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TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

CONTINUING CONNECTED TRANSACTIONS 2018 MASTER SERVICES AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 31 October 2018, TCL Corporation and the Company entered into the 2018 Master Services Agreement, pursuant to which relevant member(s) of TCL Electronics Group may from time to time engage relevant member(s) of TCL Corporation Group to provide TCL Corporation Group Services and relevant member(s) of TCL Corporation Group may from time to time engage relevant member(s) of TCL Electronics Group to provide TCL Electronics Group Services, subject to the terms and conditions thereof.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 52.89% of the total number of issued Shares of the Company, and is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), other than the profits ratio, with reference to the Proposed Annual Caps (when aggregated with the amount paid or received under the Pre-Existing Transactions entered into or completed within a 12-month period) exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated under the 2018 Master Services Agreement will be subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

In their ordinary and usual course of business, member(s) of TCL Electronics Group has from time to time engaged relevant members of TCL Corporation Group to provide certain TCL Corporation Group Services, and relevant member(s) of TCL Corporation Group has from time to time engaged relevant member(s) of TCL Electronics Group to provide certain TCL Electronics Group Services (collectively “Pre-Existing Transactions”) in each case by entering into individual agreement on normal commercial terms and on arm’s length basis.

The applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), other than the profits ratio, in relation to the aggregate annual fees paid by TCL Electronics Group to TCL Corporation Group for provision of TCL Corporation Group Services and the aggregate annual fees paid by TCL Corporation Group to TCL Electronics Group for provision of TCL Electronics Group Services as of 30 October 2018 were all less than 0.1% respectively, and therefore such connected transactions constituted de minimis transactions of the Company under Chapter 14A of the Listing Rules.

In view of the ongoing continuing transactions between TCL Corporation Group and TCL Electronics Group, on 31 October 2018, TCL Corporation and the Company entered into the 2018 Master Services Agreement, pursuant to which relevant member(s) of TCL Electronics Group may from time to time engage relevant member(s) of TCL Corporation Group to provide TCL Corporation Group Services and relevant member(s) of TCL Corporation Group may from time to time engage relevant member(s) of TCL Electronics Group to provide TCL Electronics Group Services, subject to the terms and conditions thereof.

2018 MASTER SERVICES AGREEMENT

The principal terms of the 2018 Master Services Agreement are as follows:

- Date: 31 October 2018

- Parties: (1) TCL Corporation (for itself and on behalf of its Subsidiaries and Associates)

(2) the Company (for itself and on behalf of its Subsidiaries)

- Duration: From 31 October 2018 to 31 December 2020 (both dates inclusive)

- Provision of TCL Corporation Group Services: Relevant member(s) of TCL Electronics Group may from time to time engage relevant member(s) of TCL Corporation Group for the provision of TCL Corporation Group Services according to its business needs. The terms of such engagement would be based on the 2018 Master Services Agreement and subject to the Individual Agreement(s) to be entered into by the relevant parties.

- Provision of TCL Electronics Group Services: Relevant member(s) of TCL Corporation Group may from time to time engage relevant member(s) of TCL Electronics Group for the provision of TCL Electronics Group Services according to its business needs. The terms of such engagement would be based on the 2018 Master Services Agreement and subject to the Individual Agreement(s) to be entered into by the relevant parties.

Payment Terms: In respect of TCL Corporation Group Services, the TCL Corporation Group Services Fees under any Individual Agreement must be determined with reference to the prevailing market rate and in any event be no less favourable than those market rates offered to TCL Electronics Group by Independent Third Parties for the provision of similar TCL Corporation Group Services.

In respect of TCL Electronics Group Services, the relevant TCL Electronics Group Services Fees under any Individual Agreement must be determined with reference to the prevailing market rate and in any event be not less than the rate that may be charged by TCL Electronics Group to Independent Third Parties for the provision of similar TCL Electronics Group Services.

The relevant TCL Corporation Group Services Fees and TCL Electronics Group Services Fees may be adjusted from time to time by agreement of the relevant parties in writing subject to compliance with the Listing Rules.

TCL ELECTRONICS GROUP'S PRICING POLICY AND PRICE DETERMINATION

In respect of TCL Corporation Group Services, it is the pricing policy of TCL Electronics Group that, before engaging any member(s) of TCL Corporation Group to provide the relevant TCL Corporation Group Services, TCL Electronics Group would obtain quotations for the same or similar TCL Corporation Group Services from at least two Independent Third Party service providers where possible and make an overall assessment of the terms of the TCL Corporation Group Services offered, past record of dealing with the Independent Third Party service providers (if any), payment terms, the specific requirements of a particular project, and the price quoted. TCL Electronics Group would only engage TCL Corporation Group for provision of TCL Corporation Group Services when, according to the results of the overall assessment, the terms under the Individual Agreement(s) are no less favourable in providing the relevant services than the terms offered by Independent Third Parties and that the relevant member of the TCL Corporation Group is capable of meeting the timeline, specific needs of the particular project and expected quality of the relevant TCL Corporation Group Services. The relevant member(s) of TCL Electronics Group has the absolute discretion to decide whether to engage relevant member(s) of TCL Corporation Group for the provision of TCL Corporation Group Services.

In respect of TCL Electronics Group Services, it is the pricing policy of TCL Electronics Group that, before determining the relevant TCL Electronics Group Services Fees, TCL Electronics Group would consider the actual cost arising from TCL Electronics Group Services, the market position in competition, the sales policy of the Company and other relevant factors, and also make reference to the fair price ranges in the market for comparable TCL Electronics Group Services together with the specific nature of each particular project. TCL Electronics Group would only agree to provide TCL Corporation Group with TCL Electronics Group Services provided that TCL Electronics Group services comply with the pricing strategy and TCL Electronics Group Services Fees payable by TCL Corporation Group to TCL Electronics Group are not less than the rate charged by TCL Electronics Group to Independent Third Parties for provision of similar TCL Electronics Group Services. The relevant member(s) of TCL Electronics Group has the absolute discretion to decide whether to enter into the Individual Agreement(s) regarding the provision of TCL Electronics Group Services with the relevant member(s) of TCL Corporation Group.

In addition, TCL Electronics Group has adopted an internal control system to monitor the usage of the Proposed Annual Caps, including that, before any member of TCL Electronics Group entering into any Individual Agreement, the relevant team responsible for monitoring the transaction amounts of the Company would be notified in advance to ensure that actual transactions amount would not exceed the Proposed Annual Caps.

HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

Historical figures

The annual aggregate amounts paid by TCL Electronics Group to the TCL Corporation Group for the provision of IT and Other Services for the period from 1 January 2016 to 31 December 2016, from 1 January 2017 to 31 December 2017 and the nine months ended 30 September 2018 amounted to Nil, Nil and HK\$986,000 respectively.

The annual aggregate amounts paid by TCL Electronics Group to the TCL Corporation Group for the provision of Platform Services for the period from 1 January 2016 to 31 December 2016, from 1 January 2017 to 31 December 2017 and the nine months ended 30 September 2018 amounted to Nil, HK\$3,348,000 and HK\$6,714,000 respectively.

The annual aggregate amounts paid by TCL Corporation Group to TCL Electronics Group for the provision of Platform Services for the period from 1 January 2016 to 31 December 2016, from 1 January 2017 to 31 December 2017 and the nine months ended 30 September 2018 amounted to HK\$831,000, HK\$3,911,000 and HK\$7,396,000 respectively.

Save as to the Platform Services and the IT and Other Services, neither TCL Electronics Group nor the TCL Corporation Group has engaged each other for provision of other TCL Electronics Group Services and TCL Corporation Group Services.

Proposed annual caps

The following table sets out the Proposed Annual Caps of the TCL Corporation Group Services Fees to be paid to the relevant member(s) of TCL Corporation Group by the relevant member(s) of TCL Electronics Group and TCL Electronics Group Services Fees to be paid to the relevant member(s) of TCL Electronics Group by the relevant member(s) of TCL Corporation Group under the 2018 Master Services Agreement for each financial year ending 31 December 2018, 31 December 2019 and 31 December 2020 respectively:

	For the year ending 31 December 2018 HK\$'000 (Note 1)	For the year ending 31 December 2019 HK\$'000	For the year ending 31 December 2020 HK\$'000
TCL Corporation Group			
Services Fees to be paid by			
TCL Electronics Group	22,600	286,936	308,936
– Platform Services	11,237	16,559	25,208
– IT and Other Services	11,363	270,377	283,728
TCL Electronics Group			
Services Fees to be paid by			
TCL Corporation Group	132,072	198,593	224,352
– Platform Services	12,500	18,750	28,125
– Other Services	119,572	179,843	196,227

Note 1: On aggregate basis inclusive of the transaction amount of the Pre-Existing Transactions in the year of 2018.

DETERMINATION OF THE PROPOSED ANNUAL CAPS

In determining the Proposed Annual Caps for TCL Corporation Group Services Fees, TCL Electronics Group has taken into account the following factors:

1. TCL Electronics Group's usage of and costs spent for services of nature similar to TCL Corporation Group Services in previous years;
2. TCL Electronics Group's plan on current and future information transformation and capacity enhancement, which specifically, includes the expected demand of TCL Corporation Group Services by TCL Electronics Group with reference to the projected number of relevant projects of TCL Electronics Group (including but not limited to IT projects) in the upcoming 3 years;

3. the prevailing market rate of services of nature similar to TCL Corporation Group Services; and
4. the historical figure in relation to the IT and Other Services, as well as the Platform Services, required by TCL Electronics Group from TCL Corporation Group.

In determining the Proposed Annual Caps for TCL Electronics Group Services Fees, TCL Electronics Group has taken into account the following factors:

1. TCL Electronics Group's projection of the number and scale of TCL Corporation Group projects which TCL Corporation Group may require TCL Electronics Group Services in the upcoming 3 years, with reference to TCL Electronics Group's projected capability;
2. where applicable, the tender price offered by members of TCL Electronics Group in bidding projects for services of nature similar to TCL Electronics Group Services in previous years;
3. the prevailing market rate of services of nature similar to TCL Electronics Group Services; and
4. the historical figure in relation to the Platform Services required by TCL Corporation Group from TCL Electronics Group.

The Directors (including the independent non-executive Directors) consider that the terms of the 2018 Master Services Agreement and the transactions contemplated thereunder together with the Proposed Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of TCL Electronics Group, and it is in the interest of TCL Electronics Group and the Shareholders as a whole to enter into the 2018 Master Services Agreement and the transactions contemplated thereunder.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

After the change of the Company name, TCL Electronics has accelerated the implementation of a diversified development strategy. Apart from consolidating and enhancing its existing TV business, TCL Electronics Group also focuses on developing smart AV, commercial displays and smart home businesses in order to lay down a strong foundation for the new image and new businesses of TCL Electronics Group.

Following the acquisition of CI Tech which was completed on 31 July 2018, TCL Electronics Group could share and integrate CI Tech's various achievements in, among others, intelligent commercial information technology and industry solutions. TCL Electronics Group Services to be provided by TCL Electronics Group to TCL Corporation Group will mainly be, including but not limited to, leveraging on the

installation expertise and the rich experience in providing one-stop services encompassing overall business solutions and smart products of CI Tech and the professional technology and business network of other Subsidiaries of the TCL Electronics. The relevant transactions are beneficial to expanding the business scope of TCL Electronics Group, increasing sources of revenue and enhancing the competitiveness and profitability of TCL Electronics Group through providing tailor-made services to clients.

Relevant member(s) of TCL Corporation Group has experience in the provision of TCL Corporation Group Services, and therefore making use of the TCL Corporation Group Services to be provided by TCL Corporation Group can reduce costs and enhance efficiency in various business units of TCL Electronics Group through centralising IT platforms and application systems, professionalising basic services and smart management so that TCL Electronics Group can focus and centralise its resources in developing its own core business. In addition, TCL Electronics Group through the business network of TCL Corporation 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 thereof. It is expected that the TCL Corporation Group Services will be primarily (including but not limited to) provided by Gechuang Dongzhi, a company jointly established by TCL Corporation, Shenzhen TCL Digital Technology Co., Ltd. (a Subsidiary of the Company) and other investors, and also by other subsidiaries of the TCL Corporation, which specialise in, among others, the provision of TCL Corporation Group Services. In respect of the provision of TCL Corporation Group Services by Gechuang Dongzhi, as Gechuang Dongzhi would actively participate in digital transformation and enhancement of the smart production capacity of TCL Electronics Group in various service projects, TCL Electronics Group, as one of the shareholders of Gechuang Dongzhi, can also benefit from the development of Gechuang Dongzhi in terms of profit sharing.

LISTING RULES IMPLICATIONS

TCL Corporation, the ultimate controlling Shareholder of the Company, currently holds approximately 52.89% of the total number of issued Shares of the Company, and is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), other than the profits ratio, with reference to the Proposed Annual Caps (when aggregated with the amount paid or received under the Pre-Existing Transactions entered into or completed within a 12-month period) exceed 0.1% but all are less than 5%, the continuing connected transactions contemplated under the 2018 Master Services Agreement will be subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

GENERAL INFORMATION AND RELATIONSHIP OF THE PARTIES

TCL Electronics Group is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets. TCL Electronics Group has factories in the PRC, Poland, Mexico and Vietnam and distributes its products in all major markets globally. For more information on TCL Electronics 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 Corporation is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of the electronic, audio-visual, telecommunications, information technology and electrical products. For more information on the TCL Corporation, please visit its official website at <http://www.tcl.com> (the information that appears in this website does not form part of this announcement).

Notwithstanding the respective interest(s) and/or role(s) of certain Directors in TCL Corporation, none of them is considered as having a material interest in the transactions contemplated under the 2018 Master Services Agreement, therefore all Directors are entitled to vote at the relevant board resolution pursuant to the Company's articles of association.

DEFINITIONS

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

“2018 Master Services Agreement“	the 2018 master services agreement dated 31 October 2018 entered into between the Company and TCL Corporation in respect of the provision of TCL Corporation Services by TCL Corporation Group and the provision of TCL Electronics Services by TCL Electronics Group
“Associate(s)“	has the meaning ascribed to it under the Listing Rules
“Board“	the board of Directors
“CI Tech“	TCL Commercial Information Technology (Huizhou) Co., Ltd. (TCL商用信息科技(惠州)股份有限公司), a joint stock company with limited liability established under the laws of the PRC and a Subsidiary of the Company
“Company“ or “TCL Electronics“	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01070)

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gechuang Dongzhi”	Gechuang Dongzhi Technology Co., Ltd.* (格創東智科技有限 公司), a company established under the laws of the PRC with limited liability and a Subsidiary of TCL Corporation
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is not a connected person of the Company and is independent of and not connected with the Company and its connected persons
“Individual Agreement(s)”	agreement(s) entered into between relevant member(s) of TCL Electronics Group and relevant member(s) of TCL Corporation Group under the 2018 Master Services Agreement
“IT”	information technology
“IT and Other Services”	services on sourcing of IT assets, investment and development of IT projects, IT procurement services, investment and development of smart production projects (including but not limited to IT investment and investment in optimizing smart production of the above items) and such other relating services
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Platform Services”	services for optimization of operation, sales and marketing of goods or products and/or other relevant supporting services
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Pre-Existing Transactions”	has the meaning ascribed thereto on page 2 of the announcement
“Products”	end products and consumer products, including but not limited to TVs, TV related components, white goods, mobile phones, air-conditioners and other home appliances and consumer products

“Proposed Annual Cap(s)”	the proposed annual caps for each of the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 of the continuing connected transactions under the 2018 Master Services Agreement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary/ Subsidiaries”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“TCL Corporation”	TCL Corporation (TCL集團股份有限公司), a joint stock company established under the laws of the PRC, the ultimate controlling Shareholder of the Company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000100)
“TCL Corporation Group”	TCL Corporation and its Subsidiaries and Associates
“TCL Corporation Group Services”	comprising Platform Services and IT and Other Services
“TCL Corporation Group Services Fees”	the fees to be paid by relevant member(s) of TCL Electronics Group to member(s) of TCL Corporation Group for the provision of the relevant TCL Corporation Group Services pursuant to the 2018 Master Services Agreement
“TCL Electronics Group”	the Company and its Subsidiaries
“TCL Electronics Group Services”	(i) Platform Services; and (ii) other services on application, ancillary, supporting and other services in relation to the Products, including but not limited to IT and internet services; installation of smart commercial information technology products and provision of industry solutions, (including but not limited to providing one-stop services encompassing software, contents, overall solutions and smart products for public and private clients); provision of smart home and smart community system and/or software, etc.

“TCL Electronics Group Services Fees”	the fees to be paid by relevant member(s) of TCL Corporation Group to member(s) of TCL Electronics Group for the provision of the relevant TCL Electronics Group Services pursuant to the 2018 Master Services Agreement
“TV(s)”	television(s)
“%”	per cent

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 31 October 2018

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

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