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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 SUPPLEMENTAL INFORMATION

Reference is made to the announcement of the Company dated 31 October 2018 (the “**Announcement**”) in relation to the continuing connected transactions contemplated under the 2018 Master Services Agreement. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide additional information to the Shareholders regarding the 2018 Master Services Agreement as follows:

PLATFORM SERVICES

As disclosed in the Announcement, the scope of TCL Electronics Group Services comprises (i) Platform Services; and (ii) other services on application, ancillary, supporting and other services in relation to the Products, whereas the scope of TCL Corporation Group Services comprises (i) Platform Services; and (ii) IT and Other Services.

Whilst the Platform Services provided by TCL Electronics Group and TCL Corporation Group are of a similar nature, the Platform Services offered by TCL Electronics Group and TCL Corporation Group differ in terms of geographical location and sales channels, and hence complement each other’s edge in sales and marketing network in separate geographical location and sales channels.

Similar to other electronic products manufacturers and sellers in the market, TCL Electronics Group distributes its Products globally via its own sales and marketing network as well as sales and distribution channels provided by third party service providers. When TCL Electronics Group plans to launch Products in areas or through channels where it does not have its own sales and marketing network, it will be more cost effective to make use of the Platform Services provided by competent service providers, particularly when the sales volume in such areas is insufficient to justify establishment of its own sales and marketing network. Engaging Platform Services provided by others enables TCL Electronics Group to on one hand make use of the sales and marketing support from the service provider who has the relevant expertise and local connections, and on the other hand save resources on setting up and managing its own business in such region and hence eliminate business risks associated therewith, thereby it could concentrate its resources on developing its own key business regions. Reciprocally, TCL Electronics Group also provides Platform Services to parties requiring such services which can generate revenue and better utilise the business capacity of TCL Electronics Group.

TCL Corporation Group is a major PRC conglomerate that designs, develops, manufactures and markets a wide range of products and has rich expertise and sales network in different parts of the world. With the 2018 Master Services Agreement, TCL Electronics Group could engage the Platform Services offered by TCL Corporation Group in areas or channels where TCL Electronics Group has yet to establish its own sales and marketing network, if the terms offered by TCL Corporation Group are no less favourable than terms available from Independent Third Parties. Similarly, TCL Electronics Group could provide Platform Services to TCL Corporation Group if it requires provided that the terms offered by TCL Corporation Group are no less favourable than terms available from Independent Third Parties.

Historically, TCL Corporation Group has provided Platform Services to TCL Electronics Group for sales and marketing of TV products in Italy (in which TCL Electronics Group has no sales and marketing team), and TCL Electronics Group has provided Platform Services to TCL Corporation Group for sales and marketing of air-conditioners in Vietnam (where TCL Electronics Group has an established sales network).

TCL ELECTRONICS GROUP SERVICES – OTHER SERVICES

As disclosed in the Announcement and mentioned above, TCL Electronics Group also provides other services on application, ancillary, supporting and other services in relation to the Products under the TCL Electronics Group Service, which includes *“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”*.

As disclosed in the Company's announcement dated 1 June 2018 and circular dated 25 June 2018, CI Tech is a leading provider of smart commercial information technology products and industry solutions in the PRC and its business includes provision of one-stop services covering software, content, integral solutions and intelligent products for public sector and commercial customers. In addition, some other Subsidiaries of TCL Electronics Group provide similar services on smart home and community system and/or software.

Therefore, such "other services" under TCL Electronics Group Services in principal encompass the aforesaid one-stop intelligence solutions services (which may also involve IT and internet services as part and parcel thereof depending on the nature of the projects) provided by CI Tech and/or other Subsidiaries of the Company engaging in such intelligence solutions services.

Services offered by CI Tech and/or other Subsidiaries of the Company engaging in the aforesaid intelligence solutions services are, by nature, mainly proceeded on a project basis via tender for hotels, offices, financial institutions, real estates, houses or apartments, etc..

TCL Corporation Group also requires such intelligence solutions services from time to time. Recently, CI Tech has successfully tendered a project for installation and set-up of air conditional system to be carried out at one of the manufacturing bases of TCL Corporation Group located in Huizhou, PRC, pending the entering into a binding agreement. Such project is expected to be completed by the end of 2018.

According to information provided by TCL Corporation Group, there are a number of projects that require intelligence solutions services in the near future, which include not less than 4 projects scheduled to be tendered in late 2018 or early 2019 in relation to the provision of intelligent transformation and comprehensive layout services and not less than 10 projects scheduled to be tendered in 2019 in relation to the provision of mechanical and electronical installation, comprehensive layout and intelligent transformation services; further, TCL Corporation Group also requires smart home and community services for transaction amount of not less than RMB40,000,000 per year. TCL Electronic Group is interested to grasp such business opportunities provided that the terms offered by TCL Corporation Group are not less favourable than those offered by Independent Third Party.

TCL CORPORATION GROUP SERVICES – IT AND OTHER SERVICES

IT and Other Services provided by TCL Corporation Group are primarily executed by Gechuang Dongzhi. The business scope of Gechuang Dongzhi includes technology services covering computer hardware and software, cloud platform facility service and information technology consultancy services. Gechuang Dongzhi would centralise the planning and sourcing of the IT products and services of relevant members of TCL Electronics Group and/or TCL Corporation Group in order to efficiently channel resources and minimise costs. In particular, Gechuang Dongzhi would provide basic hardware and software and related support services, network and Internet services, IDC leasing and cloud services, construction of IT service rooms and maintenance services and IT consultation services to relevant member(s) of TCL Electronics Group. Therefore, such “IT and Other Services” under TCL Corporation Group Services in principal encompass provision of such services to relevant member(s) of TCL Electronics Group from time to time, which are different from that IT and internet services being part and parcel of the intelligence solutions offered under TCL Electronics Group Services.

DETERMINATION OF THE PROPOSED ANNUAL CAPS

TCL Electronics Group Services – Other Services

The contract prices of aforesaid 4 projects of TCL Corporation Group scheduled to be tendered in late 2018 or early 2019 range from RMB3,000,000 to RMB32,000,000 per project, and those of the 10 projects scheduled to be tendered in 2019 range from RMB4,500,000 to RMB68,000,000 per project.

The above contract prices of smart commercial and industry solutions and the expectation that the need for such solutions in 2020 will be at similar level to that in 2019 (taking into account of natural organic growth and inflation), coupled with the aforesaid project for installation and set-up of air conditional system to be completed by the end of 2018 at a price of approximately RMB53,630,000 and the need for smart home and community services of not less than RMB40,000,000 per year, together form the main basis for calculating the Proposed Annual Caps for the provision of intelligence solutions services which fall under “other services” by TCL Electronics Group to TCL Corporation Group from 2018 to 2020.

TCL Corporation Group Services – IT and Other Services

Gechuang Dongzhi has just been established in late September 2018. Although certain IT and Other Services have been provided by other Subsidiaries of TCL Corporation Group prior to the establishment of Gechuang Dongzhi, they were to a minimal extent and such services are expected to be assumed by Gechuang Dongzhi in the future. It is expected that Gechuang Dongzhi could only be in substantive operation and start to provide the IT and Other Services as described above to relevant member(s) of TCL Electronics Group in November or December 2018 the earliest. It would also take time for TCL Electronics Group to migrate its current IT system to Gechuang Dongzhi, and that Gechuang Dongzhi also needs some time to understand the internal operation and working mechanism of various IT systems of different members of TCL Electronics Group, and it is estimated that such services could only be provided by Gechuang Dongzhi on a full scale starting from early 2019.

Further, as disclosed in the announcement of the Company dated 28 November 2017, TCL Electronic Group's smart display terminal and assembly in Tonghu Ecological Smart Zone in Huizhou, the PRC (the "**Tonghu Base**") is under construction and is expected to be completed by May 2019. With the relocation and expansion of TCL Electronic Group's production facilities to the Tonghu Base, it is expected that TCL Electronic Group's demand for IT and Other Services in 2019 will significantly increase. Similarly, in determining the Proposed Annual Cap for the IT and Other Services, TCL Electronic Group has also taken into account of the expected expansion/development of production plants in overseas areas such as India and Vietnam in 2019 and 2020.

As such, the relevant Proposed Annual Caps for 2018 are relatively small compared to those in 2019 and 2020. With the IT and Other Services to be provided by Gechuang Dongzhi starting to reach full scale, it is expected that the amount of services to be provided by Gechuang Dongzhi and as such the fees payable to Gechuang Dongzhi would substantially increase in 2019. The Proposed Annual Caps for 2020 is similar to those in 2019, taking into account the rate of inflation expected and the natural increase in costs in the provision of such IT and Other Services by Gechuang Dongzhi.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 6 November 2018

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.