expected to continue for the years 2022 to 2024: for illustration, according to the statistics of the National Bureau of Statistics of China, the producer price index for manufactured goods of the PRC in September 2021 increased by 10.7% year-on-year, whilst the producer price of industrial products of the PRC in the first nine months of 2021 recorded an average year-on-year increase of 6.7% over the corresponding period in 2020 and such growing trend is expected to continue; and
- (ix) the estimated fluctuation in exchange rate between RMB and HK\$ and the organic growth of the gross domestic products of major markets of Electronics Products in the world during the term of the Master Sale and Purchase (2022-2024) Agreement, in particular, the gross domestic product of the PRC is expected to increase by 5.6% according to the International Monetary Fund.

### **3. Proposed annual caps for the Master Services (2022-2024) Agreement**

The proposed annual caps for the transactions under the Master Services (2022-2024) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Services (2019-2021) Agreement;
- (ii) the projection of the number and scale of relevant projects and operations which may require Services from TCL Holdings Group in the upcoming three years, in particular, the demand for Services in relation to logistics and after-sale required by the Group are expected to increase significantly due to the expected increase in sales volume of TCL Electronics products, whilst service fees in relation to logistics services in overseas markets are also expected to surge due to the COVID-19 pandemic; and the demand for IT-related Services to be provided by TCL Holdings Group, which are fundamental to the implementation of the digital transformation policy of the Group, is also expected to increase substantially, taking into account of which the proposed annual caps for Service Fees to be paid by the Group are set with an annual increase of approximately 14% from 2022 to 2024;
- (iii) the projection of the number and scale of relevant projects which TCL Holdings Group may require Services to be provided by the Group in the upcoming three years, with reference to the Group's projected capability in providing the relevant Services, taking into account of which the proposed annual caps for Service Fees to be received by the Group are set with an annual increase of approximately 23% to 24% from 2022 to 2024;
- (iv) where applicable, the tender price offered by members of the Group in bidding projects for Services of similar nature to TCL Holdings Group in previous years;
- (v) the prevailing market rate and available alternatives of comparable or similar services in the market;
- (vi) the year-on-year increase of 11.8% in the Group's sales volume of TCL smart screen for the six months ended 30 June 2021, and a year-on-year increase of 37.7% in the Group's sales volume of smart mobile, connective devices and services for the six months ended 30 June 2021, in view of which the business scale of the Group is expected to continue to expand for the years 2022 to 2024 and hence the related Service Fees (mainly logistic and after-sales related Service Fees) are also expected to increase;
- (vii) the expected organic growth of around 10% per year in respect of the amount of Service Fees to be paid and received by the Group to/from TCL Holdings Group during the three years ending 31 December 2024; and

(viii) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Services (2022-2024) Agreement.

#### **4. Proposed annual caps for the Master Financial (2022-2024) Agreement**

The proposed annual caps for the transactions under the Master Financial (2022-2024) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Financial Agreement (TCL Holdings) (2020-2022) and the Master Financing Services (2021-2022) Agreement;
- (ii) in respect of Deposit Services:
  - (a) the expected expansion of the business of the Company in the following years and as a result, the capital available for deposit with Finance Company (HK) and/or TCL Holdings Financial Services Associates would increase, hence the proposed annual caps for Deposit Services are set with an annual increase of approximately 30% from 2022 to 2024;
  - (b) the expected continuing growth of the Group's business in the coming years; accordingly, it is expected that the cash flow of the Group at peak season of sales of the upcoming years would be strong and hence the Group's demand for Deposit Services from TCL Holdings Financial Services Associates may increase up to the proposed annual caps at the peak season;
  - (c) the Group's unaudited consolidated cash and cash equivalents as at 30 June 2021 which amounted to approximately HK\$10,011 million; given that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Company would experience a gradual growth, it is expected that the Group's cash and cash equivalents would have a stable increase over the three financial years ending 31 December 2024;
  - (d) the actual amount of maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security) under the Master Financial Agreement (TCL Holdings) (2020-2022) reached over 96% of the historical annual caps for the year ended 31 December 2020 and 2021; and

- (e) the maximum outstanding daily balance of deposits placed by the Group at TCL Holdings Financial Services Associates during the period from 1 January 2021 to 31 August 2021 which exceeded HK\$1,730 million, taking into account of which the Group expects that the maximum amount of deposits to be maintained with TCL Holdings Financial Services Associates could be up to the proposed annual caps for the maximum outstanding daily balance of deposits for the three years ending 31 December 2024;
- (iii) in respect of Credit Services:
- (a) the Group's unaudited consolidated cash and cash equivalents as at 30 June 2021 were approximately HK\$10,011 million, that net cash is expected to generate from the business operation of the Group following the previous trend without significant cash outflow and that the business of the Group would experience a gradual growth, considering which it is expected that the Group would have a stable cash flow surplus over the three financial years ending 31 December 2024 for lending in return for favourable interest income, hence the proposed annual caps for Credit Services are set with an annual increase of approximately 30% from 2022 to 2024;
  - (b) the business needs of the Group, as well as the maximum amount of exposure at any time which the Group is prepared to assume under the Master Financial (2022-2024) Agreement in the context of the cash flow of the Group, considering which the Group expects that the maximum amount of loans to be advanced to Qualified Holdings Group could be up to the proposed annual caps for the maximum daily balances of outstanding loans for the three years ending 31 December 2024;
  - (c) the actual amount of maximum daily balances of outstanding loans (including interest receivables in respect of these loans) under the Master Financial Agreement (TCL Holdings) (2020-2022) reached approximately 90% of the historical annual caps for the year ended 31 December 2020 and 2021; and
  - (d) the proposed annual caps have also taken into account the repayment ability of Qualified Holdings Group, which is estimated based on the unaudited net asset value of the Qualified Holdings Group as of 30 June 2021;

- (iv) in respect of Financing Services:
  - (a) the proposed annual caps for Financing Services are set with an annual increase of approximately 25% from 2022 to 2024, which have taken into account the expected financial needs of TCL Electronics Qualified Members in terms of obtaining Financing Services from TCL Holdings Financial Services Associates;
  - (b) the business capacity of TCL Holdings Financial Services Associates;
  - (c) the prevailing market conditions of the interests and/or fees charged for comparable financing services; and
  - (d) the estimated fluctuation in exchange rate between RMB and HK\$ during the term of the Master Financial (2022-2024) Agreement;
- (v) in respect of Foreign Exchange Transactions:
  - (a) the historical amount of similar foreign exchange transactions entered into by members of the Group during the three years ended 31 December 2020 as TCL Finance Company (HK) and/or other TCL Holdings Financial Services Associates have not entered into similar Foreign Exchange Transactions with members of the Group historically;
  - (b) the projected aggregate amount of Spot Contracts, Forward Contracts and Swap Contracts to be entered into with Finance Company (HK) and/or other TCL Holdings Financial Services Associates in view of the fluctuation of various currencies and expected unstable global economic and political environment in the coming years, taking into account of which the proposed annual caps for Foreign Exchange Transactions are set with an increase of approximately 33% from 2022 to 2023, and approximately 50% from 2023 to 2024;
  - (c) the increasing global presence of the Group, which increases the Group's exposure to foreign exchange risks, for illustration, the revenue of TCL smart screens in overseas markets for the year ended 31 December 2020 recorded a year-on-year growth of approximately 27% from approximately HK\$21.0 billion in 2019 to approximately HK\$26.8 billion;
  - (d) the growing business size of the Group, particularly after the consolidation of TCL Communication Group into the Group on 31 August 2020, and the transactions contemplated to be carried out by TCL Communication Group; and

- (e) fluctuation in the RMB exchange rate amid global trade uncertainty and other external factors, for example, during the period between January 2020 and September 2021, there is an approximately 12% difference between the highest and lowest USD to RMB monthly closing price; and an approximately 42% difference between the highest and lowest Brazilian Real to RMB monthly closing price.

## **5. Proposed annual caps for the Master Brand Promotion (2022-2024) Agreement**

The proposed annual caps for the transactions under the Master Brand Promotion (2022-2024) Agreement are determined by reference to, among other things,

- (i) the historical amounts of the relevant transactions under the Master Brand Promotion (2019-2021) Agreement;
- (ii) the proposed annual caps for brand promotion fees are set with an increase of approximately 13% from 2022 to 2023, and approximately 17% from 2023 to 2024, which have taken into account the historical sales amount together with the expected growth in sales amount in the next three years based on the expected growth in market share of the Group's TCL Brand and/or TCL Holdings Brand products in the PRC and other regions around the world; and
- (iii) the promotion fee rates which are determined based on the factors set out in the paragraph headed "Pricing policy and basis of price determination" in the section "Continuing Connected Transactions – (4) Master Brand Promotion (2022-2024) Agreement" above.

## **6. Proposed annual caps for the Master Rental (2022-2024) Agreement**

Pursuant to HKFRS 16, subject to certain exceptions, leases with a term of more than 12 months will be recognised as right-of-use assets, and the transactions contemplated thereunder will be recognised as an addition of right-of-use assets. The right-of-use asset represents the right to use the underlying leased asset over the lease term and the lease liability represents the obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the relevant agreement, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the shorter of the useful life of the asset and the lease term, and (ii) interest expenses amortised from the lease liability over the lease term.

In addition to the effect of HKFRS 16, the proposed annual caps of the Master Rental (2022-2024) Agreement are also determined with reference to the following factors:

- (i) the historical amount of relevant transactions under the Master Rental (2020-2021) Agreement;
- (ii) the demand of the Group for leasing/licensing of certain Assets from/to TCL Holdings Group, which is expected to continue to increase in the future in light of the continuous expansion and organic growth of around 10% per year in respect of the business of the Group;
- (iii) the rental/license fee payable by the Group to TCL Holdings Group and/or by TCL Holdings Group to the Group (as the case may be), which is expected to grow in accordance with the trend of market condition during the term of the Master Rental (2022-2024) Agreement, especially in light of the gradual containment of COVID-19 pandemic in various major markets and the expectation that the global economy will start to recover;
- (iv) the growing business size of the Group, particularly after the consolidation of TCL Communication Group into the Group on 31 August 2020, and the transactions contemplated to be carried out by TCL Communication Group; and
- (v) the value of rental/license fees and right-of-use assets calculated by discounting the estimated total annual rental using the incremental borrowing rate of the Group as the discount rate.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

### **1. Master Sale and Purchase (2022-2024) Agreement**

The market of electronic consumer products is dynamic and ever-changing. A holistic customer experience is of growing importance and that there is an increasing number of customers who may look for multiple types of electronic products at the same time. The Group has increased its research and development investment and seized the opportunity of industry changes by firmly taking smart display as its core business, and vigorously implementing the “AI x IoT” all-scenario smart and healthy-living strategy. The products produced or manufactured by the Group and TCL Holdings Group are of different types (with the former focusing on TVs while the latter focusing on home appliances). Thus, in order to swiftly cope with market changes, to strengthen the synergy within TCL Holdings Group and the operating capability of the Group both in terms of overseas and PRC products, and to share the operation and sales channels within TCL Holdings Group, the Group has together with certain members of TCL Holdings

Group established PRC sales centres and overseas sales centres so that customers may be able to purchase products produced or manufactured by the Group and TCL Holdings Group at the same time. As a result, some of the products of TCL Holdings Group would first be sold to the Group, and subsequently the Group would re-sell such products to Independent Third Party customers, while at the same time the Group would first sell some of its products to members of the TCL Holdings Group for them to re-sell such products to Independent Third Party customers. Such arrangement would be carried out under the Master Sale and Purchase (2022-2024) Agreement and would consolidate the majority portion of the product business of TCL Holdings Group, enhance customer experience, achieve reduction of sales expenses and thus enhance the overall profitability of the Group.

## **2. Master Services (2022-2024) Agreement**

The Company has been accelerating the implementation of a diversified development strategy since 2018. Apart from consolidating and enhancing its existing TV business, the Group also focuses on developing smart mobile, connective devices, internet business, commercial displays and smart home businesses in order to lay down a strong foundation for the new image and new businesses of the Group. Accordingly, the Group gains know-how and achieves expertise in various Services in relation to such business areas. On the other hand, TCL Holdings Group have solid experience in the provision of various Services such as (but not limited to) logistics, after-sale and technology services covering computer hardware and software, cloud platform facility services and information technology consultancy services. Better service quality and lower costs can be achieved if the Group and TCL Holdings Group make effective use of their expertise and economies of scale and provide Services to each other. Moreover, in view of the close relationship between the Group and TCL Holdings Group, TCL Holdings Group has better understanding of the business and operations of the Group and hence is able to provide timely and customised Services to satisfy the needs of the Group.

For example, TCL Holdings Group would provide basic hardware and software and related support services, network and internet services, cloud services, IT service rooms and maintenance services and IT consultation services to members of the Group and the Group can reduce costs and enhance efficiency in various business units through centralising IT platforms and application systems, professionalising basic services and smart management so that the Group can focus and centralise its resources in developing its own core business. In addition, the Group through the business network of the relevant member of TCL Holdings Group can avoid the unnecessary risk and cost arising from the establishment of new sales network and also can develop new markets and make profit therefrom. In respect of Services to be provided by the Group to TCL Holdings Group, among others, the Group could share the intelligent commercial information technology and industry solutions of CI Tech (a wholly-owned subsidiary of the Company). In addition, some other

subsidiaries of the Group provide supporting services on smart home and community system and/or software. In this regard, the Group is able to leverage on the installation expertise and the rich experience in providing one-stop services encompassing overall business solutions, smart products of CI Tech, the professional technology and business network of other subsidiaries of the Company to TCL Holdings Group.

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

### **3. Master Financial (2022-2024) Agreement**

The Master Financial (2022-2024) Agreement consolidates and integrates the Master Financial Agreement (TCL Holdings) (2022-2024) and Master Financing Services (2021-2022) Agreement, which allows the Group to monitor the continuing connected transactions contemplated thereunder in a more administratively convenient and cost-effective manner for better internal management.

#### **Deposit Services**

The Master Financial (2022-2024) Agreement provides cost efficient treasury services to all TCL Electronics Qualified Members. The Company believes that TCL Holdings Financial Services Associates as the financing platform for the entire TCL Holdings Group may take advantage of the economies of scale and therefore provide TCL Electronics Qualified Members with deposit interest rates more favourable or at least no less favourable than other financial institutions in or outside the PRC. Specifically, TCL Holdings Financial Services Associates may obtain better financing options from the financial institutions outside through TCL Holdings by making use of its advantage in scale of the capital, and in turn the TCL Holdings Financial Services Associates may offer favourable deposit interest rates to TCL Electronics Qualified Members.

#### **Credit Services**

In view of the expected idle cash flow of the Group over the three financial years ending 31 December 2024, the Master Financial (2022-2024) Agreement would provide the Group with greater flexibility in the management of its idle cash flow by enabling it to lend a portion of its idle cash resources to Qualified Holdings Group and obtaining favourable interest income in return, thereby efficiently utilising and maximising the return of its idle cash flow.

In view of the close relationship between the Group and Qualified Holdings Group, and the financial needs of Qualified Holdings Group from time to time, the Group would be able to provide more efficient processing of loan requests from Qualified Holdings Group and accordingly has greater competitive advantages over other lending institutions and thereby attracting Qualified Holdings Group to obtain financing from the Group. On the other hand, the Group would benefit from efficiently utilising its idle cash flow and receiving higher interest income by advancing loans to Qualified Holdings Group. Accordingly, both the Group and Qualified Holdings Group would gain from the Credit Services.

### **Financing Services**

Historically, the Group has received similar financing services from various commercial banks and/or financial institutions. Moreover, TCL Holdings, as the controlling shareholder of the Company, has through itself or its subsidiaries been providing financial assistances to the Group from time to time through various means including but not limited to providing Financing Services and the Group has been benefitted therefrom. For illustration, as at 31 December 2020, TCL Holdings together with TCL Technology has guaranteed certain of the Group's bank loans of approximately HK\$2,687 million; TCL Holdings and companies controlled by TCL Holdings have also advanced loans to the Group from time to time upon the Group's request, as at 31 December 2020, the amounts due from the Group to companies controlled by TCL Holdings amounted to approximately HK\$623 million, of which approximately HK\$618 million were interest-free and unsecured. The above financial assistances received and benefitted by the Group are all fully exempted continuing connected transactions pursuant to Rule 14A.90 of the Listing Rules. On the other hand, the Group has, where appropriate, placed its idle cash with TCL Holdings Group to gain interest at a more favourable interest rate. In view of the Group's continuous expansion of business, the Group has entered into the Master Financing Services (2021-2022) Agreement to enable the Group to expand its financial channels, accelerate the efficiency of asset turnover and optimise its financial structure, as well as improve the efficiency of its capital usage. TCL Electronics Qualified Members may continue to obtain financing from TCL Holdings Financial Services Associates as an alternative source especially when the commercial banks or financial institutions are unable to provide sufficient financing resources to satisfy the business needs of the Group. The Master Financial (2022-2024) Agreement, which incorporated the terms of the Master Financing Services (2021-2022) Agreement, will allow the Group to continue to enjoy the same benefits.

As with the Master Financing Services (2021-2022) Agreement, the Master Financial (2022-2024) Agreement also provides flexible and comprehensive finance and treasury services to all TCL Electronics Qualified Members. As TCL Holdings Financial Services Associates are familiar with the business and operation of the TCL Electronics Qualified Members, it is expected that TCL Holdings Financial Services Associates will be more efficient than other financial institutions in terms of processing transactions for TCL Electronics Qualified Members given

their close relationships and hence will be able to satisfy the financing needs of TCL Electronics Qualified Members in a more timely manner. TCL Holdings Financial Services Associates will also be able to provide various tailor-made Financing Services which will better accommodate the business operations of TCL Electronics Qualified Members and facilitate the management of upstream and downstream industry chain of the Group.

The Company also believes that TCL Holdings Financial Services Associates, which include financial institutions duly established in or outside the PRC and the pricing policy and the operation of which are subject to guidelines issued by the relevant authorities where such financial institutions are duly established, may also be able to obtain cost-efficient financing from other financial institutions at lower interest rates by taking advantage of their economies of scale which TCL Electronics Qualified Members may not be able to enjoy if the latter directly borrow from such other financial institutions. It is expected that TCL Electronics Qualified Members may in turn obtain financing from TCL Holdings Financial Services Associates at lower interest rates and/or more favourable terms than those of corporate commercial loans offered by other financial institutions.

As far as the Directors are aware, TCL Holdings Financial Services Associates have established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations. Meanwhile, the Group will also adopt reasonable internal control procedures and corporate governance measures in relation to its utilisation of the Financing Services provided by TCL Holdings Financial Services Associates.

### **Foreign Exchange Transactions**

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

Finance Company (HK) and other TCL Holdings Financial Services Associates are able to provide different foreign exchange transaction options in support of the Group's business and treasury activities. Further, as Finance Company (HK) and other TCL Holdings Financial Services Associates are familiar with the business and operation of members of the Group, it is expected that Finance Company (HK) and/or other TCL Holdings Financial Services Associates will be more efficient than other financial institutions in terms of processing transactions for members of the Group given their close relationships and hence will be able to satisfy the needs of members of the Group in a more timely manner. Accordingly, it would be in the interest of the Group to enter into the Foreign Exchange Transactions with Finance Company (HK) and/or other TCL Holdings Financial Services Associates on a non-exclusive basis in accordance with the Master Financial (2022-2024) Agreement.

#### **4. Master Brand Promotion (2022-2024) Agreement**

The Company has been using TCL Brand and/or TCL Holdings Brand for the marketing and distribution of its products. The continuous development of the goodwill and brand image of such trademarks is considered to be important to the successful long-term operation of the business of the Group. The Master Brand Promotion (2022-2024) Agreement allows the Group to enjoy the benefits brought by developing goodwill and brand image associated with the promotion of such trademarks at attractive rates.

#### **5. Master Rental (2022-2024) Agreement**

The Group has been leasing/licensing certain vehicles and landed properties from the relevant members of TCL Holdings Group as its offices, factory, warehouse and dormitory in respect of the Group's various business segments as well as renting/licensing out certain vehicles and premises of the Group to the relevant members of TCL Holdings Group so as to better utilise its unused assets. Accordingly, substantial time and costs can be saved if the Group continues the existing lease/license arrangement with relevant members of TCL Holdings Group instead of identifying and leasing/licensing other suitable and comparable vehicles and landed properties.

Further, in view of the Group's continuous expansion of business, the Company considers it is in the interests of the Company and the Shareholders as a whole to enter into the Master Rental (2022-2024) Agreement to continue the continuing connected transactions contemplated under the Master Rental (2020-2021) Agreement in order to meet the increasing demand and accommodate the business needs of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee) consider that the Non-exempt Transactions are fair and reasonable; on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the terms of the Master Rental (2022-2024) Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable, on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group, and in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 1,260,358,288 Shares, representing approximately 50.82% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Holdings. As such, T.C.L. Industries (H.K.) is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Holdings is the holding company of T.C.L. Industries (H.K.), it is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. Further, as Finance Company (HK) is a direct subsidiary of T.C.L. Industries (H.K.), it is also an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under each of the Agreements therefore constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the respective annual caps of the Master Sale and Purchase (2022-2024) Agreement, Master Services (2022-2024) Agreement, Master Financial (2022-2024) Agreement and the Master Brand Promotion (2022-2024) Agreement (i.e. agreements for the Non-exempt Transactions) exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Deposit Services and the Credit Services under the Master Financial (2022-2024) Agreement exceed 25%, the aforementioned transactions constitute major transactions of the Company and are subject to the relevant major transaction requirements under Chapter 14 of the Listing Rules.

Further, as the assets ratio of the Credit Services under the Master Financial (2022-2024) Agreement exceeds 8%, the aforementioned transactions also constitute advances to an entity and are subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the Master Rental (2022-2024) Agreement exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated thereunder are exempted from the from the circular (including independent financial advice) and Shareholders' approval under Rule 14A.76(2)(a) of the Listing Rules but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Shareholders on the terms and the proposed annual caps of the Non-exempt Transactions. The Company has appointed Pelican Financial Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard. A circular containing, among other things, further details of the Non-exempt Transactions, letters from Independent Board Committee and the Independent Financial Adviser, a notice convening the EGM and other information as required under the Listing Rules, will be despatched to the Shareholders on or before 25 November 2021.

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

Notwithstanding the respective interest and/or roles of certain Directors in TCL Holdings Group, in particular, (i) Ms. DU Juan is also a director and the general manager of TCL Holdings; (ii) Mr. WANG Cheng is also a director of TCL Holdings; (iii) Mr. HU Dien Chien is also the chief financial officer of TCL Holdings; and (iv) Mr. SUN Li is also the chief technology officer of TCL Holdings, as their respective direct or indirect interests in TCL Holdings Group are insignificant and that none of the TCL Associates are associates of any of the Directors, none of them is considered as having a material interest in the transactions contemplated under the Agreements, therefore all Directors are entitled to vote on the Board resolutions for considering and approving the Agreements pursuant to the Articles.

## GENERAL INFORMATION OF THE PARTIES

The Group is principally engaged in the research and development, manufacturing and sale of consumer electronic products such as smart screens and mobile communication devices and independently develops home Internet services. The Group helps users to live a smart and healthy life covering household, mobile and commercial scenarios and is devoted to becoming a world-leading smart technology company with smart display as the core strategy and “AI x IoT” as technological driver. For more information on the Group, please visit its official website at <http://electronics.tcl.com> (the information that appears in this website does not form part of this announcement).

TCL Holdings is an investment holding company with a diverse investment portfolio. Its investments are principally in the business of development, manufacturing and distribution of audio/video products, electronic products, communication equipment, home appliances, provision of cloud video conferencing services, intelligent manufacturing solutions, solid waste dismantling and disposal, development and leasing of building and industrial park, supply chain finance, etc.. As at the date of this announcement, TCL Holdings, through its wholly-owned subsidiary T.C.L. Industries (H.K.), held approximately 50.82% of the issued Shares and is the ultimate controlling shareholder of the Company. As at the date of this announcement, the shareholding structure of TCL Holdings is as follows:

<b>Shareholders</b>	<b>Approximate Shareholding</b>
Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)* (寧波礪達致輝企業管理合夥企業(有限合夥))	33.33%
Ningbo Lida Zhiheng Enterprise Management Partnership (Limited Partnership)* (寧波礪達致恒企業管理合夥企業(有限合夥))	23.26%
Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂(上海)投資中心(有限合夥))	18.60%
Huizhou State-owned Asset Management Co., Ltd.* (惠州市國有資產管理有限公司)	9.30%
Xiaomi Technology Co., Ltd.* (小米科技有限責任公司)	9.30%
Beijing Xinrunheng Equity Investment Partnership (L.P.)* (北京信潤恒股權投資合夥企業(有限合夥))	4.65%
Shenzhen Qifu Guolong Small and Medium Micro-Enterprise Equity Investment Fund Partnership (L.P.)* (深圳市啓賦國隆中小微企業股權投資基金合夥企業(有限合夥))	1.55%
<b>Total (Note)</b>	<b>100.00%</b>

*Note:* The figures shown in the above table were subject to rounding adjustment, accordingly the total figure may not be an arithmetic aggregation of the figures proceeding it.

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

## DEFINITIONS

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

“Agreements”	collectively the Master Sale and Purchase (2022-2024) Agreement, the Master Services (2022-2024) Agreement, the Master Financial (2022-2024) Agreement, the Master Brand Promotion (2022-2024) Agreement and the Master Rental (2022-2024) Agreement and each an “Agreement”;
“April 2020 Circular”	the circular of the Company dated 1 April 2020;
“Articles”	the articles of association of the Company as amended from time to time;
“Asset(s)”	landed properties, Vehicles and Equipment, as well as the auxiliary and/or subordinate facilities and intangible assets (such as software, skills, qualification, etc.) (if applicable) thereto, which the relevant lessor under the Master Rental (2022-2024) Agreement legally owns or has the right to rent, lease and/or license (including share and/or make available the use thereof);
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“25 August 2020 Announcement”	the announcement of the Company dated 25 August 2020;
“31 August 2020 Announcement”	the announcement of the Company dated 31 August 2020;
“Board”	the board of Directors;

“CI Tech”	TCL Commercial Information Technology (Huizhou) Limited* (TCL商用信息科技(惠州)有限責任公司), a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of the Company;
“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;
“Credit Services”	advance of loan(s) by member(s) of the Group to member(s) of Qualified Holdings Group pursuant to the Master Financial (2022-2024) Agreement;
“Deposit Services”	deposit of money by the TCL Electronics Qualified Members with Finance Company (HK) and/or TCL Holdings Financial Services Associates pursuant to the Master Financial (2022-2024) Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, approve, among others, the Non-exempt Transactions;
“Electronics Products”	(i) products (including but not limited to televisions, telecommunication, mobile and connective devices, smart home products, information technology products and commercial use display products) manufactured, produced or otherwise sold or distributed by the Group; (ii) the article, things, components or materials required for manufacturing or production of any TCL Associates Products; and (iii) waste products arising from manufacturing or production process of the Group;

“Equipment”	machineries, equipment, tools and articles (including but not limited to machineries, equipment, tools and articles for the purposes of manufacturing, communication, research and development, testing, engineering and office use) which the relevant lessor legally owns or has the right to rent, lease and/or license (including share and/or make available the use thereof);
“Existing Agreements”	collectively the Master Sale and Purchase (2019-2021) Agreement, Master Services (2019-2021) Agreement, Master Financial Agreement (TCL Holdings) (2020-2022), Master Financing Services (2021-2022) Agreement, Master Brand Promotion (2019-2021) Agreement and Master Rental (2020-2021) Agreement;
“Finance Company (HK)”	TCL Finance (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and a direct subsidiary of T.C.L. Industries (H.K.);
“Financing Services”	the financing services to be provided by TCL Holdings Financial Services Associates from time to time in accordance with the Master Financial (2022-2024) Agreement, which include but are not limited to guarantees (such as shipping guarantees), receivables factoring (recourse and without-recourse), bill discounting, inbound guarantee (offshore guarantees for onshore loans) and outbound guarantee (onshore guarantee for offshore loans);
“Foreign Exchange Transactions”	Spot Contracts and/or Forward Contracts and/or Swap Contracts (as the case may be);

“Forward Contract(s)”	the forward contract(s) entered or to be entered into between members of the Group and Finance Company (HK) and/or other TCL Holdings Financial Services Associates in relation to the purchase of one currency with another currency between members of the Group and Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates to be completed at a designated future date on terms (such as currency type, principal amount, exchange rate, etc.) agreed in advance, for the purpose of hedging the exposure of the relevant member of the Group to currency exchange risks in connection with the business of the relevant member of the Group, pursuant and subject to the terms and conditions of the Master Financing (2022-2024) Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Holdings Qualified Member(s)”	all companies to which TCL Holdings Financial Services Associates will be allowed to provide relevant financial services, which shall only include TCL Holdings and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Non-exempt Transactions comprising all independent non-executive Directors;
“Independent Financial Adviser” or “Pelican”	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Shareholders in respect of the Non-exempt Transactions;

“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries and their respective associates;
“IoT”	Internet of things;
“IT”	information technology;
“June 2019 Circular”	the circular of the Company dated 19 June 2019;
“June 2021 Announcement”	the announcement of the Company dated 9 June 2021;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Master Brand Promotion (2019-2021) Agreement”	the master brand promotion (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;
“Master Brand Promotion (2022-2024) Agreement”	the master brand promotion (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Holdings;
“Master Financial Agreement (TCL Holdings) (2020-2022)”	the master financial agreement (TCL Holdings) (2020-2022) dated 25 March 2020 entered into among the Company, TCL Holdings and Finance Company (HK);
“Master Financial (2022-2024) Agreement”	the master financial (2022-2024) agreement dated 11 November 2021 entered into among the Company, TCL Holdings and Finance Company (HK);
“Master Financing Services (2021-2022) Agreement”	the master financing services (2021-2022) agreement dated 9 June 2021 entered into between the Company and TCL Holdings;
“Master Sale and Purchase (2019-2021) Agreement”	the master sale and purchase (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;

“Master Sale and Purchase (2022-2024) Agreement”	the master sale and purchase (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Holdings;
“Master Rental (2020-2021) Agreement”	the master rental (2020-2021) agreement dated 25 August 2020 entered into between the Company and TCL Holdings;
“Master Rental (2022-2024) Agreement”	the master rental (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Holdings;
“Master Services (2019-2021) Agreement”	the master services (2019-2021) agreement dated 14 June 2019 entered into between the Company and TCL Holdings;
“Master Services (2022-2024) Agreement”	the master services (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Holdings;
“Non-exempt Transactions”	the transactions contemplated under the Master Sale and Purchase (2022-2024) Agreement, Master Services (2022-2024) Agreement, Master Financial (2022-2024) Agreement and Master Brand Promotion (2022-2024) Agreement, together with their respective proposed annual caps;
“ODM”	original design manufacturing;
“OEM”	original equipment manufacturing;
“PBOC”	the People’s Bank of China, the central bank of the PRC;
“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;

“Qualified Holdings Group”	TCL Holdings and its subsidiaries and any entity that may become subsidiary of TCL Holdings from time to time, and for the purposes of the Master Financial (2022-2024) Agreement and the transactions contemplated thereunder and this announcement excludes the Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale of Electronics Products”	the sale of the Electronics Products by the Group to TCL Holdings Group pursuant to the Master Sale and Purchase (2022-2024) Agreement;
“Services”	services which may be provided by members of the Group to members of TCL Holdings Group, or by members of TCL Holdings Group to members of the Group, as the case may be, including but not limited to (i) business support services, being operational and management services relating to the ordinary and usual course of business and/or goods, including but not limited to logistics services, warehousing services, waste management services, processing services, planning and operation management services, sales optimisation services, after-sale and repair services, industry solution services and support services in relation to intelligent system and software provision services, etc.; (ii) operation support services, being services relating to the day-to-day operation, including but not limited to administrative services, financial management and supporting services, research and development services, natural resources management services, human resources services, business consultation and management services, market promotion services, IT and internet support services and other relevant IT-related services, etc.; and (iii) other services which the members of the Group or members of TCL Holdings Group (as the case may be) are capable of providing;

“Service Fees”	the fees to be paid by relevant member(s) of the Group or TCL Holdings Group for the provision of the relevant Services pursuant to the Master Services (2022-2024) Agreement;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Shareholders’ Approval Date”	the date on which the Shareholders approve each of the Non-exempt Transactions;
“smart screen(s)”	mainly refers to smart TV(s);
“Sourcing of TCL Associates Products”	the purchase of the TCL Associates Products by the Group from the relevant members of TCL Holdings Group pursuant to the Master Sale and Purchase (2022-2024) Agreement;
“Spot Contract(s)”	the spot contract(s) entered or to be entered into between members of the Group and Finance Company (HK) and/or other TCL Holdings Financial Services Associates in relation to the purchase of one currency with another currency between members of the Group and Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates at spot rate pursuant to and subject to the terms and conditions of the Master Financial (2022-2024) Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly;

“Swap Contract(s)”	the swap contract(s) entered or to be entered into between members of the Group and Finance Company (HK) and/or other TCL Holdings Financial Services Associates, which combines (i) a spot contract or a forward contract; and (ii) another forward contract, in relation to the exchange of a certain amount of currency on a date at spot or an agreed exchange rate, and exchange back the same amount of currency at an agreed exchange rate (i.e. forward exchange rate) on a future date between relevant members of the Group and Finance Company (HK) and/or the relevant TCL Holdings Financial Services Associates, for the purpose of hedging the exposure of the relevant members of the Group to currency exchange risks in connection with the business of the relevant members of the Group, pursuant to and subject to the terms and conditions of the Master Financial (2022-2024) Agreement;
“TCL Associates”	the associate(s) of TCL Holdings;
“TCL Associates Products”	(i) any goods or appliances (including but not limited to electronic, IT or electrical goods (such as but not limited to refrigerators, washing machines, dishwashers, air conditioners, other household appliances, electrical accessories and their components)) designed, developed, manufactured, produced or otherwise sold, marketed or supplied by any member of TCL Holdings Group; (ii) the article, things, components or materials required for manufacturing or production of any Electronics Products; and (iii) waste products arising from manufacturing or production process of TCL Holdings Group;
“TCL Brand”	“TCL” trademarks and tradenames owned by TCL Technology and its subsidiaries (including but not limited to major trademarks and famous trademarks owned by TCL Technology);
“TCL Brand Management Centre”	a department specialised in maintaining, promoting and upholding the image of “TCL” brand;
“TCL Communication”	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company;

“TCL Communication Group”	TCL Communication and its subsidiaries;
“TCL Electronics Qualified Member(s)”	such member(s) of the Group which is/are Holdings Qualified Member(s);
“TCL Holdings”	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), formerly known as TCL Industries Holdings (Guangdong) Inc.* (TCL實業控股(廣東)股份有限公司), a joint stock limited company established under the laws of the PRC;
“TCL Holdings Brand”	brands, trademarks, tradenames, copyrights and other intellectual property rights owned by TCL Holdings Group (for the avoidance of doubt, excluding TCL Brand);
“TCL Holdings Financial Services Associates”	the existing TCL Associates and any entity that may become TCL Associates from time to time during the term of the Master Financial (2022-2024) Agreement which carry on businesses in deposit, clearing, factoring finance, financial leasing and guarantees, foreign exchange transactions and other financial services, including but not limited to Finance Company (HK) but excluding the Group;
“TCL Holdings Group”	TCL Holdings and its subsidiaries and any entity that may become subsidiary of TCL Holdings from time to time, and for the purpose of this announcement, the Agreements and the transactions contemplated thereunder includes TCL Associates but, unless otherwise specified, excludes the Group;
“T.C.L. Industries (H.K.)”	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, an immediate controlling Shareholder, and a wholly-owned subsidiary of TCL Holdings;
“TCL Technology”	TCL Technology Group Corporation (formerly known as TCL Corporation), a joint stock limited company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100.SZ);
“TV(s)”	television(s);

“USD”	United States dollars, the lawful currency of the United States of America;
“Vehicle(s)”	any vehicles, whether manned or unmanned, including but not limited to mobility devices, drones, ships and other transports; and
“%”	per cent.

On behalf of the Board  
**DU Juan**  
*Chairperson*

Hong Kong, 11 November 2021

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

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