

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “Board”) of directors (“Directors” and each a “Director”) of TCL Electronics Holdings Limited (the “Company”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 with comparative figures for the corresponding period of the preceding financial year.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2022	2021	
	HK\$ Million	HK\$ Million	
Revenue	71,351	74,847	(4.7%)
Gross profit	13,112	12,534	4.6%
Profit after tax	554	1,279	(56.7%)
Profit attributable to owners of the parent	447	1,184	(62.2%)
Non-HKFRS measure: Adjusted profit			
attributable to owners of the parent	704	348	102.4%
Proposed final dividend per share (HK cents)	12.70	16.70	(24.0%)

BUSINESS REVIEW AND PROSPECTS

1. Overview

In 2022, under the combined influence of the ongoing Coronavirus disease 2019 (“Covid-19”) pandemic, geopolitical conflicts, energy crisis and persistent global inflation, the trend and pattern of global economic development has undergone significant changes and the economic development of the People’s Republic of China (“PRC”) has also been subject to unprecedented challenges. At the same time, the transformation and upgrading of the domestic economy in the PRC, the restructuring of the global industrial landscape and the increasing demand for digital intelligence from users have brought new development opportunities for the Group’s smart devices and innovative business. The Group has endeavoured to identify growth opportunities in an increasingly challenging market environment while continuously promoting its development strategy of “Value Led by Brand with Relative Cost Advantage”. The Group has expanded its global presence and focused on the high-quality development of its core display business and Internet business. Moreover, it has proactively explored emerging areas of growth, such as new energy, new scenarios and new smart hardware, to expedite the expansion of innovative business and create the Group’s second growth curve.

In 2022, the Group fully made use of TCL’s strong global brand power, comprehensive global distribution network, and the advantages of vertical integration across the entire value chain to advance its mid-to-high-end strategy, resulting in remarkable outcomes. Notably, high-end and large-screen products defied the market trend by registering growth, with their global market share continued to increase, and operational quality of the Group steadily improved. The Group has continued to broaden its business boundaries and rapidly expand its innovative business, bringing new impetus to the Group’s sustained growth.

Focus on Mid-to-High-End Breakthrough, Strengthen Product Competitiveness to Enhance Gross Profit, Double Adjusted Profit Attributable to Owners of the Parent

The Group’s revenue for the year ended 31 December 2022 was HK\$71,351 million, indicating a year-on-year decline of 4.7%. Nonetheless, the Group’s gross profit demonstrated a 4.6% year-on-year increase, amounting to HK\$13,112 million, and the overall gross profit margin rose by 1.7 percentage points year-on-year to 18.4%, which was attributable to the Group’s higher proportion of high-end and large-screen products, optimisation of the distribution structure and reduction in raw material costs. In addition, the Group increased its investment in research and development (“R&D”), with R&D costs increased by 2.0% year-on-year to HK\$2,531 million, and R&D expense ratio increased by 0.2 percentage points over the last year to 3.5%. For the year ended 31 December 2022, the Group’s non-HKFRS measure: adjusted profit attributable to owners of the parent (“Adjusted profit attributable to owners of the parent”) was HK\$704 million, representing a significant increase of 102.4% year-on-year. To reward shareholders, the Board proposed a final dividend of HK12.70 cents per share, representing a payout ratio of 45.0% of Adjusted profit attributable to owners of the parent.

Display Business Sustained Global Market Leadership, Innovative Business and Internet Business Become New Growth Drivers

In 2022, the Group actively implemented the all-category layout of “intelligent IoT ecosystem” and continued to upgrade its smart screen product mix, with the scale of its innovative business growing rapidly. Revenue from the display business for the year amounted to HK\$57,907 million, with a gross profit margin of 18.2%, representing a year-on-year increase of 2.1 percentage points. Notably, the large-sized display business in the PRC market recorded a revenue of HK\$15,194 million, representing a year-on-year growth of 14.8%, and an increase in gross profit margin by 6.1 percentage points to 24.4%. The small-and-medium-sized display business and the smart commercial display business recorded an increase of 1.7 percentage points and 2.1 percentage points in gross profit margin, reaching 15.9% and 17.3%, respectively. The Group’s innovative business generated HK\$10,444 million in revenue, representing a substantial increase of 22.2% year-on-year. The all-category marketing business continued to expand, resulting in a year-on-year revenue increase of 29.4% to HK\$8,243 million, with a gross profit margin improvement of 2.1 percentage points year-on-year, reaching 13.2%. The photovoltaic business, which officially commenced operation in the second quarter of 2022, contributed a total of HK\$328 million¹ to revenue for the year. Revenue from the Internet business reached HK\$2,298 million, representing a steady increase of 24.3% year-on-year, with a further increase in profit contribution.

In addition, the Group’s display business has maintained its global leadership position, with the market share of TCL smart screen² jumping to the 2nd place in the world³, ranking among the top five⁴ in more than 20 countries worldwide and its market share steadily increasing, while the market share⁵ of its smart Android tablet ranked 5th in the world, and its mobile phone market share⁵ ranked 3rd and 4th in Canada and the United States of America (“U.S.”), respectively.

¹ The total value of orders for photovoltaic business received in 2022 was HK\$741 million, out of which HK\$328 million was recognised as revenue for the year ended 31 December 2022.

² Smart screen mainly refers the smart televisions (“TV(s)”) under the large-sized display business, and over 95% of the Group’s TVs are smart screen products in terms of shipment.

³ Source: Global TV brand shipment data of 2022 from Omdia. Omdia is a global technology research organisation formed by the merger of the research divisions (Ovum/Heave Reading and Tractica) and the acquisition of IHS Markit International.

⁴ Source: TV retail sales volume data of 2022 from NPD and TV shipment data of 2022 from GfK. NPD refers to the NPD Group, a market research company that provides global data, industry expertise and insightful analysis. GfK refers to Gesellschaft für Konsumforschung, a consumer goods market research company and global market research organisation headquartered in Nuremberg, Germany.

⁵ Source: Global shipment data of 2022 from IDC. IDC refers to International Data Corporation, a global provider of market information and consulting services related to the information technology, telecommunications and consumer technology markets.

Increased R&D Investment Leads to Iteration of Frontier Technologies, Receiving Various International Awards for New Products across All Categories

In terms of R&D investment and achievements, the Group continued to increase its investment in cutting-edge technology and product development and launched a broad spectrum of intelligent products in 2022, including Mini LED smart screen, 5G mobile phone, educational tablet and Augmented Reality(“AR”)/Extended Reality(“XR”) glasses, etc., which won numerous international awards and were recognised for their core technologies. In terms of display business, the TCL Mini LED 4K Smart Screen 65C835 won the “PREMIUM MINI LED TV 2022-2023” award from the European Imaging and Sound Association (“EISA”), the TCL Mini LED Smart Screen X12 and X11 series won the “Red Dot Award” of 2022 in Germany, the TCL Mini LED 4K Smart Screen 75C935 and 75C835 both won the “CES® 2023 Innovation Award” for their innovative engineering design and advanced Mini LED display technology, and TCL X11 QD-Mini LED Smart Screen and the TCL 4K Mini LED Smart Screen C845 won the “Innovation Award for Mini LED Display of the Year” and “Gold Award for New Generation Display Technology” in “Global Top Brands”, respectively. TCL NXTPAPER 10s Smart Tablet won the “TABLET INNOVATION 2022-2023” award from EISA. In the area of innovative business, the TCL Q10 Molecule-Grade Fresh Refrigerator, the TCL Fresh Air II Series Air Conditioner and the TCL Dual Wash Washing Machine were awarded the “Annual Technical Innovation Award,” “Annual Product Innovation Award” and “Annual Design Innovation Award,” respectively, by China Household Electric Appliance Research Institute for their unique innovative technologies. Furthermore, the TCL P73 Series and 93 Series Home Theatre Soundbar and the TCL NXTWEAR AIR Smart Glasses all received the “iF Design Award of 2022” in Germany. The TCL Fresh Air Series Air Conditioner won the “Red Dot Award” of 2022 in Germany. The NXTWEAR AIR 1S won the “Outstanding AR Hardware of the Year Award” in the 7th Golden Gyro Ceremony. The award-winning recognition of various new smart products reflects the Group’s leading position in the field of cutting-edge display and smart technologies.

2. Display Business

2.1 Large-Sized Display

In 2022, the overall TV sales across the industry continued to face challenges due to weak demand in the end-consumer market, driven by macro environmental factors such as the recurrence of the Covid-19 pandemic, geopolitical conflicts, and high inflation. According to the latest statistics from Omdia, global TV shipment in 2022 was 203 million sets, down by 4.8% year-on-year, with the revenue reaching US\$102.42 billion, down by 13.2% year-on-year. Despite the challenges brought by the tough market environment, the Group focused on mid-to-high-end products and continued to implement the dual-brand strategy of “TCL+Falcon”, achieving remarkable results. In 2022, the Group recorded a 0.8% year-on-year increase in global shipment of TCL smart screens against downward trend, totaling 23.78 million sets. Notably, the shipment of TCL smart screens of 65 inches and above rose significantly by 75.7% year-on-year, and its corresponding proportion increased by 8.2 percentage points to 19.3%. Such favourable outcomes in mid-to-high-end strategy contributed to the 2.1 percentage points year-on-year increase in gross profit margin of the Group’s large-sized display business to 18.8%. Additionally, the Group launched a variety of new Mini LED products in 2022, which were well-recognised by both consumers and the industry. During the year, the global shipment of TCL Mini LED smart screens increased by 26.8% year-on-year and the high-end product strategy yielded significant results.

The PRC Market

In 2022, the TV market in the PRC faced continued pressure due to the impact of the pandemic and continuous weakened demand. According to the latest omni-channel data of CMM⁶, the retail sales volume of colour TV in the PRC market in 2022 decreased by 5.6% year-on-year, totaling 34.94 million sets, with retail sales revenue declining by 12.2% year-on-year to RMB115.50 billion. Nevertheless, the Group further enhanced its product mix and optimised online and offline sales channels, leading to a 21.3% year-on-year growth of TCL smart screen’s overall shipment in the PRC market in the whole year of 2022. The market share in terms of retail sales revenue of TCL smart screen rose by 1.8 percentage points year-on-year to 14.6%, securing the Group’s position among the top two in the PRC market⁶.

⁶ Source: CMM omni-channel retail sales volume in the PRC market of 2022. CMM refers to China Market Monitor Co., Ltd., a research institute focusing on the research of consumer goods and home appliance retail market in the PRC.

In 2022, the Group vigorously executed its “mid-to-high end + large screen” strategy, resulting in a continuous increase in the sales proportion of large-sized smart screens. Notably, the shipment of TCL smart screens of 65 inches and above in the PRC market grew by an impressive 96.0% year-on-year, accounting for 43.6% of the total shipment of TCL smart screens, representing a year-on-year growth of 16.6 percentage points. Furthermore, the average size of TCL smart screens sold in the PRC market increased by 4.5 inches year-on-year from 52.4 inches to 56.9 inches. Simultaneously, TCL Mini LED smart screen’s retail sales volume share in the PRC Mini LED TV market exceeded 53%, affirming the Group’s continued first place in the industry⁶. In 2022, the Group’s annual sales revenue of smart screens in the PRC market grew by 14.8% year-on-year to HK\$15,194 million, and gross profit margin improved by 6.1 percentage points year-on-year to 24.4%, benefitting from the optimisation and upgrading of product mix.

During the 2022 Double Eleven Shopping Festival⁷, the Group adeptly aligned itself with emerging consumer trends, and the dual-brand strategy of “TCL+Falcon” yielded significant results, with the retail sales volume of smart screens achieving a remarkable breakthrough. Based on CMM data, the Group’s TCL smart screens emerged as the top performer in terms of retail sales revenue across all e-commerce channels during the festival, with TCL Mini LED smart screens, 98-inch giant smart screen and smart screen with high refresh rate of 120 Hz and above clinching the top spot in both retail sales revenue and retail sales volume across all e-commerce channels.

International Markets

In 2022, the weaker global economic growth and high inflation in Europe and the U.S. brought pressure on market demand, resulting in a 4.9% year-on-year decrease in the Group’s shipment of TCL smart screens in international markets, with sales revenue dropping by 16.7% year-on-year to HK\$30,000 million. Nevertheless, the Group’s shipment of mid-to-high-end products has increased steadily due to the gradual shift in the TV industry’s product mix towards high-end and large-screen products, as a result, the gross profit margin of the Group reached 15.9%, remaining at basically the same level as that of last year, with steady improvement in the quality of operations.

⁷ It refers to the period from 20:00 31 October 2022 to 24:00 11 November 2022.

According to the latest reports by GfK and NPD, the market share in terms of shipment of the Group's TCL smart screens ranked among the top five in more than 20 countries overseas, demonstrating year-on-year growth, including:

- North American Markets: in spite of the continuous weaker demand in the North American colour TV market due to the previous demand in advance caused by the pandemic, the Group's smart screen business in North America still made steady progress and maintained its leading market share in terms of retail sales volume in 2022. For the year ended 31 December 2022, TCL smart screen's market share in terms of retail sales volume ranked a solid No.2 in the U.S., No.4 in Mexico and No.5 in Canada (Source: NPD⁸);
- Emerging Markets⁹: the persistent efforts in key countries and regions have led to a 10.4% year-on-year increase in the shipment of TCL smart screens in emerging markets in 2022, with shipment in the Philippines, Turkey and Indonesia soaring by 43.0%, 52.3% and 62.0%, respectively. For the year ended 31 December 2022, TCL smart screen secured the top spot for market share by shipment in Australia, the Philippines and Pakistan, the second in Myanmar and Saudi Arabia, the third in Brazil and Kazakhstan, the fourth in Thailand, Vietnam, Argentina and Morocco, and the fifth in Chile and the United Arab Emirates (Source: GfK¹⁰); and
- European Markets: TCL smart screen experienced a slight decline in the first half of 2022 due to geopolitical and inflationary impacts. However, since the third quarter, the shipment of TCL smart screens has rebounded and increased by 5.3% year-on-year for the year. Notably, the year-on-year increase of shipment in the Benelux¹¹ and the United Kingdom was 41.3% and 53.8%, respectively. Throughout the year, TCL smart screen's shipment volume ranking in several European countries continued to rise. For the year ended 31 December 2022, TCL smart screen's market share in terms of shipment jumped to the second in France, the third in the Czech Republic and Italy, the fourth in Poland and Greece, and the fifth in Hungary (Source: GfK¹⁰).

⁸ This report refers to NPD's U.S./Canada/Mexico Retail Market Survey Report and covers LCD TV retail sales volumes for the periods of January to December 2022 and January to December 2021.

⁹ Emerging markets include Asia Pacific, Latin America and Central and East Asia, etc.

¹⁰ This report refers to GfK's Global Market Survey Report and covers TV shipment for the periods of January to December 2022 and January to December 2021.

¹¹ Benelux refers to Belgium, the Netherlands and Luxembourg.

2.2 Small-and-Medium-Sized Display

During 2022, the Group launched a variety of new small-and-medium-sized smart display products, such as smart eye-protection tablets and smartphones, and continued to deepen cooperation with leading network operators worldwide, maintaining a leading position in overall shipment in the European and American markets. In 2022, the Group's total shipment of small-and-medium-sized display products reached 16.43 million sets, with total revenue of HK\$11,802 million. Benefitting from product upgrades, sales in North American region were strong, with revenue increasing by 20.2% year-on-year. According to the latest report by IDC in key global markets, in 2022, shipment of the Group's smartphones ranked the third in Canada, the fourth in the U.S., the fifth in Australia, and the sixth in Western Europe. In 2022, the Group ranked the fifth in the world in terms of smart Android tablet shipment, and ranked the second, fourth and fifth in the U.S., Latin America and Western Europe, respectively.

2.3 Smart Commercial Display

In 2022, the Group focused on the Interactive Flat Panel Display (IFPD) market and continuously cooperated with DingTalk and Tencent to bolster the domestic intelligent meeting ecosystem. Moreover, the Group made successful inroads into the international commercial display market, accumulating valuable product and operational experience in overseas markets. During the year, the Group introduced the 98-inch TCL NXTHUB 98V50 intelligent interactive meeting board and the TCL Smart Education whiteboard 86X60, which served to facilitate efficient office applications for corporate clients and improve education and teaching quality across various scenarios. In 2022, the Group's smart commercial display business continued to expand, with its total revenue surging to HK\$911 million, representing a significant year-on-year increase of 196.6%.

3. Innovative Business

3.1 All-Category Marketing

The Group has fully capitalised on its robust brand influence and channel advantages to proactively expand its global layout and accelerate the introduction of smart products like air-conditioners, refrigerators, and washing machines to international markets, and enhance its global distribution scale. In 2022, the Group maintained strong growth across all-category marketing, with distribution revenue reaching HK\$8,243 million, representing a year-on-year increase of 29.4%. The gross profit of distribution increased by 53.7% year-on-year to HK\$1,085 million, and gross margin of distribution rose significantly by 2.1 percentage points year-on-year to 13.2%. Additionally, the Group introduced several intelligent products, including the TCL Fresh Air III Series Air Conditioner with two-way fresh air technology, and the TCL Q10 Molecule-Grade Refrigerator and TCL Dual Wash Washing Machine. The Group's new product series of refrigerators and washing machines received numerous industry accolades, further bolstering its brand power. Looking ahead, the Group will continue to enhance brand recognition and strengthen its advantage in synergy of distribution channels to drive global growth across all-category marketing.

3.2 Photovoltaic Business

In light of the global energy transformation and carbon neutrality, the Group capitalised on the opportunity and utilised its industrial synergy to partner with TCL Zhonghuan Renewable Energy Technology Co., Limited* (TCL中環新能源科技股份有限公司) (a joint stock limited company established under the laws of the PRC and listed on the Shenzhen Stock Exchange, stock code: 002129.SZ) to leverage on its leading photovoltaic industry chain and project operation experience to swiftly penetrate and compete in the photovoltaic sector, thereby fortifying its capabilities for sustainable and high-quality development. At the same time, the Group has taken advantage of its extensive channel coverage in the PRC market to accelerate the implementation of distributed photovoltaic solutions in both B2B (business-to-business) and B2C (business-to-customer) sectors, while also actively seeking new growth opportunities.

Since the Group officially commenced its photovoltaic business in the second quarter of 2022, by the end of 2022, it had extended its coverage to nine major provinces and cities in the PRC. The photovoltaic business achieved a remarkable “0 to 1”, generating revenue¹² of HK\$328 million for the year, with rapid growth in monthly installation orders and revenue. In the future, the Group will actively promote the high-quality development of its distributed photovoltaic business in more provinces and regions, with the goal of becoming an innovator and leader in providing comprehensive solutions for rural zero-carbon lifestyle and zero-carbon industrial park.

¹² The total value of orders for photovoltaic business received in 2022 was HK\$741 million, out of which HK\$328 million was recognised as revenue for the year ended 31 December 2022.

3.3 Smart Connection and Smart Home

The Group has continued to expand its intelligent IoT ecosystem layout across all categories and actively fostered the development of smart connective products, including smart glasses¹³, routers and smart wearables, as well as the smart home business, featuring smart door locks. During 2022, the Group successfully launched smart glasses of NXTWEAR AIR and its upgraded version NXTWEAR AIR 1S in the PRC. The NXTWEAR AIR smart glasses were awarded “the VR/AR Innovation Award” at the 2022 World VR Industry Conference. Falcon smart glasses ranked No.1¹⁴ in terms of market share by domestic online sales volume for the year ended 31 December 2022. The revenue of the Group’s smart connection and smart home businesses was HK\$1,873 million in 2022, of which revenue from the smart home business increased by 17.0% year-on-year, reaching HK\$719 million. The smart connection business was affected by the pandemic and geopolitical conflicts, with MiFi¹⁵ markets in Europe and the U.S. declining year-on-year, while maintaining relative competitiveness.

In terms of global key markets and countries and according to the latest TSR¹⁶ report on annual global shipment in 2022, TCL mobile routers ranked the third and TCL CPE¹⁷ ranked the sixth in the global market.

4. Internet Business

The Group is committed to deepening the global presence of its home Internet business and strives to offer users with products and services that allow multi-screen, real-time interaction and smart sensing across all scenarios. For the year ended 31 December 2022, the Group’s global Internet business revenue reached HK\$2,298 million, representing a 24.3% increase year-on-year.

¹³ The smart glasses business is mainly carried out by Falcon Innovations Technology (Shenzhen) Co., Ltd.*(雷鳥創新技術(深圳)有限公司). As at 31 December 2022, the Group held approximately 14.99% of its shares.

¹⁴ Source: Annual Report on the Sales of Consumer AR Glasses on Major Online Platforms in the PRC Market for 2022 from iResearch. iResearch is a third-party provider of data product services and research consultancy services in China.

¹⁵ MiFi refers to Mobile WiFi, a portable broadband wireless device.

¹⁶ TSR refers to Techno Systems Research, a market research company for electronic devices and related technologies based in Tokyo, Japan.

¹⁷ CPE refers to Customer Premise Equipment, which is a device that converts broadband signals or mobile network data directly into WiFi signals.

4.1 Internet Business in the PRC Market

The Group's domestic Internet business, mainly the PRC domestic business of Shenzhen Falcon Network Technology Co. Ltd.* (深圳市雷鳥網絡科技有限公司) and its subsidiaries (collectively known as the "Falcon Network Technology Group"), showed a positive trend in terms of its monetisation and profitability capabilities. In 2022, the Internet business in the PRC market recorded revenue of HK\$1,797 million, representing an increase of 20.6% year-on-year. During the year, the Falcon Network Technology Group continued to enrich the content and improve the user-friendliness of its platform while also enhancing the precision of content recommendations. The Group experienced a significant 83.9% year-on-year growth in revenue from its vertical and innovative business, including music, games, education, children and application stores, being a new growth engine. With the continuous enhancement of software product competitiveness, innovative business expansion and user stickiness, the ARPU (average revenue per user) of Falcon Network Technology Group reached HK\$85.1 in 2022, up by 10.7% year-on-year, and the MAU (monthly active user) base exceeded 21.70 million, up by 10.6% year-on-year.

4.2 Internet Business in International Markets

The Group has maintained close cooperation with prominent Internet giants such as Roku and Google to continually enhance user service experience. Furthermore, the Group has been receiving revenue share from Google's platform operation since 2021. In 2022, the Group has continued to improve its global home Internet business, with revenue from Internet business in international markets reaching HK\$501 million, reflecting a year-on-year growth of 39.6%. Falcon Network Technology Group has also actively expanded its overseas business by reaching out to the vast number of TCL smart screen users by partnering with OTT (over-the-top) platforms to rapidly build up the cohort of TCL Channel subscribers. As of the end of December 2022, TCL Channel, the integrated content application of the Group, has covered 60 countries in North America, Europe, Central and South America, and Asia Pacific, with an accumulated user base of over 12 million. Going forward, the Group intends to strengthen the traffic monetisation capability of the TCL Channel, thereby providing high-quality experience and services to users in various key markets.

5. Outlook

Looking forward to 2023, the global consumer market is anticipated to continue its slow recovery amid various uncertainties, and the trend of structural upgrade is expected to persist. Meanwhile, the economy of the PRC market is expected to have a good chance for a full recovery. Additionally, the digital economy, together with green economy are projected to drive the emergence of new growth opportunities for new energy, new scenarios and new smart hardware. The Group is committed to leveraging its strengths and avoiding shortcomings, ensuring strategic stability amidst an unpredictable business climate. The Group remains steadfast in its upgraded overarching strategy “Value Led by Brand with Relative Cost Advantage, Ultimate Efficiency Management and Collaborative Innovation”, while continuing to advance the development strategy of “Globalisation” and “Technological Transformation”. The Group will actively build an “intelligent IoT ecosystem” across all categories, enhancing its brand competitiveness to become a leader in the global intelligent device market, with the ultimate goal to generate value for consumers, while achieving leading market presence and profitability.

Reinforce Global Layout, Strengthen Supply Chain Resilience, Advance Top-notch Operations, and Build High-value Brands

In response to the ongoing global economic restructuring, the Group is committed to maintaining its position as a global leader. It will continue to expand its global business layout, leveraging its distinctive advantage of vertical integration across the entire industry chain to enhance its global competitiveness amid the new circumstances. The Group will also focus on consolidating and strengthening its supply chain system and market channels development, increasing its global TV market share and brand recognition, enhancing its competitiveness and operational resilience in the global market, and prioritising in the order of “cash flow growth rate, profit growth rate, revenue scale growth rate, and sales scale growth rate”, to achieve high-quality growth and cultivate a higher brand value.

Continuously Boosting R&D Investment, and Upgrading Products Driven by Technology to Inject Growth Vitality

The Group will prioritise enhancing the consumer experience through investments in product and technology, with a focus on R&D innovation to elevate product and brand values. The Group will seize the trend of the next-generation display technologies and continue to boost R&D investments to develop industry-leading, high-end display technologies, such as Mini LED, quantum dot and 8K. Furthermore, the Group will accelerate the application of technological achievements to optimise its product mix. In addition, the Group will further its future-oriented deployment in the field of intelligent interaction, prioritising AI, cloud services, 5G and intelligent manufacturing to stay ahead in cutting-edge technology development and application and reinforce its core technological competitiveness.

Core Business Profitability and New Business Growth as Twin Engines, Deepening the Implementation of the All-Scenario Smart Living Strategy, Empowering Long-Term Development

Proactively Expanding the Market Share in Core Businesses and Continue to Improve Earnings Quality. The Group will adhere to its mid-to-high-end branding strategy, continuously upgrade brand and product power, accelerate development of existing business, promote cost reduction and efficiency improvement in the supply chain, ensure quality and speed of overall operations, and achieve high-quality earnings growth. The Group will remain focused on achieving market and sales channel breakthroughs, while upholding refined operation and marketing strategies to stimulate synergy across all categories and businesses. Efforts are underway to continuously expand the scale and service scope of the global Internet business while maintaining the operation and profitability of Falcon Network Technology Group at a relatively high level. Concurrently, the Group is actively expanding its overseas operations and exploring cooperation opportunities with overseas Internet partners. Domestic and overseas content resources are being integrated to develop and explore innovative business ventures, optimise the business ecosystem and greatly enhance the operation and profitability of the global Internet business.

Exploring New Areas for Growth, Pursuing a Second Growth Curve, and Continuously Optimising the All-Scenario Smart Living Strategy in Line with Changing Times. The Group will seize emerging opportunities, including the national target on carbon neutrality, green energy and green economy, and leverage its vertical industry chain, sales channels, financial resources and technological advantages to achieve breakthroughs in diversified new businesses such as photovoltaic and AR/XR smart glasses. This will build strength for the Group's long-term high-quality development. Furthermore, the Group aims to keep abreast of social and economic changes driven by consumption and green development, and implements the all-scenario smart living strategy. It will persist in developing and enhancing the three smart scenarios of smart home, mobile services and smart commercial display, identify consumer needs in various dimensions, establish a more convenient and comfortable "intelligent IoT ecosystem," and aspire to become the world's premier smart device enterprise by achieving a prominent market position and business profitability while creating value for its consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between 2022 and 2021

The table below lists and compares the figures of 2022 and 2021:

	For the year ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
REVENUE	71,351,415	74,846,888
Cost of sales	(58,239,832)	(62,312,579)
Gross profit	13,111,583	12,534,309
Other income and gains	3,140,951	3,029,028
Selling and distribution expenses	(7,401,415)	(7,043,046)
Administrative expenses	(4,428,643)	(4,222,634)
Research and development costs	(2,531,283)	(2,480,566)
Other operating expenses	(385,315)	(81,755)
Impairment losses of financial assets, net	(91,520)	(32,147)
	1,414,358	1,703,189
Finance costs	(668,671)	(400,860)
Shares of profits and losses of:		
– Joint ventures	26,784	610
– Associates	63,057	144,827
Profit before tax	835,528	1,447,766
Income tax	(281,604)	(168,476)
Profit for the year	553,924	1,279,290
Profit attributable to owners of the parent	447,007	1,183,999
Non-HKFRS measure: Adjusted profit attributable to owners of the parent	704,422	348,059

Revenue

The Group's revenue decreased by 4.7% year-on-year from HK\$74,847 million in 2021 to HK\$71,351 million in 2022. The following table sets out the Group's revenue by business for the years ended 31 December 2022 and 31 December 2021.

	For the year ended 31 December			
	2022	2021	2022	2021
	HK\$ Million	Proportion of the total revenue	HK\$ Million	Proportion of the total revenue
Display Business¹⁸	57,907	81.1%	63,949	85.4%
– Large-Sized Display	45,194	63.3%	49,267	65.8%
– The PRC Market	15,194	21.3%	13,238	17.7%
– International Markets	30,000	42.0%	36,029	48.1%
– Small-and-Medium-Sized Display	11,802	16.5%	14,375	19.2%
– Smart Commercial Display	911	1.3%	307	0.4%
Innovative Business¹⁹	10,444	14.7%	8,546	11.4%
– All-Category Marketing	8,243	11.6%	6,372	8.5%
– Photovoltaic Business	328	0.5%	–	N/A
– Smart Connection and Smart Home	1,873	2.6%	2,174	2.9%
Internet Business²⁰	2,298	3.2%	1,849	2.5%
– The PRC Market	1,797	2.5%	1,490	2.0%
– International Markets	501	0.7%	359	0.5%
Others	702	1.0%	503	0.7%
Total revenue	71,351	100.0%	74,847	100.0%

¹⁸ “Display business” (including large-sized display (i.e. smart screen business), small-and-medium-sized display and smart commercial display) corresponds to (i) the “Smart screen” segment; and (ii) the display business in both “Smart mobile, connective devices and services” segment and “Smart commercial display, smart home, photovoltaic and other businesses” segment as set out in the operating segment information of the notes to the financial statements.

¹⁹ “Innovative business” (including smart connection, smart home, all-category marketing and photovoltaic business) corresponds to (i) “All-category marketing” segment; and (ii) the remaining business after excluding the display business both in the “Smart mobile, connective devices and services” segment and the “Smart commercial display, smart home, photovoltaic and other businesses” segment as set out in the operating segment information of notes to the financial statements.

²⁰ “Internet business” refers to “Internet business” as set out in the operating segment information of the notes to the financial statements.

Display Business

In 2022, revenue from the display business decreased by 9.4% year-on-year, from HK\$63,949 million in 2021 to HK\$57,907 million. The decline was mainly attributable to the weakened demand in the global consumer market during the year, which was affected by various external factors, including the escalation of global geopolitical risks, energy crisis and overseas inflation. This led to a year-on-year decrease in revenue of both the Group's small-to-medium-sized display business and large-sized display business in overseas markets.

Innovative Business

The Group's innovative business revenue saw an increase of 22.2% year-on-year from HK\$8,546 million in 2021 to HK\$10,444 million in 2022. The growth was mainly attributable to the rapid expansion of the all-category marketing and photovoltaic businesses, which saw remarkable development and scale expansion during the year.

Internet Business

The Group's revenue from the Internet business increased by 24.3% year-on-year, from HK\$1,849 million in 2021 to HK\$2,298 million in 2022. The growth was primarily driven by the expansion of the vertical and innovative business under the Falcon Network Technology Group, the enhancement of platform content and overall platform efficiency optimisation. Additionally, the Group's overseas Internet business experienced a significant breakthrough in its operation, resulting in a substantial increase of 39.6% in revenue from international Internet business for the year.

Gross Profit and Gross Profit Margin

Overall gross profit increased by 4.6% year-on-year from HK\$12,534 million in 2021 to HK\$13,112 million in 2022. Gross profit margin for 2022 was 18.4%, representing an increase of 1.7 percentage points as compared to that of 2021. The rebound of the Group's gross profit and gross profit margin was mainly attributable to the Group's commitment to operational excellence, the focus on mid-to-high-end breakthroughs and efforts to enhance cost-effectiveness and efficiency.

Display Business

In 2022, gross profit margin of the display business increased by 2.1 percentage points year-on-year to 18.2%. The improvement was primarily attributable to the successful mid-to-high-end breakthroughs of the Group, resulting in outstanding sales performance of large-sized and high-end products. In addition, the downtrend of the panel price led to the reduction of the cost. Consequently, the smart screen business of the Group experienced a significant rebound in its gross profit margin.

Innovative Business

The gross profit margin of innovative business for the year 2022 was 13.5%, showing a minor decline of 0.2 percentage points compared to that of the previous year, indicating a stable performance.

Internet Business

In 2022, the gross profit margin of the Internet business was 50.5%, down by 5.9 percentage points year-over-year. The decrease was primarily attributable to the increase in revenue proportion from vertical and innovative business, which has relatively lower gross profit compared to advertising business.

Other Income and Gains

Other income and gains increased by 3.7% year-on-year from HK\$3,029 million in 2021 to HK\$3,141 million in 2022, mainly due to the increase of the foreign exchange gains and interest income year-on-year.

Selling and Distribution Expenses

In 2022, the Group recorded a 5.1% year-on-year increase in selling and distribution expenses, from HK\$7,043 million in 2021 to HK\$7,401 million in 2022. This was primarily driven by the Group's sustained investment in brand marketing, resulting in increases in related selling expenses.

Administrative Expenses

The Group experienced a 4.9% year-on-year increase in administrative expenses, from HK\$4,223 million in 2021 to HK\$4,429 million in 2022. This was largely attributable to net realised loss on settlement of derivative financial instruments²¹ during the year.

R&D Costs

The Group's R&D costs increased by 2.0% year-on-year from HK\$2,481 million in 2021 to HK\$2,531 million in 2022. The rise was mainly attributable to the Group's ongoing increase in R&D investment in advanced display technologies like Mini LED, and cutting-edge technologies such as IoT, algorithm optimisation and cloud services.

Impairment Losses on Financial Assets, Net

The net impairment loss on financial assets increased by 184.7% year-on-year from HK\$32.15 million in 2021 to HK\$91.52 million in 2022, mainly due to the increase in provision for trade receivables from a commercial retailer (being a listed company) during the reporting period.

²¹ The year 2022 saw significant fluctuations in foreign exchange rates. In response, the Group utilised derivative financial instruments to prudently hedge the foreign exchange risk and counteract the impact of foreign exchange gain or loss during the year. As a result of this hedging strategy, the Group achieved a net foreign exchange gain for the year ended 31 December 2022.

Finance Costs

Finance costs increased by 66.8% year-on-year from HK\$401 million in 2021 to HK\$669 million in 2022, mainly due to the increase in the federal funds rate of U.S. during the reporting period.

Share of Profits and Losses – Joint Ventures and Associates

The Group's share of profits decreased by 38.2% year-on-year from HK\$145 million in 2021 to HK\$89.84 million in 2022, primarily due to sluggish market sentiment and weak industry demand. The Group's share of profits and losses from associates decreased during the year.

Profit before Tax

Profit before tax decreased by 42.3% year-on-year from HK\$1,448 million in 2021 to HK\$836 million in 2022, mainly attributable to the one-off gain of HK\$741 million resulting from the partial disposal of the equity interest in Amlogic (Shanghai) Co., Ltd* (晶晨半導體(上海)股份有限公司) ("Amlogic", a joint stock company established in the PRC, whose shares are listed on the sci-tech innovation board of the Shanghai Stock Exchange, stock code: 688099.SH) held by the Group in 2021.

Income Tax

The Group's income tax increased by 67.1% year-on-year from HK\$168 million in 2021 to HK\$282 million in 2022, mainly due to the increase in income tax provision as a result of underprovision of income tax of certain subsidiaries of the Group in prior years.

Profit for the Year and Profit Attributable to Owners of the Parent

The Group's profit decreased by 56.7% year-on-year from HK\$1,279 million in 2021 to HK\$554 million in 2022. The Group's profit attributable to owners of the parent decreased by 62.2% year-on-year from HK\$1,184 million in 2021 to HK\$447 million in 2022. The decrease was mainly due to the one-off gain of HK\$741 million resulting from the partial disposal of the equity interest in Amlogic held by the Group in 2021.

Non-HKFRS measure: Adjusted Profit Attributable to Owners of the Parent

The Adjusted profit attributable to owners of the parent increased by 102.4% year-on-year from HK\$348 million in 2021 to HK\$704 million in 2022.

To supplement the Group's consolidated results prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Group uses Adjusted profit attributable to owners of the parent as an additional financial measure. The Group defines Adjusted profit attributable to owners of the parent as profit attributable to owners of the parent after adding back the following adjustments: (i) (gain)/loss from investment companies, net; (ii) (gain)/loss on disposal and liquidation of subsidiaries, net; (iii) earnings related to call options and put options; and (iv) disposal of non-current assets (gains)/losses, net.

Whilst Adjusted profit attributable to owners of the parent is not required by or presented in accordance with HKFRS, the management of the Company believes that such non-HKFRS financial measure provides useful supplementary information to investors in assessing the results of the Group's core businesses by excluding the impact of certain non-cash items, investments and non-current assets transactions. However, such unaudited non-HKFRS financial measure should be regarded as supplement to, and not substitute for, the Group's financial results prepared in accordance with HKFRS. In addition, the definition of such non-HKFRS financial measure does not have a standardised meaning prescribed by HKFRS and therefore may not be comparable to similar measures presented by other companies, and may differ from similar terminology used by other companies. Accordingly, the use of such non-HKFRS measure has limitation as an analytical tool, and investors should not consider it in isolation form, or as a substitute for analysis of our results of operations or financial conditions as reported under HKFRS.

The following tables set forth reconciliations of the Group's Adjusted profit attributable to owners of the parent to the nearest comparable financial measure (profit attributable to owners of the parent) prepared and presented in accordance with HKFRS.

For the year ended 31 December 2022						
As reported HK\$'000	(Gain)/ loss from investment companies, net ²² HK\$'000	(Gain)/loss on disposal and liquidation of subsidiaries, net ²³ HK\$'000	Earnings related to call options and put options ²⁴ HK\$'000	Disposal of non-current assets (gains)/ losses, net ²⁵ HK\$'000	Non-HKFRS measure: Adjusted profit attributable to owners of the parent HK\$'000	
Profit attributable to owners of the parent	447,007	300,825	(4,529)	(39,975)	1,094	704,422

For the year ended 31 December 2021						
As reported HK\$'000	(Gain)/loss from investment companies, net ²² HK\$'000	(Gain)/loss on disposal and liquidation of subsidiaries ²³ HK\$'000	Earnings related to call options and put option ²⁴ HK\$'000	Disposal of non-current assets (gains)/ losses, net ²⁵ HK\$'000	Non-HKFRS measure: Adjusted profit attributable to owners of the parent HK\$'000	
Profit attributable to owners of the parent	1,183,999	(802,981)	16,752	(19,331)	(30,380)	348,059

²² (Gain)/loss from investment companies, net includes net (gains)/losses on deemed disposals, disposals, liquidations, deemed partial purchases of investment companies.

²³ (Gain)/loss on disposal and liquidation of subsidiaries, net includes net (gains)/losses on deemed disposals, disposals and liquidation of subsidiaries.

²⁴ Earnings related to call options and put option include changes in fair value of call options and put option, imputed interests on a financial liability arising from a put option and net (gain)/loss on settlement of expired call options.

²⁵ Disposal of non-current assets (gains)/losses, net includes net (gains)/losses on disposal of fixed assets, other intangible assets, right-of-use assets and other assets.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 13 May 2022 (after trading hours), TCL Electronics (Huizhou) Co., Limited*(TCL電子(惠州)有限公司) (“TCL Electronics (Huizhou)”, an indirect subsidiary of the Company) entered into an acquisition agreement with T.C.L. Industries Holdings (H.K.) Limited (“T.C.L. Industries (H.K.)”, the immediate controlling shareholder of the Company), pursuant to which T.C.L. Industries (H.K.) conditionally agreed to sell, and TCL Electronics (Huizhou) conditionally agreed to acquire, 100% of the equity interest in and of TCL Digital Technology (Shenzhen) Company Limited* (TCL數碼科技(深圳)有限責任公司) at the consideration of RMB116,030,900 (equivalent to approximately HK\$136,731,000). For further details, please refer to the Company’s announcement dated 13 May 2022. The transaction was completed in May 2022.

Save as disclosed above, the Group had no other significant investment held as at 31 December 2022, and did not undertake any material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

Liquidity and Financial Resources

The Group’s principal financial instruments to manage liquidity risk comprise bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and cash equivalents of the Group as at 31 December 2022 amounted to approximately HK\$9,390,941,000, decreasing by 18.4% year-on-year, of which 0.3% was in Hong Kong dollars, 38.7% was in U.S. dollars, 42.5% was in Renminbi, 6.5% was in Euros and 12.0% was in other currencies for overseas operations.

For the purpose of day-to-day liquidity management and future expansion, the Group has access to bank and other borrowings. The bank borrowings of the Group as at 31 December 2022 were approximately HK\$5,463,083,000 which were interest-bearing at fixed rates ranging from 0.70% to 5.99% and denominated in U.S. dollars, Renminbi, Euros and Mexican Peso. The maturity profile of borrowing was on demand to within six years. It is the intention of the Group to maintain a mix of equity and debt to ensure an efficient capital structure and in view of the reasonable interest rate. There was no material change in available credit facilities when compared with the year ended 31 December 2021 and there was no asset held under finance lease as at 31 December 2022.

As at 31 December 2022, the Group's gearing ratio was 0% since the Group's cash and cash equivalents, and restricted cash and pledged deposits of approximately HK\$9,510,496,000 were higher than the total interest-bearing bank and other borrowings and lease liabilities of approximately HK\$5,872,824,000. Gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents, and restricted cash and pledged deposits), divided by equity attributable to owner. The maturity profile of such borrowings ranged from on demand to within six years.

Pledge of Assets

As at 31 December 2022, the Group had restricted cash and pledged deposits balance of approximately HK\$119,555,000 (31 December 2021: HK\$576,758,000) pledged as the balance of performance and quality guarantees, financial assets and banking facilities for the Group.

Capital Commitments and Contingent Liabilities

As at 31 December 2022, the Group had the following capital commitments:

	2022	2021
	HK\$'000	HK\$'000
Contracted, but not provided for	673,618	400,089
Authorised, but not contracted for	116,590	663,529
	790,208	1,063,618

As at 31 December 2022, the Group had the following contingent liabilities which have not been provided for in the financial statements:

SEMP TCL Mobilidade Ltda. ("SEMP Mobilidade", a subsidiary of the Company), is currently a respondent in a tax assessment dispute in Brazil with Brazil tax authority for alleged improper application of tax credits for the financial years of 2012 and 2013. As at 31 December 2022, the tax assessment dispute was still ongoing. The information usually required by Hong Kong Accounting Standard ("HKAS") 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that such disclosure can be expected to prejudice seriously the outcome. Based on the response from the independent attorney in charge, it is expected that the dispute will last for 3 to 5 years. The Group has not made any provision as the Group, based on the advice from its legal counsel, believes that SEMP Mobilidade has a valid defence against the allegation.

Pending Litigation

Save as disclosed above, the Group was not involved in any material litigation as at 31 December 2022.

Foreign Exchange Exposure

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor its total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, in line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employee and Remuneration Policy

As at 31 December 2022, the Group had a total of 24,694 dynamic and talented employees. During the year ended 31 December 2022, the total staff costs amounted to approximately HK\$5,568,229,000, which were all dedicated to advancing the quality and reliability of our operations. The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. In addition, training and development programmes are provided on an on-going basis throughout the Group. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and both the performance of individual employees and the Group. In order to align the interests of staff with those of shareholders of the Company, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme adopted on 18 May 2016. Share options carrying rights to subscribe for a total number of 39,121,343 shares of the Company remained outstanding as at 31 December 2022.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and was amended from time to time. Pursuant to the Award Scheme, existing shares of the Company may be purchased from the market or new shares may be subscribed for by the designated trustee out of cash contributed by the Company, and would be held on trust by the designated trustee for the relevant selected persons until such shares are vested with the relevant selected persons in accordance with the rules of the Award Scheme. The Award Scheme expired on 5 February 2023.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the year ended	
		31 December	
		2022	2021
		HK\$'000	HK\$'000
REVENUE	5	71,351,415	74,846,888
Cost of sales		<u>(58,239,832)</u>	<u>(62,312,579)</u>
Gross profit		13,111,583	12,534,309
Other income and gains		3,140,951	3,029,028
Selling and distribution expenses		(7,401,415)	(7,043,046)
Administrative expenses		(4,428,643)	(4,222,634)
Research and development costs		(2,531,283)	(2,480,566)
Other operating expenses		(385,315)	(81,755)
Impairment losses on financial assets, net		<u>(91,520)</u>	<u>(32,147)</u>
		1,414,358	1,703,189
Finance costs	6	(668,671)	(400,860)
Share of profits and losses of:			
Joint ventures		26,784	610
Associates		<u>63,057</u>	<u>144,827</u>
PROFIT BEFORE TAX	7	835,528	1,447,766
Income tax	8	<u>(281,604)</u>	<u>(168,476)</u>
PROFIT FOR THE YEAR		<u>553,924</u>	<u>1,279,290</u>

	For the year ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of the hedging instruments arising during the year	31,604	144,746
Reclassification adjustments for gains included in profit or loss	(40,345)	(103,426)
Income tax effect	(1,456)	2,280
	<u>(10,197)</u>	<u>43,600</u>
Exchange differences:		
Exchange differences on translation of foreign operations	(1,756,071)	378,920
Reclassification adjustments for foreign operations disposed of or liquidated during the year	(2,786)	16,736
Reclassification adjustments for associates deemed partial disposed, partial disposed, disposed of or liquidated during the year	(234)	(7,769)
	<u>(1,759,091)</u>	<u>387,887</u>
Financial assets at fair value through other comprehensive income:		
Changes in fair value, net of income tax	642	5,677
	<u>(1,768,646)</u>	<u>437,164</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		

	<i>Note</i>	For the year ended	
		31 December	
		2022	2021
		HK\$'000	HK\$'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of income tax		31,478	10,953
Share of other comprehensive income of associates and a joint venture		42,673	12,122
Remeasurements of post-employment benefit obligations		824	–
		<u>74,975</u>	<u>23,075</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
		<u>74,975</u>	<u>23,075</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>(1,693,671)</u>	<u>460,239</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>(1,139,747)</u>	<u>1,739,529</u>
Profit attributable to:			
Owners of the parent		447,007	1,183,999
Non-controlling interests		106,917	95,291
		<u>553,924</u>	<u>1,279,290</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(1,229,155)	1,638,822
Non-controlling interests		89,408	100,707
		<u>(1,139,747)</u>	<u>1,739,529</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	10		
Basic		<u>HK18.53 cents</u>	<u>HK49.26 cents</u>
Diluted		<u>HK17.87 cents</u>	<u>HK47.50 cents</u>

Details of the dividends for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2022 HK\$'000	31 December 2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,738,647	3,061,005
Investment properties		545,800	569,177
Right-of-use assets		992,237	1,079,530
Goodwill		3,195,180	3,322,316
Other intangible assets		1,206,929	1,311,484
Investments in joint ventures		110,458	80,852
Investments in associates		1,558,882	1,600,929
Equity investments designated at fair value through other comprehensive income		200,433	141,356
Deferred tax assets		426,150	336,792
Other deferred assets		567,197	179,210
		11,541,913	11,682,651
CURRENT ASSETS			
Inventories		9,837,314	13,555,596
Trade receivables	11	10,935,081	11,697,726
Bills receivable		2,219,329	1,901,694
Prepayments, other receivables and other assets		9,019,669	6,901,965
Tax recoverable		191,904	122,154
Financial assets at fair value through profit or loss		1,266,076	1,342,088
Derivative financial instruments		579,984	240,587
Restricted cash and pledged deposits		119,555	576,758
Cash and cash equivalents		9,390,941	11,509,166
		43,559,853	47,847,734
Assets classified as held for sale	12	3,681	3,952
		43,563,534	47,851,686

	<i>Notes</i>	31 December 2022 HK\$'000	31 December 2021 HK\$'000
CURRENT LIABILITIES			
Trade payables	13	14,086,945	15,826,244
Bills payable		4,859,890	3,599,248
Other payables and accruals		11,525,218	12,743,589
Interest-bearing bank and other borrowings	14	4,433,624	6,387,292
Lease liabilities		153,915	140,820
Tax payable		175,716	116,231
Financial liability associated with put option		160,667	121,370
Derivative financial instruments		134,214	34,782
Provisions		1,007,542	971,448
		<hr/>	<hr/>
Total current liabilities		36,537,731	39,941,024
		<hr/>	<hr/>
NET CURRENT ASSETS		7,025,803	7,910,662
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		18,567,716	19,593,313
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	1,029,459	492,825
Lease liabilities		255,826	319,684
Deferred tax liabilities		327,879	341,846
Other long-term payables		76,896	48,715
Derivative financial instruments		–	17,579
		<hr/>	<hr/>
Total non-current liabilities		1,690,060	1,220,649
		<hr/>	<hr/>
Net assets		16,877,656	18,372,664
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	2,499,780	2,479,959
Reserves		13,960,448	15,477,904
		<hr/>	<hr/>
Non-controlling interests		16,460,228	17,957,863
		417,428	414,801
		<hr/>	<hr/>
Total equity		16,877,656	18,372,664
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and certain financial assets which have been measured at fair value. As further explained in note 12, assets classified as held for sale is stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to *the Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical smart screen segments and other product types and has five reportable operating segments as follows:

- (a) Smart screen segment – manufacture and sale of smart screen in:
 - TCL smart screen – the PRC market; and
 - TCL smart screen – the international markets;
- (b) Internet business segment – membership cards, video-on-demand, advertising, vertical application and other new businesses;
- (c) Smart mobile, connective devices and services segment – manufacture and sale of mobile phones, smart connective products and display and service;
- (d) All-category marketing segment – distribution of TCL branded air conditioners, refrigerators and washing machines and other household appliances; and
- (e) Smart commercial display, smart home, photovoltaic and other businesses segment.

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on segment revenue and gross profit of each operating segment.

The presentation of reportable operating segments has been revised as detailed in page 36 of this announcement, and accordingly the comparative figures of such reportable operating segments have been restated, as the management believes that the information regarding such restated segments would be useful to the users of these financial statements.

Information regarding these reportable segments, together with their related comparative information, is presented below.

	Smart screen		Internet business		Smart mobile, connective devices and services		All-category marketing*		Smart commercial display, smart home, photovoltaic and other businesses		Total		Eliminations		Consolidated		
	TCL smart screen – the PRC market		TCL smart screen – international markets		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	
	2022	2021	2022	2021	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:	15,194,117	13,238,010	29,999,916	36,028,572	2,298,195	2,298,195	1,849,165	8,243,564	6,371,641	2,659,175	1,424,023	71,351,415	74,846,888	-	-	71,351,415	74,846,888
Sales to external customers	1,796,179	2,401,943	1,766,617	709,543	13,889	13,889	18,153	386	1,031	116,165	75,012	3,697,869	3,208,499	(3,697,869)	(3,208,499)	-	-
Intersegment sales	16,990,296	15,639,953	31,766,533	36,738,115	2,312,084	2,312,084	1,867,318	8,243,950	6,372,672	2,775,340	1,499,035	75,049,284	78,055,387	(3,697,869)	(3,208,499)	71,351,415	74,846,888
Total	3,702,991	2,429,129	4,779,836	5,795,769	1,160,033	1,160,033	1,042,269	1,085,467	706,308	341,787	201,201	13,111,583	12,534,309	-	-	13,111,583	12,534,309
Gross profit																	

* All-category marketing segment has been reclassified to a separate segment from smart commercial display, smart home, photovoltaic and other businesses segment for better decision making of management of the Company.

5. REVENUE

An analysis of revenue is as follows:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers	<u>71,351,415</u>	<u>74,846,888</u>

Disaggregated revenue information for revenue from contracts with customers

For the year ended 31 December 2022

Segments	Smart screen and other products HK\$'000	Internet business HK\$'000	Total HK\$'000
Type of goods or services			
Sale of goods	68,915,963	139,622	69,055,585
Construction services	137,257	–	137,257
Video-on-demand services	–	517,559	517,559
Advertising, vertical application and other new businesses	–	1,641,014	1,641,014
Total revenue from contracts with customers	<u>69,053,220</u>	<u>2,298,195</u>	<u>71,351,415</u>
Geographical markets			
Mainland China	21,835,754	1,797,120	23,632,874
Europe	9,840,245	–	9,840,245
North America	17,927,898	205,516	18,133,414
Emerging Markets	19,449,323	295,559	19,744,882
Total revenue from contracts with customers	<u>69,053,220</u>	<u>2,298,195</u>	<u>71,351,415</u>
Timing of revenue recognition			
Goods transferred at a point in time	68,915,963	139,622	69,055,585
Services transferred over time	137,257	517,559	654,816
Services transferred at a point in time	–	1,641,014	1,641,014
Total revenue from contracts with customers	<u>69,053,220</u>	<u>2,298,195</u>	<u>71,351,415</u>

Disaggregated revenue information for revenue from contracts with customers (continued)

For the year ended 31 December 2021

Segments	Smart screen and other products HK\$'000	Internet business HK\$'000	Total HK\$'000
Type of goods or services			
Sale of goods	72,997,723	235,120	73,232,843
Video-on-demand services	–	389,715	389,715
Advertising, vertical application and other new businesses	–	1,224,330	1,224,330
	<u>72,997,723</u>	<u>1,849,165</u>	<u>74,846,888</u>
Total revenue from contracts with customers	<u><u>72,997,723</u></u>	<u><u>1,849,165</u></u>	<u><u>74,846,888</u></u>
Geographical markets			
Mainland China	18,028,151	1,490,214	19,518,365
Europe	11,158,321	–	11,158,321
North America	22,331,632	41,821	22,373,453
Emerging Markets	21,479,619	317,130	21,796,749
	<u>72,997,723</u>	<u>1,849,165</u>	<u>74,846,888</u>
Total revenue from contracts with customers	<u><u>72,997,723</u></u>	<u><u>1,849,165</u></u>	<u><u>74,846,888</u></u>
Timing of revenue recognition			
Goods transferred at a point in time	72,997,723	235,120	73,232,843
Services transferred over time	–	389,715	389,715
Services transferred at a point in time	–	1,224,330	1,224,330
	<u>72,997,723</u>	<u>1,849,165</u>	<u>74,846,888</u>
Total revenue from contracts with customers	<u><u>72,997,723</u></u>	<u><u>1,849,165</u></u>	<u><u>74,846,888</u></u>

6. FINANCE COSTS

	2022	2021
	HK\$'000	HK\$'000
Interest on:		
Bank and other loans	574,065	331,038
Loans from companies controlled by TCL Industries Holdings Co., Ltd. (“TCL Holdings”)	45,055	22,515
Imputed interests on a financial liability arising from a put option	31,510	5,460
Interest expense on lease liabilities	18,041	22,187
Loans from a company controlled by TCL Technology Group Corporation (“TCL Technology”)	–	17,179
Discounted bills receivable from a company controlled by TCL Technology	–	2,481
	<hr/>	<hr/>
Total finance costs for the year	668,671	400,860
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold and services provided	58,239,832	62,312,579
Depreciation of property, plant and equipment	400,720	348,606
Depreciation of investment properties	14,078	14,922
Depreciation of right-of-use assets	204,799	166,251
Depreciation on other deferred assets	16,509	1,043
Research and development costs	2,531,283	2,480,566
Amortisation of other intangible assets	622,922	599,069
Lease payments not included in the measurement of lease liabilities	87,781	138,075
Auditor's remuneration	11,937	11,649
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	4,925,322	5,311,468
Equity-settled share option expense	91	1,912
Employee share-based compensation benefits under the Award Scheme	147,629	132,163
Share award benefits of a subsidiary	–	39,536
Defined contribution expenses	495,187	504,560
	<u>5,568,229</u>	<u>5,989,639</u>
Foreign exchange differences, net	(1,345,131)	496,816
Impairment of financial assets:		
Impairment of trade receivables, net	83,408	31,827
Impairment of other receivables, net	8,112	2,716
	<u>91,520</u>	<u>34,543</u>
Impairment of goodwill	–	12,049**
Write-down of inventories to net realisable value	148,162	381,395
Rental income, net	(22,250)	(19,356)
Interest income	(631,002)	(404,475)
Government grants*:		
Credited to other revenue and gains	(661,401)	(635,297)
Deducted from cost of sales and relevant expenses	(12,393)	(52,723)
	<u>(673,794)</u>	<u>(688,020)</u>

	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Fair value (gains)/losses, net:		
Derivative instruments – transactions not qualifying as hedges	(176,344)	47,142
Call options and put option	(53,906)	(24,791)
Realised (gain)/loss on settlement of derivative financial instruments	1,295,490	(703,723)
Realised gain on settlement of financial assets at fair value through profit or loss	(78,589)	(86,986)
Gain on settlement of expired call options	(17,579)	–
(Gain)/loss on disposal of items of property, plant and equipment, net	1,898**	(23,111)
(Gain)/loss on disposal of other intangible assets, net	741**	(5,593)
Gain on disposal of items of right-of-use assets, net	(1,545)	–
(Gain)/loss on liquidation of subsidiaries	(104)	16,750**
(Gain)/loss on disposal of subsidiaries	(4,425)	2**
Loss on disposal of an associate	298,071**	–
Gain on partial disposal of an associate	–	(740,988)
Deemed (gain)/loss on partial disposal of associates	9,329**	(61,993)
Deemed gain on partial acquisition of a joint venture	(7,749)	–
Loss on liquidation of an associate	1,174**	–
Product warranty provision, net	689,501	772,885
	=====	=====

Notes:

* Certain government grants have been received related to the Group's day-to-day activities. Government grants including VAT refund and national patent subsidies are recorded in "Other revenue and gains" in the consolidated statement of the profit and loss. There are no unfulfilled conditions or contingencies relating to these grants.

** These items are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2022	2021
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	7,449	24,723
(Overprovision)/underprovision in prior years	(479)	1,644
Current– Elsewhere		
Charge for the year	356,102	233,514
(Overprovision)/underprovision in prior years	47,357	(12,351)
Deferred	(128,825)	(79,054)
	<hr/>	<hr/>
Total tax charge for the year	281,604	168,476
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDENDS

	2022	2021
	HK\$'000	HK\$'000
Proposed final dividend – HK12.70 cents (2021: HK16.70 cents) per ordinary share	317,472	414,153
	<hr/>	<hr/>
	317,472	414,153
	<hr/> <hr/>	<hr/> <hr/>

The Board resolved to not declare any dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

The above amount of proposed final dividend for the year ended 31 December 2022 was calculated based on the number of shares of the Company as at 31 December 2022 for illustration. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM"). These consolidated financial statements do not reflect this dividend payable.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,412,318,560 (2021: 2,403,808,710) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2022	2021
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:	447,007	1,183,999
	<u><u>447,007</u></u>	<u><u>1,183,999</u></u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the year used in the basic earnings per share calculation	2,412,318,560	2,403,808,710
Effect of dilution – weighted average number of ordinary shares:		
Share options	277,097	11,739,101
Awarded shares	89,246,219	77,246,828
	<u><u>2,501,841,876</u></u>	<u><u>2,492,794,639</u></u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	2,501,841,876	2,492,794,639

11. TRADE RECEIVABLES

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Due from third parties		<u>8,146,870</u>	<u>10,405,892</u>
Due from related parties:			
Companies controlled by TCL Holdings	(a)	154,659	45,822
Affiliates of TCL Holdings	(a)	184,501	71,596
Companies controlled by TCL Technology	(a)	521,234	327,773
Affiliates of TCL Technology	(a)	28,804	6
Joint ventures	(a)	388,213	267,210
Associates	(a)	<u>1,752,743</u>	<u>767,468</u>
		<u>3,030,154</u>	<u>1,479,875</u>
Impairment allowance		<u>(241,943)</u>	<u>(188,041)</u>
		<u>10,935,081</u>	<u>11,697,726</u>

Note:

- (a) As at 31 December 2022 and 2021, the amounts were interest-free, unsecured and repayable within one year.

The majority of the Group's sales in Mainland China were mainly made on the cash-on-delivery basis or on commercial bills guaranteed by banks within credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

Save for those amounts due from the related parties, in view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group holds a commercial property from a group of customers as collaterals for trade receivables of HK\$359,746,000 (2021: HK\$443,049,000) due by them with interest bearing at 3% (2021: 3%) per annum. The Group does not hold any collaterals or other credit enhancements over its remaining trade receivables. The remaining trade receivables are non-interest bearing.

Included in the Group's trade receivables are (i) receivables to be factored of HK\$315,207,000 (2021: HK\$955,454,000), as well as (ii) the assets and the associated liabilities representing the extent of the Group's continuing involvement in the factored trade receivables of which the Group neither retained nor transferred substantially all of the risks and rewards, amounted to HK\$25,106,000 (2021: HK\$9,016,000). The above receivables are classified as financial assets at fair value through profit or loss. The remaining trade receivables with a gross carrying amount of HK\$10,836,711,000 (2021: HK\$10,921,297,000) are measured at amortised cost.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	HK\$'000	HK\$'000
Current to 90 days	8,349,202	9,216,657
91 to 180 days	1,672,728	1,704,485
181 to 365 days	324,001	443,167
Over 365 days	831,093	521,458
	11,177,024	11,885,767
Impairment allowance	(241,943)	(188,041)
	10,935,081	11,697,726

12. ASSETS CLASSIFIED AS HELD FOR SALE

On 20 May 2021, the Group decided to dispose of a piece of its land located in the Mainland China. The disposal is expected to be completed in 2023. As at 31 December 2022, final negotiations for the sale were in progress and the land and the buildings were classified as current assets held for sale.

13. TRADE PAYABLES

	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
Due to third parties		8,053,031	9,841,942
Due to related parties:			
Companies controlled by TCL Holdings			
Technology	(a)	2,528,936	1,494,278
Affiliates of TCL Holdings	(a)	622,568	348,295
Companies controlled by TCL Technology	(a)	2,187,509	3,994,289
Affiliates of TCL Technology	(a)	16,430	1,770
Joint ventures	(a)	68,267	56,240
Associates	(a)	610,204	89,430
		6,033,914	5,984,302
		14,086,945	15,826,244

Note:

- (a) As at 31 December 2022 and 2021, the amounts were interest-free, unsecured and repayable within one year.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	HK\$'000	HK\$'000
Current to 90 days	11,589,314	13,976,830
91 to 180 days	1,920,841	1,468,244
181 to 365 days	382,203	145,062
Over 365 days	194,587	236,108
	14,086,945	15,826,244

The trade payables are non-interest-bearing and are normally settled within credit periods ranging from 30 to 120 days.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Current		
Bank loans – unsecured	4,408,518	6,356,258
Advances from banks as consideration for factored trade receivables	25,106	9,016
Other loans – unsecured	–	22,018
	<u>4,433,624</u>	<u>6,387,292</u>
Non-current		
Bank loans – unsecured	1,029,459	492,825
	<u>1,029,459</u>	<u>492,825</u>
	<u>5,463,083</u>	<u>6,880,117</u>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	4,433,624	6,365,274
In the second year	250,287	117,057
In the third to fifth years, inclusive	738,870	253,448
After fifth years	40,302	122,320
	<u>5,463,083</u>	<u>6,858,099</u>
Analysed into:		
Other loans repayable:		
Within one year or on demand	–	22,018
	<u>–</u>	<u>22,018</u>
	<u>5,463,083</u>	<u>6,880,117</u>

Notes:

- (a) As at 31 December 2022 and 2021, the carrying amounts of the Group's bank and other borrowings were approximated to their fair values.
- (b) TCL Holdings together with TCL Technology have not jointly guaranteed any of the Group's bank loans (2021: HK\$3,564,279,000), TCL Technology has individually guaranteed certain of the Group's bank loans up to HK\$123,114,000 (2021: HK\$1,598,204,000) and TCL Holdings has individually guaranteed certain of the Group's bank loans up to HK\$3,374,453,000 (2021: Nil) as at the end of the reporting period.

15. SHARE CAPITAL

	2022 HK\$'000	2021 HK\$'000
Authorised:		
3,000,000,000 (2021: 3,000,000,000) shares of HK\$1.00 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid:		
2,499,780,203 (2021: 2,479,959,408) shares of HK\$1.00 each	<u>2,499,780</u>	<u>2,479,959</u>

On 27 April 2022, the Company allotted and issued 15,497,430 shares pursuant to award granted in the form of new shares under the Award Scheme.

During the year, the subscription rights attaching to 383,407, 1,318,380 and 2,621,578 share options were exercised at the subscription prices of HK\$3.5700, HK\$3.7329 and HK\$4.1520 per share, respectively, resulting in the issue of an aggregate of 4,323,365 shares of HK\$1.00 each for a total cash consideration of HK\$17,174,000 before expenses.

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with current year's presentation and disclosure.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year ended 31 December 2022.

FINAL DIVIDEND

The Board has proposed a final dividend of HK12.70 cents (2021: HK16.70 cents) in cash per share for the year ended 31 December 2022. Subject to approval at the forthcoming AGM to be held on 1 June 2023, Thursday, the said final dividend will be payable on or about 4 August 2023, Friday to shareholders whose names appear on the register of members of the Company on 19 July 2023, Wednesday.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlements to attend and vote at the forthcoming AGM, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 25 May 2023, Thursday for registration. Members of the Company whose names are recorded in the register of members of the Company on 25 May 2023, Thursday are entitled to attend and vote at the forthcoming AGM.

The Hong Kong register of members of the Company will be closed on 19 July 2023, Wednesday, for the purposes of determining the entitlements of the shareholders of the Company to the proposed final dividend for the year ended 31 December 2022 upon the passing of relevant resolution. No transfer of the shares of the Company may be registered on the said date. The record date for determining the entitlements of the shareholders of the Company to the proposed final dividend is 19 July 2023, Wednesday. In order to qualify for the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 18 July 2023, Tuesday.

AGM

The AGM of the Company will be held on 1 June 2023, Thursday. The notice of AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE

The Company has established and will continue to optimise its risk management and internal control system. The management reports to the Board and the subordinated audit committee (the “Audit Committee”) the governance situation and the improvement progress of the Company regularly to strengthen the collaboration on corporate governance between the Board and the management continuously, and fulfill their respective responsibilities in terms of corporate governance.

None of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2022, complied with the code provisions (the “Code Provision(s)”) set out in Part 2 of Corporate Governance Code (the “CG Code”) under Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), except for the deviation from Code Provision C.3.3 during the period from 1 January 2022 to 21 December 2022, the details of which are set out below.

Under Code Provision C.3.3 of the CG Code, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company had no formal letters of appointment for Mr. Albert Thomas DA ROSA, Junior, being a then non-executive Director, and Mr. Robert Maarten WESTERHOF, being a then independent non-executive Director, who have retired as a non-executive Director and an independent non-executive Director, respectively, with effect from 17 June 2022. From 1 January 2022 to 21 December 2022, the Company had no formal letter of appointment for Dr. TSENG Shieng-chang Carter, being an independent non-executive Director. As the abovementioned three Directors have been serving as Directors for a considerable period of time, and as such a clear understanding of the terms and conditions of their appointment already exists between the Company and them, there has been no written record of the same until the retirement of Mr. Albert Thomas DA ROSA, Junior and Mr. Robert Maarten WESTERHOF and until 22 December 2022 for Dr. TSENG Shieng-chang Carter. In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring Directors, shareholders of the Company are given information that is reasonably necessary for them to make an informed decision on the re-appointment of the relevant Directors.

Nevertheless, in order to promote better corporate governance, on 22 December 2022, the Company entered into a letter of appointment with Dr. TSENG Shieng-chang Carter setting out the key terms and conditions of his appointment.

For the period from 22 December 2022 up to the date of this announcement, the Company has fully complied with the Code Provisions under the CG Code.

SCOPE OF WORK OF THE COMPANY’S AUDITOR ERNST AND YOUNG (“EY”)

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by EY to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022, including the accounting principles adopted by the Group, with the Company’s management. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (chairperson), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Specific enquiries have been made with all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions during the year ended 31 December 2022.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a written confirmation from TCL Holdings and T.C.L. Industries (H.K.) confirming that for the period from 1 January 2022 to 31 December 2022 (both dates inclusive), they had fully complied with the deed of non-competition dated 29 June 2020 executed by them in favour of the Company (“Deed of Non-Competition (2020)”).

The Company has received a written confirmation from TCL Technology confirming that for the period from 1 January 2022 to 31 December 2022 (both dates inclusive), it had fully complied with the deed of termination dated 29 June 2020 executed by and among TCL Technology, T.C.L. Industries (H.K.) and the Company (“Deed of Termination (2020)”).

The independent non-executive Directors have reviewed the relevant confirmations on Deed of Non-Competition (2020) and Deed of Termination (2020), and all of them are satisfied that Deed of Non-Competition (2020) and the non-competition undertakings under the Deed of Termination (2020) have been complied with during the period from 1 January 2022 to 31 December 2022 (both dates inclusive).

On behalf of the Board
DU Juan
Chairperson

Hong Kong, 10 March 2023

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. SUN Li, and Mr. LI Yuhao as non-executive Directors and Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.