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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN FALCON TECHNOLOGY

THE ACQUISITION

The Board is pleased to announce that on 23 January 2019, King Electrical (a subsidiary of the Company) and Qianhai Fende entered into the Sale & Purchase Agreement, pursuant to which Qianhai Fende agreed to sell and King Electrical agreed to acquire the Target Equity Interests, representing approximately 15.56% of the total equity interest of Falcon Technology as of the date of this announcement, at the Consideration of RMB420.12 million.

Before Sale & Purchase Agreement was entered into, the Group held approximately 44.44% of the total equity interest of Falcon Technology through FFalcon. Immediately after completion of the Acquisition, the Group would hold in aggregate approximately 60.00% of the total equity interest of Falcon Technology through both FFalcon and King Electrical and thus Falcon Technology would become a subsidiary of the Company and be consolidated into the financial statements of the Group as a subsidiary.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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Before the Sale & Purchase Agreement was entered into, the Group held approximately 44.44% of the total equity interest of Falcon Technology through FFalcon. Immediately after completion of the Acquisition, the Group would hold in aggregate approximately 60.00% of the total equity interest of Falcon Technology through both FFalcon and King Electrical and thus Falcon Technology would become a subsidiary of the Company and be consolidated into the financial statements of the Group as a subsidiary.

The principal terms of the Sale & Purchase Agreement are summarised below:

Date:	23 January 2019
Parties:	(i) King Electrical; and (ii) Qianhai Fende
The Acquisition:	Pursuant to the terms and conditions of the Sale & Purchase Agreement, King Electrical agreed to acquire from Qianhai Fende and Qianhai Fende agreed to transfer to King Electrical the Target Equity Interests.
Consideration:	RMB420.12 million
Payment of Consideration:	The Consideration shall be paid by King Electrical to Qianhai Fende within 3 Business Days after the date of the Sale & Purchase Agreement.
Rights and Obligations:	From the date the Consideration is duly paid to Qianhai Fende by King Electrical pursuant to the terms and conditions of the Sale & Purchase Agreement, King Electrical would take up the rights and obligations attached to the Target Equity Interests and bear the relevant profit or loss arising therefrom.

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiation between King Electrical and Qianhai Fende after taking with account and by making reference to various factors including, among others, industry prospects, valuation of peer companies, business operation of Falcon Technology, and the overall valuation of Falcon Technology Group after the previous tranche of capital injection of Falcon Technology.

The Acquisition is funded by the internal resources of the Group.

INFORMATION OF FALCON TECHNOLOGY

Falcon Technology was established in May 2017 in the PRC. As at the date of this announcement, FFalcon (a subsidiary of the Company) and Qianhai Fende are interested in Falcon Technology as to approximately 44.44% and 15.56% respectively. After the completion of the transaction, the Company will be interested in Falcon Technology through both FFalcon and King Electrical. As at the date of this announcement, Falcon Technology has four wholly-owned subsidiaries. Falcon Technology Group is principally engaged in the operation of Internet television business.

Based on the audited financial statements for the year ended 31 December 2017 and the unaudited financial statement for the year ended 31 December 2018 of Falcon Technology Group (in both cases prepared on consolidated basis in accordance with the PRC Accounting Standards for Business Enterprises):

- (1) For the year ended 31 December 2017, Falcon Technology Group recorded (i) revenue of approximately RMB107.91 million; (ii) net loss before tax of approximately RMB6.91 million; (iii) net loss after tax of approximately RMB8.88 million; (iv) total assets of approximately RMB635.70 million; and (v) net assets of approximately RMB557.26 million; and
- (2) For the year ended 31 December 2018, Falcon Technology Group recorded (i) revenue of approximately RMB331.61 million; (ii) net profit before tax of approximately RMB60.20 million; (iii) net profit after tax of approximately RMB50.00 million; (iv) total assets of approximately RMB765.47 million; and (v) net assets of approximately RMB630.64 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Falcon Technology is mainly engaged in Internet television platform operation business. Leveraging on the user base and industrial chain resources of the Company's smart terminals, Falcon Technology adopts a user-centric approach and focuses on video, commercials and membership card activities through content and service applications, complementary with new ecosystems such as games, education and lifestyle, etc. Whilst

Falcon Technology was only founded in May 2017, it has been rapidly developing and has shown its strong monetisation capability. Falcon Technology Group has made a breakthrough in the year of 2018 and has recorded a significant turnaround in its operating results. For the year ended 31 December 2018, Falcon Technology recorded revenue of approximately RMB332 million, representing a year-over-year (“YOY”) increase of 207.0%. Expansion of the Falcon Technology user base continues with the accumulated number of newly activated users (operated through Huan Technology Co., Ltd.* (廣州歡網科技有限責任公司)) amounted to 8.371 million in the year 2018, representing a YOY increase of 34.0%; the historical accumulated total number of users exceeded 30 million and rose to 31.907 million, representing a YOY increase of 35.6%; the average daily number of active users surged to 15.282 million, representing a YOY increase of 41.4%.

Upon completion of the transaction, the Group will hold a 60.00% equity interest in Falcon Technology, and that Falcon Technology, currently an associate of the Company, will then become a subsidiary of the Company, its revenue and profit will be consolidated into the Group and the higher profitability of its Internet business will further contribute to the increase in the Group’s profitability. Meanwhile, the Company will fully integrate Falcon Technology into the “smart + internet” strategic transformation and the building of “products + services” business model through the implementation of various management and development strategies, so as to achieve full complementation with the Company’s strategy of capitalizing on the access to family entertainment sector, improving the living room economic ecosystem and speeding up the promotion of new business model.

The terms of the Sale & Purchase Agreement were determined after arm’s length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Sale & Purchase Agreement are fair and reasonable; (ii) the Sale & Purchase Agreement is on normal commercial terms; and (iii) the entering into of the Sale & Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE PARTIES

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

Qianhai Fende is principally engaged in the business of investment management, investment consultation, corporate image design, marketing, economic and business information consultation, start-up investment, PRC trade, import and export, exhibition services, design and management of construction projects, project management and financial consultation.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Qianhai Fende and its ultimate beneficial owner(s) is an Independent Third Party.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity Interests pursuant to the Sale & Purchase Agreement
“Board”	the Board of Directors
“Business Day”	any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government
“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
“Consideration”	the consideration for the transfer of the Target Equity Interests, i.e. RMB420.12 million
“Director(s)”	the director(s) of the Company

“Falcon Technology”	Shenzhen Falcon Network Technology Co., Ltd.* (formerly literally translated and known as Shenzhen Thunderbird Network Technology Company Limited) (深圳市雷鳥網絡科技有限公司), a limited liability company established and subsisting under the laws of the PRC
“Falcon Technology Group”	Falcon Technology and its Subsidiaries
“FFalcon”	FFalcon Technology Holding Limited, a limited liability company incorporated and subsisting under the laws of Hong Kong and a subsidiary of the Company
“Group”	the Company and its Subsidiaries
“Hong Kong”	the 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
“King Electrical”	TCL King Electrical Appliances (Huizhou) Company Limited (TCL王牌電器(惠州)有限公司), a company established under the laws of PRC with limited liability and an indirect subsidiary of the Company
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Qianhai Fende”	Shenzhen Qianhai Fende Industries Investment Company Limited* (深圳市前海芬德實業投資有限公司), a limited liability company established in the PRC
“Sale & Purchase Agreement”	the sale & purchase agreement entered into between King Electrical and Qianhai Fende on 23 January 2019
“Shareholder(s)”	holder(s) of share(s) of the Company

“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
“Target Equity Interests”	the approximately 15.56% equity interest in Falcon Technology held by Qianhai Fende
“%”	per cent

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 23 January 2019

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. YANG Anming 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 Kevin as independent non-executive directors.