TCL ELECTRONICS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock code: 01070

INSPIRE GREATNESS

ANNUAL REPORT 2023

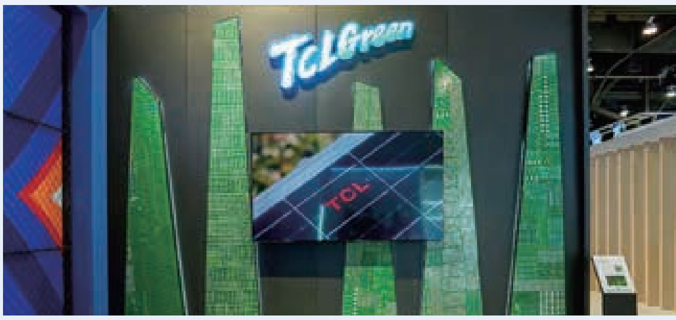
CONTENTS

TCL Electronics is a world-leading consumer electronics company that covers display, innovative and internet businesses. The Group actively reforms and innovates under the strategy of “Value Led by Brand with Global Efficiency in Operations, Driven by Technology and Paramount Vitality”. Focusing on the mid-to-high-end markets around the world and technological advancement, the Group strives to consolidate the “Intelligent IoT Ecosystem” strategy and is committed to providing users with an all-scenario smart and healthy life while developing into a world-leading smart device company.

YEAR IN REVIEW 2023

1 Unveiled products including the flagship Mini LED smart screen QM8, AR smart glasses RayNeo X2, and established the TCL Green Zone at CES 2023 for the first time to promote our eco-friendly and green philosophy.

At the Global Top Brands Award Ceremony, TCL was enlisted the “2022-2023 Top 10 CE Brands” and TCL X11 LINGYAO QD-Mini LED TV received the “Award for Innovative Mini LED Display of the Year 2022-2023”.



3 Launched the TCL QD-Mini LED smart screen X11G, featuring an XDR with peak brightness of 5,000 nits and 5,184 local dimming zones.

YEAR IN REVIEW 2023

4 At the AWE Award Ceremony, TCL QD-Mini LED smart screen X11G won the "Innovation Award", TCL Fresh Air III Series air conditioner and TCL Dual Wash series washing machine both received the "Outstanding Product Award".

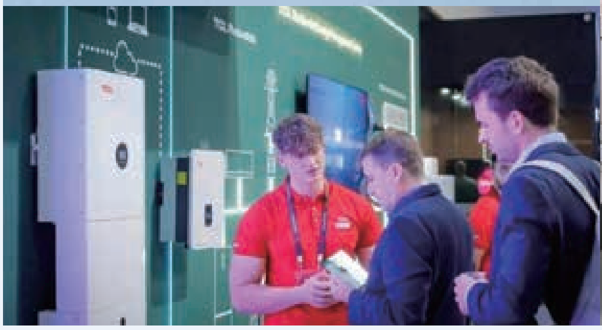
5 Unveiled the AI story collection for children "Super Story Painter", the first customised content column based on a cutting-edge AI large-language model in the internet TV industry.

6 TCL was listed as one of the "Top 50 Chinese Global Brand Builders" by BrandZ for the seventh consecutive year, ranking 11th and jumping seven places from 2022.

8 Introduced the new online streaming service TCLtv+ for North American users, offering a wide variety of free entertainment programmes.

YEAR IN REVIEW 2023

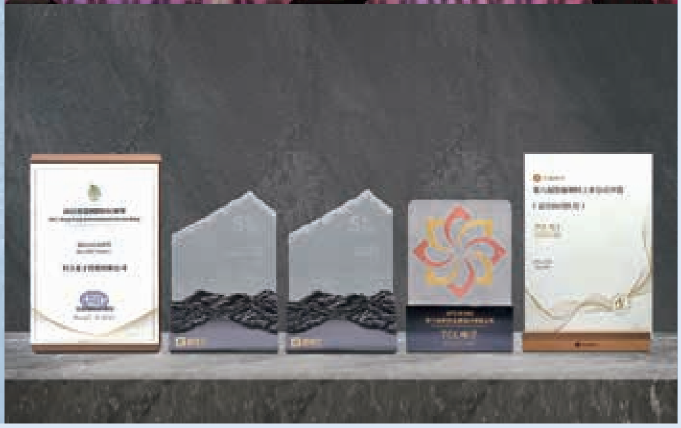
9 Showcased the world's largest 115-inch QD-Mini LED smart screen at the Berlin IFA 2023 and presented TCL Photovoltaic Technology's One-Stop Residential Smart Energy Solution for the first time at top overseas exhibition.



10 Launched the consumer-grade AR smart glasses RayNeo X2, setting a new standard in the AR sector.

Capital Market Awards

The Company won numerous awards, including the 6th New Fortune Award's "Best IR Hong Kong Listed Company (H-shares)", the China Securities Golden Bauhinia Award's "Annual Special Award – 2023 Outstanding Listed Company", the Hong Kong International ESG Ranking's "Best ESG Pioneer Award", the Gelonghui Golden Award's "Outstanding Enterprise of the Year in the Consumer Sector", the Golden Hong Kong Stock Annual Award's "Best ESG Company Award," and the HKIRA 9th IR Award's "Best Annual Report".

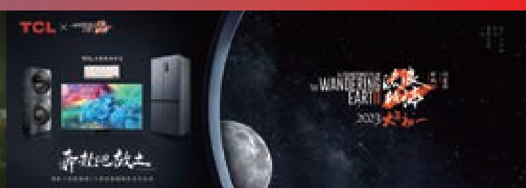


BRAND COOPERATION 2023

TCL collaborated with numerous top European football teams and the National Football League (NFL) to enhance the Brand's awareness in Europe and America.

TCL partnered with the League of Legends Pro League (LPL).

TCL leveraged popular film productions such as “Moon Man”, “The Wandering Earth” and “No More Bets” to enhance our brand reputation.



Corporate Information*

BOARD OF DIRECTORS

Executive Directors

Ms. DU Juan (Chairperson)
Mr. ZHANG Shaoyong (CEO) (appointed as an executive Director with effect from 28 March 2024)
Mr. PENG Pan (CFO) (appointed as an executive Director with effect from 1 October 2023)
Mr. SUN Li (re-designated from a non-executive Director to an executive Director with effect from 28 March 2024)
Mr. HU Dien Chien (resigned as an executive Director with effect from 1 October 2023)
Mr. YAN Xiaolin (resigned as an executive Director with effect from 28 March 2024)

Non-executive Directors

Mr. LI Yuhao
Mr. WANG Cheng (resigned as a non-executive Director with effect from 28 March 2024)

Independent Non-executive Directors

Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang
Mr. LAU Siu Ki

JOINT COMPANY SECRETARIES

Ms. CHOY Fung Yee, Solicitor, Hong Kong
Mr. PENG Pan (appointed as a joint company secretary with effect from 9 October 2023)
Mr. HU Dien Chien (resigned as a joint company secretary with effect from 1 October 2023)

AUTHORISED REPRESENTATIVES

Ms. DU Juan
Ms. CHOY Fung Yee, Solicitor, Hong Kong
Mr. PENG Pan (alternate authorised representative to both Ms. DU Juan and Ms. CHOY Fung Yee) (appointed with effect from 1 October 2023)
Mr. HU Dien Chien (alternate authorised representative to both Ms. DU Juan and Ms. CHOY Fung Yee) (resigned with effect from 1 October 2023)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F One Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISOR

Ronald Tong & Co
Room 501, 5/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th Floor, Building 22E
22 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories, Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House, Grand Cayman
KY1-1104, Cayman Islands

INVESTOR AND MEDIA RELATIONS

Christensen China Limited
30/F, 3 Lockhart Road
Wanchai, Hong Kong

WEBSITE

http://electronics.tcl.com

* The latest practicable date for ascertaining information in this section is 19 April 2024.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023 **HK$ Million**	2022 HK$ Million	Change
Revenue	**78,986**	71,351	10.7%
Gross profit	**14,756**	13,112	12.5%
Profit after tax	**827**	554	49.3%
Profit attributable to owners of the parent	**744**	447	66.4%
Non-HKFRS measure: **Adjusted profit attributable to owners of the parent**	**803**	704	14.0%
Proposed final dividend per share (HK cents)	**16.00**	12.70	26.0%

Chairperson's Statement

Forge Boldly Ahead:
Winning with Strategy, Advancing Fearlessly

Ms. DU Juan
Chairperson


TCL

Chairperson's Statement

Dear Shareholders, Partners and Employees,

Over the past year, we have been through a challenging yet remarkable journey. On behalf of the Board, I am pleased to present our annual results for the year 2023.

Braving the winds and waves, forging ahead and embracing change to revitalise the enterprise with new vitality

As the saying goes, "beside the sunken boat, a thousand sails compete." Like intrepid sailors facing the vast and unknown ocean during their long voyage, we forge ahead in a challenging and ever-changing environment. In 2023, despite the weak recovery of the world economy, geopolitical turbulence and elevated global inflation levels and major interest rates still exposed the market to changes and challenges. Meanwhile, Chinese economy expanded steadily amid the complex and challenging international environment, with a year-on-year GDP growth of 5.2% in 2023. The economic structure is currently at a crucial moment of transformation. All these factors present both challenges and opportunities. Facing the uncertain economic environment and a changing industry landscape, we have adjusted our strategies and adopted a new guiding strategy of "Value Led by Brand with Global Efficiency in Operations, Driven by Technology and Paramount Vitality". This not only strengthens the foundation of our brand but also advances the continuous innovation and deepens our "technological" and "global" development. We are exploring new business lines and uncovering new growth areas, ensuring TCL Electronics maintains resilience of growth and is full of vitality in the tide of the times.

In 2023, our endeavours in mid-to-high-end strategy and international operations have brought improvement in operational quality and profitability. During the year, the Group's total revenue amounted to HK$78,986 million, representing a year-on-year increase of 10.7%. Gross profit margin increased by 0.3 percentage points to 18.7% as compared to 2022. The overall expense ratio decreased by 1.5 percentage points to 15.1%. The profit attributable to the owners of the parent increased by 66.4% to HK$744 million. The adjusted profit attributable to owners of the parent was up by 14.0% to HK$803 million. Additionally, the Group adheres to

a dividend policy of high payout ratio to give back and share profits with the Shareholders. The final dividend proposed by the Board was HK16.0 cents per share in 2023, representing a payout ratio of 50% of the adjusted profit attributable to owners of the parent.

In nature, every species is dependent on and thus adaptive to its environment. In the complex and changing global atmosphere with evolving consumer demands, we capture the structural market needs in a timely manner by adhering to the "mid-to-high-end + large-screen" strategy and the "TCL + Falcon" dual-brand strategy to promote a steady growth in our display business. In 2023, our global shipment of TCL smart screen bucked the trend and reached 25.26 million sets, with the market share up to 12.5% year-on-year, which ranked among top two global brand TVs[1]. In terms of global internet business, we continued to achieve rapid growth of revenue with an year-on-year increase of 20.2% to HK$2,763 million. In the PRC market, we kept exploring new business models to improve user experience. We launched the industry's first "LINGKONG UI" and "Super Story Painter" (超級智繪) AI story collection, the first customised children's column coded by AI large language model, thereby diversifying the application scenarios. In the international market, we continued to maintain close cooperation with internet giants including Google, Roku and Netflix. In terms of innovative business, we has achieved a leaping development with the revenue growing by 78.5% to HK$18,640 million. The photovoltaic business was put into operations officially in the second quarter of 2022 and experienced a rapid development with its revenue exceeding HK$6,299 million in 2023. In the future, we will continue to advance the global layout of the photovoltaic business and strive to become a user-oriented and world-leading service provider of distributed intelligent energy solutions.

Strengthening the foundation, steadily climbing, and adhering to high-quality development

A journey of a thousand miles begins with a single step. We have been dedicated to R&D innovation and global expansion. In terms of technological innovation, we have made major breakthroughs in smart displays and AI. We achieved a local dimming zone of tens of thousands in our Mini LED display technology, which drove our global shipment of TCL Mini LED smart screen up by 180.1% and its sales volume accounted for half of the domestic market in 2023. Meanwhile, we also achieved independent content innovation and operation based on AI Generated Content, which enables us to provide users with a more diverse content experience and application scenarios. In addition, we focus on both internal and external development and implement GenAI engineering applications using Turing platform to improve the product experience and workflow efficiency. Besides, RayNeo, a company incubated by the Company, launched consumer-grade AR glasses – RayNeo X2 and RayNeo Air 2 XR glasses. It ranked first in terms of domestic online market share[2] for consumer-grade AR glasses, demonstrating a wide market recognition of our products.

In terms of our global layout, we took localised approaches in organisation, supply chain, channels and marketing to achieve global prominence. For organisation, we have improved our organisational structure by setting up six major business groups in China, North America, Latin America, Europe, Asia-Pacific, and the Middle East and Africa within the year. This reorganisation has streamlined our decision-making process,

1 Source: shipment data from Omdia
2 Source: online AR sales volume data in the PRC market of 2023 from RUNTO

Chairperson's Statement

enhanced efficiency, and bolstered our end-to-end product sales capabilities. For supply chain, the Company has deployed a comprehensive factory layout in China, Vietnam, Mexico, Brazil and Poland to allow flexibility in the distribution of local production capacities and to meet worldwide market demands promptly. For channels and marketing, the Company focused on major regions and channels and attained a coverage of over 90% in the top 50 channels worldwide. Moreover, we adopted a localisation approach under the global brand strategy and enhanced our brand's global reputation through a variety of marketing efforts in sports, esports, films and exhibitions to promote the continuous expansion of the global business scale.

Committed to Social Responsibility, Giving Back with Gratitude: ESG Efforts Catalysing Sustainable Growth

Mindful of our roots as we grow, we will never forget our founding principles. While pursuing high-quality development, the Group also set high standards for our efforts in ESG. On the environmental front, we are committed to green operations. Internally, we have practiced stringent carbon auditing and energy-saving upgrades in infrastructure and equipment to significantly reduce greenhouse gas emissions. Externally, we strived for a green ecological chain by propelling the signing of the household appliance industry's first "Green Supply Chain Initiative" during the year. On the social front, we actively participate in charitable causes, and our employees contributed over 27,000 hours to volunteer service within the year. We have introduced the industry's first TV care solution, TCL Care, which received the Silver Award at the International Design Excellence Awards (IDEA). This solution provides care and supports for vulnerable groups including the elderly and children in their smart TV experience. Meanwhile, the Company also promotes a culture of equality, diversity and inclusion. We stand with gender equality and over 40% of our global employees were female as of 31 December 2023. On the governance front, we adhere to business ethics and integrity system, actively defend cybersecurity and carry out privacy protection management to ensure standardised management of our information asset and well-protected user privacy. Since 2018, we have been awarded an "A" rating in ESG by the Hang Seng Index for six consecutive years and included in the Hang Seng Corporate Sustainability Benchmark Index for five consecutive years.

Breaking More Records, Reaching New Heights, Grasping Emerging Opportunities of the Era

At this time every year we set off for a new journey to come. Each retrospection on the past is a recollection of the challenges we overcome and each prospection to future is an expectation to boundless opportunities we welcome. The year of 2024 may still see an uncertain economy and an ever-changing world, but it is in these changes we shall find new chances.

On our way ahead, we will keep empowering ourselves with better products, marketing, operation, organisation, and collaborative innovation. We will strengthen our core business, enhance operational efficiency, and continue to advance our strategies for globalisation and technological innovation. In the face of waves of digitalisation and prospects of the energy transition, we are poised to seize every opportunity for growth, venture into new markets, and explore new growth curves. We will make best endeavours to sustain our leadership and sail towards our strategic objectives in the competitive landscape.

Last but not least, I would like to extend, on behalf of the Board, our deepest gratitude to consumers worldwide for choosing our products and trusting our company, to Shareholders, investors, global clients and partners for their unwavering support. In the trouble waters of this transformative era, let us join hands on our way to become a world-leading smart device enterprise while braving the winds and waves for success.

DU Juan
Chairperson
28 March 2024

Board of Directors

Ms. DU Juan
EXECUTIVE DIRECTOR

Mr. ZHANG Shaoyong
EXECUTIVE DIRECTOR

Mr. PENG Pan
EXECUTIVE DIRECTOR

Mr. SUN Li
EXECUTIVE DIRECTOR

Board of Directors

Mr. LI Yuhao
NON-EXECUTIVE DIRECTOR

Dr. TSENG Shieng-chang Carter
INDEPENDENT NON-EXECUTIVE DIRECTOR

Professor WANG Yijiang
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. LAU Siu Ki
INDEPENDENT NON-EXECUTIVE DIRECTOR

Board of Directors

Ms. DU Juan

EXECUTIVE DIRECTOR

Born in May 1970, Ms. DU is the chairperson of the Board, an executive Director and the chairperson of the Strategy Committee. Ms. DU joined the Company in August 2021. Ms. DU is also a director and the CEO of TCL Industries Holdings. From July 1991 to May 1999, she worked in the Huizhou branch of China Construction Bank Corporation; in May 1999, she joined TCL Technology (000100.SZ) and successively worked as the general manager of the settlement centre of TCL Technology, the general manager of TCL Finance, the president and the chairperson of TCL Financial Services Holdings Group (Guangzhou) Company Limited* (TCL金服控股集團(廣州)有限公司). From July 2016 to February 2018, she was a vice president of TCL Technology; from March 2018 to August 2021, she was an executive director and the COO of TCL Technology; from January 2019 to August 2021, she also took up the role of the CFO of TCL Technology; from August 2021 to December 2022, she was a non-executive director of TCL Technology; from October 2019 to October 2021, she was a non-executive director of Bank of Shanghai Co., Ltd. (601229.SH). Ms. DU graduated from the Department of Investments of Zhongnan University of Economics and Law (bachelor's degree), and obtained an EMBA degree from Cheung Kong Graduate School of Business.

Mr. ZHANG Shaoyong

EXECUTIVE DIRECTOR

Born in August 1978, Mr. ZHANG is the executive Director, CEO and member of Strategy Committee, the general manager of the pan-smart screen business unit and a director in various subsidiaries of the Company. Mr. ZHANG is also currently a senior vice president of TCL Industries Holdings. Mr. ZHANG joined the Company after he graduated from Northwestern Polytechnical University in 2000. Starting from entry level, he successively worked as the manager, senior manager, vice president and general manager of various branches, business units and departments of the Company. During his tenure, he made valuable contribution to increase market share of the Group's products in the PRC market. He also introduced a series of smart household appliance products and laid down the foundation of TCL smart home ecosystem and IoT. Mr. ZHANG holds a bachelor's degree from Northwestern Polytechnical University and an EMBA degree from Renmin University of China. Currently, Mr. ZHANG has also taken up a number of public positions such as the deputy chairperson of the EMBA alumni association of Renmin University of China, vice chairperson of China Video Industry Association and vice chairperson of China Household Electrical Appliances Association.

Board of Directors

Mr. PENG Pan

EXECUTIVE DIRECTOR

Born in February 1976, Mr. PENG is an executive Director, CFO, a member of the Remuneration Committee, the Nomination Committee and the Strategy Committee, a joint company secretary and a director in various subsidiaries of the Company. Mr. PENG became an executive Director in October 2023. He is also the CFO of TCL Industries Holdings. Mr. PENG worked as an analyst in Evergreen Marine (Hong Kong) Limited after graduating from Hunan University in 1998 and then as an accounting supervisor in Yantian International Container Terminals Limited in 2000. Thereafter, he joined TCL in 2005 and served at various finance-related positions in TCL during the period from 2005 to 2019, including finance manager, senior finance manager, head of finance department and finance director. Since 2019 and prior to joining the Group, he was the head of financial centre and vice president of CSOT, and associate president and the head of financial operation department of TCL Technology. During his tenure at CSOT, Mr. PENG has successfully led various large-scale investment projects in relation to the semi-conductor display production plants in Shenzhen, Wuhan and Guangzhou, making valuable contributions to the development of the display industry. Mr. PENG is currently a director of Highly Information Industry Co., Ltd. (835281.NQ). From April 2023 to October 2023, he acted as a director of Tianjin 712 Communication & Broadcasting Co., Ltd. (603712.SH). Mr. PENG holds an Executive Master of Business Administration Degree from China Europe International Business School, a Master of Business Administration Degree from Peking University, and a Bachelor of International Accounting Degree from Hunan University.

Board of Directors

Mr. SUN Li

EXECUTIVE DIRECTOR

Born in April 1977, Mr. SUN is an executive Director. Mr. SUN became a non-executive Director with effect from February 2020 and was re-designated to an executive Director with effect from March 2024. He is also the CTO of TCL Industries Holdings. He graduated from Shanghai Jiao Tong University with a Master's Degree in Engineering. With extensive experience in the communications industry, Mr. SUN has been deeply involved in AI for many years. Mr. SUN worked at the mobile phone R&D department of Alcatel from March 2001 to 2004. Since joining TCL Communication in 2004, he had served as R&D department manager, pre-research department manager, director of software at global R&D centre and deputy general manager of global R&D centre and established a team engaged in smart phone software, a management system of global operators' technological needs and a software platform for global operators from 2004 to July 2017. From August 2017 to June 2019, he was a vice president of Thunder Software Technology Co., Ltd. (300496.SZ). During this period, Mr. SUN established the intelligent vision business group, focusing on camera technology, computer vision algorithms and AI algorithms which were applied to mobile phones, IoT, automotive and industrial fields, and opened up new businesses for industrial visual detection based on deep learning.

Board of Directors

Mr. LI Yuhao

NON-EXECUTIVE DIRECTOR

Born in November 1981, Mr. LI is a non-executive Director. Mr. LI became a non-executive Director in August 2018 and is currently also the CEO of Maxrock. Robot AI Technology (Beijing) Co., Limited* (麥岩智能科技(北京)有限公司). Mr. LI served as an engineer and the chief business manager in BOE Technology Group Co., Ltd. (000725.SZ & 200725.SZ) from July 2004 to September 2008. From January 2010 to December 2010, he worked as an investment manager of AXA. From January 2011 to August 2013, he was employed as an investment leader of the Beijing office of Infinity Investment Group. From August 2013 to September 2017, he was the chief investment officer and the head of Internet investment department in Legend Holdings Limited (03396.HK). From October 2017 to December 2018, Mr. LI was a director and senior vice president of Leshi Internet Information & Technology Corp., Beijing (whose shares were listed on the Shenzhen stock exchange from August 2010 to July 2020, the then stock code 300104.SZ). From December 2018 to May 2021, Mr. LI served as the vice president of Sunac Culture Group and general manager of content and investment centre in Sunac China Holdings Limited (01918.HK). Mr. LI graduated from Peking University with a Master's Degree in Business Administration.

Board of Directors

Dr. TSENG Shieng-chang Carter

INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in September 1948, Dr. TSENG is an independent non-executive Director, the chairperson of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. Dr. TSENG became an independent non-executive Director in July 2011. Dr. TSENG is currently a senior consultant of the Shenzhen Municipal Government, senior consultant of Tianjin Economic Technological Development Area and the executive chairperson of Nankai International Business Forum. Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the US-based "Committee of 100". Dr. TSENG holds a Bachelor's Degree of Science in Electrical Engineering from the National Taiwan University, he then pursued further studies at the University of California where he obtained his Master's and Doctor's Degrees in Computer Science and Electronics Engineering. Dr. TSENG has over 40 years of experience in the high-tech industry. While in the U.S., Dr. TSENG worked at PARC (XEROX Research Center) in Silicon Valley and various U.S.-based companies including Lockheed Aircraft Co. and NRL. Dr. TSENG then returned to Taiwan in 1980, and was a co-founder of MICROTEK which was listed in 1988 – the then world class leader in the image scanner industry, one of the first and most successful listed high-tech companies based in Taiwan Hsinchu Science Park. Dr. TSENG has also drawn on his rich experience to coach and mentor executives and managers in the high-tech arena. In 1998, Dr. TSENG set up the "Little Dragon Foundation" with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. Dr. TSENG also serves as an overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano Technology & Engineering.

Board of Directors

Professor WANG Yijiang

INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in May 1953, Professor WANG is an independent non-executive Director, the chairperson of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee. Professor WANG became an independent non-executive Director in February 2016. He is currently the Professor of Economics and Human Resource Management and an Academic Associate Dean at Cheung Kong Graduate School of Business and a senior researcher at the National Center of Economic Research, Tsinghua University. He is currently also a director of Zhejiang Red Dragonfly Footwear Co., Ltd. (603116.SH), an independent director of Shenzhen Overseas Chinese Town Co., Ltd. (000069.SZ) and a director of Hunan Sanxiang Bank Co., Ltd.. He served as a consultant of World Bank, a senior researcher of Chinese Economy Research Institute in Business Management School of Tsinghua University and vice president of the Chinese Economists Society. He was also a professor emeritus of Human Resource Management at the Carlson School of Management of University of Minnesota and a research fellow at the William Davidson Institute of Transition Economics of the University of Michigan. He was an independent director of Shenzhen ZQ Game Co., Ltd. (300052.SZ) from March 2014 to May 2020; an independent non-executive director of Zhuhai Holdings Investment Group Limited (the withdrawal of listing of its shares from the Hong Kong Stock Exchange took effect in June 2021, then stock code: 00908.HK) from August 2015 to June 2021; and an independent non-executive director of China VAST Industrial Urban Development Company Limited (06166.HK) from November 2017 to December 2022. His research areas cover human resource management, labour and personnel economics, comparative international management systems, economics of transition and emerging markets and economics of organisation, and his research findings have been frequently quoted. Professor WANG graduated from the Peking University with a Bachelor's Degree in Economics and a Master's Degree in International Economics in 1982 and 1985 respectively. He then pursued further studies and obtained a Master's Degree and a Doctor of Philosophy Degree in Economics at the Harvard University in 1989 and 1991 respectively.

Mr. LAU Siu Ki
INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in July 1958, Mr. LAU is an independent non-executive Director, the chairperson of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee. Mr. LAU became an independent non-executive Director in November 2017. He graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1981. He is currently a financial advisory consultant of his management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. LAU worked at Ernst & Young for over 15 years. He has over 35 years of experience in corporate governance, corporate financing, financial advisory and management, accounting and audit. Mr. LAU is currently a fellow member of both of ACCA and HKICPA. Mr. LAU was a member of the World Council of ACCA from 2002 to 2011 and was the chairperson of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. Currently, Mr. LAU also serves as an independent non-executive director of Binhai Investment Company Limited (02886.HK), Embry Holdings Limited (01388.HK), Samson Holding Ltd. (00531.HK) and FIH Mobile Limited (02038.HK). He is also the company secretary of Hung Fook Tong Group Holdings Limited (01446.HK), Yeebo (International Holdings) Limited (00259.HK) and Expert Systems Holdings Limited (08319.HK). Mr. LAU acted as an independent non-executive director of Comba Telecom Systems Holdings Limited (02342.HK) from June 2003 to December 2023 and IVD Medical Holdings Limited (01931.HK) from June 2019 to March 2024. In 2021, the Market Misconduct Tribunal fined and made orders against China Medical & HealthCare Group Limited (00383.HK and formerly known as COL Capital Limited) and six then directors thereof including Mr. LAU (who served as an independent non-executive director between June 2004 to December 2018) for breach of the requirements of the corporate disclosure regime by the said company. For further details, please refer to the Company's announcements dated 5 November 2019 and 13 May 2021.

BUSINESS REVIEW AND OUTLOOK

1. Overview

Proactively Adjust Development Strategy Amid Uncertain Macro Economy; Foster Long-Term Resilience and Enhance Operational Quality

Looking back on 2023, despite a decline in energy prices that exceeded projections and global central banks' interest rate hiked which to a certain extent alleviated inflationary pressures, the global macro-economic outlook remains uncertain due in part to geopolitical tensions and unpredictable variables. In 2023, China's economy grew steadily in the post-pandemic era, and the GDP reported an annual growth of 5.2%. However, there are still risks and hidden dangers such as insufficient consumer demand and a sluggish real-estate market. The tangible results of economic stimulus policies remain yet to be reviewed, indicating that the path towards a further improvement of the domestic economy continues to present challenges.

Looking at the industry, the traditional household appliance industry, including TVs, air conditioners, refrigerators and washing machines, etc., has maintained a stable trillion-yuan market size. Among them, there are structural improvement opportunities in TV market, such as a marked surge in the demand for mid-to-high-end TVs such as large-sized and Mini LED TVs. At the same time, with the transfer and concentration of global panel production capacity to Chinese enterprises, the market share of Chinese top brands in the TV industry has further increased, and it is expected to take advantage of this opportunity for further breakthrough in the future. The market size of air conditioners, refrigerators and washing machines industry is stable, but there is still a lot of room for exploration. Enterprises with brand and channel resource advantages are expected to further increase their market share. Besides, burgeoning sectors such as new energy demonstrated a robust growth, with newly installed capacity of the distributed photovoltaic industry in the PRC increasing by 88.5% year-on-year to 96.3 gigawatts in 2023[3].

In the face of a challenging external environment, the Group has adapted to market changes with proactive strategic adjustments. We established a "Value Led by Brand with Global Efficiency in Operations, Driven by Technology and Paramount Vitality" development strategy with a strategic objective of evolving into a leading smart device enterprise with global operations. During the year, the Group implemented the key initiatives to foster the long-term business resilience through continuous enhancement of the five core capabilities, namely product, marketing, operational, organisational and collaborative innovation capabilities. By emphasising the mid-to-high-end market positioning strategy and international operations, the Group improved the penetration of the smart device market. On one hand, the Group has accelerated iterative improvements to display technologies such as Mini LED, continuously improved the product structure, and increased global market share. On the other hand, with user experience as the core, the Group further enriched platform content and enhanced the convenience of system control, aiming to consolidate the leading advantages of smart screen hardware and software business in the long term.

[3] Source: National Energy Administration of the PRC.

Furthermore, during the year, the Group has actively explored new growth sectors such as photovoltaic new energy, all-category marketing and AR/XR smart glasses. With these actions, the Group has managed to diversify the revenue streams and enhance operational quality continuously.

Persistent Effect of Mid-to-High-End Strategy with Scaled Business Expansion and Steady Profitable Growth

For the year ended 31 December 2023, the Group's revenue reached HK$78,986 million, up by 10.7% year-on-year. Benefitting from the optimisation of TCL smart screen product mix, steady business expansion driven by the "mid-to-high-end + large-screen" strategy and increasingly apparent economies of scale, gross profit grew by 12.5% year-on-year to HK$14,756 million. The overall gross profit margin improved by 0.3 percentage points year-on-year to 18.7%. In terms of expenses, the Group adhered to cost reduction and efficiency enhancement to continuously improve operational efficiency, with administrative expense ratio decreasing by 1.1 percentage points year-on-year to 5.1%. At the same time, while strengthening its own brand power, the Group maintained precise control over marketing investments, achieving a year-on-year reduction in the selling and distribution expense ratio of 0.4 percentage points to 10.0% and driving the Group's overall expense ratio down by 1.5 percentage points to 15.1%.

Management Discussion and Analysis

In 2023, based on the brand power, global distribution channel resources and the advantage of vertical integration across the entire industry chain accumulated in the display business, the Group continued to drive the rapid development of innovative businesses such as distributed photovoltaics, all-category marketing and AR/XR smart glasses. Leveraging the internet business as a value-added service, the Group solidified the all-category layout of "intelligent IoT ecosystem" to create brand competitiveness with higher value. This led to improving economies of scale and drove the Group's profit after tax up by 49.3% year-on-year to HK$827 million. Profit attributable to owners of the parent amounted to HK$744 million, representing a year-on-year increase of 66.4%. Adjusted profit attributable to owners of the parent increased by 14.0% year-on-year to HK$803 million. In recognition of the unwavering support from Shareholders, the Board proposed a final dividend of HK16.00 cents per share in cash, representing a dividend payout ratio of 50.0% of the adjusted profit attributable to owners of the parent.

Throughout the year, the Group's overall financial position remained robust. As of 31 December 2023, the Group's gearing ratio (gross)[4] stood at 37.2%. Committed to efficiency, the Group has also optimised its supply chain, logistics and service capabilities, as well as its cooperative ecosystem through its global layout, resulting in improved operational efficiencies. During the year, the Group's inventory turnover was 69 days, representing a year-on-year acceleration of 9 days. The cash conversion cycle was 33 days, representing a year-on-year acceleration of 14 days.

---

[4] Gearing ratio (gross) is calculated as total debt (i.e. total interest-bearing bank and other borrowings and lease liabilities) divided by profit attributable to owners of the parent.

Large-Sized Display Shipment Bucks the Trend as Internet Business and Innovative Businesses Continue to Grow Strongly

In 2023, as the Group consistently launched market-leading smart device products to increase consumer awareness, accompanied by precise and targeted marketing promotions, the Group enhanced its brand awareness and reputation continuously, with the global brand index of TCL smart screen rising by 5.4% year-on-year to 85[5]. At the same time, in response to market demand for "mid-to-high-end + large screen", the Group drove continual breakthroughs in the scale of display business shipment. In 2023, the shipment of TCL smart screen increased by 6.2% year-on-year to 25.26 million sets against the downward trend of the market. The global market share of TCL smart screen in terms of shipment and sales revenue increased by 0.8 percentage points to 12.5% and 1.3 percentage points to 10.7%, ranking among the top two and the top three globally respectively[6]. Shipment of TCL smart screen of 65 inches and above grew by 35.3% year-on-year and accounted for 24.6% of total smart screen shipment, representing an increase of 5.3 percentage points year-on-year. The average size of TCL smart screen increased by 2.7 inches year-on-year to 51.1 inches.

The internet business and innovative businesses, representing a strong opportunity for the Group to drive profit growth, maintain robust expansion. During the year, the Group's internet business revenue reached HK$2,763 million, representing an increase of 20.2% year-on-year. The gross profit margin grew by 4.6 percentage points year-on-year to 55.1%, demonstrating continuous contribution to profit. The Group's innovative businesses revenue in 2023 saw a significant increase of 78.5% year-on-year to HK$18,640 million, with the photovoltaic business achieving revenue of HK$6,299 million in 2023, representing a year-on-year growth of 1,820.3%, achieving profitability. The scale of the all-category marketing business continued to expand, with revenue growing by 26.3% year-on-year to HK$10,409 million in 2023. The Group's smart connection and smart home business revenue recorded a year-on-year increase of 3.2% to HK$1,932 million, with the gross profit margin of the smart connection business improving by 11.0 percentage points year-on-year to 25.4%.

5 The brand index is calculated by dividing the market share of sales revenue of global TV brand by the market share of shipment of 2023 from Omdia.

6 Source: Global TV brand shipment and sales revenue data of 2023 from Omdia.

Focus on Product Competitiveness and R&D Efficiency for Continued Technological Innovation with Widely Recognised Achievements

In 2023, the Group's R&D costs amounted to HK$2,327 million. The Group continued to invest in R&D in the field of smart devices, including Mini LED technology. This led to the creation of displays with tens of thousands of local dimming zones, positioning the Group's Mini LED smart screen the first in the PRC market and the second in the global market in terms of sales volume and sales revenue, supported by technological advantages ahead of the industry. For picture-quality engines, the Group leveraged algorithms to unleash the potential of its hardware. By emphasising precision in local dimming controls, its products have set industry standards for the rendering of light and shadow details, incorporating AI-driven picture quality optimisation that adapts intelligently to different contents. In the XR glasses segment, the Group innovated a waveguide technology platform that boasts industry-leading clarity and a zero-distortion light engine, along with the most efficient luminous diffractive waveguide. This technology, coupled with the Group's responsive proprietary SLAM algorithm, delivers a more realistic mixed-reality experience for users of the RayNeo X2 AR glasses. This advancement pushes the boundaries in intelligent interactive applications and elevates consumer experience.

Throughout the year, the Group launched a range of products including Mini LED smart screen, smart tablets, AR/XR glasses, refrigerators and washing machines that have been internationally recognised. In the display business, the TCL X11 LINGYAO QD-Mini LED TV received the "Award for Innovative Mini LED Display of the Year 2022-2023", the TCL X11G LINGYAO QD-Mini LED TV received the "Innovation Award" at the AWE Award Ceremony and the TCL C845 4K Mini LED TV won the "Display Technology Innovation Gold Award of the Year 2022-2023". The TCL NXTPAPER 12 Pro tablet was awarded the "Eye Protection Innovation Award of the Year 2022-2023". In the innovative businesses, the TCL Fresh Air III Series air conditioner received the "Outstanding Product Award" at the AWE Award Ceremony and the "Fresh Air Health Pioneer" title, while the TCL G160Q10-HDY Dual Wash series washing machine was awarded the "Outstanding Product Award". In terms of AR/XR smart glasses, the RayNeo X2 was honored with the "China Information Technology Expo (CITE) Innovation Award". Various new intelligent products of the Group have been recognised with awards on a number of occasions, reflecting the Group's leading position in cutting-edge display technology and smart devices.

2. Display Business

2.1. Large-Sized Display

Evolution of Demand for Mid-to-High-End Large Screen Reinforced by a Dual-Brand Strategy Leads to Quality Growth in Shipment Scale and Revenue

According to data from Omdia, the shipment of global TV industry in 2023 stood at 201 million sets, showing a slight decline of 0.9% year-on-year. Local markets such as North America, Eastern Europe, Latin America and the Caribbean, as well as Asia and Oceania continued to grow, but the shipment to regions like Japan, Western Europe, the PRC, the Middle East and

Africa saw a year-on-year contraction. Benefitting from the implementation of the Group's "mid-to-high-end + large screen" strategy and the "TCL + Falcon" dual-brand strategy, the global shipment of TCL smart screen increased by 6.2% year-on-year to 25.26 million sets in 2023, with revenue from the smart screen business growing by 7.6% year-on-year to HK$48,632 million, both outperforming the industry's average level. The global market share of TCL smart screen in terms of shipment increased from 5.6% in 2015 to 12.5% in 2023. The market share of global shipment in 2023 has increased by 0.8 percentage points year-on-year, maintaining the second position globally in shipment scale. The market share of TCL smart screen in terms of global revenue reached 10.7%, improving by 1.3 percentage points year-on-year, ranking among the global top three[7] in terms of revenue, and further expanding the Group's market share.

As the trend toward high-end and large-screen products in the global TV industry continues, the Group seized market opportunities created by shifting demand to further promote the implementation of the "mid-to-high-end + large screen" and the "TCL + Falcon" dual-brand strategy, and launched high-quality and cost-effective products tailored to diverse consumer needs, achieving steady growth in global shipment of TCL large-sized smart screen. In 2023, shipment of TCL smart screen of 65 inches and above grew by 35.3% year-on-year, accounting for 24.6% of the total shipment of TCL smart screen and representing an increase of 5.3 percentage points year-on-year. The average size increased by 2.7 inches year-on-year from 48.4 inches to 51.1 inches. Meanwhile, the global shipment of TCL Mini LED smart screen increased by 180.1% year-on-year, while shipment of TCL QLED smart screen also saw a year-on-year increase of 116.1%.

7 Source: Global TV brand shipment and sales revenue data from 2015 to 2023 from Omdia.

Management Discussion and Analysis

As a leading enterprise in Mini LED display technology, the Group continued to invest in the R&D for Mini LED technology, leading the segmented market and consolidating its innovative edge. Following the launch of the TCL Q10H flagship Mini LED TV in May 2023 to cater to audio-visual enthusiasts, the Group released the world's first 115-inch QD-Mini LED giant-screen TV in August 2023, the X11G Max, which offers the ultimate audio-visual experience for users seeking giant-screen audio-visual entertainment at home. The TCL X11G Max is the world's largest QD-Mini LED TV and is also the first QD-Mini LED TV to feature over 20,000 local dimming zones, with a peak brightness of 5,000 nits. The product's hardware features include TXR Mini LED image enhancement processor chip, AiPQ Processor and the ONKYO 6.2.2 Hi-Fi audio system, which fully demonstrates the achievements of the Group in the field of large-screen TVs and Mini LED displays.

The PRC Market

In 2023, the overall PRC TV industry exhibited signs of sluggish consumption. According to data from Omdia, the shipment scale of the PRC TV industry in 2023 was 37.60 million sets, representing a year-on-year decrease of 12.4%. Despite the overall downturn, the Group continued to cultivate brand power and domestic channel layout throughout the year, significantly outperforming the industry average. Although the annual shipment of TCL smart screen in the PRC market fell by 4.3% year-on-year in 2023, shipment in the second half of the year increased by 24.8% compared to the first half of the year, with the fourth quarter experiencing a 33.0% quarter-on-quarter increase, indicating a gradual improvement in market conditions, which drove the annual revenue of TCL smart screen in the PRC market up by 5.4% year-on-year to HK$16,016 million.

At the same time, the Group continued to promote the high-end upgrading of TV throughout the year. In 2023, shipment of 65 inches and above TCL smart screen in the PRC market increased by 18.2% year-on-year, accounting for 53.9% of the Group's total shipment of smart screen in the PRC market, up by 10.3 percentage points year-on-year. Shipment of 75 inches and above TCL smart screen grew by 45.8% year-on-year, accounting for 32.4% of the Group's total shipment of TCL smart screen in the PRC market, representing an increase of 11.2 percentage points year-on-year.

According to the latest omnichannel data from CMM, in 2023, the market share of TCL smart screen in terms of retail sales revenue increased by 3.5 percentage points year-on-year to 18.1%, securing the second position in the PRC market. The PRC market brand index rose by 10.0% year-on-year to 132[8], ranking the first among Chinese brands. During the 2023 "Double Eleven" shopping festival[9], the Group's products ranked the first in the TV category on Tmall in terms of cumulative GMV. TCL Mini LED smart screen dominated the JD.com "Double Eleven" home appliance ranking chart, securing seven titles in the Mini LED category, even occupying the top four spots, further solidifying the Group's leadership in the domestic large-screen market.

---

8 The brand index is calculated by dividing the market share of sales revenue by the market share of sales volume of 2023 from CMM's omni-channel data.

9 The statistical period spanning is from 31 October 2023 to 11 November 2023.

International Markets

In 2023, the global economy remained complex and volatile, with wide disparities in consumer market conditions across different regions. Notably, North American markets and Emerging Markets showed relatively ideal performance. The Group has successfully captured the growing demand for high-end and large-screen display products, driving a 10.0% year-on-year increase in the shipment of TCL smart screen in international markets. The shipment of 65 inches and above TCL smart screen in the international market increased by 60.3% year-on-year, which drove TCL smart screen revenue in the international market up by 8.7% year-on-year to HK$32,616 million during the year.

According to the latest reports by GfK and Circana, the market share of the Group's TCL smart screen in terms of shipment ranked among the top five in nearly 30 overseas countries in 2023, including:

- North American Markets: In 2023, the demand from North American TV market has reversed and showed a recovery trend, with shipment of TV industry achieving a year-on-year growth of 8.1%[10]. In comparison, the Group's smart screen business in North America performed well, with shipment growing 15.8% year-on-year, outperforming the industry average. Among them, TCL smart screen's retail sales volume ranked No.2 in the U.S., No.3 in Canada and No.5 in Mexico, respectively (Source: Circana[11]);

- Emerging Markets: In 2023, the regional economy continued to recover and exhibited great growth potential. The scale of middle-income group in the region expanded, leading to a steady increase in consumer demand. The Group continued to deeply cultivate Emerging Markets and improved the layout of distribution channels, driving a 17.0% year-on-year increase in the shipment of TCL smart screen in Emerging Markets, which significantly outperformed the industry average. Among them, TCL smart screen secured the top spot for market share in terms of sales volume in Australia, the Philippines, Myanmar and Pakistan; the second position in Saudi Arabia; the third in Kazakhstan and Brazil; the fourth in Vietnam, Thailand and Argentina; and the fifth in India, Chile, Ecuador and the United Arab Emirates (Source: GfK[12]); and

- European Markets: In 2023, consumer confidence in European markets remained subdued due to persistently high core inflation and the risk of a potential economic recession, resulting in a 4.4%[13] year-on-year decline in TV industry shipment. Benefitting from the solid brand foundation, the Group's brand TV shipment in the European markets increased by 18.4% year-on-year. TCL smart screen's sales volume maintained the second ranking in the industry in France; the third in Spain, the Czech Republic and Sweden; the fourth in Italy, Poland and Hungary; and the fifth in the Netherlands and Greece (Source: GfK[14]).

---

10 Source: North America's TV brand shipment data of 2023 from Omdia.

11 Source: Circana's U.S./Canada/Mexico Retail Market Survey Report based on TV retail sales volume from January 2023 to December 2023.

12 Source: Global market report of GfK, based on TV retail sales volume from January 2023 to December 2023.

13 Source: European TV brand shipment data of 2023 from Omdia.

14 Source: Global market report of GfK, based on TV retail sales volume from January 2023 to December 2023.

2.2 Small-and-Medium-Sized Display

Despite Sluggish Market Demand, Focus on Quality Growth with Profitability to be Continuously Improved

In 2023, the demand for mobile communication devices and tablets remained sluggish, with global shipment of mobile phones and tablets dropping by 4.0% and 20.5%[15] year-on-year, respectively. During the year, the Group's small-and-medium-sized display business continued to focus on development, high-quality operation and streamlined structure, and further consolidated the omnichannel coverage of first-tier network operators in Europe and America. In 2023, the revenue from small-and-medium-sized display business reached HK$7,053 million, representing a year-on-year contraction of 40.2%, which greatly dragged down the Group's overall revenue growth. However, the operational efficiency was improved as a result of the streamlining of the product line of this business segment by the Group during the year, and gross profit margin recorded an increase of 6.3 percentage points year-on-year to 22.2%. The profitability of the tablet business continued to improve, with gross profit margin increasing by 9.5 percentage points year-on-year to 26.4% during the year.

With respect to major markets worldwide, according to the latest IDC report, in 2023, the Group's smartphone shipment ranked the fourth in the U.S. and fifth in Canada; while in terms of Android tablet shipment, the Group ranked the fourth worldwide, the third in the U.S., the fourth in Western Europe and the fifth in Latin America.

2.3 Smart Commercial Display

Focus on the IFPD Market, Provide Multi-Scenario Product Solutions and Continuously Deepen Brand Cooperation

In 2023, the Group focused on display technology and used the Group's commercial operation system as the link to connect multiple display categories, especially focusing on the IFPD market and providing multi-scenario product solutions encompassing smart education, smart enterprise and smart medical solutions, with related revenue amounting to HK$855 million. The Group continued to cooperate with DingTalk and Tencent to bolster the development of the IFPD market, empowered office, education and medical scenarios, provided multi-scenario product solutions, and deepened cooperation with leading overseas IFPD brands. The Group launched new flagship smart conference products and the first 115-inch large commercial FPD screen during the year.

[15] Source: IDC's global shipment data of mobile phone and tablet for 2023.

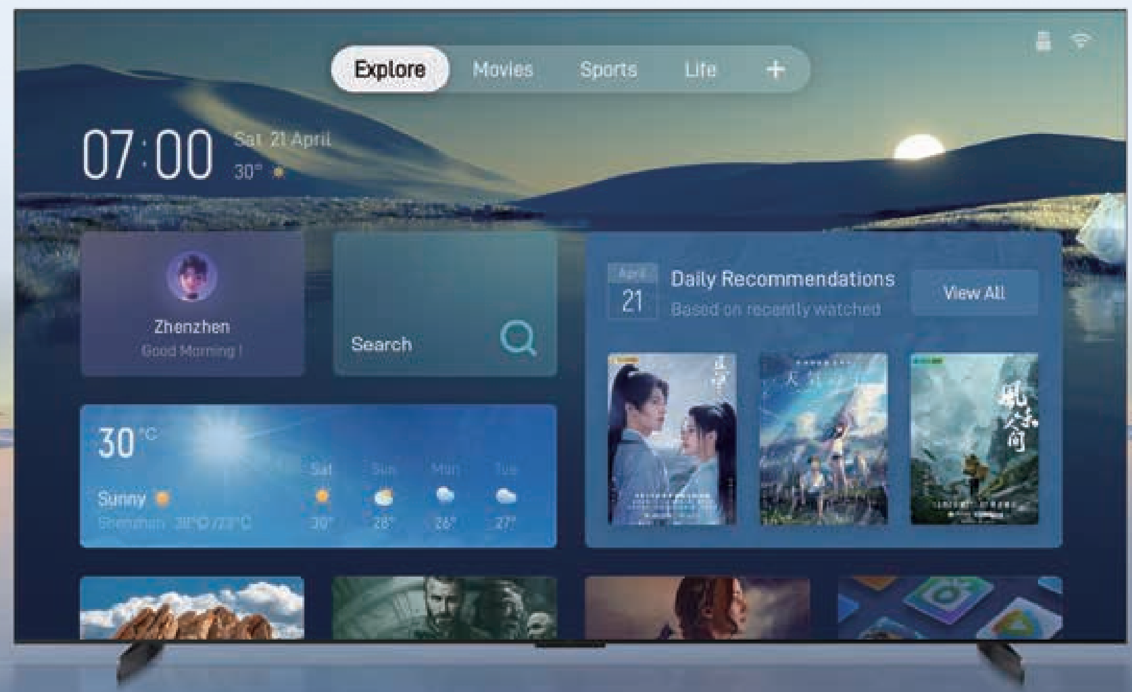
3. Internet Business

Focus on User Experience, Promote Innovation and Overseas Business; Achieve Double-Digit Growth in Global Revenue and Steady Contribution to Profitability

The Group continued to develop the global presence of home internet business and strived to provide users with products and services that allow multi-screen real-time interaction and smart sensing. For the year ended 31 December 2023, the Group's global internet business revenue achieved a 20.2% year-on-year increase to HK$2,763 million. The gross profit margin increased by 4.6 percentage points year-on-year to 55.1%, exhibiting a significant improvement in profitability.

3.1 Internet Business in the PRC Market

In 2023, the Group's PRC internet business focused on user experience, and continued to enrich platform content and enhance platform operational efficiency. In 2023, the domestic internet business recorded a revenue of HK$2,061 million, representing an increase of 14.7% year-on-year. With the enrichment in platform content, the Group's vertical and innovative businesses such as music, games, education, children products and application stores have expanded. At the same time, the Group launched the first customised children's exclusive column "Super Story Painter" (超級智繪) AI story collection based on a cutting-edge AI large-language model during the year. This was the first customised content column generated by AI large-language model technology in the internet TV industry, which not only reflected the Group's expertise in utilising professional AI large-language model technology to produce a wealth of content for



smart devices, but also demonstrated the Group's ability to provide value-added content for display products and empower smart home scenarios. In addition, as an innovator in the OTT field, the Group launched its self-developed smart screen system "LINGKONG UI" during the year that integrated design aesthetics, innovative technology and user experience. The system used a minimalist, smart card-style design language to replace the waterfall-flow information presentation and interaction method of the traditional TV system, which greatly improved the readability of information, and the highly customisable and intelligent interaction methods could meet the personalised needs of different family members in different scenarios.

3.2 Internet Business in International Markets

During the year, the Group actively maintained close cooperation with internet giants like Google, Roku and Netflix to continuously enhance users' experience. At the same time, the Group increased the monetisation capability by reaching out to the vast number of TCL smart screen users through partnerships with OTT platforms. As of the end of December 2023, TCL Channel, the Group's integrated content application, was available in 60 countries and regions in North America, Europe, Central and South America, and Asia Pacific, with a total user base reaching more than 23 million. In 2023, the Group's internet business revenue from the international market reached HK$702 million, representing a substantial increase of 40.1% year-on-year.

4. Innovative Businesses

4.1 Photovoltaic Business

Focusing on Positioning as a Photovoltaic System Integration Operator and Product Brand Owner, Business Scale Grows Rapidly and Achieves Profitability

The Group has officially operated the photovoltaic business since the second quarter of 2022. In 2023, positioned as a "User-Oriented, World-Leading Distributed Intelligent Energy Solutions Service Provider", the Group has fully leveraged its industrial synergy advantages. By leveraging the comprehensive upstream photovoltaic industry chain, rich financial partner resources, abundant industrial and commercial project reserves, and the channel coverage and penetration advantages accumulated over the years in the PRC, the scale of distributed photovoltaic business has expanded continuously. As of the end of December 2023, the Group's photovoltaic business had extended coverage to 20 major provinces and cities in the PRC. In 2023, revenue from the photovoltaic business achieved a year-on-year increase of 1,820.3%, reaching HK$6,299 million, with more than 70 new industrial and commercial contracted projects and more than 500 new channel distributors during the year, and a total of more than 40,000 contracted rural residents.

The Group seeks to deeply promote the high-quality development of distributed photovoltaic business in the region with an eye on going global. In terms of household business, with the goal of entering the top tier, the Group will strengthen the channel layout and explore the business growth direction under the environment of gradually improving trading policies in the electric power market. In terms of commercial business, the Group has entered industrial and commercial storage and other businesses by providing multi-scenario solutions and financial model innovation to enhance regional influence. In terms of overseas markets, the Group has achieved product launches and will strive to enter the leading optical energy storage professional distributor and installer channels in key overseas countries, validate the business model, and create a complete product matrix. In the long run, the Group will seize the opportunities of global energy transition and carbon-neutral development and strive to achieve the transitioning of its domestic photovoltaic power station business into a global provider of integrated new energy solutions.

4.2 All-Category Marketing

Leverage Brand and Channel Resources to Generate Synergies and Achieve Double-Digit Revenue Growth

Leveraging the global brand influence and cross-region market channel layout accumulated from the display business over the years, the Group's global distribution business of smart appliances, including air conditioners, refrigerators and washing machines, continued to grow. In 2023, revenue from the all-category marketing business increased by 26.3% year-on-year to HK$10,409 million, the gross profit increased by 60.3% year-on-year to HK$1,740 million, and the gross profit margin increased by 3.5 percentage points year-on-year to 16.7%. At the same time, the Group launched a number of intelligent products during 2023, including the TCL Fresh Air Series P7 air conditioner that integrated "smart health", "energy efficiency and environmental protection", and "AI intelligence" functions, as well as the TCL Free Built-in series refrigerators and the TCL Dual Wash series integrating washing, drying and care. Various new smart products of the Group have garnered prestigious industry accolades such as the "AWE Outstanding Product Award", the "AWE Innovation Award", and the "iF Design Award", further enhancing the branding power of the Group. Furthermore, according to the global shipment data of China IOL in 2023, TCL air conditioners ranked the fourth globally.

4.3 Smart Connection and Smart Home

Continue to Improve the Intelligent IoT Ecosystem Layout and Advance Product R&D and Promotion

In 2023, the Group's smart connection and smart home businesses recorded revenue of HK$1,932 million, achieving a year-on-year growth of 3.2%. Among them, the revenue from smart home business amounted to HK$706 million, the revenue from smart connection business increased by 6.3% year-on-year to HK$1,226 million, and the gross profit margin of the smart connection business increased significantly by 11.0 percentage points year-on-year to 25.4%, demonstrating further improvement in profitability. For the smart connection business, the Group continued to deepen the efforts in the carrier channel, reduce costs and increase efficiency to achieve quality growth during 2023. For the smart home business, the Group launched a number of new smart door-lock products within the year, which accounted for more than 50% of the total shipment of new products across all channels. Additionally, the Group successfully penetrated offline regional chain channels, resulting in a remarkable year-on-year surge of over 30% in the offline door-lock shipment during the year. In addition, the Group was committed to developing AR and XR smart glasses category in 2023. RayNeo, a company internally incubated by the Group, launched consumer-grade AR glasses RayNeo X2 and X2 Lite, as well as the new XR glasses RayNeo Air2 in the PRC. As of 31 December 2023, RayNeo has continued to rank the first in the domestic consumer-grade AR glasses in terms of online market share[16].

5. Outlook

The Shift of Panel Production Capacity Has Stabilised Prices, Development Trend of the Upstream and Downstream Industries Improved; Demand for Mid-to-High-End Products Remains Unchanged

In recent years, as panel production capacity has accelerated its shift to the Chinese Mainland, a concentrated competition landscape has emerged, leading to increased industry concentration and strengthening of pricing power. Since February 2023, leading upstream companies have cut production to stabilise panel prices, while downstream end manufacturers have relatively controllable raw material costs, which is beneficial for the synchronised, healthy and stable development of the TV industry's entire supply chain. Meanwhile, the global top four TV brands' concentration in terms of shipment steadily rose from 46.1% in 2018 to 53.7%[17] in 2023. Additionally, as per a report from Sigmaintell, global shipment of 75-inch and above large-screen TVs, as well as high-refresh-rate TVs, are forecasted to achieve rapid development with annual compound growth rates of 47.1% and 18.1% respectively from 2023 to 2025.

Looking ahead to 2024, the global economy growth is expected to stay slow and unbalanced. However, the Group believes that as the global TV market gradually enters a stock stage, the industry will continue to undergo structural upgrades, with a focus on large-screen and mid-to-high-end development. Leading brand manufacturers with vertical industry chain advantages will have a stronger market position. The Group will continue to enhance the brand image and solidify product technology and

[16] Source: AR online sales volume data for the PRC market of 2023 from RUNTO.
[17] Source: Global TV brand shipment data from 2018 to 2023 from Omdia.

quality in the face of an uncertain external operating environment, and remain committed to the strategy of developing mid-to-high-end and large-screen products by adopting a global perspective in product development, strengthening regional alignment, and increasing global market share.

Strengthen the Core Display Business while Seizing Opportunities in Emerging Markets and Accelerating the Cultivation and Expansion of New Businesses

Going forward, the Group will deepen the strategy of "Value Led by Brand with Global Efficiency in Operation, Driven by Technology and Paramount Vitality", continue to consolidate the display business and the internet business which leverages and develops based on the display business, firmly implement the mid-to-high-end strategy and the dual-brand strategy of "TCL + Falcon", prioritise users' experience continuously, while advancing supply chain cost reduction and efficiency improvement to steadily increase revenue and profitability.

Besides, the Group will seize opportunities in Emerging Markets, efficiently leverage the existing vertical industry chain, sales channels, financial resources and technological advantages to explore the second growth curve, which will drive the continuous expansion of diversified businesses such as distributed photovoltaic, all-category marketing and smart glasses, and accelerate the cultivation and development of new products and new sectors. Meanwhile, the Group will continuously enhance the product, marketing, operational, organisational and collaborative innovation capabilities, continuously upgrade the brand power and product competitiveness, deepening the layout of "Globalisation" and "Technological", and be committed to advancing towards the goal of becoming a world-leading smart device enterprise.

Comparison between 2023 and 2022

The table below lists and compares the figures of 2023 and 2022:

	For the year ended 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
REVENUE	**78,986,064**	71,351,415
Cost of sales	**(64,230,369)**	(58,239,832)
Gross profit	**14,755,695**	13,111,583
Other income and gains	**1,809,376**	3,140,951
Selling and distribution expenses	**(7,899,579)**	(7,401,415)
Administrative expenses	**(4,012,973)**	(4,428,643)
Research and development costs	**(2,326,980)**	(2,531,283)
Other operating expenses	**(243,614)**	(385,315)
Impairment losses of financial assets, net	**(138,731)**	(91,520)
	1,943,194	1,414,358
Finance costs	**(885,497)**	(668,671)
Shares of profits and losses of:		
– Joint ventures	**(2,220)**	26,784
– Associates	**92,707**	63,057
Profit before tax	**1,148,184**	835,528
Income tax	**(321,375)**	(281,694)
Profit for the year	**826,809**	553,834
Profit attributable to owners of the parent	**743,633**	446,975
Non-HKFRS measure:		
Adjusted profit attributable to owners of the parent	**802,704**	704,390

Revenue

The Group's revenue increased by 10.7% year-on-year from HK$71,351 million in 2022 to HK$78,986 million in 2023. The following table sets out the Group's revenue by business for the years ended 31 December 2023 and 31 December 2022.

	For the year ended 31 December			
	2023		2022	
	HK$ Million	Proportion of the total revenue	HK$ Million	Proportion of the total revenue
Display Business[18]	**56,540**	**71.6%**	57,907	81.1%
– Large-Sized Display	**48,632**	**61.6%**	45,194	63.3%
– The PRC Market	**16,016**	**20.3%**	15,194	21.3%
– International Markets	**32,616**	**41.3%**	30,000	42.0%
– Small-and-Medium-Sized Display	**7,053**	**8.9%**	11,802	16.5%
– Smart Commercial Display	**855**	**1.1%**	911	1.3%
Internet Business[19]	**2,763**	**3.5%**	2,298	3.2%
– The PRC Market	**2,061**	**2.6%**	1,797	2.5%
– International Markets	**702**	**0.9%**	501	0.7%
Innovative Business[20]	**18,640**	**23.6%**	10,444	14.7%
– All-Category Marketing	**10,409**	**13.2%**	8,243	11.6%
– Photovoltaic Business	**6,299**	**8.0%**	328	0.5%
– Smart Connection and Smart Home	**1,932**	**2.4%**	1,873	2.6%
Others	**1,043**	**1.3%**	702	1.0%
Total Revenue	**78,986**	**100.0%**	71,351	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] "Internet business" refers to "Internet business" as set out in the operating segment information of the notes to the financial statements.

[20] "Innovative business" (including all-category marketing, photovoltaic and smart connection, smart home 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.

Display Business

The revenue from the display business decreased by 2.4% year-on-year from HK$57,907 million in 2022 to HK$56,540 million in 2023. The decline was mainly due to continued sluggish demand in the communication devices and tablets markets during the year, coupled with the implementation of the Group's strategy of focusing on the operation of this business, revenue from the small-and-medium-sized display business declined by 40.2% year-on-year. In addition, the smart screen business consolidated the mid-to-high-end operating quality to achieve the goal of high-quality growth, with the revenue scale of the large-sized display business increased by 7.6% year-on-year.

Internet Business

The revenue from the internet business increased by 20.2% year-on-year, from HK$2,298 million in 2022 to HK$2,763 million in 2023. The growth was primarily driven by the continuous expansion of vertical and innovative business revenue in the PRC market during the year. At the same time, the Group continued to actively maintain close cooperation with internet giants, reaching users in international markets through the OTT platforms of our partners, which drove a significant year-on-year growth of 40.1% in the internet business revenue in international markets.

Innovative Business

The innovative business revenue saw a significant increase of 78.5% year-on-year from HK$10,444 million in 2022 to HK$18,640 million in 2023. This growth was primarily driven by the photovoltaic business which leveraged upstream industrial chain, financial partnerships, and industrial and commercial project resources within the year, along with strong presence in domestic channels, achieving a year-on-year revenue growth of 1,820.3%. Additionally, the all-category marketing business, leveraging the global brand influence and cross-geographical market channel deployment, contributed to a 26.3% year-on-year increase in revenue during the year.

Gross Profit and Gross Profit Margin

The overall gross profit increased by 12.5% year-on-year from HK$13,112 million in 2022 to HK$14,756 million in 2023. Gross profit margin in 2023 was 18.7%, representing an increase of 0.3 percentage points when compared to that of 2022. The growth in the Group's gross profit was mainly attributable to the Group's persistence in promoting the mid-to-high-end transformation strategy of smart screen business, promoting its steady year-on-year growth of gross profit, as well as continuously expanding the gross profit of the innovative business and the internet business as a result of the Group's commitment to the diversification of the business, coupled with appropriate cost control measures, which resulted in a higher growth in revenue than the increase in costs. The year-on-year increase in gross profit margin was mainly attributable to the continued improvement in the profitability of innovation business and internet business.

Display Business

In 2023, the gross profit margin of the display business increased by 0.1 percentage points year-on-year to 18.3%. The improvement was primarily attributable to the streamlining of product lines and improvement in operational efficiency of the Group's small-and-medium-sized display business during the year, with the profitability of the tablet business improving significantly. At the same time, the Group continued to implement its "TCL+ Falcon" dual brand strategy and further expanded the shipment scale.

Internet Business

In 2023, the gross profit margin of the internet business was 55.1%, up by 4.6 percentage points year-on-year. The increase was primarily attributable to the Group's focus on user experience, constant enrichment of platform content, enhancement of platform operation efficiency, and rapid development of vertical and innovative businesses as well as overseas businesses with relatively high gross profit.

Innovative Business

The gross profit margin of the innovative business for the year 2023 was 14.7%, showing a year-on-year increase of 1.2 percentage points, mainly attributable to the Group's all-category marketing business fully leveraging the established brands and channel resources, promoting significant growth in scale through synergistic effects, coupled with the continued expansion of the product rollout of the smart connection business and deepening of the carrier channels, as well as the continued expansion of the photovoltaic business, which has resulted in economies of scale, leading to further improvement in profitability.

Other Income and Gains

Other income and gains decreased by 42.4% year-on-year from HK$3,141 million in 2022 to HK$1,809 million in 2023, mainly due to lower exchange gains resulted from exchange rate fluctuations compared to the corresponding period in 2022.

Selling and Distribution Expenses

The selling and distribution expenses recorded a 6.7% year-on-year increase from HK$7,401 million in 2022 to HK$7,900 million in 2023. This was primarily driven by the Group's strategic larger investment in brand marketing to strengthen TCL's global brand power and mid-to-high-end image, as well as to enhance the brand's premium capacity, resulting in the increase in related expenses.

Administrative Expenses

The administrative expenses experienced a 9.4% year-on-year decrease from HK$4,429 million in 2022 to HK$4,013 million in 2023. This was mainly attributable to the decrease of net realised loss on the settlement of derivative financial instruments during the year.

R&D Costs

The Group's R&D costs decreased by 8.1% year-on-year from HK$2,531 million in 2022 to HK$2,327 million in 2023. The decrease was mainly attributable to the strategic downsizing of the small-and-medium-sized display business, resulting in a reduction in related R&D costs, as well as improved efficiency by increasing investment in platformisation and modularisation.

Impairment Losses on Financial Assets, Net

The net impairment loss on financial assets increased by 51.6% year-on-year from HK$91.52 million in 2022 to HK$139 million in 2023, mainly due to the increase in provision for trade receivables from a commercial retailer (being a listed company) during the year.

Finance Costs

Finance costs increased by 32.4% year-on-year from HK$669 million in 2022 to HK$885 million in 2023, mainly due to the increase in the federal funds rate of the U.S. and the increase in interest expenses on discounted bills and factored receivables during the year.

Share of Profits and Losses – Joint Ventures and Associates

The Group's share of profits increased slightly by 0.7% from HK$89.84 million in 2022 to HK$90.49 million in 2023.

Profit before Tax

Profit before tax increased by 37.4% year-on-year from HK$836 million in 2022 to HK$1,148 million in 2023, mainly due to the realisation of economies of scale and improved profitability as the Group's overall revenue scale continued to expand, coupled with appropriate cost reduction and efficiency gains. Moreover, the amount in 2022 included net losses from investment companies in 2022.

Income Tax

The Group's income tax increased by 14.1% year-on-year from to HK$282 million in 2022 to HK$321 million in 2023, mainly due to the increase in profit before tax of certain subsidiaries of the Company in 2023.

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

The Group's profit increased by 49.3% year-on-year from HK$554 million in 2022 to HK$827 million in 2023. The Group's profit attributable to owners of the parent increased by 66.4% year-on-year from HK$447 million in 2022 to HK$744 million in 2023. The increase was mainly due to the Group's mid-to-high-end strategy which was well deployed in 2023 as the Group continued to expand the scale of high-margin business segments and improve the quality of its operation. These initiatives, coupled with appropriate cost controls, led to an increase in profitability. Moreover, the amount in 2022 included net losses from investment companies in 2022.

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

The adjusted profit attributable to owners of the parent increased by 14.0% year-on-year from HK$704 million in 2022 to HK$803 million in 2023.

To supplement the Group's consolidated results prepared and presented in accordance with HKFRS issued by HKICPA, the Group uses non-HKFRS 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) (gain)/loss related to call options and put options, net; (iv) (gain)/loss on disposal of non-current assets, net; and (v) income tax effect.

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, but 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.

Management Discussion and Analysis

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	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Profit attributable to owners of the parent, as reported	**743,633**	446,975
(Gain)/loss from investment companies, net[21]	**(62,750)**	300,825
(Gain)/loss on disposal and liquidation of subsidiaries, net[22]	**(20,998)**	(4,529)
(Gain)/loss related to call options and put options, net[23]	**111,129**	(39,975)
(Gain)/loss on disposal of non-current assets, net[24]	**13,228**	1,094
Income tax effect[25]	**18,462**	–
Non-HKFRS measure:		
Adjusted profit attributable to owners of the parent	**802,704**	704,390

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

22 (Gain)/loss on disposal and liquidation of subsidiaries, net includes gain on bargain purchase, net (gains)/losses deemed disposals, disposals and liquidation of subsidiaries.

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

24 (Gain)/loss on disposal of non-current assets, net includes (gain)/losses on disposal of fixed assets, other intangible assets, right-of-use assets and other assets.

25 Income tax effect refers to the income tax effect of non-HKFRS adjustments.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 7 July 2023 (São Paulo time) (7 July 2023, Hong Kong time after trading hours), TCL SEMP and STA entered into the subscription bulletin, pursuant to which STA agreed to subscribe for, and TCL SEMP agreed to issue and allot to STA, the subscription shares which represent approximately 6.25% of the issued shares of TCL SEMP as enlarged by the subscription ("Subscription"). Prior to the entering into of the subscription bulletin, TCL SEMP was owned as to 80% and 20% by TCL NL and STA respectively. Immediately after the issuance and allotment of the subscription shares mentioned above to STA, TCL SEMP was owned as to approximately 75% and 25% by TCL NL and STA respectively. TCL SEMP would remain to be a subsidiary of the Company, and the results, assets and liabilities of TCL SEMP would continue to be consolidated into the accounts of the Group.

Upon the completion of the Subscription, in order to reflect the shareholders' rights and obligations following the aforesaid change in shareholding in and of TCL SEMP and with a view to strengthening the cooperation between the parties, on the same date (i.e. 7 July 2023 (São Paulo time) (7 July 2023, Hong Kong time after trading hours)), TCL NL, STA, TCL SEMP and Affonso Brandão Hennel entered into the new shareholders' agreement in respect of TCL SEMP, pursuant to which, among others, (i) the shareholders' agreement dated 20 July 2020 (São Paulo time) (21 July 2020, Hong Kong time) in respect of TCL SEMP (and hence the call option and the put option granted thereunder) was thereby terminated in its entirety; (ii) STA granted the new call option to TCL NL (or its designated assignee), pursuant to which TCL NL (or its designated assignee) would have the right to purchase from STA, and STA would be obliged to sell to TCL NL (or its designated assignee), all but not less than all option shares at the new call option purchase price; and (iii) TCL NL granted the new put option to STA, pursuant to which STA would have the right to sell to TCL NL (or its designated assignee), and TCL NL (by itself or via its designated assignee) would be obliged to purchase from STA, all but not less than all option shares at the new put option purchase price, which is subject to a maximum price of R$1,200,000,000 (equivalent to approximately HK$1,935,960,000). For further details, please refer to the Company's announcement dated 7 July 2023.

On 27 September 2023 (after trading hours), Huizhou TCL Mobile entered into an equity transfer agreement with TCL Industries Holdings, pursuant to which Huizhou TCL Mobile agreed to sell, and TCL Industries Holdings agreed to purchase, the target equity interest representing 10% equity interest in and of Huizhou Kuyu at the consideration of RMB51,000,000 (equivalent to approximately HK$55,720,000).

Management Discussion and Analysis

Immediately prior to the completion of the disposal, Huizhou Kuyu was held as to 26% by the Group through TCL King (Huizhou) and Huizhou TCL Mobile in aggregate, which held 16% and 10% equity interest in and of Huizhou Kuyu by TCL King (Huizhou) and Huizhou TCL Mobile respectively, and as to 74% by TCL Industries Holdings. Upon completion of the disposal, the Group would only hold 16% equity interest in and of Huizhou Kuyu through TCL King (Huizhou), and Huizhou Kuyu ceased to be an associate company of the Company. For further details, please refer to the Company's announcement dated 27 September 2023. The transaction was completed in September 2023.

Save as disclosed above, the Group had no other significant investment held as at 31 December 2023, and did not undertake any material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

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 2023 amounted to approximately HK$10,736,877,000, increasing by 14.3% year-on-year, of which 45.5% was in U.S. dollars, 36.3% was in Renminbi, 4.3% was in Euros, 2.1% was in Hong Kong dollars and 11.8% 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 and other borrowings of the Group as at 31 December 2023 were approximately HK$5,811,654,000, which were interest-bearing at fixed rates ranging from 0.60% to 6.64% and denominated in U.S. dollars, Renminbi and Euros. The maturity profile of borrowing was on demand to within three 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 2022 and there was no asset held under finance lease as at 31 December 2023.

As at 31 December 2023, the Group's gearing ratio was 0% since the Group's cash and cash equivalents, and restricted cash and pledged deposits of approximately HK$10,794,309,000 were higher than the total interest-bearing bank and other borrowings and lease liabilities of approximately HK$6,218,970,000. Gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank and other 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 three years.

Pledge of Assets

Please refer to notes 23, 26 and 28 to the financial statements.

Capital Commitments and Contingent Liabilities

As at 31 December 2023, the Group had the following capital commitments:

	2023 **HK$'000**	2022 HK$'000
Contracted, but not provided for	**599,510**	673,618
Authorised, but not contracted for	**–**	116,590
	599,510	790,208

As at 31 December 2023, the Group had the following contingent liabilities which have not been provided for in the financial statements:

TCL SEMP Eletroeletronicos 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 2023, the tax assessment dispute was still ongoing. The information usually required by 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 8 years. The Group has not made any provision as the Group, based on the advice from its legal counsel, believes that TCL SEMP Eletroeletronicos 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 2023.

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 2023, the Group had a total of 24,620 dynamic and talented employees. During the year ended 31 December 2023, the total staff costs amounted to approximately HK$5,838,566,000. The employees of the Group were all dedicated to advancing the quality and reliability of our operations. The Group promotes individuals based on their performance in the positions held and development potential. 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, share options were granted to relevant grantees, including employees of the Group, under the 2016 Share Option Scheme. Share options carrying rights to subscribe for a total number of 34,924,064 shares of the Company remained outstanding as at 31 December 2023. On 3 November 2023, the Company adopted a new share option scheme that complies with the new Chapter 17 of the Listing Rules, whereas the 2016 Share Option Scheme was terminated on the same date. No share option has been granted under the 2023 Share Option Scheme since its adoption up to 31 December 2023.

The 2023 Share Award Scheme was also adopted by the Company on 3 November 2023 in view of the expiry of the 2008 Share Award Scheme on 5 February 2023. Pursuant to the 2023 Share 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 2023 Share Award Scheme. Awarded Shares granted and subsisting under the 2008 Share Award Scheme prior to its expiry shall continue to be in full force and effect in accordance with the 2008 Share Award Scheme and their terms of grant. There remained a total of 37,001,744 awarded Shares granted but remained outstanding as at 31 December 2023, all granted under the 2008 Share Award Scheme. No share award has been granted under the 2023 Share Award Scheme since its adoption up to 31 December 2023.

INTRODUCTION

The Board aims to achieve a high standard of corporate governance and business ethics in pursuing the Group's mission of "building a sustainable and connected future with advanced technology". The Group's ultimate goal is to maximise values for its Shareholders and other stakeholders. The Group holds on to change, innovation, accountability and excellence as its core values.

The Board is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, Shareholders and investors.

Accordingly, the Company has adopted a corporate governance code prepared based on the Code Provisions of the CG Code as the guidelines for corporate governance of the Company, as amended, revised and updated from time to time to reflect the latest changes in the Code Provisions, and the Company has taken steps to comply with and apply the Code Provisions and principles of good corporate governance under the CG Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2023, the Company has complied with the Code Provisions of the CG Code, except for the deviation from the Code Provision C.6.1 of the CG Code during the period from 1 October 2023 to 8 October 2023, the details of which are set out below.

Under Code Provision C.6.1 of the CG Code, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

During the period from 1 October 2023 to 8 October 2023, Ms. CHOY Fung Yee was the then sole company secretary of the Company, who is a practising solicitor in Hong Kong and a partner of the Company's legal advisor, but not an employee of the Company. During the said period, Mr. PENG Pan, an executive Director and the CFO, was the assigned contact person with Ms. CHOY Fung Yee. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the monthly management report to the Board) is speedily delivered to Ms. CHOY Fung Yee through the contact person assigned. Given the long-term relationship between Ms. CHOY Fung Yee and the Group, Ms. CHOY Fung Yee is very familiar with the operations of the Group and has an in-depth knowledge of the management of the Group. Having in place such a mechanism, Ms. CHOY Fung Yee will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY Fung Yee as the company secretary of the Company is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

On 9 October 2023, Mr. PENG Pan has been appointed as a joint company secretary of the Company for a term of three years with effect from 9 October 2023, whilst Ms. CHOY Fung Yee has been re-designated as the other joint company secretary of the Company. For details, please refer to the announcement of the Company dated 9 October 2023.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a written confirmation from TCL Industries Holdings and T.C.L. Industries (H.K.) confirming that for the period from 1 January 2023 to 31 December 2023 (both dates inclusive), they had fully complied with the Deed of Non-Competition (2020) executed by them in favour of the Company dated 29 June 2020.

The Company has received a written confirmation from TCL Technology confirming that for the period from 1 January 2023 to 31 December 2023 (both dates inclusive), it had fully complied with the Deed of Termination (2020) executed by and among TCL Technology, T.C.L. Industries (H.K.) and the Company dated 29 June 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 the non-competition undertakings under the Deed of Non-Competition (2020) and the Deed of Termination (2020) have been complied with during the year ended 31 December 2023.

DIRECTORS

The Board

The Board, led by the chairperson, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, establishing and shaping the corporate culture, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis. The Board is accountable to the Shareholders for the long-term development and success of the Company.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by the majority of the Directors in person or through electronic means of communication.

Board Composition

There are currently 8 Directors, all being industry veterans, responsible to the Shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board comprises the following Directors during the year ended 31 December 2023 and as at the date of this annual report (after taking into account the changes which took place during the period from 1 January 2024 to the date of this annual report):

During the year ended 31 December 2023	*As at the date of this annual report (After considering the changes which took place during the period from 1 January 2024 to the date of this annual report)*
Executive Directors	**Executive Directors**
Ms. DU Juan (Chairperson)	Ms. DU Juan (Chairperson)
Mr. PENG Pan (CFO) (Note (a))	Mr. ZHANG Shaoyong (CEO) (Note (f))
Mr. HU Dien Chien (Note (b))	Mr. PENG Pan (CFO)
Mr. YAN Xiaolin (Note (c))	Mr. SUN Li (Note (e))
Non-executive Directors	**Non-executive Director**
Mr. LI Yuhao	Mr. LI Yuhao
Mr. WANG Cheng (Note (d))	
Mr. SUN Li (Note (e))	
Independent Non-executive Directors	**Independent Non-executive Directors**
Dr. TSENG Shieng-chang Carter	Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang	Professor WANG Yijiang
Mr. LAU Siu Ki	Mr. LAU Siu Ki

Notes:

(a) Mr. PENG Pan was appointed as an executive Director and the CFO with effect from 1 October 2023 and appointed as a joint company secretary with effect from 9 October 2023.

(b) Mr. HU Dien Chien resigned as an executive Director, the CFO and a joint company secretary with effect from 1 October 2023.

(c) Mr. YAN Xiaolin resigned as an executive Director with effect from 28 March 2024.

(d) Mr. WANG Cheng resigned as a non-executive Director with effect from 28 March 2024.

(e) Mr. SUN Li was re-designated from a non-executive Director to an executive Director with effect from 28 March 2024.

(f) Mr. ZHANG Shaoyong (CEO) was appointed as an executive Director with effect from 28 March 2024.

Mr. PENG Pan and Mr. ZHANG Shaoyong was appointed as an executive Director with effect from 1 October 2023 and 28 March 2024 respectively. On 16 October 2023 and 20 March 2024, Mr. PENG Pan and Mr. ZHANG Shaoyong has respectively (i) obtained legal advice from Messrs. Ronald Tong & Co, a firm of solicitors qualified to advise on Hong Kong law, as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Hong Kong Stock Exchange; and (ii) confirmed he understood his obligations as a Director.

An updated list of the Company's Directors by category identifying their roles and functions is at all times available on the websites of the Company and the Hong Kong Stock Exchange. The list specifies whether the Director is an independent non-executive Director and sets out the respective roles and functions of each Director.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors are given under the section "Board of Directors" of this annual report on pages 16 to 25.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board and between the chairperson of the Board and the chief executive.

The non-executive Directors (including independent non-executive Directors) play important roles on the Board. Accounting for more than half of the Board members during the year ended 31 December 2023, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of Shareholders and the Group as a whole.

Throughout the year of 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and the number of independent non–executive Directors made up at least one-third of the total number of members of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications or accounting related financial management expertise as required under the Listing Rules.

Number of meetings attended/eligible to attend in 2023

During the year of 2023, the Board held four regular meetings at about quarterly intervals. As regards general meetings, the Company held the 2023 AGM on 1 June 2023 and the EGM on 3 November 2023 during the year of 2023 to consider the matters regarding, inter alia, termination of the 2016 Share Option Scheme and the adoption of the 2023 Share Option Scheme and the adoption of the 2023 Share Award Scheme. A table summary in regard to the Directors' participation at various Board meetings, Board Committee meetings and the Company's general meetings during the year of 2023 is set out below:

TYPE OF MEETINGS / DIRECTORS (Note 1)	Regular Board Meetings	Additional Board Meetings	Audit Committee Meeting	Remuneration Committee Meetings	Nomination Committee Meetings	Strategy Committee Meetings (Note 7)	General Meetings
Executive Directors							
DU Juan	2/4	0/1	N/A	N/A	N/A	14/14	1/2
PENG Pan (Note 2)	1/1	N/A	N/A	1/1	1/1	2/2	1/1
YAN Xiaolin (Note 3)	2/4	0/1	N/A	N/A	N/A	14/14	0/2
HU Dien Chien (Note 4)	3/3	1/1	N/A	2/2	1/1	12/12	1/1
Non-executive Directors							
WANG Cheng (Note 5)	2/4	1/1	N/A	N/A	N/A	N/A	2/2
SUN Li (Note 6)	4/4	1/1	N/A	N/A	N/A	N/A	1/2
LI Yuhao	4/4	1/1	N/A	N/A	N/A	N/A	2/2
Independent Non-executive Directors							
TSENG Shieng-chang Carter	4/4	1/1	3/3	3/3	2/2	N/A	2/2
WANG Yijiang	4/4	1/1	3/3	2/3	2/2	N/A	1/2
LAU Siu Ki	4/4	1/1	3/3	3/3	2/2	N/A	2/2

Notes:

1. This table lists the Directors during the year 2023 and hence does not include any Director appointed subsequent to 31 December 2023. Mr. ZHANG Shaoyong was appointed as an executive Director with effect from 28 March 2024, his attendance (if any) to any of the aforesaid meetings in his capacity as CEO/senior management was not counted towards the above attendance.

2. Mr. PENG Pan was appointed as an executive Director with effect from 1 October 2023.

3. Mr. YAN Xiaolin resigned as an executive Director with effect from 28 March 2024.

4. Mr. HU Dien Chien resigned as an executive Director with effect from 1 October 2023.

5. Mr. WANG Cheng resigned as a non-executive Director with effect from 28 March 2024.

6. During the year ended 31 December 2023, Mr. SUN Li was a non-executive Director. Mr. SUN Li was re-designated from a non-executive Director to an executive Director with effect from 28 March 2024.

7. The Strategy Committee was established on 22 September 2017. From 1 January 2023 to 30 September 2023, it comprised Ms. DU Juan as the chairperson, Mr. YAN Xiaolin and Mr. HU Dien Chien as the members. From 1 October 2023 to 27 March 2024, it comprises Ms. DU Juan as the chairperson, Mr. YAN Xiaolin and Mr. PENG Pan as the members. From 28 March 2024, being the date of this annual report, it comprises Ms. DU Juan as the chairperson, Mr. ZHANG Shaoyong and Mr. PENG Pan as the members.

Notices of regular Board meetings are served to all Directors at least 14 days before the meeting.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least three days before the intended date of each Board or Board Committee meeting, except agreed otherwise among the members, to ensure that they have sufficient time to review the Board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Company has in place effective mechanisms to ensure independent views and input are available to the Board. The Board has conducted an annual review on such mechanisms in 2023 and is of the view that the mechanisms have been properly implemented and are effective. In particular, the Company plans Board and Board Committee meeting schedules well in advance and provides remote facilities for attendance, so as to facilitate active attendance and participation in the meetings. Board members, especially independent non-executive Directors, are welcome and are encouraged to raise enquiries, suggestions and views during the meetings. The Board process as stated above, including agenda setting and provision of meeting information, facilitates effective and active participation by all Directors. The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense.

Minutes of all Board, Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee meetings are kept by the joint company secretaries of the Company. All of the above minutes record the matters considered and the discussions and decisions reached by the relevant Directors or Board Committee members in sufficient detail, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within reasonable time after each meeting and the final version is sent to all Directors or Board Committee members for their record.

According to the current Board practice, any transaction, which involves a conflict of interests between a substantial Shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors who have no material interest in the said transaction. Directors will abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of any legal action against its Directors and officers arising out of corporate activities.

Chairperson and CEO

The Company fully supports the division of responsibility between the chairperson of the Board and the CEO (being the chief executive of the Company) to ensure a balance of power and authority, and adopted a set of consolidated memorandum of duties setting out its division of responsibilities between the chairperson and the CEO on 24 February 2012.

During the year ended 31 December 2023 and up to the date of this annual report, the position of the chairperson of the Board is held by Ms. DU Juan and the position of CEO is held by Mr. ZHANG Shaoyong.

The core duties of the chairperson of the Board include:

- ensuring, with the assistance of the management, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- ensuring that the agenda for each Board meeting is drawn up and approving the same, taking into account matters proposed by other Directors;
- encouraging all Directors to fully and actively contribute to the Board's affairs, express different views and discuss issues in sufficient depth before reaching any consensus in Board decisions;
- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promoting the constructive relations between executive and non-executive Directors;

- meeting at least annually with the independent non-executive Directors without the presence of other Directors. The Board regards such meeting as exchange of opinions whereby a broad range of strategic and performance matters are openly discussed; and

- ensuring the effective communication between the Board and the Shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by Shareholders) of corporate communications required by the Listing Rules; (ii) the AGM which provides a forum for Shareholders to raise comments and exchange views with the Board; and (iii) the Company's website which allows the Shareholders to acquire the updated and key information on the Group and to provide feedback to the Company.

Appointment, re-election and removal of members of the Board

Under article 116 of the Articles, at each AGM, not less than one-third of the Directors for the time being shall retire from office by rotation and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years while those retiring Directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM.

Accordingly, at the 2023 AGM, Mr. YAN Xiaolin, Professor WANG Yijiang and Mr. HU Dien Chien retired from office by rotation pursuant to article 116 of the Articles, and all of them were re-elected as Directors thereat.

Independent Non-executive Directors

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors to be independent based on the independence criteria in accordance with the requirements in Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationship which will interfere with the exercise of their independent judgement.

Non-executive Directors

All non-executive Directors (including independent non-executive Directors), including those appointed for a specific term, are subject to retirement by rotation and re-election at AGM of the Company in accordance with the Articles and the Listing Rules. A summary of rotation and re-election of non-executive Directors is set out in the table below:

Name of Directors (Note 1)	Position	Date of last election or rotation and re-election	Term of appointment
WANG Cheng	Non-executive Director	EGM held on 10 December 2021	Until conclusion of the AGM in 2024 (Note 2)
SUN Li	Non-executive Director (Note 3)	AGM held on 17 June 2022	No specific term, subject to retirement by rotation and re-election
LI Yuhao	Non-executive Director	AGM held on 21 May 2021	Until conclusion of the AGM in 2024
TSENG Shieng-chang Carter	Independent non-executive Director	AGM held on 17 June 2022	No specific term, subject to retirement by rotation and re-election
WANG Yijiang	Independent non-executive Director	AGM held on 1 June 2023	No specific term, subject to retirement by rotation and re-election
LAU Siu Ki	Independent non-executive Director	AGM held on 21 May 2021	Until conclusion of the AGM in 2024

Notes:

1. The above table is a list of non-executive Directors (including independent non-executive Directors) during the year of 2023.

2. Mr. WANG Cheng was a non-executive Director during the year ended 31 December 2023. Whilst his term of appointment was until conclusion of the AGM in 2024, Mr. WANG Cheng has resigned as a non-executive Director with effect from 28 March 2024 prior to the expiry of the aforesaid term of appointment.

3. Mr. SUN Li was a non-executive Director during the year ended 31 December 2023. Mr. SUN Li was re-designated from a non-executive Director to an executive Director with effect from 28 March 2024. Mr. SUN Li has entered into a service agreement with the Company for a term of three years, which will automatically renew for a further term of one year each unless terminated by either party pursuant to the provisions thereof, subject to retirement by rotation and re-election at AGM in according with the Articles or the Listing Rules.

Nomination of Directors

The Board has established the Nomination Committee to provide a framework and set the standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re–appointment of Director(s).

Details of the Nomination Committee are set out in the sub-section headed “Nomination Committee” below.

Responsibilities of Directors

The CFO of the Company (who is currently also a joint company secretary of the Company), with assistance from the Company’s external legal advisor (who is currently also the other joint company secretary of the Company), works closely with the newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director and the business operation of the Company.

A package compiled and reviewed by the Company’s legal advisor setting out such duties and responsibilities under the Listing Rules, the Hong Kong Companies Ordinance and other related laws and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The package also includes information relating to the operations and business of the Group. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of Directors from time to time. Guidelines for Directors issued by the Companies Registry of Hong Kong have been forwarded to each Director for his/her information and ready reference.

During the year ended 31 December 2023, the Board is of the view that the non-executive Directors are well aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgement at the Board meetings, taking the lead where potential conflicts of interest arise, scrutinising the Company’s performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, the Remuneration Committee and/or the Nomination Committee.

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in these public companies or organisations.

During the year ended 31 December 2023, all Directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which they are charged with. The contribution made by the Directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the Directors with reference to their necessary knowledge and expertise. The satisfactory attendance at Board meetings, general meetings and Board Committee meetings indicates the constant participation of all Directors, including executive, non-executive and independent non-executive Directors and ensures the better understanding of the views of Shareholders by all Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it necessary to obtain additional information other than that provided by the management, the Directors make inquiries during the Board meetings and Board Committee meetings. The queries raised by Directors have received prompt and full responses.

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the period from 1 January 2023 to 31 December 2023:

Directors (Note 1)	Read materials	Attend seminars/briefings
Executive Directors		
Ms. DU Juan (Chairperson)	✔	✔
Mr. PENG Pan (CFO and joint company secretary) (Note 2)	✔	✔
Mr. HU Dien Chien (CFO and joint company secretary) (Note 3)	✔	✔
Mr. YAN Xiaolin (Note 4)	✔	✔
Non-executive Directors		
Mr. LI Yuhao	✔	✔
Mr. SUN Li (Note 5)	✔	✔
Mr. WANG Cheng (Note 6)	✔	✔
Independent Non-executive Directors		
Dr. TSENG Shieng-chang Carter	✔	✔
Professor WANG Yijiang	✔	✔
Mr. LAU Siu Ki	✔	✔

Notes:

1. The above table lists the Directors during the year 2023 and hence does not include any Director appointed subsequent to 31 December 2023. Mr. ZHANG Shaoyong was appointed as an executive Director with effect from 28 March 2024 (i.e. after 31 December 2023).

2. Mr. PENG Pan was appointed as an executive Director and the CFO with effect from 1 October 2023 and appointed as a joint company secretary with effect from 9 October 2023.

3. Mr. HU Dien Chien resigned as an executive Director, the CFO and a joint company secretary of the Company with effect from 1 October 2023.

4. Mr. YAN Xiaolin resigned as an executive Director with effect from 28 March 2024.

5. Mr. SUN Li was a non-executive Director during the year ended 31 December 2023 and was re-designated from a non-executive Director to an executive Director with effect from 28 March 2024.

6. Mr. WANG Cheng resigned as a non-executive Director with effect from 28 March 2024.

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code under Appendix C3 to the Listing Rules.

Specific enquiries have been made with all Directors, and all of them 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 2023.

The Directors' and chief executive's interests in Shares within the meaning of Part XV of the SFO as at 31 December 2023 are set out on pages 105 to 106 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employees, including any employee or a director of a subsidiary or holding company who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board delegates its powers and authorities from time to time to the Board Committees and the management in order to ensure the operational efficiency and specific issues are being handled by personnel with the relevant expertise. All Board Committees are provided with accurate and sufficient information in a timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and with sufficient resources to discharge their duties. The management team of the Company is accountable to the Board for the operations and businesses of the Group. During the year ended 31 December 2023, the Board Committees and the management team of the Company have performed the duties delegated to them as set out further below.

On 24 February 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole and material changes thereof;
- business plan, budgets and any subsequent material changes, public announcements and matters referred to the Board by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditor;
- remuneration of Directors and senior management; and
- communication with key stakeholders, including Shareholders and regulatory bodies.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the nomination and appointment of personnel other than the member of the Board, senior management and auditor;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non–material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

Operation

In order to facilitate the strategic development of the Company and enhance its operation decision-making efficiency, the Board resolved on 22 September 2017 to establish the Strategy Committee. The purpose of the Strategy Committee is to lead the development of the Group in relation to research and exploration of new directions and modes of business for approval of the Board and for implementation of the same, and improvement of operation decision-making efficiency. As at the date of this annal report, the Strategy Committee comprises Ms. DU Juan (chairperson), Mr. ZHANG Shaoyong and Mr. PENG Pan, all being executive Directors. The Strategy Committee is delegated by the Board to approve and implement matters including but not limited to transactions not requiring disclosures under the Listing Rules, business development plans proposed by the management and assessing performance of business units of the Group.

Board Committees

Throughout 2023, the Board had four Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee, all with specific written terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committees at the meetings of the Board Committees in 2023 is set out on page 56 of this annual report.

Nomination Committee

The Nomination Committee currently comprises four members, namely Mr. PENG Pan, being an executive Director and Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang, and Mr. LAU Siu Ki, all being independent non-executive Directors. Professor WANG Yijiang is the chairperson of the Nomination Committee. The Nomination Committee held two meetings during the year of 2023.

The Nomination Committee is governed by its terms of reference, which are closely aligned with the relevant Code Provisions requirements and are available at both the Company's website (http://electronics.tcl.com) and the Hong Kong Stock Exchange's website (http://www.hkex.com.hk).

The main duties of the Nomination Committee include the following:

- review and supervise the performance, structure, size, diversity and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive Directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, in particular the chairperson of the Board and chief executive(s), and any proposed change to the Board to implement the Company's corporate strategy;
- consider Board succession planning and conduct periodical reviews of the plan;
- review the Board Diversity Policy;
- monitor and review the Nomination Policy to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice; and
- review the sufficiency of time commitment of Directors to perform their responsibilities.

The work performed by the Nomination Committee during 2023 included:

- considering the nomination of Ms. DU Juan, Mr. WANG Cheng, Mr. LI Yuhao and Mr. LAU Siu Ki to be re-elected, and Mr. PENG Pan to be elected, as Directors at the AGM in 2024 in accordance with the Nomination Policy and Board Diversity Policy;
- reviewing the Nomination Policy and Board Diversity Policy;
- reviewing the current Board structure, diversity, size and composition;
- assessing the independence of all independent non-executive Directors; and
- reviewing the contribution required from a Director to perform his/her responsibilities and whether he/she has spent sufficient time performing them.

The Nomination Committee performed all these main duties in 2023.

Nomination Policy

The Company has adopted the Nomination Policy on 20 December 2018 (with effect from 1 January 2019), which sets out the Company's policy in relation to nomination of Directors that the Company has been following. The terms of the Company's Nomination Policy are set out as follows:

OBJECTIVE

1. The Nomination Policy aims to list the principles and procedures for selection and nomination of the Board, to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

2. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings, or to appoint as Directors to fill casual vacancies.

3. The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-elected at a general meeting, or the number of casual vacancies to be filled.

SELECTION CRITERIA

4. The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

Common Criteria for All Directors

4.1. Reputation, character and integrity

4.2. Commitment in respect of available time

4.3. The willingness to assume fiduciary responsibility

4.4. Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

4.5. Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company

4.6. Significant business or public experience relevant and beneficial to the Board and the Company

4.7. Breadth of knowledge about issues affecting the Company

4.8. Ability to objectively analyse complex business problems and exercise sound business judgement

4.9. Ability and willingness to contribute special competencies to Board matters

4.10. Fit with the Company's culture

4.11. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

Criteria Applicable to Non-executive Directors/Independent Non-executive Directors

4.12. Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director (including attendance at and active participation in Board and committee meetings), and considering other responsibilities of the relevant candidate (such as other directorships held in public companies the securities of which are listed on any securities market in Hong Kong or overseas and other major appointments, if any) and the effort and time that may be required by the candidate in fulfilling such role

4.13. Accomplishments of the candidate in his/her field

4.14. Outstanding professional and personal reputation

4.15. The candidate's ability to meet the independence criteria for directors established in the Listing Rules

5. These factors are for reference only, and are not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

6. Retiring directors, save for those who have served as independent non-executive Directors for a period of nine consecutive years or more, are eligible for nomination by the Board to stand for re-election at a general meeting. Any independent non-executive Director who has served such role for a period of nine consecutive years or more are, subject to the Nomination Committee having satisfied that he/she still maintains his/her independence and that his/her continuation to serve in such role is in the interest of the Company and its shareholders as a whole, eligible for nomination by the Board to stand for re–election at a general meeting.

7. Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as such directorship of the Company and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as such directorship.

8. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

NOMINATION PROCEDURES

9. The Board Affairs team of the Company shall be responsible to liaise with the company secretary to call a meeting of the Nomination Committee, and invite nominations of candidates from Board members, if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

10. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. The Nomination Committee follows the procedures below when considering nomination of Directors:

10.1. the Nomination Committee will evaluate the balance of skills, knowledge and experience of the Board, and identify any special requirements for the vacancy or the directorship the candidate is proposed to take (e.g. independence status in the case of an independent non-executive Director);

10.2. the Nomination Committee will consider the role and capabilities required for the particular vacancy or the directorship;

10.3. the Nomination Committee will identify candidates through personal contacts/recommendations by Board members, senior management, business partners or investors, and will to the extent possible select from a broad range of candidates who are outside the Board's circle of contacts in accordance with the Company's Board Diversity Policy;

10.4. where appropriate, the Nomination Committee will conduct interview with the relevant candidate to evaluate whether he/she meets the aforesaid selection and nomination criteria, and verify the information provided by the candidate; and

10.5. the Nomination Committee will make recommendations to the Board on the appointment or re–appointment of Directors.

11. The Nomination Committee shall ensure the selection process to be transparent and fair.

12. For the avoidance of doubt, the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

13. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

14. In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to Shareholders. The names, brief biographies (including qualifications and relevant experience), independence (for independent non-executive Directors), proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

15. "Procedures for Shareholders to propose a person for election as a director" of the Company shall apply in respect of the nomination by Shareholders of person for election as Director.

16. A candidate is allowed to withdraw his/her candidature at any time before the despatch of circular to Shareholders for election at the general meeting by serving the Company a notice in writing provided that such notice shall be served to the Company not less than three business days prior to the despatch of the said circular. If any candidate wishes to withdraw his/her candidature after the despatch of circular but before the convening of the general meeting for any special reason(s), the Board may, after considering such reason(s) and having confirmed that such withdrawal is in the interest of the Company and the Shareholders, approve such withdrawal.

17. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

CONFIDENTIALITY

18. Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to Shareholders, as the case may be, is issued. Following the issue of the circular, the Nomination Committee or other staff member of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

REVIEW

19. In addition to meeting for the purpose of considering Board appointment(s), the Nomination Committee shall from time to time meet (and at least once annually):

    19.1. to review and consider the performance of the Board, including but not limited to looking at benchmarking how the Company's Board measures up against the other boards in Hong Kong or Chinese Mainland of peer issuers;

    19.2. to consider the need to refresh the Board composition regularly to avoid entrenchment and to attract fresh thinking;

    19.3. to consider Board succession planning and conduct periodical reviews of the plan to ensure the long-term success of the Company; and

    19.4. to monitor and review this Nomination Policy to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

20. The Nomination Committee will continually review the Nomination Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Nomination Policy at any time.

21. The Board may in accordance with the requirements of the relevant laws and regulations disclose in the Company's Corporate Governance Report annually any information regarding the Nomination Policy, procedures and objectives made for implementation of the Nomination Policy and the progress made towards achieving the objectives.

Board Diversity Policy

The Company has adopted the Board Diversity Policy on 13 August 2013 which sets out its approach to achievement and maintenance of diversity on the Board in order to enhance the effectiveness of the Board, which was subsequently revised and updated on 20 December 2018. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development, and the Board diversity also helps to achieve a diversity of views and perspectives among members of the Board, to enhance decision making capacity, and to fairly and effectively safeguard the interests of various stakeholders, especially the long-term Shareholders' interests of the Company.

The Company recognises and embraces the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments and succession will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and professional experience, etc. as aforementioned) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. In particular, in accordance with the requirements under the CG Code, the Company has set an initial target of appointing at least one director of a different gender in the Board and has achieved such target since August 2021 when Ms. DU Juan was appointed as an executive Director and the chairperson of the Board. As at the date of this annual report, the gender diversity ratio of the Board is at approximately 12.5% (1 female out of 8 Directors). The Nomination Committee and the Board will review the Board's target gender diversity ratio from time to time and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. Further, the Board currently consists of members with different professional backgrounds (including corporate management, marketing, human resources management, financial management and technology) and from different age groups (from 40's to 70's). Accordingly, the Nomination Committee considers that the current composition of the Board is characterised by diversity (including gender diversity) after taking into account its own business model and specific needs, whether considered in terms of professional experience or skills.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee will discuss at least annually any changes to the Board Diversity Policy and Board composition that may be required (including the need to identify potential successors to the Board to achieve gender diversity), and make such recommendations to the Board for consideration and approval. The Board has reviewed the Board Diversity Policy in 2023 and is of the view that the Board Diversity Policy has been properly implemented and is effective.

The overall gender diversity of the Group is relatively balanced. As at 31 December 2023, the overall workforce of the Group consisted of approximately 58% male and 42% female employees. The Board was led by a female chairperson. In addition, there were two senior management (as referred to under paragraph 12 of Appendix D2 to the Listing Rules) in the Group and both of them were male employees. The Group has in place a mechanism to support diversity across all facets including but not limited to gender diversity. The Group treats every employee equally, adheres to equal pay for equal work and equal opportunities for different genders. In particular, the recruitment process of the Group shall not involve any discrimination on the grounds of race, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinion, age, languages or other discriminatory factors. The Group also cares for the legal rights and special needs of female employees and has established a “mummy hut” to provide comfortable and private breastfeeding spaces for female employees during their lactation, so as to attract and retain more female talents. In the past four years, the proportion of female employees of the overall workforce of the Group increased steadily. Whilst it is relatively challenging for the Group to achieve equal gender ratio across all business units of the Group due to the characteristics and work types of different business units, it is the Group’s goal to achieve a balanced gender ratio in the overall workforce (including senior management). For further details of the diversity of the workforce of the Group, please refer to the ESG Report of the Group for the year ended 31 December 2023.

Remuneration Committee

The Remuneration Committee currently comprises four members, namely Mr. PENG Pan, being an executive Director and Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki, all being independent non-executive Directors. Dr. TSENG Shieng-chang Carter is the chairperson of the Remuneration Committee. The Remuneration Committee held three meetings during the year of 2023.

The Remuneration Committee is governed by its terms of reference, which were adopted by the Board on 24 February 2012 and subsequently revised by way of the written resolutions of all Directors dated 29 December 2022, and by resolution passed at the meeting of the Board held on 23 November 2023. The terms of reference are made available on the Company’s website (http://electronics.tcl.com) and the Hong Kong Stock Exchange’s website (http://www.hkex.com.hk).

The Remuneration Committee was established on 16 April 2005 pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to discharge its duties as set out in its terms of reference. Among others, it makes recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. It also reviews and approves the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

The work performed by the Remuneration Committee during 2023 included:

- reviewing and making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, and reviewing and approving management's remuneration proposals, with reference to the Board's corporate goals and objectives;

- reviewing and determining the remuneration packages of all executive Directors and senior management of the Company with reference to their performance;

- assessing the performance of executive Directors; and

- reviewing and making recommendations to the Board on the remuneration of non-executive Directors.

There are no material matters relating to the share schemes of the Company as referred to in Chapter 17 of the Listing Rules which are required to be reviewed and/or approved by the Remuneration Committee during the year ended 31 December 2023.

The human resources department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Emolument Policy and Long-Term Incentive Plans

To attract and retain talent, the Company provides a competitive remuneration package to its employees, including executive Directors and senior management. This comprises base monthly salary, guaranteed cash benefits and allowances, special allowances, variable pay, and long-term incentive plans which include Share Option Schemes and Share Award Schemes, if applicable. The amount of variable pay is set at a percentage of the fixed pay, and is paid half-yearly or yearly depending on performance delivered through plans and objectives which have pre-determined criteria and standards. Long-term incentive plans primarily consist of share options carrying rights to subscribe for the Shares and awarded Shares respectively. Please refer to pages 109 to 121 of this annual report for details of the Share Option Schemes and the Share Award Schemes. The emoluments payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and gives incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The non-executive Directors' compensation relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee, which is usually paid annually; and

- share options and/or awarded shares of the Company which are awarded subject to the discretion of the Board, if any.

The fees and any other reimbursement or emolument payable to the Directors and senior management by band are set out in notes 8 and 9 to the financial statements.

DIVIDEND POLICY

The Company has confirmed and consolidated its Dividend Policy on 20 December 2018 (taking effect from 1 January 2019).

Purpose

1. The Dividend Policy aims to consolidate and set out the approach and principles of the Company in declaration of dividend.

Factor(s) to be considered for declaration of dividends

2. In considering whether to declare any dividend, the Board shall consider factors in all aspects such as the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the Shareholders, including but not limited to:

   2.1. the Company's actual and expected financial performance;

   2.2. retained earnings and distributable reserves of the Company and each of the members of the Group;

   2.3. the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

   2.4. any restrictions on payment of dividends that may be imposed by the Group's lenders;

   2.5. the Group's expected working capital requirements and future expansion plans;

   2.6. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

   2.7. any other factors that the Board deems appropriate.

Principles in relation to declaration of dividends

3. If the Group records a profit and the Board, having considered factors of all aspects (including but not limited to those factors set out in paragraph 2 above), is satisfied that the declaration and distribution of dividends does not affect the Group's normal operations, and subject to compliance with any restrictions under the Companies Act (As Revised) of the Cayman Islands and the Articles:

    3.1. the Company may declare and distribute dividends to the Shareholders;

    3.2. the Company will take priority to distributing dividends in cash and share its profits with the Shareholders, whereas the target payout ratio of dividends distributed is expected to be in the range of 30%–50% of the Group's net profit for the current year, and the remaining profit will be used for the business development and operation of the Group; and

    3.3. yet, any such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board.

4. Subject to the Articles and all laws and regulations applicable to the Company,

    4.1. the Company in general meeting may declare final dividends in any currency but no dividends shall exceed the amount recommended by the Board; and

    4.2. the Board may from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of the Company.

5. The Dividend Policy and the declaration and/or payment of dividends under the Dividend Policy are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all laws and regulations applicable to the Group.

6. The Board endeavours to maintain a balance between meeting the Shareholders' expectations and prudent capital management with a sustainable dividend policy.

7. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Audit Committee

The Audit Committee currently comprises three members, namely Mr. LAU Siu Ki, Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all of them being independent non-executive Directors. Mr. LAU Siu Ki is the chairperson of the Audit Committee.

The Audit Committee is governed by its terms of reference. The terms of reference are made available on the Company's website (http://electronics.tcl.com) and Hong Kong Stock Exchange's website (http://www.hkex.com.hk). Among others, it is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process, reviewing the financial information of the Company, as well as overseeing the Company's financial reporting system, risk management and internal control systems.

The Audit Committee usually meets to review the Company's interim and annual results and the integrity of the Group's financial statements. In addition, to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditor before the annual audit commences to discuss the nature and scope of the audit and reporting obligations of the Company. The Audit Committee held three meetings during the year of 2023.

The Audit Committee meetings are normally attended by the Company's CFO. When meetings concern the routine finance control, the head of the internal audit department and the head of the risk management department of the Company also attend the meeting to report on the problems identified during the internal control audits (if any) and recommend methods to alleviate and solve the problems identified. The external auditor is often present on discussion of the audit of financial results and audit planning.

The work performed by the Audit Committee during 2023 included consideration of the following matters:

- the integrity, completeness and accuracy of the 2022 annual and 2023 interim financial statements and reports;
- review of the Company's compliance with statutory and regulatory requirements, developments in accounting standards and the effect on the Company;
- review of the effectiveness of the systems of financial controls, internal audit function, internal control and risk management of the Group;
- review of the financial reporting system of the Group;
- review of the risk management and internal control reports of the Company;
- review of the financial and accounting policies and practices of the Group;

- review of the legal department structure of the Group;
- review of the audit fees payable to external auditor, the nature, scope and timetable of the audit for year 2023;
- review of the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards;
- approve the policy on non-audit services of the Group; and
- recommendations to the Board, for the approval by Shareholders, the reappointment of Messrs. Ernst & Young as the external auditor, which the Board agreed and accepted.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee is also supported by the staff of finance department, internal audit department, risk management department and the external auditor.

The Audit Committee recommended to the Board, and the Board agreed and accepted, that subject to Shareholders' approval at the forthcoming AGM, Messrs. Ernst & Young be re-appointed as the Company's external auditor for 2024.

Strategy Committee

The Board established the Strategy Committee on 22 September 2017 with specific written terms of reference. The Board delegated responsibilities to the Strategy Committee for making certain decisions for the management of the Company. In accordance with their terms of reference, members of the Strategy Committee shall be appointed by the Board from amongst the executive Directors only.

As at the date of this annual report, the Strategy Committee comprises three executive Directors, namely, Ms. DU Juan (chairperson), Mr. ZHANG Shaoyong and Mr. PENG Pan.

For details of the Strategy Committee, please refer to the section "Delegation by the Board – Operation" of this Corporate Governance Report on page 65.

The work completed by the Strategy Committee during 2023 included consideration of the following matters:

- approval of any routine matters or matters concerning day-to-day operation of the Group;

- implementing the annual business plan, operating and capital expenditure budgets of the Company as approved by the Board; and

- implementing the strategic plans and long-term objectives as approved by the Board.

Corporate Governance Function

The work completed by the Board during 2023 as part of its corporate governance function included the following:

- reviewing the Company's policies and practices on corporate governance;

- reviewing and monitoring the training and continuous professional development of Directors and senior management;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- reviewing and monitoring the code of conduct applicable to employees and Directors; and

- reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 133 to 138.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 139 to 313 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out on pages 26 to 51 of this annual report.

The management of the Company provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company before approval.

The management of the Company also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Risk Management and Internal Controls

The Board is responsible for overseeing the risk management and internal control systems of the Group on an ongoing basis. The Directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of risk management and internal controls. During the year, the Directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the risk management and internal control system of the Group, including the identification and monitoring of risks, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function and those relating to the Company's ESG performance and reporting, and covering all material controls, including financial, operational and compliance controls.

The Company has adopted a set of risk management and internal control mechanisms and processes to identify, evaluate and properly manage significant risks, to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. Such mechanisms and processes included the review by the senior management of financial budgets, strategic plans and operational reports, regularly reviewing the Group's internal operations and investigating into complaints made internally following guidelines developed internally and implementing disciplinary actions for non-compliance incidents accordingly. Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units.

The Company has assigned different geographical locations in which the Group carries out its business with different risk profile and set different priorities and coverage for its internal control, risk management and internal audit work to be carried out in these locations, which enhances the cost-effectiveness of the Group's internal control, risk management and internal audit work. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness.

Each year, the Audit Committee reviews the findings made by the external auditor in respect of issues encountered by them in preparation of the independent auditor's report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control and risk management report submitted by the Company's internal audit department and risk management department. The Audit Committee then reviews the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The Company has established an internal audit and risk management function. The Company's internal audit department and risk management department independently reviews the effectiveness of the internal controls and risk management, including financial, operational and compliance controls, in the key activities of the Group's business. In accordance with the approved review and audit mechanisms, the heads of the Company's internal audit department and risk management department report to the Audit Committee, and submit regular reports for its review and monitors the effectiveness of the system of internal control and risk management of the Group during the year. In case any material internal control defect is discovered, the Board would require reports on the cause of and proposed solution for remedying the defect be submitted by the internal audit department and risk management department and follow up with the defect until it is resolved.

The Audit Committee has reviewed the effectiveness of the Group's internal control and risk management systems and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and effective. Based on information furnished to them and on their own observations, the Audit Committee and the Board are satisfied with the adequacy and effectiveness of the internal control and risk management system of the Group.

The Company has procedures and internal controls for the handling and dissemination of inside information, including strictly prohibiting unauthorised use of inside information and communication of sensitive information are made on a "need-to-know" basis only. The Group strives to identify inside information and any information which may potentially constitute inside information at the earliest practicable opportunity, which is then assessed and handed to the Board for decision on the need for disclosure. Further, relevant employees of the Group are subject to black-out period prior to the release of the Company's interim and annual results. Inside information and other information which is required to be disclosed pursuant to the Listing Rules and the SFO will be disclosed in accordance with all applicable requirements in due course. Inside information would be kept strictly confidential until such disclosure.

In accordance with the requirements under the CG Code, the Company has consolidated, codified and adopted a whistleblowing policy and an anti-corruption policy in 2022, so as to promote and support anti-corruption laws and regulations and to encourage employees and those who deal with the Company to raise concerns about possible improprieties in any matter related to the Company. Both policies are made available on the Company's website (http://electronics.tcl.com).

Connected Transactions

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to identify and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent Shareholders in accordance with the Listing Rules. The relevant connected persons to which the respective connected transactions relate will be required to abstain from voting in the relevant general meetings. Details of the connected transactions of the Company during the year ended 31 December 2023 are set out in the Report of the Directors in this annual report.

Senior Management's Remuneration

For the year ended 31 December 2023, senior management of the Company comprises three individuals. The senior management's remuneration during the year ended 31 December 2023 falls within the following bands:

Remuneration (per annum) (Note)	**Number of Individuals**
Below HK$500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$7,000,001 to HK$7,500,000	1

Note: The remuneration included salaries, allowances, benefits in kind, discretionary performance related bonuses, long–term incentives and pension scheme contributions.

Auditor's Remuneration

For the year under review, the remuneration for services provided by the auditor is roughly as follows:

Statutory audit services of the Group	HK$11,937,000
Statutory audit services of certain subsidiaries of the Company	HK$3,406,000
Non-audit services (which mainly include taxation compliance, agreed upon procedures and advisory services)	HK$7,156,000
Non-audit service in respect of reviewing continuing connected transactions	HK$480,000

COMPANY SECRETARY

The position of joint company secretaries of the Company is held by Mr. PENG Pan (an executive Director and the CFO of the Company) and Ms. CHOY Fung Yee (a practising solicitor of Hong Kong who is not an employee of the Company). Mr. PENG Pan is also the primary corporate contact person with Ms. CHOY Fung Yee. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) is speedily delivered to Ms. CHOY Fung Yee through the contact person assigned. The joint company secretaries are responsible to the Board and report to the chairperson of the Board from time to time. All Directors have access to the advice and services of the joint company secretaries to ensure that Board procedures, and all applicable laws, rules and regulations are followed.

Each of Mr. PENG Pan and Ms. CHOY Fung Yee is required to take no less than 15 hours of relevant professional training during the year 2023. Each of them has fulfilled the requirement during the year under review.

INVESTOR RELATIONS PROGRAMS

Key Investor Relations Events in 2023

Date	Event	Location
March	2022 annual results presentation	Shenzhen
	Hosted an offline non-deal road show (organised by CICC)	Hong Kong
	Hosted an offline non-deal road show (organised by CICC)	Shenzhen
	Participated in online investor conference (organised by Industrial Securities)	N/A
	Participated in online investor conference (organised by BOC International)	N/A
	Hosted an offline non-deal road show (organised by CITIC Securities)	Beijing
	Participated in offline investor conference (organised by Tianfeng Securities)	Beijing
	Hosted an offline non-deal road show (organised by CICC)	Shanghai
	Participated in offline investor conference (organised by Industrial Securities)	Xiamen
	Hosted an offline non-deal road show (organised by Haitong Securities)	Shanghai
	Hosted an offline non-deal road show (organised by China Securities)	Shanghai
	Participated in online investor conference (organised by Orient Securities)	N/A
	Participated in offline investor conference (organised by Haitong Securities)	Hangzhou
April	Hosted an offline non-deal road show (organised by Industrial Securities)	Singapore
	Participated in offline investor conference (organised by Industrial Securities)	Shenzhen
	Hosted an offline non-deal road show (organised by Kaiyuan Securities)	Shenzhen
May	Participated in offline investor conference (organised by CICC)	Shenzhen
	Participated in offline investor conference (organised by Kaiyuan Securities)	Beijing
	Participated in offline investor conference (organised by China Securities)	Shanghai
	Participated in offline investor conference (organised by Cinda Securities)	Beijing
	Hosted an offline non-deal road show (organised by China Securities)	Shanghai
	Participated in offline investor conference (organised by Goldman Sachs)	Hong Kong
	Participated in online investor conference (organised by Zheshang Securities)	N/A

Date	Event	Location
June	Participated in online investor conference (organised by Guotai Junan Securities)	N/A
	Participated in online investor conference (organised by Minsheng Securities)	N/A
	Participated in offline investor conference (organised by Industrial Securities)	Shanghai
July	Hosted company visit for investors (organised by First Shanghai and Essence International)	Shenzhen
August	2023 online interim results presentation	N/A
	Hosted an offline non-deal road show (organised by CICC)	Hong Kong
	Hosted an offline non-deal road show (organised by CICC)	Shenzhen
	Participated in offline investor conference (organised by Topsperity Securities)	Shenzhen
September	Participated in online investor conference (organised by Industrial Securities)	N/A
	Participated in online investor conference (organised by CITIC Securities)	N/A
	Hosted an offline non-deal road show (organised by CICC)	Shanghai
	Hosted an offline non-deal road show (organised by China Securities)	Shenzhen
	Participated in online investor conference (organised by Guotai Junan Securities)	N/A
	Participated in online investor conference (organised by Merchants Securities)	N/A
	Participated in offline investor conference (organised by Haitong Securities)	Shanghai
	Participated in offline investor conference (organised by Kaiyuan Securities)	Shanghai
	Participated in online investor conference (organised by CITIC Securities)	N/A
	Participated in online investor conference (organised by Zheshang Securities)	N/A
	Participated in online investor conference (organised by Zhongtai Securities)	N/A
	Participated in online investor conference (organised by Guotai Junan Securities)	N/A
October	Participated in online investor conference (organised by Minsheng Securities)	N/A
	Hosted company visit for investors (organised by Founder Securities)	Huizhou
	Participated in online investor conference (organised by Essence International)	N/A
	Participated in offline investor conference (organised by Zheshang Securities)	Shenzhen
November	Participated in offline investor conference (organised by Founder Securities)	Changsha
	Participated in offline investor conference (organised by Cinda Securities)	Chengdu
	Participated in online investor conference (organised by Guotai Junan Securities)	N/A
	Participated in offline investor conference (organised by CITIC Securities)	Guangzhou
	Participated in online investor conference (organised by Guolian Securities)	N/A
December	Hosted an offline non-deal road show (organised by China Securities)	Shanghai
	Participated in online investor conference (organised by China Securities	N/A
	Participated in offline investor conference (organised by Tianfeng Securities)	Shenzhen
	Participated in online investor conference (organised by Topsperity Securities)	N/A
	Participated in online investor conference (organised by Haitong Securities)	N/A
	Hosted an offline non-deal road show (organised by Tianfeng Securities)	Hong Kong
	Participated in online investor conference (organised by Guojin Securities	N/A
	Participated in online investor conference (organised by Guotai Junan Securities)	N/A

Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings

The Company has formulated and adopted a shareholders' communication policy (as amended from time to time) to ensure the Shareholders are provided with ready, equal and timely access to balanced information about the activities of the Company in order to enable Shareholders to exercise their rights and to engage with the Company in an informed manner. The Board has taken appropriate steps to provide effective communication with Shareholders.

All published corporate information, including all the statutory announcements, annual and interim reports, corporate presentation and press releases, is promptly posted on the Company's website at http://electronics.tcl.com. Shareholders may raise enquiries, suggestions or their views on the Company to the Board or management of the Company by sending an email to hk.ir@tcl.com, which will be promptly handled and directed by the Company's dedicated investor relations team. The investor relations team takes a proactive approach to communicate with existing and potential investors, Shareholders and stakeholders in a timely manner by various means including making regular face-to-face meetings and conference calls in order to solicit and understand their views. Shareholders can also send proposals to be put forward at Shareholders' meetings to the Board or senior management by contacting the investor relations team by sending an e-mail to hk.ir@tcl.com, or directly through the questions and answers session at Shareholders' meetings or press conference. Shareholders who wish to move a resolution may also request the Company to convene a general meeting following the procedures set out in the section headed "Shareholders' Rights to Convene an EGM" below.

The general meetings of the Company provide the best opportunity for communication between the Board and the Shareholders. The Company complies with the required notice periods for general meetings under the applicable laws, rules and regulations.

The chairperson of the Board and the respective chairperson of the Remuneration Committee, the Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are available to answer questions at the Shareholders' meetings.

The external auditor of the Company, Messrs. Ernst & Young, also attends the AGM to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor independence.

The Board has reviewed its prevailing shareholders' communication policy during the year, and believes that, in light of the multiple channels of communication and engagement in place as stated above, the current shareholders' communication policy of the Company has been properly implemented during 2023 and is effective.

Voting by Poll

The Company states in each relevant corporate communication that the Shareholders shall vote by poll so as to allow the Shareholders to have one vote for every Share held. The chairperson of the meeting would explain the voting procedures and answer any questions from the Shareholders regarding voting by poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Hong Kong Stock Exchange and the Company respectively on the same day when the general meetings were held.

Shareholders' Rights to Convene an EGM

Under article 72 of the Articles, general meetings shall also be convened on the written requisition of any one or more members of the Company holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, in the issued share capital of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, provided that any meeting so convened must be a physical meeting at only one location and shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Constitutional Documents

There was no change to the Company's constitutional documents in 2023.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency possible. Relevant corporate information including annual and interim reports, statutory announcements, corporate presentation and press releases, is disclosed in a timely manner and is available on the Company's website (http://electronics.tcl.com). Enquiries can also be sent to the Board or senior management by contacting the investor relations team via e-mail to hk.ir@tcl.com, or directly through the questions and answers session at Shareholders' meetings or press conference.

HUMAN RESOURCES

Human resources management is of critical importance to the success and sustainability of any organisation. In 2023, the Group carried out a series of human resource management initiatives on the basis of its development strategy and working theme to foster the growth of our employees, which provided direct and effective support to the Group's strategy and its performance.

1. Basic Profile of Human Resources

As at 31 December 2023, the total number of employees was 24,620. The distribution was as follows:

By gender:	
Male	14,397
Female	10,223
By geographical region:	
Chinese Mainland	20,436
Regions other than Chinese Mainland (including Hong Kong)	4,184

2. Major Accomplishments in Human Resources

In order to support the development strategy of the Group, we continuously endeavoured to optimise our talent structure and increase the efficiency of its talents. As such, a series of proactive measures to strengthen areas including appraisals and incentives, recruitment of talents, and talent nurturing and development were adopted as follows:

In respect of performance appraisals and incentives, the Group continued to optimise its performance management and remuneration and incentives systems in 2023. Clear objectives, effective appraisal systems and timely feedback and reward measures were established to enhance the working efficiency of our staff and overall results, which continued to inject new driving force into the long-term development of the Group. Through implementing targeted bonus schemes for business lines, the integration of frontline and back-office support was further strengthened based on the principles of profit sharing arising from value creating and more rewards for more work. The Group also focused its resources on motivating key projects including sales breakthrough and technological innovation, so as to improve retail capabilities, product competitiveness and technological innovation capabilities to support the long-term sustainable development of the Group.

In terms of long-term incentives, the Group developed and implemented a long-term profit-sharing scheme for senior management and key personnel on a principle of responsibility and profit sharing to strengthen the retention and motivation of outstanding talents. In 2023, the Group continued to optimise its performance management system and process with a more impartial and scientific appraisal system, which serves as a strong guarantee for staff occupational development and corporate development. In addition, the Company adopted the 2023 Share Option Scheme and 2023 Share Award Scheme on 3 November 2023, further aligning the interest of the Company and employees and promoting the long-term performance (whether in financial, business and operational aspects) of the Company.

In terms of talent recruitment, the Group acted on its strategic business plan and the philosophy of achieving global leadership by building a globalised organisation with top talents while emphasising business development. By pooling global talents through a diversified, scientific and efficient talents recruitment channel, we strategically recruited talents in such key areas as mid-to-high-end breakthrough, global operation and innovative business. In 2023, the Group recruited 1,923 talents, of whom 1,582 were from open recruitment and 341 from universities. Over 82% of the talents recruited have a bachelor's degree or above, and the majority are talents in terms of technology and business such as R&D, marketing and sales.

With regard to talent nurturing and development, the Group actively carried out talents reviews, and based on review results, established a talent pool in each function and expand the talent base. We also established a high-potential talent rotation mechanism and continuously improved accreditation system for key position qualifications. As such, clear career development paths for our staff were laid out, the vitality of our talents was stimulated, and the talent structure was aligned with the Group's strategy, contributing to its high-quality development. Meanwhile, as the process of globalisation accelerated, the Group launched the "Eagle Program" for high-potential and development programs for incumbent and professional talents based on the needs of business development and talent reserve. Specialised programs targeting the development of key talents in overseas markets, product and R&D and supply chain were launched, with an objective to enhance the employees' international perspectives, operational philosophy, management skills, customer-oriented thinking and innovative ideas, thereby laying a solid foundation of talents for the long-term development of the Group whilst meeting its current business needs.

SOCIAL RESPONSIBILITY

In 2023, the Group continued to attach great importance to its social responsibility, and contributed to the society with concrete actions including actively organising and participating in educational support, charity activities and school-enterprise cooperation.

1. Charitable Funds

1.1 Shenzhen TCL Foundation

The Shenzhen TCL Foundation ("TCL Foundation") was formally founded in June 2012, and was rated an AAAA-grade social organisation of Shenzhen in 2020. TCL Foundation focuses on four major areas, namely technology, education, culture and sports, and directed support. Drawing on TCL's leading technology, TCL Foundation explored the integration of technology and charity mobilised high-quality education resources to pave the way for the growth of the young, promoted the spirit of innovation in culture and sports for the dissemination of the value of charity, and sustained directed support initiatives to assist in developing a fair and harmonious society.

Leveraging on the power of technology, the TCL Foundation promoted the sharing of educational resources and information-based education by making donations for the construction of TCL smart classrooms in urban and rural areas, which are equipped with TCL smart blackboards, education tablets, eye-protection lights, air-conditioners and other TCL smart education devices and software. Bolstered by a new generation of information technology, the smart classrooms broke down the physical boundaries and space of conventional schools by building an immersive and intelligent teaching and learning environment, creating a classroom dedicated to realising the true meaning of "attending the same lesson", and achieving the sharing of educational resources. The smart classrooms have been put into use in four schools in Guangdong and Guangxi, benefitting over 5,800 students. The TCL photovoltaic low-carbon campus project promoted energy transition to empower green development and fostered the continuous development of the education industry. The project has made donations for the construction of 20 photovoltaic low-carbon campuses in rural and urban areas across the country, with a total installed capacity of 1,218.15kW. The installed photovoltaic power stations can provide 40.71 million kWh of green power during their life cycle, equivalent to saving approximately 13,077 tonnes of standard coal, reducing approximately 32,257 tonnes of carbon dioxide emissions, and planting 1.75 million trees. The Home A.I. program utilised AI technology to develop and design the Eagle Story-Telling Machine, enabling children to experience a joyful growth by the use of AI technology. The project has distributed nearly 300 sets of Eagle Story-Telling Machines to children left behind in rural areas or with no fixed place of abode. The "Eagle Story Club", an extended program of the project, established 68 rural pilot schools across 21 provinces in the country with over 26,000 beneficiaries. The Eagle Listening WeChat mini program, which is developed by TCL Foundation and empowered by AI technology, is able to customise parents' voice and equipped with story-telling and music playing functions, attracting nearly 7,000 active users.

The TCL universities donation system consists of TCL Science and Technology Innovation Fund, TCL Young Scholar Program and Huameng Scholarship, providing fund to scientific research projects at the top, followed by young scholars, and the largest group being university students, forming a “pyramid” shaped structure. Such system has covered 7 renowned universities in China and supported higher education institutions for the cultivation of more talents in technological innovation for society. TCL Foundation and Southern University of Science and Technology (SUST) jointly launched the SUST-TCL Grand Lecture on Innovation and Entrepreneurship, which is aimed to become an influential platform for innovation and entrepreneurship exchanges in the Greater Bay Area and even across China, contributing to the nurturing of young scientific and technological talents. As at 31 December 2023, the SUST-TCL Grand Lecture on Innovation and Entrepreneurship invited experts and scholars including ZHANG Weiying, JIN Li and NING Gaoning to hold 22 feature lectures. At the early days after its establishment, TCL Foundation set up the TCL Hope Project Candlelight Award Program, a charitable project for teachers in village schools. Since the implementation of the program in 2013, it has been held for 9 years with applicants from 523 counties in 23 provinces across China, and over 3,400 outstanding teachers from over 3,000 rural schools were awarded, with a total investment of over RMB46,000,000. In order to support the educational development in Shenzhen, TCL Foundation has set up primary and secondary education donation programs in Shenzhen Middle School, Shenzhen Middle School Nanshan Innovation School, and Shenzhen Nanshan District Second Foreign Language School (Group), rewarding students with outstanding character and academic performance and demonstrating an all-rounded development, as well as and teachers with professional ethics and dedicated to education.

TCL Foundation held a total of 5 TCL Salut d’Amour candlelight charity concerts, delivering love and sincerity through music with over one thousand beneficiaries. Two charity creativity contests for TCL staff were held to spread the charity culture among TCL. In the contests, 23 charitable projects were planned and run by our staff, benefitting over 120,000 people. The Little Musician+ program focused on the artistic development of children and has rolled out the Xiaoxue music box. Its extended program, Xiaoxue Music Lesson, has been launched in 69 rural pilot schools across 18 provinces in China, and has distributed 330 Xiaoxue music boxes to over 21,000 students. TCL Foundation has constantly provided directed support to those in need and has been committed to targeted poverty alleviation, rural revitalisation, disaster relief and education assistance, making active contribution to building a fair and harmonious society.

In 2023, the expenditure on charity undertakings of TCL Foundation amounted to approximately RMB56,603,000. The TCL Foundation is ready to collaborate with more organisations in the future to promote the development of charity cause and social progress.

1.2 Huameng Charity Foundation

In 2007, Mr. LI Dongsheng, the founder of TCL, and his wife Ms. WEI Xue established Huameng Fund under the China Youth Development Foundation and set up Huameng Charity Foundation in 2021. Huameng takes the meaning of "Love for China's children", and has always been committed to the educational development of China with an aim to provide fair educational opportunities. From scholarship funding to professional music courses, Huameng has closely followed the national policies of supporting education to focus on and gradually enhance the development of quality education through key project including "Huameng Classroom", "Music, Dream & Exchange", and "Huameng Scholarship". As at 31 December 2023, Huameng has sponsored more than 1,400 students, with an accumulated investment in the educational area reaching approximately RMB80 million.

Huameng Classroom has sponsored more than 1,200 students with outstanding character and academic performance; Huameng Scholarship has sponsored over 200 top-performing university students; Music, Dream & Exchange project has sponsored 18 remarkable music students at home and abroad. In order to enhance the comprehensive quality of students sponsored by Huameng and help them achieve an all-rounded development, Huameng organised a number of pioneering activities including the Huameng Alumni Association Youth Exchange Trip, Huameng Summer Camp, Huameng Starry Classroom and Graduation Party.

1.3 TCL Electronics Mutual Aid Fund

The Group is dedicated to building a mutual aid platform internally for caring for our employees, alleviating poverty and relieving distress of employees. To boost the team spirit of "Assistance for Those in Need, Mutual Help and Dedication with Love", the spirit of humanity and the corporate culture of people-orientation among the employees, TCL Electronics Mutual Aid Fund, with the donation and support from Dr. TSENG Shieng-chang Carter (an independent non-executive Director) and others, was set up. Established in August 2012, TCL Electronics Mutual Aid Fund is an organisation managed by employees under the Group's Union Association and is dedicated to assisting employees or families suffering from serious illness or major disasters. Since its founding, TCL Electronics Mutual Aid Fund has been rendering assistance to employees. In 2023, the total donation amounted to approximately RMB145,000.

TCL Electronics Mutual Aid Fund also fulfilled its corporate social responsibility by supporting the education and development of the first-generation university students from impoverished families through the “Tomorrow-iCAN” campaign for 10 consecutive years. By the end of 2023, approximately RMB1,520,000 was raised by the fund. The TCL-TV laboratory jointly planned and designed by the Group and Shenzhen Shekou Yucai Education Group (“Yucai Group”) was put into use in 2020, and a sponsoring amount of approximately RMB300,000 went to Yucai Group for sports facilities and activities in 2023. More such activities will be held in the future, while more new charitable projects will also be launched to support more children to receive quality education. In 2023, TCL Electronics Mutual Aid Fund organised a mountain cleanup hiking campaign with more than 200 employees participating in Shenzhen, Huizhou, Zhongshan and Hefei to call for the care and protection of the environment and nature, which was widely covered by various media in China. In addition, in order to expand the coverage of the fund, a fundraising event was organised on Children’s Day on 1 June to help children pursue their dreams. In addition, a team of volunteers was arranged to give out Dragon Boat Festival gifts to the elderly who lives alone. Clothes donation, walk-to-donate, street cleaning, blood donation and other charitable activities were carried out by the fund. In 2023, TCL Electronics Mutual Aid Fund sponsored over 50 children with special needs and more than 500 people in impoverished mountainous areas, with a total investment of approximately RMB800,000.

2. School-enterprise Cooperation

In 2023, TCL Electronics continued to strengthen its cooperation with scientific research institutions, higher education institutions and other educational organisations, and was committed to realising the efficient industrial application of cutting-edge technological research results from universities. Currently, we are collaborating with Zhejiang University, South China University of Technology, and Jiangnan University in laboratory applications, and established TCL training bases for university talents with South China University of Technology, Sichuan University, Hunan University, Central South University, Chongqing University, and Huazhong Agricultural University. By a concerted use of universities and enterprises resources, we continued to nurture talents for technological innovation to promote regional employment and economic development.

Campus recruitment, which undertakes the important mission of introducing outstanding young talents all over the world, is not only an important program to achieve a younger talent composition, but also a strategic program to cultivate next-generation personnel for TCL. Campus recruitment is an important channel to introduce high-quality talents into corporations, enabling greater vitality for the organisation. In 2023, the Group together with its fellow subsidiaries under TCL Industries Holdings jointly organised spring and autumn campus recruitment campaigns including 4 on-air promotional live broadcasts with a total of 85,000 attendees. We launched school recruitment fairs in key recruiting cities and higher education institutes and organised offline talks in 73 schools across 14 cities with over 7,500 attendees, promoting the employment of graduates and recruiting high quality talents for the Group. In 2023, we held talent seminars at Peking University, Nanjing University, South China University of Technology and Jilin University in the form of innovative speeches and interviews, strengthening the connection between the Group and students and enhancing the influence of campus recruitment.

3. Environmental Protection

The Group strives to achieve environmental sustainability and incorporates its philosophy of corporate social responsibility into daily operations. The Group operates its in-house manufacturing facilities in compliance with all applicable local environmental regulations.

The Group calls for protecting the environment and implements a fine-tuned strategy to shoulder its environmental, social, and ethical responsibility and improve corporate governance in order to create greater value for all of the Group's stakeholders including Shareholders, customers, employees, as well as the communities where it operates. Furthermore, the Group remains steadfast in its commitment to upholding a responsible approach toward its employees, customers and the environment. Throughout the product manufacturing process from sourcing raw materials to delivering finished goods, we meticulously regulate and oversee toxic and hazardous substances, which are prohibited throughout the manufacturing process from production packaging, distribution and marketing so as to prevent any matter that is harmful to the health of employees and consumer safety, damages natural environment or may lead to other serious consequences.

The ESG Report of the Company for the year ended 31 December 2023 prepared in accordance with Appendix C2 to the Listing Rules will be published separately pursuant to the requirements under Appendix C2 to the Listing Rules.

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is engaged in display, innovative and internet businesses as disclosed in the section headed "Management Discussion and Analysis". The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year ended 31 December 2023.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 139 to 313.

The Board has proposed a final dividend for the year ended 31 December 2023 of HK16.00 cents in cash per share (31 December 2022: HK12.70 cents) out of the share premium account of the Company.

Subject to (i) Shareholders' approval at the forthcoming AGM to be held on 20 May 2024, Monday, and (ii) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, and immediately after the final dividends are paid, will be unable to pay its liabilities as they become due in the ordinary course of business, the said final dividend will be payable on or about 31 July 2024, Wednesday to Shareholders whose names appear on the register of members of the Company on 9 July 2024, Tuesday.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 314. This summary does not form part of the audited financial statements.

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, not later than 4:30 p.m. on 13 May 2024, Monday for registration. Members of the Company whose names are recorded in the register of members of the Company on 13 May 2024, Monday are entitled to attend and vote at the forthcoming AGM.

The record date for determining the entitlements of Shareholders to the proposed final dividend is 9 July 2024, Tuesday. In order to qualify for the proposed final dividend, all transfers of Shares 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 8 July 2024, Monday. The Hong Kong register of members of the Company will be closed on 9 July 2024, Tuesday, on which no transfer of the Shares may be registered.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out in the section headed "Management Discussion and Analysis" on pages 26 to 51 of this annual report. Discussions on non-financial performance including human resources management initiatives, the key relationships with its employees, and the Group's environmental policies and performance are disclosed in the section headed "Human Resources and Social Responsibility" of this annual report. Those discussions form part of this Report of the Directors. Key relationships with customers and suppliers are disclosed in the section headed "Major Customers and Suppliers" in this Report of the Directors. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Group, discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, particulars of important events affecting the Group that have occurred since 1 January 2024 and up to the date of this annual report, and an indication of the outlook and future development of the business of the Group, are set out under the sections headed "Chairperson's Statement" and "Management Discussion and Analysis" of this annual report. Those discussions also form part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

In the face of complex and changing internal and external environments and risks, the Group strictly complies with the requirements of various laws and regulations, continuously improves the Group's governance structure, enhances the Group's operating standards, strengthens the internal control system, and effectively prevents and controls various risks with an aim to ensure the sustainable, stable, and sound development of the Group.

Headquartered in the PRC, the Group is a world-leading consumer electronics company that covers display, innovative and internet businesses. Manufacturing and production is one of the most important parts of the Group's business. The Group has complied with regulations related to production and occupational safety, including but not limited to the Fire Protection Law of the PRC, the Law of the PRC on Work Safety and the Law of the PRC on the Prevention and Control of Occupational Diseases.

The Group maintains the occupational safety of employees mainly by the following methods: weekly inspection of safety production risks including risks of fire, piling up of hazardous materials, and electricity, regular disinfection of workplace and physical examination for employees by professional medical institutions, automatisation of factories to replace dangerous operation by machines to prevent employees from injury.

The Group has also complied with regulations related to production, manufacturing and emission, including but not limited to the Environmental Protection Law of the PRC. The Group carries out supervision mainly by the following methods: regular commissioning of professional institutions to monitor the indicator(s) of pollution discharge so as to meet the national standard, careful storage and isolation of dangerous materials, as well as strict selection of suppliers to source and prioritise materials that meet the EU REACH and RoHS standards.

As at 31 December 2023 and up to the date of this annual report, the Board was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on the Company.

SIGNIFICANT RISKS AND UNCERTAINTIES

Some significant risks and uncertainties affecting the Group are outlined below. They are not exhaustive and there may be other additional risks and uncertainties which are now unknown or immaterial to the Group but could become material in future.

Market Environment

Due in part to geopolitical tensions and unpredictable variables, and despite a decline in energy prices that exceeded projections and global central banks' interest rate hikes which to a certain extent alleviated inflationary pressures, the global macro-economic outlook remained uncertain in 2023. Looking at the industry, the trillion-yuan home appliance market remained stable. Nevertheless, global TV shipments did not experience a rebound, with a year-on-year decline of 0.9% in 2023. The downturn was evident in regions including the PRC, Japan and Europe, while North America and emerging markets saw a revival in demand. The overall trajectory for the TV sector was a steady yet modest contraction. However, there was a marked surge in demand for mid-to-high-end TVs, leading to increased market consolidation as top brands fortified their positions. Burgeoning sectors such as new energy demonstrated robust growth, with newly installed capacity of the distributed photovoltaic industry in the PRC increasing 88.5% year-on-year to 96.3 gigawatts in 2023[26].

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 Global Efficiency in Operations, Driven by Technology and Paramount Vitality". 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.

[26] Source: National Energy Administration of the PRC.

Raw Materials

Panels are an important raw material to the Group's TV and mobile communication products and hence the Group's business is dependent on its availability and price.

To better control the risk, the Company maintains good relationships with its suppliers (as more specifically discussed in the section headed "Major Customers and Suppliers" below in this Report of the Directors). Further, the Group has been and will continue to pursue synergies with multiple industries of TCL Industries Holdings Group and TCL Technology Group and leverage the advantages of an integrated industrial chain through the long-term relationship with CSOT (which is a major panel supplier in the PRC) to capitalise opportunities arising from the revolution of the industry and to establish an eco-system enterprise based on smart screen. In addition, while consolidating and expanding our existing smart screen business, we will actively diversify our business to develop communications, commercial display, and photovoltaic businesses through investments, mergers and acquisitions, and restructuring to explore new business growth opportunities. Further discussion in this aspect has been set out under the sections headed "Chairperson's Statement" and "Management Discussion and Analysis" of this annual report.

Technological Development

The market is rapidly evolving and subject to continuous technological development. The Group's success will depend on its ability to keep up with the changes in technology. If the Group fails to adapt its products and services to such changes in an effective and timely manner, it could adversely affect its business, financial condition, and results of operations.

Therefore, the Group will maintain high R&D investment, attach great importance to product innovation and continue adjusting the product mix to develop high-end display technologies such as Mini LED, QLED, and 8K. At the same time, the Group will plan ahead in the field of intelligent interaction, vigorously explore cutting-edge technologies such as AI, internet-based big data, 5G, and intelligent manufacturing, and further enhance the core technology competitiveness of the Group.

Policy Regulatory Risks

Despite the continuous expansion of the Group's business in the PRC and abroad, multiple factors such as evolving international trade policies, increasingly stringent regulatory environments in various countries, and changing international political situations have exposed the Group to more severe trade, compliance, and political risks (including geopolitical risks), mainly manifested as trade policy risks, export and sanctions compliance risks, supply chain compliance risks, anti-bribery risks, privacy protection, cyber security and other compliance risks, as well as risks associated with political uncertainty.

The Group has always been committed to strictly complying with applicable laws and regulations, establishing relevant management units and departments to study and judge laws, regulations and market rules, and setting up key compliance management systems within the Group. A wide range of compliance management and control methods such as emphasis from the management, construction of organisational structure, publication of policies, built-in processes, training and publicity, inspection and auditing are in place to manage and control related risks in a systematic manner. On one hand, the Group will actively follow the updates in relevant laws, regulations and policies, broaden and strengthen the existing compliance management system through political risk prevention and early warning to improve crisis response capabilities. on the other hand, the strength of global layout will be fully leveraged and production capacity layout and supply chain system will be optimised to mitigate the negative impact of policy regulatory risks on the Group's business.

Financial Risks

Further discussions on the financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk, that would affect the business operations of the Group, the potential financial impact, and measures taken to manage those risks are disclosed in note 48 to the financial statements.

PROPERTY, PLANT, AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND SHARE AWARDS

Details of movements in the Company's share capital (including issue of Shares), share options, and share awards during the year, together with the reasons thereof are set out in notes 36 and 37 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or Cayman Law which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION, OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sale by the Company, or any of its subsidiaries, of listed securities of the Company during the year ended 31 December 2023.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 49 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company had an aggregate of HK$4,212,723,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents a premium arising from the issue of Shares, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the Articles and Cayman Law. Subject to compliance with the applicable requirements under Cayman Law, the share premium may be applied for payment of dividend by the Company. After the transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company out of its share premium account would be HK$4,951,659,000.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group made charitable contributions totaling approximately HK$10,661,000.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	12%
– the five largest suppliers combined	29%

Sales

– the largest customer	12%
– the five largest customers combined	28%

The Group recognises that maintaining good and stable relationship with suppliers, customers, and business partners is key to the sustainable development of the Group. The Group also endeavours to maintain reliable business relationships with its major suppliers and customers which have been cooperating with the Group for a long time.

Major Customers

The Group's major customers are all from consumer electronics industry, which is characterised by its cycle of integration and intensified competition. Any loss of or changes in market position of any of these customers may materially and adversely affect the business, financial conditions, and operating results of the Group. In light of this, the Group adopts the following strategies to reduce the risk from reliance on one single customer. On the one hand, the Group strengthens the relationship with its existing customers, which have made relatively stable contribution to the revenue of the Group. On the other hand, the Group endeavours to expand its business and acquire new customers by improving its product mix and integrating its industry chain. Further discussion in this aspect has been set out in the section headed "Management Discussion and Analysis" of this annual report.

The Group's credit terms with its customers including credit period are disclosed in 23 to the financial statements. Each customer has a credit limit depending on its size and credibility. The Group also maintains credit insurance for trade receivables from customers.

Major Suppliers

There are numerous suppliers providing materials required for the Group's production and other business operations. The Group adopts multiple sourcing policies and strategic inventory management to ensure sufficient supply of materials for production.

The Group has fully capitalised on its robust brand influence and channel advantages to proactively expand its global layout and accelerate the distribution of smart all-category products to international markets through purchasing air conditioners, refrigerators and washing machines from TCL Industries Holdings Group. We also takes advantage of the online channel of TCL Industries Holdings Group in the PRC to enhance its overall distribution scale. Thus, three of the five largest suppliers and one of the five largest customers of the Group are subsidiaries of TCL Industries Holdings.

Notwithstanding the respective interests and/or roles of certain Directors in TCL Industries Holdings, specifically as at 31 December 2023, (i) Ms. DU Juan was also a director and the CEO of TCL Industries Holdings; (ii) Mr. WANG Cheng was also a director of TCL Industries Holdings; (iii) Mr. PENG Pan was also the CFO of TCL Industries Holdings; and (iv) Mr. SUN Li was also the CTO of TCL Industries Holdings, as their respective direct or indirect interests in TCL Industries Holdings were insignificant, none of them was considered as having a material interest in those subsidiaries of TCL Industries Holdings.

One of the five largest suppliers of the Group is a subsidiary of TCL Technology, which is a major panel supplier in the PRC. As at 31 December 2023, (i) Mr. WANG Cheng was also a director and the COO of TCL Technology; and (ii) Mr. YAN Xiaolin was also the CTO of TCL Technology. As their respective direct or indirect interests in TCL Technology were insignificant, none of them was considered as having a material interest in that subsidiary of TCL Technology. Mr. WANG Cheng and Mr. YAN Xiaolin have resigned as the Directors with effect from 28 March 2024.

Save as aforesaid, none of the Directors, their close associates or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors:
Ms. DU Juan
Mr. ZHANG Shaoyong (appointed as an executive Director with effect from 28 March 2024)
Mr. PENG Pan (appointed as an executive Director with effect from 1 October 2023)
Mr. SUN Li (re-designated from a non-executive Director to an executive Director with effect from 28 March 2024)
Mr. HU Dien Chien (resigned as an executive Director with effect from 1 October 2023)
Mr. YAN Xiaolin (resigned as an executive Director with effect from 28 March 2024)

Non-executive Directors:
Mr. LI Yuhao
Mr. WANG Cheng (resigned as a non-executive Director with effect from 28 March 2024)

Independent Non-executive Directors:
Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang
Mr. LAU Siu Ki

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

In accordance with Article 116 of the Articles, at each AGM, not less than one-third of the Directors for the time being shall retire from office by rotation and, under the corporate governance code adopted by the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. All retiring Directors shall be eligible for re-election. Accordingly, Ms. DU Juan and Mr. LAU Siu Ki, being eligible, will offer themselves for re-election at the AGM, whereas Mr. LI Yuhao has indicated that he will retire from office as a non-executive Director with effect from the conclusion of the AGM and will not offer himself for re-election to devote more time to focus on his other career developments and work arrangements.

Each of Mr. PENG Pan and Mr. ZHANG Shaoyong was appointed as an executive Director to fill casual vacancy on 1 October 2023 and 28 March 2024, respectively. Each of them shall hold office until the AGM (being the first AGM after their respective appointment) and is subject to re-election by Shareholders at the AGM.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT, AND THE FIVE HIGHEST PAID EMPLOYEES

Particulars of the remuneration of the Directors, senior management, and the five highest paid employees (including senior management) during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 52 to 87 of this annual report for the Group's emolument policy and long-term incentive schemes together with the basis for determining the remuneration payable to the Directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements.

DIRECTORS' BIOGRAPHIES

Biographical details of Directors are set out on pages 16 to 25 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this Report of the Directors, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies, or fellow subsidiaries was a party during the year ended 31 December 2023.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this Report of the Directors, no contract of significance was entered into among the Company or any of its subsidiaries and the controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries during the year ended 31 December 2023.

CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of the Directors have been changed in the following respect since the publication date of the 2023 interim report of the Company up to 19 April 2024, being the latest practicable date for ascertaining information for the purpose of this section, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Effective Date	Change
29 December 2023	Mr. LAU Siu Ki resigned as an independent non-executive director, the chairperson of the remuneration committee and a member of each of the audit committee and nomination committee of COMBA TELECOM SYSTEMS HOLDINGS LIMITED (a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2342) and the Singapore Stock Exchange (stock code: STC)).
28 March 2024	Mr. LAU Siu Ki resigned as an independent non-executive director, the chairperson of each of the audit committee and remuneration committee and a member of the nomination committee of the IVD Medical Holding Limited (a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1931)).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company – Long Positions

Name of Directors and chief executive	Capacity	Number of ordinary Shares interested or deemed to be interested		Number of underlying Shares interest or deemed to be interested under equity derivatives (Note 2)	Total	Approximate percentage of the number of issued Shares (Note 3)
		Personal interests	Other interests (Note 1)	Personal interests		
Directors						
DU Juan	Beneficial owner	1,364,075	–	–	1,364,075	0.05%
YAN Xiaolin	Beneficial owner	1,197,517	1,016,452	654,834	2,868,803	0.11%
WANG Cheng	Beneficial owner	6,270,950	2,204,884	4,692,861	13,168,695	0.53%
SUN Li	Beneficial owner	878,778	728,568	–	1,607,346	0.06%
LI Yuhao	Beneficial owner	24,000	–	–	24,000	0.001%
WANG Yijiang	Beneficial owner	44,312	–	116,442	160,754	0.01%
LAU Siu Ki	Beneficial owner	44,778	–	236,301	281,079	0.01%
Chief executive						
ZHANG Shaoyong	Beneficial owner	1,894,704	1,469,922	381,747	3,746,373	0.15%

Notes:

1. These interests are restricted shares that have been granted to the relevant Directors and/or chief executive under the 2008 Share Award Scheme and were not vested as at 31 December 2023.

2. These equity derivatives were outstanding share options granted to the relevant Directors and/or chief executive of the Company under the 2016 Share Option Scheme as at 31 December 2023.

3. The percentages are calculated based on the number of issued Shares as at 31 December 2023, i.e. 2,507,568,733 Shares.

Save as disclosed above, as at 31 December 2023, none of the Directors and/or chief executives of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long Position in Shares

Shareholders	Capacity	Number of Shares held	Percentage of the number of issued Shares (Note 1)
TCL Industries Holdings (Note 2)	Interest of controlled corporation	1,374,856,288 (Note 3)	54.83%
WANG Jingbo	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
ZENG Edward Qiang	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
Noah Holdings Limited	Interest of controlled corporation	342,850,000 (Note 5)	13.67%
Shanghai Noah Investment Management Co., Ltd* (上海諾亞投資管理有限公司)	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
諾亞正行基金銷售有限公司	Interest of controlled corporation	342,850,000 (Note 5)	13.67%

Shareholders	Capacity	Number of Shares held	Percentage of the number of issued Shares (Note 1)
China Bridge Capital Management Co., Ltd* (北京鑫根投資管理有限公司)	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
歌斐創世鑫根併購一號投資基金	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
歌斐創世鑫根併購基金F投資基金	Interest of controlled corporation	342,850,000 (Note 6)	13.67%
Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司)	Interest of controlled corporation	342,850,000 (Note 7)	13.67%
Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司)	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
Leshi Internet Information and Technology Corp., Beijing* (樂視網信息技術(北京) 股份有限公司)	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
深圳市樂視鑫根併購基金投資管理企業(有限合夥)	Interest of controlled corporation	342,850,000 (Note 4)	13.67%
深圳市樂視鑫根併購基金投資管理有限公司	Interest of controlled corporation	342,850,000 (Note 4)	13.67%

Notes:

1. The percentage in respect of the interest of the relevant substantial Shareholder was calculated based on the number of Shares and underlying Shares in which such substantial Shareholder was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange against the number of issued Shares as at 31 December 2023, being 2,507,568,733 Shares in issue.

2. As at 31 December 2023, the following Directors were directors/employees of a company who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

   (a) Ms. DU Juan was also a director and the CEO of TCL Industries Holdings;

   (b) Mr. PENG Pan was also the CFO of TCL Industries Holdings;

   (c) Mr. WANG Cheng was also a director of TCL Industries Holdings; and

   (d) Mr. SUN Li was also the CTO of TCL Industries Holdings.

3. As at 31 December 2023, TCL Industries Holdings was deemed to be interested in 1,374,856,288 Shares held by T.C.L. Industries (H.K.).

4. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), 342,850,000 Shares were held by Zeal Limited, a 100% controlled corporation of 深圳市樂視鑫根併購基金投資管理企業(有限合夥), which was in turn indirectly held as to (i) 0.1% by Mr. ZENG Edward Qiang through China Bridge Capital Management Co., Ltd.* (北京鑫根投資管理有限公司); (ii) 60.41% by Ms. WANG Jingbo through Shanghai Noah Investment Management Co., Ltd.* (上海諾亞投資管理有限公司), Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司) and 歌斐創世鑫根併購一號投資基金. Leshi Internet Information and Technology Corp., Beijing (樂視網信息技術(北京)股份有限公司) was interested or deemed to be interested in the 342,850,000 Shares through the corporation(s) controlled by it.

5. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), 諾亞正行基金銷售有限公司 was interested or deemed to be interested in the 342,850,000 Shares as a beneficiary of a trust, and Noah Holdings Limited was deemed to be interested in such Shares through its indirect 100% interest in 諾亞正行基金銷售有限公司.

6. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), 歌斐創世鑫根併購基金F投資基金 was deemed to be interested in 342,850,000 Shares through its 65.23% indirect interest in 歌斐創世鑫根併購一號投資基金.

7. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司) was interested or deemed to be interested in the 342,850,000 Shares as a beneficiary of a trust.

Save as disclosed above, as at 31 December 2023, no person, other than the Directors and chief executive of the Company whose interests or short positions are set out in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had notified the Company of an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections under the headings "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "SHARE AWARD SCHEMES" in this Report of the Directors, at no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies, or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company adopted the 2016 Share Option Scheme on 18 May 2016. Following the amendments of Chapter 17 of the Listing Rules which has taken effect on 1 January 2023, the 2023 Share Option Scheme was adopted and the 2016 Share Option Scheme was terminated on 3 November 2023. Set out below is a summary of the 2016 Share Option Scheme and 2023 Share Option Scheme.

Summary of the 2016 Share Option Scheme

The purpose of the 2016 Share Option Scheme is to recognise and motivate the contribution of the participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Eligible participants of the 2016 Share Option Scheme include Directors, including independent non-executive Directors, other employees of the Group, advisers, consultants, agents, contractors, clients or suppliers of any member of the Group, or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group. Under the 2016 Share Option Scheme, the definition of "any other person" is employees and officers of any affiliated company (i.e. TCL Technology (being the then ultimate controlling shareholder of the Company), its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, are recorded as affiliated companies in the financial statements of TCL Technology, which shall include any company in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital). The 2016 Share Option Scheme became effective on 18 May 2016 and was terminated on 3 November 2023.

The total number of Shares which may be issued upon exercise of all share options to be granted under the 2016 Share Option Scheme must not in aggregate exceed 10% of the number of Shares in issue on the date of approval of the 2016 Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2016 Share Option Scheme must not exceed 30% of the number of Shares in issue from time to time. At the AGM held on 23 May 2018, an ordinary resolution was passed to refresh the scheme mandate under the 2016 Share Option Scheme provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of share option under the 2016 Share Option Scheme shall not exceed 10% of the number of issued Shares as at the date on which the resolution was passed. For details, please also refer to the circular of the Company dated 20 April 2018. The scheme mandate under the 2016 Share Option Scheme as refreshed on 23 May 2018 is 233,261,356 Shares, representing approximately 9.30% of the issued Shares as at the date of this annual report.

The maximum number of Shares issued or to be issued upon exercise of share options granted to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantial Shareholder, independent non-executive Director or any of their respective associates) of the number of issued Shares, unless otherwise approved by Shareholders in a general meeting of the Company.

Share options granted to a Director, chief executive, substantial Shareholder, or any of their respective associates are subject to approval in advance by the independent non-executive Directors. In addition, the grant of any share options to a substantial Shareholder, an independent non-executive Director, or any of their respective associates, in excess of 0.1% of the number of Shares in issue at any time and with an aggregate value (based on the closing price of the Shares on the Hong Kong Stock Exchange at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted upon payment of a non-refundable nominal consideration of HK$1.00, and within the period determined by the Board provided that no such offer shall be open for acceptance after the expiry or termination of the 2016 Share Option Scheme by each grantee. The 2016 Share Option Scheme does not specify any vesting period or minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the underlying shares of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the Directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share options.

The exercise price of a share option to subscribe for Shares is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Shares on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of the Shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option.

Summary of the 2023 Share Option Scheme

Reference is made to the circular of the Company dated 17 October 2023. Unless otherwise defined, all capitalised terms and abbreviations under this section shall have the same meanings as those defined in the said circular.

The purposes of the 2023 Share Option Scheme are (i) to recognise and acknowledge the contributions of the Participants and to motivate Participants to contribute to, and promote the interests of, the Company by granting share options to them as incentives or rewards for their contributions to the growth and development of the Group; (ii) to attract, retain and motivate high-calibre Participants to promote the sustainable development of the Group in line with the performance goals of the Group; (iii) to develop, maintain and strengthen long-term relationships that the Participants may have with the Group for the benefit of the Group; and (iv) to align the interest of the Participants with those of the Shareholders to promote the long-term performance (whether in financial, business and operational aspects) of the Group. The Participants of the 2023 Share Option Scheme will include Employee Participants, Related Entity Participants, and Service Providers. The 2023 Share Option Scheme became effective on 3 November 2023 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date until 2 November 2033.

The total number of Shares which may be allotted and issued in respect of all share options that may be granted under the 2023 Share Option Scheme and all share options and all share awards that may be granted under any Other Schemes existing at such time, must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the 2023 Share Option Scheme (the “Scheme Mandate Limit”). The total number of Shares which may be allotted and issued in respect of share options that may be granted to Service Providers under the 2023 Share Option Scheme and all share options and all share awards that may be granted under any Other Schemes existing at such time, must not in aggregate exceed 1% of the total number of Shares in issue as at the date of approval of the 2023 Share Option Scheme (the “Service Provider Sublimit”). The Scheme Mandate Limit and the Service Provider Sublimit may respectively be refreshed by ordinary resolution of the Shareholders in general meeting after three years from 3 November 2023 or the date of Shareholders’ approval for the last refreshment. The Scheme Mandate Limit is 250,756,873 Shares, representing approximately 10.00% of the issued Shares as at the date of this annual report.

The maximum number of Shares issued or to be issued upon exercise of share options granted to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantial Shareholder, independent non-executive Director, or any of their respective associates) of the number of issued Shares, unless otherwise approved by Shareholders in a general meeting of the Company.

Share options granted to a Director, chief executive or substantial Shareholder, or to any of their respective associates are subject to approval in advance by the independent non-executive Directors. In addition, the grant of any share options to a substantial Shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the number of Shares in issue at any time within any 12-month period, are subject to Shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted upon payment of a non-refundable nominal consideration of HK$0.10, and within the period determined by the Board provided that no such offer shall be open for acceptance after the expiry or termination of the 2023 Share Option Scheme by each grantee.

The vesting period in respect of any share options shall not be less than 12 months (or such other period as the Listing Rules may prescribe or permit from time to time). Share options granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the Remuneration Committee if such Employee Participant is a Director or a senior manager of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager of the Company, under any of the following circumstances:

(a) grants of "make-whole" share options to a new Employee Participant to replace the share awards or share options that such Employee Participant forfeited when leaving his or her previous employer;

(b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control events;

(c) grants of share options with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria;

(d) grants of share options that are made in batches during a year for administrative and compliance reasons;

(e) grants of share options with a mixed or accelerated vesting schedule such as where the share options may vest evenly over a period of 12 months; and

(f) grants of share options with a total vesting and holding period of more than 12 months.

The exercise period of the share options granted is determinable by the Directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share options.

The exercise price of a share option to subscribe for Shares is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Shares on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of the Shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option.

Details of the 2023 Share Option Scheme were set out in the circular of the Company dated 17 October 2023.

As at 1 January 2023, the number of share options available for grant under the then available scheme mandate under the 2016 Share Option Scheme was 233,261,356, which represented approximately 9.33% of the total number of issued Shares as at 1 January 2023. As the 2016 Share Option Scheme was terminated on 3 November 2023, no further share options may be granted under the 2016 Share Option Scheme with effect from 3 November 2023. Accordingly, as at 31 December 2023, the number of options available for grant under the then available scheme mandate under the 2016 Share Option Scheme was 0, which represented 0% of the total number of issued Shares as at 31 December 2023.

Report of the Directors

The following share options were outstanding under the share option schemes during the year:

Name or category of participants	Number of share options: At 1 January 2023	Reclassification	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2023	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates HK$
Directors												
Executive Director												
YAN Xiaolin	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 2	3.91	N/A
	538,392	–	–	–	–	–	538,392	25-Apr-18	3.5700	Note 3	3.55	N/A
	654,834	–	–	–	–	–	654,834					
	654,834	**-**	**-**	**-**	**-**	**-**	**654,834**					
Non-executive Director												
WANG Cheng	1,063	–	–	–		(1,063)	–	12-May-17	3.7329	Note 1	3.70	N/A
	4,301,397	–	–	–		–	4,301,397	23-Jan-18	4.1520	Note 2	3.91	N/A
	391,464	–	–	–		–	391,464	25-Apr-18	3.5700	Note 3	3.55	N/A
	4,693,924	**-**	**-**	**-**	**-**	**(1,063)**	**4,692,861**					
Independent Non-executive Directors												
WANG Yijiang	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 2	3.91	N/A
	116,442	–	–	–	–	–	116,442					
LAU Siu Ki	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 2	3.91	N/A
	119,859	–	–	–	–	–	119,859	25-Apr-18	3.5700	Note 3	3.55	N/A
	236,301	–	–	–	–	–	236,301					
	5,046,667	**-**	**-**	**-**	**-**	**(1,063)**	**5,045,604**					
Chief executive												
ZHANG Shaoyong	381,747	–	–	–	–	–	381,747	23-Jan-18	4.1520	Note 2	3.91	N/A
	381,747	**-**	**-**	**-**	**-**	**-**	**381,747**					
Other employees of the Group#	2,157,243	(47,251)	–	(50,000)	–	(2,059,992)	–	12-May-17	3.7329	Note 1	3.70	3.70
	18,565,303	2,555,742	–	(5,000)	–	(1,714,296)	19,401,749	23-Jan-18	4.1520	Note 2	3.91	3.75
	100,610	1,599,903	–	–	–	–	1,700,513	25-Apr-18	3.5700	Note 3	3.55	N/A
	20,823,156	**4,108,394**	**-**	**(55,000)**	**-**	**(3,774,288)**	**21,102,262**					

Name or category of participants	Number of share options: At 1 January 2023	Reclassification	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2023	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates HK$
Employees of TCL Industries Holdings and fellow subsidiaries and associated companies of the Company#	30,976	47,251	-	-	-	(78,227)	-	12-May-17	3.7329	Note 1	3.70	N/A
	637,200	(370,190)	-	-	-	(7,171)	259,839	23-Jan-18	4.1520	Note 2	3.91	N/A
	668,176	**(322,939)**	**-**	**-**	**-**	**(85,398)**	**259,839**					
Others#	197,781	-	-	-	-	(197,781)	-	12-May-17	3.7329	Note 1	3.70	N/A
	6,880,568	(2,185,552)	-	(561)	-	(82,188)	4,612,267	23-Jan-18	4.1520	Note 2	3.91	4.13
	4,468,414	(1,599,903)	-	(1,000)	-	-	2,867,511	25-Apr-18	3.5700	Note 3	3.55	3.74
	11,546,763	**(3,785,455)**	**-**	**(1,561)**	**-**	**(279,969)**	**7,479,778**					
	39,121,343	**-**	**-**	**(56,561)**	**-**	**(4,140,718)**	**34,924,064**					

Note 1 Approximately 21% of such share options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.

Note 2 Approximately one-sixth of such share options are exercisable commencing from 18 May 2019, approximately one-sixth from 9 January 2020, approximately one-sixth from 18 May 2020, approximately one-sixth from 9 January 2021, a further approximately one-sixth are exercisable commencing from 18 May 2021, and the remaining approximately one-sixth are exercisable commencing from 9 January 2022, up to 22 January 2024.

Note 3 For share options granted to grantees in their capacity as employees of the Group, all of such share options are exercisable commencing from 9 January 2019, up to 24 April 2024.

For share options granted to grantees in their capacity as employees of TCL Technology Group (excluding the Group), approximately one-third of such share options are exercisable commencing from 15 June 2018, a further approximately one-third are exercisable commencing from 15 June 2019, and the remaining approximately one-third are exercisable commencing from 15 June 2020, up to 24 April 2024.

The outstanding share options were granted under the 2016 Share Option Scheme for a wide scope of participants covering any person who is or was (i) an employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group or (ii) an employee or officer of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group, whereas affiliated company refers to the then holding company of the Company (TCL Technology), subsidiary of such holding company and companies which, in accordance with the generally accepted accounting principles in the PRC, are recorded as affiliated companies in the financial statements of such holding company.

To comply with the disclosure requirements under the new Rule 17.07 of the Listing Rules which have come into effect on 1 January 2023, the information in the above table is presented in the manner that grantees have been re-categorised, with reference to their capacity as at 31 December 2023, into (i) employee participants; (ii) related entity participants; and (iii) service providers by category. In this connection, (i) other employees of the Group are employees of the Group other than Directors and chief executive; (ii) employees of TCL Industries Holdings, fellow subsidiaries and associated companies of the Company correspond to the related entity participants within the meaning of the new Chapter 17; and (iii) others are participants which do not fall into the definition of employee participants, related entity participants or service providers under the new Chapter 17 of the Listing Rules, who are employees of the then affiliated companies of the Company which however do not fall within the definition of related entity participants under the new Chapter 17.

SHARE AWARD SCHEMES

The Company adopted the 2008 Share Award Scheme on 6 February 2008 and, unless otherwise cancelled or amended, would remain in force for 15 years from that date until 5 February 2023. Following the expiration of the 2008 Share Award Scheme on 5 February 2023, the Company adopted the 2023 Share Award Scheme on 3 November 2023. The 2023 Share Award Scheme constitutes a share scheme involving grant of, among others, new Shares under Chapter 17 of the Listing Rules. Details of the 2023 Share Award Scheme were set out in the circular of the Company dated 17 October 2023.

Summary of the 2008 Share Award Scheme

The purposes of the 2008 Share Award Scheme are to recognise and motivate the contribution of certain participants and to provide incentives and help the Group in retaining its existing employees and recruiting suitable personnel as additional employees to further the operation and development of the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Eligible participants of the 2008 Share Award Scheme include employees of the Group (including but not limited to directors, chief executives and supervisors), advisers, consultants, agents, contractors, clients or suppliers of any member of the Group, and any employees or officer of any affiliated company (i.e. TCL Technology (being the then ultimate controlling shareholder of the Company), its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, are recorded as affiliated companies in the financial statements of TCL Technology, which shall include any company in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital) who has a managerial role in the affiliated company, whom the Board in its sole discretion considers may contribute or have contributed to the Group.

By a Shareholders' resolution passed in the EGM held on 11 August 2015, the 2008 Share Award Scheme was amended. Details of the 2008 Share Award Scheme and the amendments were set out in the Company's announcements dated 6 February 2008 and 25 June 2015 respectively and the circulars dated 19 March 2008 and 27 July 2015 respectively. On 13 June 2016, the Board further resolved to amend the 2008 Share Award Scheme to allow the Board, at its sole and absolute discretion, to accelerate the vesting of awarded Shares and/or waive and/or alter any or all of the vesting conditions attached to the awarded Shares. On 24 November 2017, the Board resolved to, among others, divide the 2008 Share Award Scheme into two sub-schemes, namely the Restricted Share Award Scheme for Management and the Restricted Share Award Scheme for Employees and Others respectively for the said two groups of participants for better management and administration ("2017 Amendments").

On 4 May 2018, the Board further resolved to, among others, introduce a refreshment mechanism that allowed for refreshment of the scheme limit subject to fulfilment of certain conditions, as well as an annual specific mandate be granted to the Directors, subject to Shareholders' approval, to allot and issue new Shares under the 2008 Share Award Scheme for not exceeding 3% of the number of Shares in issue as at the date on which the resolution was passed, and make other consequential amendments to the 2008 Share Award Scheme (collectively "2018 Amendments"). For further details of the 2017 Amendments and the 2018 Amendments, please refer to the circular of the Company dated 7 May 2018. On 23 May 2018, ordinary resolutions were passed by the Shareholders to approve, among others, the amended 2008 Share Award Scheme with the 2018 Amendments incorporated.

Unless specifically approved by the Shareholders, the maximum number of Shares which may be awarded to (i.e. the maximum entitlement of) any participant in any 12-month period under the 2008 Share Award Scheme shall not exceed 1% of the number of issued Shares as at 11 August 2015 or the latest date on which the Board approved the refreshment of scheme limit ("New Approval Date") (as the case may be), excluding all the Shares awarded under the 2008 Share Award Scheme up to 11 August 2015 or the latest New Approval Date (as the case may be). The 2008 Share Award Scheme does not specify any vesting period. The Board has the authority to determine, among other things, the vesting conditions, the vesting period and schedule, the number and form of awarded Shares, the terms and conditions for each grant awarded Shares, and the period for acceptance of grant. In general, no amount is payable on acceptance of grant of awarded Shares under the 2008 Share Award Scheme. The Trustee of the 2008 Share Award Scheme shall purchase Shares from the market for grant of awarded Shares at prevailing market price.

As at 1 January 2023, the maximum number of awarded Shares (whether in the form of new Shares or existing Shares) available for grant under the 2008 Share Award Scheme (i.e. the scheme limit) was 118,757,710 (representing approximately 4.74% of the total number of issued Shares as at the date of this annual report). As at 31 December 2023, the number of share awards available for grant under the then available scheme limit under the 2008 Share Award Scheme was 0, which represented 0% of the total number of issued Shares as at 31 December 2023.

Summary of the 2023 Share Award Scheme

Reference is made to the circular of the Company dated 17 October 2023. Unless otherwise defined, all capitalised terms and abbreviations under this section shall have the same meanings as those defined in the said circular.

The purposes of the 2023 Share Award Scheme are (i) to recognise and acknowledge the contribution of the Participants and to motivate Participants to contribute to, and promote the interests of, the Company by granting share awards to them as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract, retain and motivate high-calibre Participants to promote the sustainable development of the Group in line with the performance goals of the Group; (iii) to develop, maintain and strengthen long-term relationships that the Participants may have with the Group for the benefit of the Group; and (iv) to align the interest of the Selected Persons with those of the Shareholders to promote the long-term performance (whether in financial, business and operational aspects) of the Group. The Participants of the 2023 Share Award Scheme include Employee Participants, Related Entity Participants and Service Providers, and provided that if and only if a share award is to be made in the form of existing Shares, Participants in respect of such share award shall also include Other Participants, i.e. any other person(s) whom the Board in its sole discretion considers may contribute or have contributed to the Group (including but not limited to employees and officers of any invested entities of the Company, of any affiliated entities of the Company, and/or of any Service Provider). The 2023 Share Award Scheme became effective on 3 November 2023 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date until 2 November 2033.

The total number of Shares which may be allotted and issued in respect of all share awards to be granted under the 2023 Share Award Scheme, and all share options and all share awards to be granted under any Other Schemes existing at such time, must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the 2023 Share Award Scheme. The total number of Shares which may be allotted and issued in respect of all share awards to be granted that may be granted to Service Providers under the under the 2023 Share Award Scheme and all share options and all share awards that may be granted under any Other Schemes existing at such time, must not in aggregate exceed 1% of the total number of Shares in issue as at the date of approval of the 2023 Share Award Scheme. The Scheme Mandate Limit and the Service Provider Sublimit may respectively be refreshed by ordinary resolution of the Shareholders in general meeting after three years from 3 November 2023 or the date of Shareholders' approval for the last refreshment. The Scheme Mandate Limit is 250,756,873 Shares, representing approximately 10.00% of the issued Shares as at the date of this annual report.

The vesting period in respect of any awarded Share shall not be less than 12 months (or such other period as the Listing Rules may prescribe or permit from time to time). Share awards granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the Remuneration Committee if such Employee Participant is a Director or a senior manager of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager of the Company, under any of the following circumstances:

(a) grants of "make-whole" share awards to a new Employee Participant to replace the share awards or share options that such Employee Participant forfeited when leaving his or her previous employer;

(b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control events;

(c) grants of share awards with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria;

(d) grants of share awards that are made in batches during a year for administrative and compliance reasons;

(e) grants of share awards with a mixed or accelerated vesting schedule such as where the share awards may vest evenly over a period of 12 months; and

(f) grants of share awards with a total vesting and holding period of more than 12 months

Subject to the foregoing minimum vesting period requirements, the Board has the authority to determine, among other things, the vesting conditions, the vesting period and schedule, the number and form of awarded Shares, the terms and conditions for each grant, and the period for acceptance of grant. In general, no amount is payable on acceptance of grant of awarded Shares under the 2023 Share Award Scheme. The purchase price of the awarded Shares (i.e. the price payable by a Selected Person to purchase the awarded Shares), if any, shall be such price which shall be determined by the Board from time to time based on considerations such as the prevailing closing price of the Shares, the purpose of the share award, and the characteristics and profile of the Selected Person. Such room for discretion provides the Board with flexibility to stipulate, if necessary, a purchase price for awarded Shares, while balancing the purpose of the share award and the interests of Shareholders.

The Company has appointed the Trustee for the administration of the share award scheme. To the knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the awarded Shares held by the Trustee.

The trust for management and the trust for employees and other details of which are set out in note 37 to the financial statements.

Report of the Directors

The following Award Shares were outstanding during the year:

Name or category of participants	Number of Award Shares At 1 January 2023	Reclassification	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	At 31 December 2023	Date of grant of Award Shares	Share closing price on the date of grant of Award Shares HK$	Vesting period of Award Shares	Share closing price immediately before the date of grant of Award Shares HK$	Weighted average share closing price immediately before the vesting dates HK$
Directors												
Executive Director												
YAN Xiaolin	2,032,904	–	–	(1,016,452)	–	–	1,016,452	18-May-21	5.21	Note 1	5.16	3.67
	2,032,904	–	–	(1,016,452)	–	–	1,016,452					
	2,032,904	**-**	**-**	**(1,016,452)**	**-**	**-**	**1,016,452**					
Non-executive Directors												
WANG Cheng	4,409,768	–	–	(2,204,884)	–	–	2,204,884	18-May-21	5.21	Note 1	5.16	3.67
	4,409,768	–	–	(2,204,884)	–	–	2,204,884					
SUN Li	1,457,137	–	–	(728,569)	–	–	728,568	18-May-21	5.21	Note 1	5.16	3.67
	1,457,137	–	–	(728,569)	–	–	728,568					
	5,866,905	**-**	**-**	**(2,933,453)**	**-**	**-**	**2,933,452**					
Chief executive												
ZHANG Shaoyong	2,939,845	–	–	(1,469,923)	–	–	1,469,922	18-May-21	5.21	Note 1	5.16	3.67
	2,939,845	**-**	**-**	**(1,469,923)**	**-**	**-**	**1,469,922**					
Other employees of the Group	51,397,351	(804,854)	–	(24,319,276)	–	–	26,273,221	18-May-21	5.21	Note 1	5.16	3.67
	51,397,351	**(804,854)**	**-**	**(24,319,276)**	**-**	**-**	**26,273,221**					
Employees of TCL Industries Holdings and fellow subsidiaries and associated companies of the Company	1,674,602	791,082	–	(1,196,834)	–	–	1,268,850	18-May-21	5.21	Note 1	5.16	3.67
	1,674,602	**791,082**	**-**	**(1,196,834)**	**-**	**-**	**1,268,850**					
Others	8,139,582	13,772	–	(4,113,507)	–	–	4,039,847	18-May-21	5.21	Note 1	5.16	3.67
	8,139,582	**13,772**	**-**	**(4,113,507)**	**-**	**-**	**4,039,847**					
	72,051,189	**-**	**-**	**(35,049,445)**	**-**	**-**	**37,001,744**					

Note 1 For Awarded Shares granted in view of the achievement of performance targets for 2017 to 2020, approximately 40% of such Awarded Shares were vested on 20 June 2022, a further approximately 30% were vested on 20 June 2023, and the remaining approximately 30% are scheduled to be vested on 20 June 2024. For Awarded Shares granted in view of the achievement of performance targets for 2021, approximately 40% of such Awarded Shares were vested on 20 June 2023, a further approximately 30% are scheduled to be vested on 20 June 2024, and the remaining approximately 30% are scheduled to be vested on 20 June 2025. For details, please refer to the announcement of the Company dated 19 May 2021.

Note 2 The purchase price (being the price payable by a grantee to purchase the awarded Shares) of all awarded Shares disclosed in the above table is nil.

To comply with the disclosure requirements under the new Rule 17.07 of the Listing Rules which have come into effect on 1 January 2023, information in the above table are presented in the manner that grantees have been re-categorised, with reference to their capacity as at 31 December 2023, into (i) employee participants; (ii) related entity participants; and (iii) service providers by category. In this connection, (i) other employees of the Group are employees of the Group other than Directors and chief executives; (ii) employees of TCL Industries Holdings, fellow subsidiaries and associated companies of the Company correspond to the related entity participants within the meaning of the new Chapter 17; and (iii) others are participants which do not fall into the definition of employee participants, related entity participants or service providers under the new Chapter 17 of the Listing Rules, who are employees of the then affiliated companies of the Company which however do not fall within the definition of related entity participants under the new Chapter 17.

As disclosed above, the Company adopted the 2023 Share Option Scheme and 2023 Share Award Scheme on 3 November 2023. No grant was made under the 2023 Share Option Scheme, 2023 Share Award Scheme, or any Other Schemes (including the 2016 Share Option Scheme and the 2008 Share Award Scheme) during the year ended 31 December 2023. Accordingly, as at 31 December 2023, the number of share options and share awards available for grant under the Scheme Mandate Limit and Service Provider Sublimit under the 2023 Share Option Scheme, 2023 Share Award Scheme and any Other Schemes (including the 2016 Share Option Scheme and the 2008 Share Award Scheme) were 250,756,873 Shares and 25,075,687 Shares respectively.

As no grant was made under the 2023 Share Option Scheme, 2023 Share Award Scheme or any Other Schemes (including the 2016 Share Option Scheme and the 2008 Share Award Scheme) during the year ended 31 December 2023, the number of shares that may be issued in respect of share options and share awards granted under all share schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of Shares in issue during the year ended 31 December 2023 is 0.

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of connected transactions and continuing connected transactions with its connected persons including (i) TCL Industries Holdings (being the ultimate controlling shareholder of the Company), its subsidiaries and its associates (as defined in the Listing Rules), (ii) Tencent Holdings Limited (a connected person at the subsidiary level as one of Tencent Holdings Limited's wholly-owned subsidiaries held approximately 16.67% of Falcon Network Technology as at 31 December 2023) and its subsidiaries (collectively "Tencent Group") and (iii) STA (a connected person at the subsidiary level as STA held 25% of TCL SEMP as at 31 December 2023).

The Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2023:

(a) On 7 July 2023 (São Paulo time) (7 July 2023, Hong Kong time after trading hours), TCL SEMP, an indirect subsidiary of the Company, and STA entered into the subscription bulletin ("Subscription Bulletin"), pursuant to which STA agreed to subscribe for, and TCL SEMP agreed to issue and allot to STA, the subscription shares ("Subscription Shares") which represented approximately 6.25% of the issued shares of TCL SEMP as enlarged by the subscription ("Subscription"). Prior to the entering into of the Subscription Bulletin, TCL SEMP was owned as to 80% and 20% by TCL NL (an indirect wholly-owned subsidiary of the Company) and STA respectively. Immediately after the issuance and allotment of the Subscription Shares to STA, TCL SEMP was owned as to approximately 75% and 25% by TCL NL and STA respectively, and as such STA is a connected person of the Company at the subsidiary level of the Company pursuant to Chapter 14A of the Listing Rules. TCL SEMP would remain to be a subsidiary of the Company, and the results, assets, and liabilities of TCL SEMP would continue to be consolidated into the accounts of the Group.

    Upon the completion of the Subscription, in order to reflect the shareholders' rights and obligations following the aforesaid change in shareholding in and of TCL SEMP and with a view to strengthening the cooperation between the parties, on the same date (i.e. 7 July 2023 (São Paulo time) (7 July 2023, Hong Kong time after trading hours)), TCL NL, STA, TCL SEMP and Affonso Brandão Hennel entered into the new shareholders' agreement ("New Shareholders' Agreement") in respect of TCL SEMP, pursuant to which, among others, (i) the shareholders' agreement dated 20 July 2020 (São Paulo time) (21 July 2020 (Hong Kong time)) in respect of TCL SEMP (and hence the call option and the put option granted thereunder) was thereby terminated in its entirety; (ii) STA granted the new call option to TCL NL (or its designated assignee), pursuant to which TCL NL (or its designated assignee) would have the right to purchase from STA, and STA would be obliged to sell to TCL NL (or its designated assignee), all but not less than all option shares at the new call option purchase price; and (iii) TCL NL granted the new put option to STA, pursuant to which STA would have the right to sell to TCL NL (or its designated assignee), and TCL NL (by itself or via its designated assignee) would be obliged to purchase from STA, all but not less than all option shares at the new put option purchase price, which is subject to a maximum price of R$1,200,000,000 (equivalent to approximately HK$1,935,960,000). For details, please refer to the announcement of the Company dated 7 July 2023.

(b) On 27 September 2023 (after trading hours), Huizhou TCL Mobile, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with TCL Industries Holdings, pursuant to which Huizhou TCL Mobile agreed to sell, and TCL Industries Holdings agreed to purchase, the target equity interest representing 10% equity interest in and of Huizhou Kuyu at the consideration of RMB51,000,000 (equivalent to approximately HK$55,720,000).

Immediately prior to the completion of the disposal, Huizhou Kuyu was held as to 26% by the Group through TCL King (Huizhou), an indirect wholly-owned subsidiary of the Company, and Huizhou TCL Mobile in aggregate (in which Huizhou Kuyu was held as to 16% and 10% by TCL King (Huizhou) and Huizhou TCL Mobile respectively), and as to 74% by TCL Industries Holdings. As T.C.L. Industries (H.K.) is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules, and TCL Industries Holdings is the holding company of T.C.L. Industries (H.K.), TCL Industries Holdings is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules. Upon completion of the disposal, the Group would only hold 16% equity interest in and of Huizhou Kuyu through TCL King (Huizhou), and Huizhou Kuyu ceased to be an associate company of the Company. The transaction was completed in September 2023. For details, please refer to the announcement of the Company dated 27 September 2023.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are fully exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2023:

(a) Pursuant to the Master Sale and Purchase (2022-2024) Agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings, the Group (i) purchased TCL Associates Products (as defined in the announcement of the Company dated 11 November 2021) from TCL Industries Holdings and its various associates amounting to HK$8,124,109,000; and (ii) sold Electronics Products (as defined in the announcement of the Company dated 11 November 2021) to TCL Industries Holdings and its various associates amounting to HK$9,307,561,000 during the year. Further details of the Master Sale and Purchase (2022-2024) Agreement are set out in the announcement of the Company dated 11 November 2021 and the circular of the Company dated 22 November 2021.

(b) Pursuant to the Master Services (2022-2024) Agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings, the Group (i) paid service fees to TCL Industries Holdings and its various associates amounting to HK$1,624,092,000; and (ii) received service fees from TCL Industries Holdings and its various associates amounting to HK$108,796,000 during the year. Further details of the Master Services (2022-2024) Agreement are set out in the announcement of the Company dated 11 November 2021 and the circular of the Company dated 22 November 2021.

(c) Pursuant to the Master Brand Promotion (2022-2024) Agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings, the Group shall pay brand promotion fees to TCL Industries Holdings for setting up and/or maintaining promotion fund(s) for advertisement, promotion, management, and maintenance of TCL Brand (as defined in the announcement of the Company dated 11 November 2021) and/or TCL Industries Holdings Brand (as defined in the announcement of the Company dated 11 November 2021). During the year, the Group paid brand promotion fee to TCL Industries Holdings amounting to HK$529,935,000. Further details of the Master Brand Promotion (2022-2024) Agreement are set out in the announcement of the Company dated 11 November 2021 and the circular of the Company dated 22 November 2021.

(d) Pursuant to the Master Financial (2022-2024) Agreement dated 11 November 2021 entered into among the Company, TCL Industries Holdings, and Finance Company (HK) (a subsidiary of TCL Industries Holdings), (i) the maximum outstanding daily balances of deposits (including interest receivables in respect of these deposits and deposits as security) placed by TCL Electronics Qualified Members (as defined in the announcement of the Company dated 11 November 2021) with Finance Company (HK) and/or TCL Industries Holdings Financial Services Associates (as defined in the announcement of the Company dated 11 November 2021) amounted to HK$2,448,562,000; (ii) the maximum daily balances of outstanding loans (including interest receivables in respect of those loans) provided by the Group to the Qualified Holdings Group (as defined in the announcement of the Company dated 11 November 2021) amounted to HK$4,420,153,000; (iii) the facility limit (including interest and handling fees) provided by TCL Industries Holdings Financial Services Associates to TCL Electronics Qualified Members amounted to HK$551,871,000; (iv) the maximum daily balance of value of security provided by TCL Electronics Qualified Members to TCL Industries Holdings Financial Services Associates for Financing Services (as defined in the announcement dated 11 November 2021) amounted to HK$551,871,000; and (v) foreign exchange transactions entered into between the Group and Finance Company (HK) and/or TCL Industries Holdings Financial Services Associates amounted to HK$8,081,507,000 during the year. Further details of the Master Financial (2022-2024) Agreement are set out in the announcement of the Company dated 11 November 2021 and the circular of the Company dated 22 November 2021.

(e) Pursuant to the Master Rental (2022-2024) Agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings, during the year, (i) the Group received rental/license income from TCL Industries Holdings and its associates amounting to HK$11,870,000; (ii) the Group paid rental/license cost to TCL Industries Holdings and its associates amounting to HK$13,520,000; and (iii) the total maximum value of the right-of-use assets for TCL Industries Holdings and its associates to be leased to the Group amounted to HK$133,844,000. Further details of the Master Rental (2022-2024) Agreement are set out in the announcement of the Company dated 11 November 2021.

(f) Pursuant to the Master Finance Lease (2022-2024) Agreement dated 26 August 2022 entered into among the Company, TCL Industries Holdings, and TCL Finance Lease (Zhuhai) (a subsidiary of TCL Industries Holdings), (i) the Group had not entered into individual agreements for sale of leased assets to TCL Industries Holdings and its associates during the year ended 31 December 2023 and received contractual sum of HK$419,202,000 in aggregate for the agreements entered into during the financial year ended 31 December 2022; (ii) the Group did not have actual amount paid under the guarantee arrangement during the year; and (iii) the maximum outstanding balance of security deposits paid by the Group to TCL Industries Holdings and its associates amounted to HK$24,052,000 during the year. Further details of the Master Finance Lease (2022-2024) Agreement are set out in the announcement of the Company dated 26 August 2022 and the circular of the Company dated 8 September 2022.

(g) Pursuant to the Master Photovoltaic Power Construction Services (2022-2024) Agreement dated 26 August 2022 entered into between the Company and TCL Industries Holdings, the Group (i) received construction services income from TCL Industries Holdings and its various associates amounting to HK$805,446,000; and (ii) received operation and maintenance services income from TCL Industries Holdings and its various associates amounting to HK$1,082,000 during the year. Further details of the Master Photovoltaic Power Construction Services (2022-2024) Agreement are set out in the announcement of the Company dated 26 August 2022 and the circular of the Company dated 8 September 2022.

(h) Pursuant to the Internet TV Cooperation (2022-2024) Framework Agreement dated 28 October 2022 entered into between the Company and Tencent Computer (as defined in the announcement of the Company dated 28 October 2022), during the year ended 31 December 2023, the Group (i) received aggregate income from Tencent Computer amounting to HK$88,719,000; and (ii) paid aggregate fees to Tencent Computer amounting to HK$372,431,000. Further details of the Internet TV Cooperation (2022-2024) Framework Agreement are set out in the announcement of the Company dated 28 October 2022.

(i) Pursuant to the Exclusive Business Co-operation Agreement dated 23 July 2019 (as supplemented and amended from time to time) entered into between Falcon Network Technology and the OPCO, the OPCO Group shall engage Falcon Network Technology on an exclusive basis to provide business support, technical services, consulting services, and other services, including but not limited to technical services, network support, business consultation, intellectual property licensing, leasing of equipment, market consultation, system integration, product research and development, system maintenance, and other related services from time to time in accordance with the PRC Laws. The OPCO Group shall pay, on a quarterly basis, to Falcon Network Technology a service fee that is set by Falcon Network Technology and stated in the invoice issued by Falcon Network Technology to the OPCO Group having taking into account the workload and commercial value of the services provided by Falcon Network Technology to the OPCO Group, and the service fee shall be equivalent to all profits generated by the OPCO Group, after deducting relevant costs, expenses, and taxes, and subject to adjustment by Falcon Network Technology. The Group received service fee amounting to HK$472,581,000 from the OPCO Group during the year ended 31 December 2023. After deducting all costs and expenses including the aforesaid service fee paid, the net profit of OPCO and the OPCO Group for the year ended 31 December 2023 amounted to HK$54,759,000 and HK$52,688,000 respectively, and such profit has been retained in the OPCO Group to facilitate its future development. No dividends or other distributions have been made by the OPCO Group to the PRC Equity Owners which are not otherwise subsequently assigned or transferred to the Group. Further details of the Exclusive Business Cooperation Agreement are set out in the VIE Announcement and the section "VIE Structure" below.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

All the related parties transactions set out in note 46 to the financial statements (except for the transactions with joint ventures and associates of the Group, addition of right-of-use assets, deprecation of right-of-use assets, interest expense on lease liabilities and transactions with certain affiliates of TCL Industries Holdings and TCL Technology and/or companies controlled by TCL Technology included in note 46 to the financial statements) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed that the above-mentioned continuing connected transactions, and confirmed that such continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor, Messrs. Ernst & Young, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the HKICPA. Messrs. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. Messrs. Ernst & Young have confirmed in the letter to the Board that, with respect to the aforesaid continuing connected transactions carried out during the year ended 31 December 2023, (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) nothing has come to their attention that causes them to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

VIE Structure

Reference is made to the VIE Announcement. Unless otherwise defined, all capitalised terms and abbreviations under this section shall have the same meanings as those defined in the VIE Announcement.

On 23 July 2019, Falcon Network Technology entered into the VIE Agreements with the OPCO and/or the PRC Equity Owners and/or their spouses. Through the VIE Agreements, Falcon Network Technology has effective control over the finance and operation of the OPCO and enjoys the entire economic interests and benefits generated by the OPCO. Upon the entering into of the VIE Agreements, the financial results of the OPCO have been consolidated into the consolidated financial statements of the Group and the OPCO has become an indirect subsidiary of the Company. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) setting a fixed term for each of the VIE Agreements pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable by the OPCO to Falcon Network Technology under the Exclusive Business Co-operation Agreement.

Particulars of the OPCO and Major Terms of the VIE Agreements

For the particulars of the OPCO, as well as a summary of the major terms of the VIE Agreements, please refer to the VIE Announcement. The OPCO did not have any subsidiary when the VIE Agreements were entered into. In order to make it clear that the provisions in the VIE Agreements that are applicable to the OPCO are equally applicable to any subsidiary of the OPCO so as to better protect the interest of the Company in the OPCO and its subsidiaries from time to time (collectively the "OPCO Group"), and to ensure that the Company (through Falcon Network Technology) will have effective control over the finance and operation of the OPCO Group and enjoy the entire economic interests and benefits generated by the OPCO Group, on 20 January 2022, a supplemental agreement has been entered into between Falcon Network Technology and the OPCO, pursuant to which the provisions of the VIE Agreement are confined to be equally applicable to the entire OPCO Group. Save as aforementioned, for the year ended 31 December 2023, there was no material change in the particulars of the OPCO, the VIE Structure and/or the circumstances under which they were adopted, and none of the VIE Agreements has been unwound as none of the restrictions that led to the adoption of the VIE Structure has been removed.

The independent non-executive Directors have reviewed the VIE Agreements (including the aforementioned supplemental agreement) and confirmed for the year ended 31 December 2023 that: (i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the VIE Agreements and have been operated so that the profit generated by the OPCO Group has been substantially retained by the Group; (ii) no dividends or other distributions have been made by the OPCO Group to the PRC Equity Owners which are not otherwise subsequently assigned or transferred to the Group; and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO during the relevant financial period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned, and in the interests of the Shareholders as a whole. To this extent, no new VIE agreements or contractual arrangements were entered into between the Group and the OPCO during the year ended 31 December 2023.

The Company's auditor has carried out review procedures for the year ended 31 December 2023 on the transactions carried out pursuant to the VIE Agreements (including the aforementioned supplemental agreement) and has confirmed that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant VIE Agreements and that no dividends or other distributions have been made by the OPCO Group to the PRC Equity Owners which are not otherwise subsequently assigned or transferred to the Group.

Whilst the operations of the OPCO Group in aggregate are not considered to be material to the Group as at 31 December 2023, for the purpose of good corporate governance, the information regarding the OPCO Group for the year ended 31 December 2023 are set out below:

Financial Information, Business Activities of the OPCO and Their Significance to the Group

For the year ended 31 December 2023, the major business activities of the OPCO Group were to conduct valued-added telecommunications business and internet cultural business in the PRC (i.e. the Subject Business). As at 31 December 2023, the registered owners of the OPCO were Mr. WANG Hao and Ms. ZHU Xiaojiang, and each of them respectively owned 50% equity interests of the OPCO. The OPCO Group's significance to the Group is that it holds relevant licences to provide valued-added telecommunications business and internet cultural business in the PRC. The revenue of the OPCO Group amounted to approximately HK$1,412,897,000 for the year ended 31 December 2023, whilst the net asset value of the OPCO Group was approximately HK$113,908,000 as at 31 December 2023.

Reasons for Adopting the VIE Structure

The primary purpose for the Group to adopt the VIE Structure was to enable the Group to engage in the value-added telecommunications business and internet cultural business in the PRC, thereby deepening the Group's reach to those business segments as well as widening the Group's customer base. Nevertheless, pursuant to various laws and regulations of the PRC currently in force, the value-added telecommunications business and internet cultural business operated by the OPCO Group are regarded as restricted foreign investment businesses. As a foreign owned enterprise, Falcon Network Technology is not entitled to obtain licences to provide value-added telecommunications business and internet cultural business in the PRC. In order to comply with the PRC laws, the VIE Agreements were entered into among Falcon Network Technology, the OPCO, and the PRC Equity Owners. Through the VIE Agreements (including the aforementioned supplemental agreement), Falcon Network Technology will have effective control over the finance and operation of the OPCO Group and will enjoy the entire economic interests and benefits generated by the OPCO Group despite the lack of registered equity ownership.

Risk Factors and Mitigation Actions in Relation to the VIE Structure

The risk factors and mitigation actions in relation to the VIE Structure are summarised below. Please also refer to the VIE Announcement for more details.

As the primary beneficiary of the OPCO Group, the Group will bear economic risks which may arise from difficulties in the operation of their businesses. Falcon Network Technology will have to provide financial support in the event of financial difficulty of the OPCO Group. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the OPCO Group and the need to provide financial support to the OPCO Group. Since the Group conducts business through the OPCO Group and the financial results of the OPCO Group are consolidated into the financial statements of the Group, any losses suffered by the OPCO Group would be reflected in the Group's consolidated financial statements and the Group's consolidated financial position such as the consolidated earnings and profits will be adversely affected.

Moreover, there is no assurance that the VIE Agreements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Agreements do not comply with applicable regulations. The VIE Agreements may also not be as effective as direct ownership in providing control over the OPCO Group, especially in the event there was conflict of interests between the Group and the PRC Equity Owners. There may be limitations in acquiring ownership in the equity interests of the OPCO Group by the Group.

Further, certain terms of the VIE Agreements may not be enforceable under the PRC laws. The PRC government may determine that the VIE Agreements do not comply with the applicable regulations. The VIE Agreements may also be subject to scrutiny of the PRC tax authorities and additional tax may be imposed. Up to 31 December 2023, the Group did not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder.

In order to mitigate the aforementioned risks, as well as to safeguarding the assets of the OPCO Group, the VIE Agreements provided that the PRC Equity Owners shall not sell, transfer, mortgage, or otherwise dispose of any of their interests in the OPCO Group or be allowed to create any encumbrances on them without the prior written consent of Falcon Network Technology. Moreover, Falcon Network Technology has the right to request for the OPCO Group's financial information to ascertain its consolidated profit before tax from time to time.

In addition, as internal control measures, Falcon Network Technology is involved in assessing material financial matters as well as making corporate strategy, business plan, and budgets of the OPCO Group. OPCO's senior management and relevant officers may be appointed under Falcon Network Technology's recommendations and such senior management and relevant officers will have the physical possession of all of the OPCO's common seals, company chops and books and records.

The adoption of the VIE Structure was not related to any requirements other than the foreign ownership restriction in the PRC. As at 31 December 2023, as advised by the PRC legal advisers to the Company, the VIE Structure did not contravene the prevailing laws and regulations in the PRC and the VIE Agreements were binding on each of the contracting party save as disclosed in the VIE Announcement. The Company will monitor the relevant PRC laws and regulations relevant to the VIE Structure and will take all necessary actions to protect the Company's interest in the OPCO Group.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 52 to 87 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in 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 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at 19 April 2024, the latest practicable date prior to the issue of this annual report.

AUDIT COMMITTEE

The Company has an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITOR

Ernst & Young will retire and, being eligible, will offer itself for re-appointment as auditor of the Company at the forthcoming AGM.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Schemes and the Share Award Schemes as disclosed above and in note 37 to the financial statements respectively and the grant letters issued pursuant to the schemes, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

The Articles provides that the Directors shall be indemnified out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour, or in which he/she is acquitted.

The Company has taken out and maintained Directors' liability insurance which provides aforesaid indemnities with appropriate cover for the Directors and directors of the subsidiaries of the Company. The permitted indemnity provisions (within the meaning under section 469 of Hong Kong Companies Ordinance) contained in the Articles and the Directors' liability insurance were in force during the financial year ended 31 December 2023 and as at the date of this annual report.

ON BEHALF OF THE BOARD
DU Juan
Chairperson

Hong Kong
28 March 2024

To the shareholders of TCL Electronics Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of TCL Electronics Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 139 to 313, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at 31 December 2023, the Group had goodwill of HK$3,193,639,000, representing approximately 28% of the total non-current assets of the Group. The determination of the recoverable amount, being the higher of fair value less costs of disposal and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant cash-generating unit ("CGU"). Recoverable amounts were based on management's estimates of variables such as budgeted revenue/gross margins, growth rates and the most appropriate discount rates. The accounting policies and disclosures in respect of goodwill are included in notes 2.4, 3 and 17 to the Group's consolidated financial statements.	Our audit procedures included the following: • Evaluating the methodologies, assumptions and parameters used by management, in particular those relating to the budgeted revenue/gross margins, growth rates and pre-tax discount rates, by comparing the cash flow forecast to historical trend analyses and referring to the industry discount rate; • Assessing the historical results of management's estimates and evaluation of business plans by referring to the market situation as at 31 December 2023; • Evaluating the sensitivity analysis performed by management in respect of the growth rates and pre-tax discount rates to assess the extent of impact on the calculation of the value-in-use; • Involving our internal valuation expert to assist us with our assessment of the methodology and the discount rates used to determine the recoverable amounts; and • Assessing the disclosures made in the Group's consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and other receivables	
As at 31 December 2023, the Group had trade receivables and other receivables of HK$15,547,888,000 and HK$7,154,435,000, respectively, representing approximately 29% and 13% of the current assets of the Group, respectively. Management develops expected credit loss ("ECL") models to assess the impairment allowance for trade and other receivables at the end of each reporting period. The ECL model of trade and other receivables involves judgement and subjective estimations such as the staging, groupings of the debtor segments and estimated loss rates. The accounting policies and disclosures in respect of trade and other receivables are included in notes 2.4, 3, 23, 26 and 48 to the Group's consolidated financial statements.	In evaluating management's impairment assessment, our audit procedures included the following: • Obtaining an understanding of evaluating and testing management's key controls in relation to the assessment of the expected credit losses of receivables; • Obtaining an understanding of key data and assumptions of the expected credit loss model adopted by management, including the basis of segmentation of receivables based on credit loss characteristics, the ageing profile, historical default data, assumptions involved in management's estimated loss rate and whether there has been any significant increase in credit risk since initial recognition for other receivables; • Assessing the estimated credit loss rates by considering historical cash collection and movements of the ageing of receivables, the market conditions and forward-looking factors; • Testing on a sample basis, the accuracy of ageing analysis of receivables prepared by management; • Examining on a sample basis, the subsequent settlement of the receivables to cash receipts and the related supporting documentation; and • Assessing the disclosures made in the Group's consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	**2023 HK$'000**	2022 HK$'000 (Restated)
REVENUE	5	**78,986,064**	71,351,415
Cost of sales		**(64,230,369)**	(58,239,832)
Gross profit		**14,755,695**	13,111,583
Other income and gains	5	**1,809,376**	3,140,951
Selling and distribution expenses		**(7,899,579)**	(7,401,415)
Administrative expenses		**(4,012,973)**	(4,428,643)
Research and development costs		**(2,326,980)**	(2,531,283)
Other operating expenses		**(243,614)**	(385,315)
Impairment losses on financial and contract assets, net		**(138,731)**	(91,520)
		1,943,194	1,414,358
Finance costs	6	**(885,497)**	(668,671)
Share of profits and losses of:			
Joint ventures		**(2,220)**	26,784
Associates		**92,707**	63,057
PROFIT BEFORE TAX	7	**1,148,184**	835,528
Income tax	11	**(321,375)**	(281,694)
PROFIT FOR THE YEAR		**826,809**	553,834

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	2023 HK$'000	2022 HK$'000 (Restated)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedge:		
Effective portion of changes in fair value of the hedging instruments arising during the year	**89,493**	31,604
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(110,228)**	(40,345)
Income tax effect	**2,855**	(1,456)
	(17,880)	(10,197)
Exchange differences:		
Exchange differences on translation of foreign operations	**(105,490)**	(1,756,071)
Reclassification adjustments for foreign operations disposed of or liquidated during the year	**(930)**	(2,786)
Reclassification adjustments for associates deemed partial disposed, disposed of or liquidated during the year	**3,496**	(234)
	(102,924)	(1,759,091)
Financial assets at fair value through other comprehensive income:		
Changes in fair value, net of income tax	**(2,547)**	642
Share of other comprehensive loss of associates and a joint venture	**(413)**	–
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(123,764)**	(1,768,646)
Other comprehensive income/(loss) 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	**24,247**	31,478
Share of other comprehensive income/(loss) of associates and a joint venture	**(1,493)**	42,673
Remeasurements of post-employment benefit obligations	**(1,052)**	824
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**21,702**	74,975

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000 (Restated)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(102,062)**	(1,693,671)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**724,747**	(1,139,837)
Profit for the year attributable to:			
Owners of the parent		**743,633**	446,975
Non-controlling interests		**83,176**	106,859
		826,809	553,834
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		**606,798**	(1,229,187)
Non-controlling interests		**117,949**	89,350
		724,747	(1,139,837)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK30.65 cents**	HK18.53 cents
Diluted		**HK30.01 cents**	HK17.87 cents

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 HK$'000	31 December 2022 HK$'000 (Restated)	1 January 2022 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	2,384,306	2,738,647	3,061,005
Investment properties	15	544,530	545,800	569,177
Right-of-use assets	16(a)	846,034	992,237	1,079,530
Goodwill	17	3,193,639	3,195,180	3,322,316
Other intangible assets	18	1,377,238	1,206,929	1,311,484
Investments in joint ventures	19	101,223	110,458	80,852
Investments in associates	20	1,252,557	1,558,882	1,600,929
Equity investments designated at fair value through other comprehensive income	21	323,592	200,433	141,356
Deferred tax assets	35	490,690	429,644	340,520
Other deferred assets		749,247	567,197	179,210
Derivative financial instruments	31	1,071	–	–
Total non-current assets		11,264,127	11,545,407	11,686,379
CURRENT ASSETS				
Inventories	22	12,211,524	9,837,314	13,555,596
Trade receivables	23	15,547,888	10,935,081	11,697,726
Bills receivable	24	3,458,107	2,219,329	1,901,694
Contract assets	25	147,702	–	–
Prepayments, other receivables and other assets	26	10,143,709	9,019,669	6,901,965
Tax recoverable		78,378	191,904	122,154
Financial assets at fair value through profit or loss	27	943,102	1,266,076	1,342,088
Derivative financial instruments	31	187,604	579,984	240,587
Restricted cash and pledged deposits	28	57,432	119,555	576,758
Cash and cash equivalents	28	10,736,877	9,390,941	11,509,166
		53,512,323	43,559,853	47,847,734
Assets classified as held for sale	10	–	3,681	3,952
Total current assets		53,512,323	43,563,534	47,851,686
CURRENT LIABILITIES				
Trade payables	29	19,115,674	14,086,945	15,826,244
Bills payable		4,892,498	4,859,890	3,599,248
Other payables and accruals	30	15,108,788	11,525,218	12,743,589
Interest-bearing bank and other borrowings	33	4,922,828	4,433,624	6,387,292
Lease liabilities	16(b)	163,836	153,915	140,820
Tax payable		183,295	175,716	116,231
Financial liabilities associated with put option	32	–	160,667	121,370
Derivative financial instruments	31	96,518	134,214	34,782
Provisions	34	1,052,159	1,007,542	971,448
Total current liabilities		45,535,596	36,537,731	39,941,024

Consolidated Statement of Financial Position

31 December 2023

	Notes	**31 December 2023 HK$'000**	31 December 2022 HK$'000 (Restated)	1 January 2022 HK$'000 (Restated)
NET CURRENT ASSETS		**7,976,727**	7,025,803	7,910,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,240,854**	18,571,210	19,597,041
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	33	**888,826**	1,029,459	492,825
Lease liabilities	16(b)	**243,480**	255,826	319,684
Deferred tax liabilities	35	**340,361**	327,928	342,039
Other long-term payables		**52,986**	76,896	48,715
Other non-current liabilities		**140,114**	–	–
Financial liabilities associated with put option	32	**269,001**	–	–
Derivative financial instruments		**–**	–	17,579
Total non-current liabilities		**1,934,768**	1,690,109	1,220,842
Net assets		**17,306,086**	16,881,101	18,376,199
EQUITY				
Equity attributable to owners of the parent				
Issued capital	36	**2,507,569**	2,499,780	2,479,959
Reserves	38	**14,200,085**	13,963,889	15,481,377
		16,707,654	16,463,669	17,961,336
Non-controlling interests		**598,432**	417,432	414,863
Total equity		**17,306,086**	16,881,101	18,376,199

DU Juan
Director

PENG Pan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent																
	Issued capital HK$'000 (Note 36)	Share premium account HK$'000 (Note 36)	Share option reserve HK$'000 (Note 38(i))	Capital reserve HK$'000 (Note 38(ii))	Reserve funds HK$'000 (Note 38(iii))	Cash flow hedge reserve HK$'000 (Note 38(v))	Exchange fluctuation reserve HK$'000	Put option reserve HK$'000	Other reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 37)	Awarded share reserve HK$'000 (Note 38(iv))	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2022	2,499,780	4,521,954	52,572	432,305	987,463	(9,331)	(723,068)	(110,584)	164,159	(237,094)	237,379	51,153	8,593,540	16,460,228	417,428	16,877,656
Effect of adoption of amendments to HKAS 12 (note 2.2)	-	-	-	-	-	-	-	-	-	-	-	-	3,441	3,441	4	3,445
At 1 January 2023 (restated)	2,499,780	4,521,954	52,572	432,305	987,463	(9,331)	(723,068)	(110,584)	164,159	(237,094)	237,379	51,153	8,596,981	16,463,669	417,432	16,881,101
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	743,633	743,633	83,176	826,809
Other comprehensive income/(loss) for the year:																
Cash flow hedge	-	-	-	-	-	(17,374)	-	-	-	-	-	-	-	(17,374)	(506)	(17,880)
Exchange differences related to translation of foreign operations	-	-	-	-	-	-	(140,769)	-	-	-	-	-	-	(140,769)	35,279	(105,490)
Reclassification of exchange differences for subsidiaries disposed of or liquidated	-	-	-	-	-	-	(930)	-	-	-	-	-	-	(930)	-	(930)
Reclassification of exchange differences for associates deemed partial disposal, or disposed of	-	-	-	-	-	-	3,496	-	-	-	-	-	-	3,496	-	3,496
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	(2,547)	-	(2,547)	-	(2,547)
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	24,247	-	24,247	-	24,247
Share of other comprehensive income of associates and a joint venture	-	-	-	-	-	-	-	-	(1,906)	-	-	-	-	(1,906)	-	(1,906)
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	-	(1,052)	-	-	-	-	(1,052)	-	(1,052)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(17,374)	(138,203)	-	(2,958)	-	-	21,700	743,633	606,798	117,949	724,747
Capital injection from non-controlling shareholders	-	-	-	(3,014)	-	-	-	-	-	-	-	-	-	(3,014)	64,945	61,931
Capital injection in a subsidiary from a non-wholly-owned entity	-	-	-	1,894	-	-	-	-	-	-	-	-	-	1,894	(1,894)	-
Share of capital reserves of associates	-	-	-	24,867	-	-	-	-	-	-	-	-	-	24,867	-	24,867
Disposal of associates	-	-	-	(12,652)	-	-	-	-	-	-	-	-	-	(12,652)	-	(12,652)
Issue of shares upon exercise of share options (note 36)	57	240	(83)	-	-	-	-	-	-	-	-	-	-	214	-	214
Forfeiture of share options during the year	-	-	(6,255)	-	-	-	-	-	-	-	-	-	6,255	-	-	-
Issue of shares under the 2008 Share Award Scheme (note 37)	7,732	-	-	-	-	-	-	-	-	(7,732)	-	-	-	-	-	-
Employee share-based compensation benefits under the 2008 Share Award Scheme (note 37)	-	-	-	-	-	-	-	-	-	-	83,636	-	-	83,636	-	83,636
Vesting of shares under the 2008 Share Award Scheme	-	-	-	-	-	-	-	-	-	54,691	(104,716)	-	-	(50,025)	-	(50,025)
Reclassification of gain previously in other reserve related to disposal of associates	-	-	-	-	-	-	-	-	(9,454)	-	-	-	9,454	-	-	-
Expired of put option over non-controlling interests of a subsidiary	-	-	-	-	-	-	-	170,739	-	-	-	-	-	170,739	-	170,739
2022 final dividend paid	-	(309,471)	-	-	-	-	-	-	-	-	-	-	-	(309,471)	-	(309,471)
Grant of put option over non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(269,001)	-	-	-	-	-	(269,001)	-	(269,001)
Transfer from retained profits	-	-	-	-	40,986	-	-	-	-	-	-	-	(40,986)	-	-	-
At 31 December 2023	2,507,569	4,212,723*	46,234*	443,400*	1,028,449*	(26,705)*	(861,271)*	(208,846)*	151,747*	(190,135)*	216,299*	72,853*	9,315,337*	16,707,654	598,432	17,306,086

* These reserve accounts comprise the consolidated reserves of HK$14,200,085,000 (2022: HK$13,963,889,000 (restated)) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent															
	Issued capital HK$'000 (Note 36)	Share premium account HK$'000 (Note 36)	Share option reserve HK$'000 (Note 38(i))	Capital reserve HK$'000 (Note 38(ii))	Reserve funds HK$'000 (Note 38(iii))	Cash flow hedge reserve HK$'000 (Note 38(v))	Exchange fluctuation reserve HK$'000	Put option reserve HK$'000	Other reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 37)	Awarded share reserve HK$'000 (Note 38(iv))	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2021	2,479,959	4,906,432	67,984	344,750	948,382	1,417	1,017,963	(110,584)	120,662	(246,965)	232,227	19,033	8,176,603	17,957,863	414,801	18,372,664
Effect of adoption of amendments to HKAS 12 (note 2.2)	-	-	-	-	-	-	-	-	-	-	-	-	3,473	3,473	62	3,535
At 1 January 2022 (restated)	2,479,959	4,906,432	67,984	344,750	948,382	1,417	1,017,963	(110,584)	120,662	(246,965)	232,227	19,033	8,180,076	17,961,336	414,863	18,376,199
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	-	-	-	446,975	446,975	106,859	553,834
Other comprehensive income/(loss) for the year:																
Cash flow hedge	-	-	-	-	-	(10,748)	-	-	-	-	-	-	-	(10,748)	551	(10,197)
Exchange differences related to translation of foreign operations	-	-	-	-	-	-	(1,738,008)	-	-	-	-	-	-	(1,738,008)	(18,063)	(1,756,071)
Reclassification of exchange differences for subsidiaries disposed of or liquidated	-	-	-	-	-	-	(2,789)	-	-	-	-	-	-	(2,789)	3	(2,786)
Reclassification of exchange differences for associates deemed partial disposal, disposed of or liquidated	-	-	-	-	-	-	(234)	-	-	-	-	-	-	(234)	-	(234)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	642	-	642	-	642
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	31,478	-	31,478	-	31,478
Share of other comprehensive income of associates and a joint venture	-	-	-	-	-	-	-	-	42,673	-	-	-	-	42,673	-	42,673
Remeasurements of post-employment benefit obligations	-	-	-	-	-	-	-	-	824	-	-	-	-	824	-	824
Total comprehensive income/(loss) for the year (restated)	-	-	-	-	-	(10,748)	(1,741,031)	-	43,497	-	-	32,120	446,975	(1,229,187)	89,350	(1,139,837)
Acquisition of non-controlling interests	-	-	-	85,172	-	-	-	-	-	-	-	-	-	85,172	(85,172)	-
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	(1,609)	(1,612)
Equity – settled share option arrangements	-	-	91	-	-	-	-	-	-	-	-	-	-	91	-	91
Issue of shares upon exercise of share options (note 36)	4,323	19,340	(6,489)	-	-	-	-	-	-	-	-	-	-	17,174	-	17,174
Forfeiture of share options during the year	-	-	(9,014)	-	-	-	-	-	-	-	-	-	9,014	-	-	-
Issue of shares under the 2008 Share Award Scheme (note 37)	15,498	-	-	-	-	-	-	-	-	(15,498)	-	-	-	-	-	-
Employee share-based compensation benefits under the 2008 Share Award Scheme (note 37)	-	-	-	-	-	-	-	-	-	-	147,629	-	-	147,629	-	147,629
Vesting of shares under the 2008 Share Award Scheme	-	-	-	-	-	-	-	-	-	79,035	(142,477)	-	-	(63,442)	-	(63,442)
Purchase of shares for the 2008 Share Award Scheme	-	-	-	-	-	-	-	-	-	(53,666)	-	-	-	(53,666)	-	(53,666)
2021 final dividend paid	-	(403,818)	-	-	-	-	-	-	-	-	-	-	-	(403,818)	-	(403,818)
Transfer reserve funds to retained profits	-	-	-	-	(5)	-	-	-	-	-	-	-	5	-	-	-
Transfer from retained profits	-	-	-	-	39,086	-	-	-	-	-	-	-	(39,086)	-	-	-
Debt relief from shareholders	-	-	-	2,383	-	-	-	-	-	-	-	-	-	2,383	-	2,383
At 31 December 2022 (restated)	2,499,780	4,521,954*	52,572*	432,305*	987,463*	(9,331)*	(723,068)*	(110,584)*	164,159*	(237,094)*	237,379*	51,153*	8,596,981*	16,463,669	417,432	16,881,101

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,148,184**	835,528
Adjustments for:			
Finance costs	6	**885,497**	668,671
Share of profits and losses of joint ventures and associates		**(90,487)**	(89,841)
Loss on liquidation of an associate	7	**–**	1,174
(Gain)/loss on disposal of associates	7	**(57,063)**	298,071
Deemed (gain)/loss on partial disposal of associates	7	**(5,687)**	9,329
Deemed gain on partial acquisition of a joint venture	5,7	**–**	(7,749)
(Gain)/loss on disposal of items of other intangible assets, net	7	**(2,344)**	741
Gain on disposal of items of right-of-use assets, net	5,7	**(5,255)**	(1,545)
Gain on disposal of subsidiaries	5,7	**(19,947)**	(4,425)
Gain on disposal of items of other deferred assets, net	5,7	**(141)**	–
Gain on liquidation of subsidiaries	5,7	**(1,051)**	(104)
Interest income	5,7	**(794,171)**	(631,002)
Fair value losses/(gains) on derivative instruments – transactions not qualifying as hedges	7	**198,944**	(176,344)
Fair value gains on financial assets at fair value through profit or loss	5,7	**(25,072)**	–
Fair value losses/(gains) on call options and put options	7	**47,177**	(53,906)
Realised losses/(gains) on settlement of financial assets at fair value through profit or loss	7	**1,684**	(78,589)
Loss/(gain) on expiration of call options	7	**48,885**	(17,579)
Loss on disposal of items of property, plant and equipment, net	7	**20,968**	1,898
Depreciation of property, plant and equipment	14	**405,726**	401,441
Foreign exchange difference, net		**(82,697)**	131,374
Impairment of items of other intangible assets	18	**21,927**	–
Impairment of items of property, plant and equipment	14	**1,538**	–
Depreciation of investment properties	15	**14,749**	14,078
Depreciation of right-of-use assets	16(a)	**209,177**	204,799
Amortisation of other intangible assets	18	**540,620**	622,922
Amortisation of other deferred assets	7	**24,855**	16,509
Impairment of investment in associates	7	**32,884**	–
Equity-settled share option expenses	7	**–**	91
Employee share-based compensation benefits under the 2008 Share Award Scheme	7	**83,636**	147,629
Cash inflow before working capital changes		**2,602,536**	2,293,171

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
(Increase)/decrease in inventories		**(2,331,005)**	3,255,457
(Increase)/decrease in trade receivables		**(4,457,993)**	451,560
Increase in bills receivable		**(1,276,762)**	(475,150)
Increase in contract assets		**(148,639)**	–
Increase in other deferred assets		**(5,673)**	(117,759)
Decrease in pledged time deposits		**59,352**	441,788
Increase in prepayments, other receivables and other assets		**(774,688)**	(2,382,736)
Increase/(decrease) in trade payables		**5,412,632**	(968,442)
Increase in bills payable		**105,662**	1,628,901
Increase/(decrease) in other payables and accruals		**3,212,862**	(2,051,697)
Increase in provisions		**37,649**	69,391
(Decrease)/increase in other long-term payables		**(27,483)**	24,685
Increase in other non-current liabilities		**136,433**	–
Cash generated from operations		**2,544,883**	2,169,169
Interest paid		**(561,675)**	(367,043)
Interest element of lease payments		**(17,024)**	(18,041)
Income taxes paid		**(362,857)**	(419,082)
Net cash flows from operating activities		**1,603,327**	1,365,003
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**758,294**	629,881
Dividends received		**34,637**	24,209
Purchases of items of property, plant and equipment		**(209,132)**	(447,101)
Prepayment of right-of-use assets		**(1,510)**	(22,898)
Proceeds from disposal of items of property, plant and equipment		**39,139**	50,721
Proceeds from disposal of financial assets at fair value through profit or loss, net		**329,974**	22,944
Acquisition of subsidiaries		**–**	(65,973)
Contribution from liquidation of an associate		**–**	1,589
Investments in associates		**–**	(3,935)
Capital withdrawals from associates		**11,390**	26,130
Disposal of subsidiaries	42	**135,200**	(21,429)
Proceeds from disposal of associates		**158,645**	–
Additions of other intangible assets		**(364,826)**	(489,101)
Disposal of other intangible assets		**10,132**	4,759
Additions of other deferred assets		**(460,549)**	(233,139)
Decrease in pledged time deposits		**2,357**	15,227
Disposal/(purchase) of an equity investment designated at fair value through other comprehensive income		**9,134**	(22,007)
Advance to related parties of TCL Industries Holdings		**(431,271)**	(241,446)
Net cash flows from/(used in) investing activities		**21,614**	(771,569)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		214	17,174
Interest paid		(279,074)	(228,368)
Principal portion of lease payments		(187,896)	(167,312)
Purchase of shares for the 2008 Award Scheme		–	(53,666)
New bank and other loans		10,502,906	14,055,822
Acquisition of non-controlling interests		–	(58,613)
Repayment of bank and other loans		(10,025,932)	(15,384,907)
Capital injection from a non-controlling interest		61,931	–
Dividends paid		(318,464)	(416,741)
Decrease in restricted cash		–	290
Net cash flows used in financing activities		(246,315)	(2,236,321)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,378,626	(1,642,887)
Cash and cash equivalents at beginning of the year		9,390,941	11,509,166
Effect of foreign exchange rate changes, net		(32,690)	(475,338)
CASH AND CASH EQUIVALENTS AT END OF YEAR		10,736,877	9,390,941
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	10,794,309	9,510,496
Less: Restricted cash and pledged deposits	28	(57,432)	(119,555)
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		10,736,877	9,390,941

1. CORPORATE AND GROUP INFORMATION

TCL Electronics Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 5th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were mainly involved in the manufacture and sale of television ("TV") sets, smartphones, smart connective devices, smart commercial display and smart home products, photovoltaic equipment and the provision of internet platform operating services.

In the opinion of the directors of the Company, T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries (H.K.)"), a company incorporated in Hong Kong, is the immediate holding company of the Company. In the first quarter of 2019, a restructuring occurred whereby TCL Technology Group Corporation ("TCL Technology", formerly known as TCL Corporation) spun off and transferred, among others, all its equity interests in T.C.L Industries (H.K.) to TCL Industries Holdings Co., Limited ("TCL Industries Holdings"), a limited liability company registered in the People's Republic of China (the "PRC"). Accordingly, the ultimate holding company of the Company has changed to TCL Industries Holdings following the completion of such restructuring. As the major shareholders of TCL Industries Holdings are the key management of TCL Technology, TCL Technology remained a related party of the Group.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company		Principal activities
			Direct	Indirect	
TCL Commercial Information Technology (Huizhou) Limited#	PRC/ Chinese Mainland	RMB100,000,000	–	100	Trading of commercial display products
Guangzhou Kuyu Network Technology Co., Ltd.#	PRC/ Chinese Mainland	RMB100,000,000	–	100	Trading of TV products
TCL Smart Home Technologies Co., Limited	Hong Kong	RMB135,670,000	–	100	Trading of commercial display products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company Direct	% of equity attributable to the Company Indirect	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.**/#	PRC/ Chinese Mainland	RMB120,000,000	–	70	Trading of TV products
Manufacturas Avanzadas, S.A. de. C.V.	Mexico	USD15,866,637	–	100	Manufacture of TV products
TTE Corporation ("TTE")	British Virgin Islands ("BVI")/ Hong Kong	USD10,001	100	–	Investment holding
Shenzhen TCL New Technology Co., Ltd**	PRC/ Chinese Mainland	HK$10,000,000	–	100	Research and development ("R&D") of TV products
TCL Smart Device (Vietnam) Company Limited	Vietnam	VND256,080,000,000	–	100	Manufacture and sale of TV products
Huizhou TCL Electrical Appliances Sales Co., Ltd.#	PRC/ Chinese Mainland	RMB2,430,000,000	–	100	Operation of a distribution network in the PRC
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	–	100	Trading of TV products and components
TCL Electronics (Thailand) Co., Limited	Thailand	THB255,000,000	–	100	Trading of TV products and related components
TCL Holdings (BVI) Limited	BVI/Hong Kong	USD25,000	100	–	Investment holding
TCL Belgium S.A.	Belgium	EUR71,463,602	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company		Principal activities
			Direct	Indirect	
TCL International Electronics (BVI) Limited	BVI/Hong Kong	USD1	100	–	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**/#	PRC/ Chinese Mainland	HK$95,000,000	–	100	Manufacture of TV products
TCL King Electrical Appliances (Huizhou) Co., Ltd. ("TCL King (Huizhou)")**	PRC/ Chinese Mainland	HK$1,291,604,481	–	100	Manufacture and sale of TV products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited**/#	PRC/ Chinese Mainland	HK$20,000,000	–	100	Manufacture of TV products
TCL Overseas Holdings Limited	BVI/Hong Kong	USD1	–	100	Investment holding
TCL Overseas Marketing Limited	BVI/Hong Kong	USD1	–	100	Trading of TV products and components
TTE Technology Inc.	USA	USD129,433,108	–	100	Trading of TV products and components
TCL Operations Polska SP. Z O.O.	Poland	PLN126,716,500	–	100	Manufacture of TV products
TCL Optoelectronics Technology (Huizhou) Co., Ltd.*/#	PRC/ Chinese Mainland	RMB576,000,000	100	–	Manufacture and sale of TV products and trading of components

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company Direct	% of equity attributable to the Company Indirect	Principal activities
TCL Intelligent Technology (Ningbo) Co., Ltd.#	PRC/ Chinese Mainland	RMB62,500,000	–	80	Trading of TV products and components and white goods
TCL Communication Technology Holdings Limited	Cayman Islands/ Hong Kong	HK$1,278,984,118	100	–	Investment holding
Shenzhen Falcon Network Technology Co., Ltd. ("Falcon Network Technology")**/#	PRC/ Chinese Mainland	RMB121,621,629	–	82	R&D of software on smart TV devices and internet platform operation
Shenzhen Falcon Network Media Company Limited#	PRC/ Chinese Mainland	RMB15,000,000	–	82	R&D of software on smart TV devices and internet platform operation
TCL SEMP Indústria e Comércio de Eletroeletrônicos S.A. ("TCL SEMP")	Brazil	BRL558,007,261	–	75	Manufacture and sale of TV products and other household products
TCL Netherlands B.V.	Netherlands	EUR500,000	–	100	Investment holding and trading of TV products and components and white goods
TCT Mobile International Limited	Hong Kong	HK$5,000,000	–	100	Distribution of mobile devices and other products and rendering of services
Huizhou TCL Mobile Communication Co., Ltd.*	PRC/ Chinese Mainland	USD229,733,227	–	100	Manufacture and distribution of mobile devices and rendering of services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	% of equity attributable to the Company		Principal activities
			Direct	Indirect	
TCL Mobile Communication (HK) Company Limited	Hong Kong	HK$1,509,675,500	–	100	Distribution of mobile devices and related components
TCL Digital Technology (Shenzhen) Company Limited ("TCL Digital Technology (Shenzhen)")#	PRC/ Chinese Mainland	RMB49,966,904	–	100	Investment holding
Huizhou TCL Photovoltaic Technology Co., Ltd.#	PRC/ Chinese Mainland	RMB300,000,000	–	100	Sale of photovoltaic power generating facilities
Shaanxi TCL Photovoltaic Engineering Co., Ltd.#	PRC/ Chinese Mainland	RMB60,000,000	–	100	Construction of photovoltaic power stations

* Registered as wholly-foreign-owned enterprises under PRC law

** Registered as sino-foreign equity joint ventures under PRC law

The English names of these companies are not official and are the direct translation from their Chinese names for identification purposes only.

None of the above subsidiaries has debt securities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of net assets of the Group or formed a material portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. 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 2023. 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).

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the 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 the related assets (including goodwill) and liabilities, any non-controlling interest and the exchange fluctuation reserve and recognises the fair value of any investment retained and 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. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000	As at 1 January 2022 HK$'000
Assets			
Deferred tax assets (Note)	**4,565**	3,494	3,728
Total non-current assets	**4,565**	3,494	3,728
Total assets	**4,565**	3,494	3,728
Liabilities			
Deferred tax liabilities (Note)	**(648)**	49	193
Total non-current liabilities	**(648)**	49	193
Total liabilities	**(648)**	49	193
Net assets	**5,213**	3,445	3,535
Equity			
Retained profits	**5,210**	3,441	3,473
Equity attributable to owners of the parent	**5,210**	3,441	3,473
Non-controlling interests	**3**	4	62
Total equity	**5,213**	3,445	3,535

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the consolidated statement of financial position for presentation purposes.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

Impact on the consolidated statements of profit or loss and other comprehensive income:

	Increase/(decrease) For the year ended 31 December 2023 HK$'000	2022 HK$'000
Income tax expense	(1,768)	90
Profit for the year	1,768	(90)
Attributable to:		
Owners of the parent	1,769	(32)
Non-controlling interests	(1)	(58)
	1,768	(90)
Total comprehensive income/(loss) for the year	1,768	(90)
Attributable to:		
Owners of the parent	1,769	(32)
Non-controlling interests	(1)	(58)
	1,768	(90)

The Group has adopted amendments to HKAS 12 retrospectively with the date of initial application of 1 January 2023. The comparative information for the basic and diluted earnings per share attributable to ordinary equity holders of the parent and total comprehensive loss for the year ended 31 December 2022 were restated.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively. Further disclosures are included in note 11 to the financial statements.

2.3 Issued but not yet effective HKFRSs

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and the 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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective HKFRSs (continued)

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. 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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective HKFRSs (continued)

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The Group is currently asscessing the impact of the amendments.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure at the acquisition date components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Fair value measurement

The Group measures its certain financial assets, derivative financial instruments, and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, contract assets, deferred tax assets, investment properties, and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	2.1%
Buildings	2% to 10%
Leasehold improvements	20% to 50% or over the lease terms whichever is shorter
Plant and machinery	5% to 50%
Furniture, fixtures and equipment	10% to 50%
Motor vehicles	16.7% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured and stated at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured and stated at cost, less accumulated depreciation and any impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 3.67%
Leasehold land	Over the lease terms

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives 3 to 20 years.

Purchased patents and licences with indefinite useful lives are stated at cost less any identified impairment losses.

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 40 years.

Customer relationships

Purchased customer relationships with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 14.3 years.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products and software is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised on a systematic basis with reference to projected production volume, upon future sales volume of related products.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follow:

Leasehold land	20 to 70 years
Plant and properties	1 (non-inclusive) to 10 years
Motor vehicles and other equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain trade receivables, other receivables, derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, bills payable, derivative financial instruments, lease liabilities, interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, other long-term payables and financial liabilities associated with put option.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (trade payables, other payables, bills payable and borrowings)

After initial recognition, trade payables, other payables, bills payable and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial liabilities associated with put option over non-controlling interests

Put option written to non-controlling interest ("NCI put") is a financial instrument granted by the Group whereby the counterparty may have the right to request the Group to purchase their equity interests in the Group's non-wholly-own subsidiaries for cash or other financial assets when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or other financial assets under the put option, the Group has to initially recognise a financial liability at the present value of the estimated future cash outflows under the put option. Subsequently, if the Group revises its estimates of payments, the Group adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. At the end of each reporting period, the Group recalculates the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustment to its carrying amount is to be recognised as income or expenses in profit or loss. If the put option expires without being exercised, the carrying amount of the liability is reclassified as equity.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities associated with put option over non-controlling interests (continued)

The put option liabilities are current liabilities unless the put option first becomes exercisable 12 months after the end of the reporting period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain TV and other products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item except research and development cost item, it is deducted from the related expense on systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset except research and development assets, the fair value is deducted from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by way of a reduced depreciation charge.

Where the grant relates to research and development asset or cost item, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset or on systematic basis.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of TV, mobile devices and other products

Revenue from the sale of TV, mobile devices and other products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the TV, mobile devices and other products.

Some contracts for the sale of TV, mobile devices and other products provide customers with volume rebates which giving rise to variable consideration.

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Construction services

Revenue from the provision of construction services related to photovoltaic business is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Video-on-demand internet services

Video-on-demand internet services primarily offers customers to assess certain videos on the internet platform. Revenue from video-on-demand services is recognised over the validity period on a straight-line basis.

(d) Advertising, value-added and other services

Advertising, value-added and other services primarily offers smart terminal advertising exposure and software promotion services. Revenue from advertising, value-added and other services is recognised at the point in time when the services are rendered.

(e) Processing and technical service income

Revenue from rendering of processing service and technical service income are recognised at the point in time upon the transfer of service outcome to customer.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operate share option schemes (the share option scheme adopted on 18 May 2016 and terminated on 3 November 2023 ("2016 Share Option Scheme") and the share option scheme adopted on 3 November 2023 ("2023 Share Option Scheme")) and share award schemes (the share award scheme adopted on 6 February 2008 and expired on 5 February 2023 ("2008 Share Award Scheme") and the share award scheme adopted on 3 November 2023 ("2023 Share Award Scheme")). Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding equity-settled award is reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries in the PRC and overseas are required to participate in a central pension scheme operated by the local municipal government. Certain subsidiaries are required to contribute a certain percentage of their payroll costs to the pension schemes at the applicable rates based on the amounts stipulated by the local government organisations. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollar at the accumulated average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollar at the accumulated average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Identifying performance obligations in a bundled sale of photovoltaic products and construction services

The Group determined that both photovoltaic products and construction services are each capable of being distinct. The fact that the Group regularly sells both photovoltaic products and construction services on a standalone basis indicates that the customer can benefit from both products on their own. The photovoltaic products and construction services are not inputs to a combined item in the contract. Consequently, the Group has allocated a portion of the transaction price to the photovoltaic products and the construction services based on relative standalone selling prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of TV, mobile devices and other products with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of volume rebates monthly and the rebate allowances are adjusted accordingly. Estimates of volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was HK$3,193,639,000 (2022: HK$3,195,180,000). Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for ECLs on trade receivables, contract assets and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables, contract assets and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables, contract assets and other receivables is disclosed in notes 23, 25 and 26 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 35 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 47 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was HK$315,651,000 (2022: HK$183,629,000). Further details are included in note 21 to the financial statements.

Fair value of financial instruments determined using valuation techniques

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 47 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and, therefore, depreciation in the future periods.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

Warranty provisions

As further explained in note 34 to the financial statements, the Group makes provisions for the warranties it gives on the sale of its products, taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureaus, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

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, washing machines and other household appliances; and

(e) Smart commercial display, smart home, photovoltaic and other businesses segment.

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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															
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**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:																		
Sales to external customers	**16,016,765**	15,194,117	**32,615,812**	29,999,916	**2,762,526**	2,298,195	**8,278,969**	12,956,448	**10,408,969**	8,243,564	**8,903,023**	2,659,175	**78,986,064**	71,351,415	**–**	–	**78,986,064**	71,351,415
Intersegment sales	**2,881,163**	1,796,179	**373,960**	1,766,617	**21,941**	13,889	**2,508**	4,633	**27,857**	386	**47,773**	116,165	**3,355,202**	3,697,869	**(3,355,202)**	(3,697,869)	**–**	–
Total	**18,897,928**	16,990,296	**32,989,772**	31,766,533	**2,784,467**	2,312,084	**8,281,477**	12,961,081	**10,436,826**	8,243,950	**8,950,796**	2,775,340	**82,341,266**	75,049,284	**(3,355,202)**	(3,697,869)	**78,986,064**	71,351,415
Gross profit	**3,676,650**	3,702,991	**5,023,150**	4,779,836	**1,521,091**	1,160,033	**1,879,379**	2,041,469	**1,739,912**	1,085,467	**915,513**	341,787	**14,755,695**	13,111,583	**–**	–	**14,755,695**	13,111,583

Geographical information

	Chinese Mainland		Europe		North America		Others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**32,245,801**	23,632,874	**8,986,714**	9,840,245	**16,481,435**	18,133,414	**21,272,114**	19,744,882	**78,986,064**	71,351,415
Non-current assets	**7,755,166**	8,181,807	**183,654**	193,316	**234,650**	212,705	**2,599,967**	2,527,935	**10,773,437**	11,115,763

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

For the year ended 31 December 2023, revenue of approximately HK$9,091,061,000 (2022: HK$8,133,350,000) was derived from sales by the TCL smart screen – the PRC market to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers	78,986,064	71,351,415

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Smart screen and others* HK$'000	Internet business HK$'000	Total HK$'000
Types of goods or services			
Sale of goods	75,191,230	162,447	75,353,677
Construction services	1,032,308	–	1,032,308
Video-on-demand services	–	511,262	511,262
Advertising, vertical application and other new business	–	2,088,817	2,088,817
Total revenue from contracts with customers	76,223,538	2,762,526	78,986,064
Geographical markets			
Chinese Mainland	30,185,354	2,060,447	32,245,801
Europe	8,986,714	–	8,986,714
North America	16,121,607	359,828	16,481,435
Emerging markets	20,929,863	342,251	21,272,114
Total revenue from contracts with customers	76,223,538	2,762,526	78,986,064
Timing of revenue recognition			
Goods transferred at a point in time	75,191,230	162,447	75,353,677
Services transferred over time	1,032,308	511,262	1,543,570
Services transferred at a point in time	–	2,088,817	2,088,817
Total revenue from contracts with customers	76,223,538	2,762,526	78,986,064

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022

Segments	Smart screen and others* HK$'000	Internet business HK$'000	Total HK$'000
Types 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 business	–	1,641,014	1,641,014
Total revenue from contracts with customers	69,053,220	2,298,195	71,351,415
Geographical markets			
Chinese Mainland	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	69,053,220	2,298,195	71,351,415
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	69,053,220	2,298,195	71,351,415

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2023

Segments	Smart screen and others* HK$'000	Internet business HK$'000	Total HK$'000
Revenue from contracts with customers			
External customers	**76,223,538**	**2,762,526**	**78,986,064**
Intersegment sales	**3,333,261**	**21,941**	**3,355,202**
	79,556,799	**2,784,467**	**82,341,266**
Intersegment adjustments and eliminations	**(3,333,261)**	**(21,941)**	**(3,355,202)**
Total revenue from contracts with customers	**76,223,538**	**2,762,526**	**78,986,064**

For the year ended 31 December 2022

Segments	Smart screen and others* HK$'000	Internet business HK$'000	Total HK$'000
Revenue from contracts with customers			
External customers	69,053,220	2,298,195	71,351,415
Intersegment sales	3,683,980	13,889	3,697,869
	72,737,200	2,312,084	75,049,284
Intersegment adjustments and eliminations	(3,683,980)	(13,889)	(3,697,869)
Total revenue from contracts with customers	69,053,220	2,298,195	71,351,415

* Smart screen and others including all other four operating segments except internet business segment.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of smart screen, mobile devices and other products

The performance obligation is satisfied upon delivery of smart screen, mobile devices and other products and payment is generally due within 180 days from delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days from the date of billing.

Video-on-demand services

The performance obligation is satisfied over time as the services allow customers to play and watch certain videos on the internet platform within the validity period, where payment in advance is normally required. The validity period ranging from a few hours to one year depends on the respective terms of the service contracts.

Advertising, vertical application and other new businesses

The performance obligation is satisfied upon rendering of the services and payment is generally due within 30 to 90 days from rendering.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 HK$'000	**2022** **HK$'000**
Sales of products	**1,342,829**	2,157,007

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Other income and gains

	Notes	2023 HK$'000	2022 HK$'000
Other income			
Interest income	7	794,171	631,002
Sales of scrap materials		11,440	5,641
Government grants	7	535,252	661,401
Foreign exchange differences, net	7	202,476	1,345,131
Promotion income		–	2,191
Write-off of balances due to creditors		8,053	3,610
Software development income		18,097	46,387
Rental income, net	7	34,060	22,250
Others		26,357	63,557
		1,629,906	2,781,170
Gains			
Gain on disposal of items of other intangible assets, net	7	2,344	–
Gain on disposal of items of other deferred assets, net	7	141	–
Gain on disposal of items of right-of-use assets, net	7	5,255	1,545
Claim indemnity		2,564	9,153
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges	7	–	176,344
Financial assets at fair value through profit or loss	7	25,072	–
Call options and put options	7	–	53,906
Realised gain on settlement of derivative financial instruments	7	25,259	–
Gain on expiration of call options	7	–	17,579
Gain on liquidation of subsidiaries	7	1,051	104
Gain on disposal of subsidiaries	7,42	19,947	4,425
Gain on disposal of associates	7	57,063	–
Deemed gain on partial acquisition of a joint venture	7	–	7,749
Deemed gain on partial disposal of an associate	7	5,687	–
Others		35,087	88,976
		179,470	359,781
		1,809,376	3,140,951

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on:		
Bank loans	**817,023**	573,094
Loans from companies controlled by TCL Industries Holdings	**36,234**	45,055
Interest expense on lease liabilities	**17,024**	18,041
Imputed interest on financial liabilities arising from put option	**15,067**	31,510
Loans from an affiliate of TCL Industries Holdings	**129**	–
Loans from a company controlled by TCL Technology	**20**	–
Discounted bills receivable from a company controlled by TCL Industries Holdings	**–**	971
Total	**885,497**	668,671

7. PROFIT BEFORE TAX

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

	Notes	2023 HK$'000	2022 HK$'000
Cost of inventories sold and services provided		**64,230,369**	58,239,832
Depreciation of property, plant and equipment	14	**405,726**	401,441
Depreciation of investment properties	15	**14,749**	14,078
Depreciation of right-of-use assets	16(a)	**209,177**	204,799
Amortisation of other deferred assets		**24,855**	16,509
Research and development costs		**2,326,980**	2,531,283
Amortisation of other intangible assets	18	**540,620**	622,922
Lease payments not included in the measurement of lease liabilities		**106,651**	87,781
Auditor's remuneration		**11,937**	11,937
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		**5,253,561**	4,925,322
Equity-settled share option expense		**–**	91
Employee share-based compensation benefits under the 2008 Share Award Scheme		**83,636**	147,629
Defined contribution expenses		**501,369**	495,187
		5,838,566	5,568,229

7. PROFIT BEFORE TAX (CONTINUED)

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

	Notes	2023 HK$'000	2022 HK$'000
Foreign exchange differences, net	5	(202,476)	(1,345,131)
Impairment of financial assets, net:			
Impairment of trade receivables	23	123,523	83,408
Impairment of other receivables	26	15,127	8,112
Impairment of contract assets	25	81	–
		138,731	91,520
Impairment of items of property, plant and equipment**	14	1,538	–
Impairment of items of other intangible assets**	18	21,927	–
Impairment of investment in associates**		32,884	–
Write-down of inventories to net realisable value		302,580	148,162
Rental income, net	5	(34,060)	(22,250)
Interest income	5	(794,171)	(631,002)
Government grants*			
Credited to other income and gains	5	(535,252)	(661,401)
Deducted from cost of sales and relevant expenses		(108,701)	(12,393)
		(643,953)	(673,794)
Fair value (gains)/losses, net:			
Derivative instruments – transactions not qualifying as hedges***		198,944	(176,344)
Financial assets at fair value through profit or loss	5	(25,072)	–
Call options and put options**		47,177	(53,906)
Realised (gain)/loss on settlement, net:			
Derivative financial instruments***		(25,259)	1,295,490
Financial assets at fair value through profit or loss***		1,684	(78,589)
(Gain)/loss on expiration of call options**		48,885	(17,579)
Ineffectiveness of fair value hedges***		30,094	–
Loss on disposal of items of property, plant and equipment, net**		20,968	1,898
(Gain)/loss on disposal of items of other intangible assets, net**		(2,344)	741
Gain on disposal of items of right-of-use assets, net	5	(5,255)	(1,545)
Gain on disposal of items of other deferred assets, net	5	(141)	–
Gain on liquidation of subsidiaries	5	(1,051)	(104)
Gain on disposal of subsidiaries	5,42	(19,947)	(4,425)
(Gain)/loss on disposal of associates**		(57,063)	298,071
Deemed (gain)/loss on partial disposal of associates**		(5,687)	9,329
Deemed gain on partial acquisition of a joint venture	5	–	(7,749)
Loss on liquidation of an associate**		–	1,174
Product warranty provision, net		802,303	689,500

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

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

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

*** Losses on these items are included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 **HK$'000**	2022 HK$'000
Fees	**1,025**	1,067
Other emoluments:		
Salaries, allowances and benefits in kind	**3,656**	2,591
Discretionary performance related bonuses	**1,509**	5,261
Equity-settled share option benefits	**8**	8
Employee share-based compensation benefits under the 2008 Share Award Scheme	**17,039**	38,748
Pension scheme contributions	**178**	151
	22,390	46,759
	23,415	47,826

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	2023					2022				
	Fees HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the 2008 Share Award Scheme HK$'000	Total remuneration HK$'000	Fees HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the 2008 Share Award Scheme HK$'000	Total remuneration HK$'000
Mr. Robert Maarten WESTERHOF (note (i))	-	-	-	-	-	138	-	-	-	138
Dr. TSENG Shieng-chang Carter (note (ii))	-	-	-	-	-	-	-	-	-	-
Professor WANG Yijiang	400	-	-	-	400	300	100	-	-	400
Mr. LAU Siu Ki	400	-	-	-	400	300	100	-	-	400
	800	-	-	-	800	738	200	-	-	938

No other emoluments were payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executive

The remuneration paid to executive directors, non-executive directors and chief executive during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses# HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the 2008 Share Award Scheme HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2023							
Executive directors:							
Ms. DU Juan	–	600	–	–	–	3	603
Mr. YAN Xiaolin	–	–	–	–	3,195	–	3,195
Mr. PENG Pan (note (iii))	–	277	151	–	–	27	455
Mr. HU Dien Chien (note (iv))	–	1,247	594	–	–	22	1,863
	–	2,124	745	–	3,195	52	6,116
Non-executive directors:							
Mr. WANG Cheng	–	–	–	6	6,932	–	6,938
Mr. SUN Li	–	–	–	–	2,291	–	2,291
Mr. LI Yuhao	225	–	50	–	–	–	275
	225	–	50	6	9,223	–	9,504
Chief executive:							
Mr. ZHANG Shaoyong	–	1,532	764	2	4,621	126	7,045
	225	3,656	1,559	8	17,039	178	22,665

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executive (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses# HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the 2008 Share Award Scheme HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2022							
Executive directors:							
Ms. DU Juan	–	–	–	–	–	–	–
Mr. YAN Xiaolin	–	–	100	–	7,267	–	7,367
Mr. HU Dien Chien	–	1,659	1,977	–	–	29	3,665
	–	1,659	2,077	–	7,267	29	11,032
Non-executive directors:							
Mr. WANG Cheng	–	–	100	6	15,763	–	15,869
Mr. Albert Thomas DA ROSA, Junior (note (v))	104	–	–	–	–	–	104
Mr. SUN Li	–	–	–	–	5,209	–	5,209
Mr. LI Yuhao	225	–	100	–	–	–	325
	329	–	200	6	20,972	–	21,507
Chief executive:							
Mr. ZHANG Shaoyong	–	932	2,784	2	10,509	122	14,349
	329	2,591	5,061	8	38,748	151	46,888

The discretionary performance related bonuses for each of the financial year represents the estimated amount of such bonuses determined based on the performance targets set for the relevant individual director of the Company and chief executive, whereas the actual amount would only be determined and paid after the end of the financial year with reference to the financial performance of the Group and the performance of the individual director of the Company or chief executive and subject to approval by the Board and/or the Remuneration Committee.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executive (continued)

Notes:

(i) Mr. Robert Maarten WESTERHOF retired as an independent non-executive director of the Company with effect from 17 June 2022.

(ii) Dr. TSENG Shieng-chang Carter agreed to waive his remuneration of HK$400,000 (2022: HK$400,000) as a independent non-executive director for the year ended 31 December 2023 and such remuneration will be donated by the Company for charity use.

(iii) Mr. PENG Pan was appointed as an executive director of the Company with the effect from 1 October 2023.

(iv) Mr. HU Dien Chien resigned as an executive director of the Company with effect from 1 October 2023.

(v) Mr. Albert Thomas DA ROSA, Junior retired as a non-executive director of the Company with effect from 17 June 2022.

Save as disclosed in note (ii) above, there was no arrangement under which a director or chief executive of the Company returned, waived or agreed to waive any remuneration during the year.

Save as disclosed above, no emoluments were paid by the Group to any director or chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, there were no loans, quasi-loans and other dealings in favour of (i) directors of the Company and of a holding company of the Company; (ii) bodies corporate controlled by such directors; (iii) entities connected with such directors and there were no consideration provided to or receivable by third parties for making available directors' services.

Save as disclosed in the section headed "Connected Transactions" under Report of the Directors in this annual report, none of the directors of the Company or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year ended 31 December 2023.

The executive directors' and chief executive's emoluments shown above were paid for their services in connection with the management of affairs of the Company and the Group; and the non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company, except for certain employee share-based compensation benefits under the 2008 Share Award Scheme paid to Mr. WANG Cheng, Mr. YAN Xiaolin and Mr. SUN Li during the years ended 31 December 2023 and 2022, which represented the awarded shares of the Company granted as replacement of the incentives granted under the incentive scheme adopted by Falcon Network Technology, a subsidiary of the Company. For details, please refer to the announcement of the Company dated 19 May 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2022: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2022: two) non-directors, highest paid employees for the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	3,265	2,025
Discretionary performance related bonuses	1,423	2,784
Equity-settled share option benefits	2	2
Employee share-based compensation benefits under the 2008 Share Award Scheme	10,793	18,637
Pension scheme contributions	367	231
	15,850	23,679

During the year, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

The numbers of non-directors, highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2023	2022
HK$3,500,001 to HK$4,000,000	1	–
HK$4,500,001 to HK$5,000,000	1	–
HK$7,000,001 to HK$7,500,000	1	–
HK$9,000,001 to HK$9,500,000	–	1
HK$14,000,001 to HK$15,000,000	–	1
	3	2

10. ASSETS CLASSIFIED AS HELD FOR SALE

In previous years, the Group entered into a land transfer agreement with the local government. The land was classified as assets held for sale and the transaction was completed in 2023.

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2023 **HK$'000**	2022 HK$'000 (Restated)
Current – Hong Kong		
Charge for the year	**11,097**	7,449
Underprovision/(overprovision) in prior years	**5,580**	(479)
Current – Elsewhere		
Charge for the year	**344,021**	356,102
Underprovision in prior years	**9,260**	47,357
Deferred	**(48,583)**	(128,735)
Total tax charge for the year	**321,375**	281,694

11. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 **HK$'000**	2022 HK$'000 (Restated)
Profit before tax	**1,148,184**	835,528
Tax at the statutory/applicable tax rates of different countries/ jurisdictions	**370,401**	545,199
Lower tax rates for specific provinces or enacted by local authority	**(183,288)**	(140,666)
Previously unrecognised tax losses used to reduce deferred tax expense	**–**	(16,127)
Adjustments in respect of current tax of previous periods	**14,840**	46,878
Profits and losses attributable to joint ventures and associates	**(22,257)**	(21,439)
Income not subject to tax	**(89,728)**	(185,196)
Super deduction of research and development expenditures	**(96,794)**	(161,084)
Expenses not deductible for tax	**227,106**	144,847
Tax losses utilised from previous periods	**(99,362)**	(148,223)
Tax losses not recognised	**200,457**	217,505
Tax charge at the Group's effective rate	**321,375**	281,694

The share of tax attributable to joint ventures and associates amounting to tax credit of HK$419,000 (2022: tax credit of HK$2,613,000) and tax credit of HK$21,838,000 (2022: tax credit of HK$18,826,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Group's subsidiaries in the PRC enjoy a preferential corporate income tax rate of 15%, and two subsidiaries in the PRC enjoy a preferential corporate income tax rate of 10%.

11. INCOME TAX (CONTINUED)

Pillar Two income taxes

As stated in note 2.2(d), the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group is in the process of assessing the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2023, as such, it may not be entirely representative of future circumstances. Based on the assessment carried out so far, the Group has preliminarily identified certain potential exposure in some jurisdictions where the assessment is still in progress. Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable. The Group continues to progress the assessment and expects to complete the assessment in the second half of financial year 2024.

12. DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
Proposed final dividend – HK16.00 cents (2022: HK12.70 cents) per ordinary share	**401,211**	317,472
	401,211	317,472

The above amount of proposed final dividend for the year ended 31 December 2023 was calculated based on the number of shares of the Company as at 31 December 2023 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.

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

The calculation of the basic earnings per share amount 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 the Company of 2,426,406,730 (2022: 2,412,318,560) in issue during the year.

The calculation of the diluted earnings per share amount 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 of the Company 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:

	2023	2022
	HK$'000	HK$'000
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**743,633**	446,975

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue less shares held for the 2008 Share Award Scheme during the year used in the basic earnings per share calculation	**2,426,406,730**	2,412,318,560
Effect of dilution – weighted average number of ordinary shares:		
Share options	**78,175**	277,097
Awarded shares	**51,501,651**	89,246,219
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,477,986,556**	2,501,841,876

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2023							
At 1 January 2023							
Cost	2,345,919	504,242	2,180,670	971,693	19,392	14,539	6,036,455
Accumulated depreciation and impairment	(927,359)	(374,170)	(1,343,974)	(641,584)	(10,721)	–	(3,297,808)
Net carrying amount	1,418,560	130,072	836,696	330,109	8,671	14,539	2,738,647
At 1 January 2023, net of accumulated depreciation and impairment	1,418,560	130,072	836,696	330,109	8,671	14,539	2,738,647
Additions	2,950	9,485	62,706	48,692	3,919	81,380	209,132
Disposal of a subsidiary (note 42)	(81,689)	(850)	(468)	(247)	–	–	(83,254)
Disposals	–	(1,237)	(50,213)	(7,227)	(288)	(1,142)	(60,107)
Transfers	2,156	9,415	43,184	33,227	–	(87,982)	–
Depreciation provided during the year	(88,673)	(44,565)	(137,652)	(133,587)	(1,249)	–	(405,726)
Impairment loss recognised	–	–	(686)	(852)	–	–	(1,538)
Exchange realignment	(7,124)	(907)	(1,934)	(2,667)	(142)	(74)	(12,848)
At 31 December 2023, net of accumulated depreciation and impairment	1,246,180	101,413	751,633	267,448	10,911	6,721	2,384,306
At 31 December 2023:							
Cost	2,170,417	510,666	2,078,966	1,005,248	21,540	6,721	5,793,558
Accumulated depreciation and impairment	(924,237)	(409,253)	(1,327,333)	(737,800)	(10,629)	–	(3,409,252)
Net carrying amount	1,246,180	101,413	751,633	267,448	10,911	6,721	2,384,306

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2022							
At 1 January 2022							
Cost	2,430,229	514,000	2,244,894	913,068	21,922	235,426	6,359,539
Accumulated depreciation and impairment	(901,973)	(359,999)	(1,427,643)	(595,345)	(13,574)	–	(3,298,534)
Net carrying amount	1,528,256	154,001	817,251	317,723	8,348	235,426	3,061,005
At 1 January 2022, net of accumulated depreciation and impairment	1,528,256	154,001	817,251	317,723	8,348	235,426	3,061,005
Additions	18,505	20,337	100,701	90,980	2,391	214,187	447,101
Disposals	(137)	(1,916)	(43,989)	(4,117)	(488)	(1,972)	(52,619)
Transfer to other intangible assets (note 18)	–	–	–	–	–	(87,063)	(87,063)
Transfer to other deferred assets	–	–	–	–	–	(49,363)	(49,363)
Transfers	48,204	11,157	157,073	69,920	–	(286,354)	–
Depreciation provided during the year	(97,483)	(43,682)	(138,352)	(120,975)	(949)	–	(401,441)
Exchange realignment	(78,785)	(9,825)	(55,988)	(23,422)	(631)	(10,322)	(178,973)
At 31 December 2022, net of accumulated depreciation and impairment	1,418,560	130,072	836,696	330,109	8,671	14,539	2,738,647
At 31 December 2022:							
Cost	2,345,919	504,242	2,180,670	971,693	19,392	14,539	6,036,455
Accumulated depreciation and impairment	(927,359)	(374,170)	(1,343,974)	(641,584)	(10,721)	–	(3,297,808)
Net carrying amount	1,418,560	130,072	836,696	330,109	8,671	14,539	2,738,647

15. INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**545,800**	569,177
Depreciation provided during the year (note 7)	**(14,749)**	(14,078)
Exchange realignment	**13,479**	(9,299)
Carrying amount at 31 December	**544,530**	545,800

The Group's investment properties mainly consist of commercial property and industrial property located in Hong Kong, the PRC and Mexico with the carrying amounts of HK$11,446,000 (2022: HK$11,896,000), HK$417,252,000 (2022: HK$430,803,000) and HK$115,832,000 (2022: HK$103,101,000), respectively, and are held under operating lease arrangements.

According to the valuation results provided by independent third parties, the fair values of the investment properties located in Hong Kong, the PRC and Mexico approximate to HK$103,600,000 (2022: HK$106,600,000), HK$429,757,000 (2022: HK$476,053,000) and HK$286,256,000 (2022: HK$266,540,000), respectively.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms between 1 and 10 years, while motor vehicles generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

16. LEASES (CONTINUED)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Plant and properties HK$'000	Motor vehicles HK$'000	Other equipment HK$'000	Total HK$'000
As at 1 January 2022	649,861	427,853	1,786	30	1,079,530
Additions	–	169,122	1,377	–	170,499
Depreciation charge	(12,965)	(190,698)	(1,093)	(43)	(204,799)
Lease modification	–	(2,910)	–	–	(2,910)
Exchange realignment	(25,395)	(24,652)	(49)	13	(50,083)
As at 31 December 2022 and 1 January 2023	611,501	378,715	2,021	–	992,237
Additions	**–**	**210,240**	**393**	**68**	**210,701**
Depreciation charge	**(11,744)**	**(196,229)**	**(1,204)**	**–**	**(209,177)**
Deductions as a result of disposal of a subsidiary (note 42)	**(128,442)**	**–**	**–**	**–**	**(128,442)**
Lease modification	**–**	**(20,589)**	**(23)**	**–**	**(20,612)**
Exchange realignment	**(964)**	**2,218**	**73**	**–**	**1,327**
As at 31 December 2023	**470,351**	**374,355**	**1,260**	**68**	**846,034**

16. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
As at 1 January	409,741	460,504
New leases	206,771	150,478
Lease modification	(23,447)	(7,332)
Accretion of interest recognised during the year	17,024	18,041
Payments	(204,920)	(185,353)
Exchange realignment	2,147	(26,597)
As at 31 December	407,316	409,741
Analysed into:		
Current portion	163,836	153,915
Non-current portion	243,480	255,826

The maturity analysis of lease liabilities is disclosed in note 48 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest expenses on lease liabilities	17,024	18,041
Depreciation charge of right-of-use assets	209,177	204,799
Expense relating to short-term leases and leases of low-value assets	106,651	87,781
Covid-19-related rent concessions from lessors	–	(1,277)
Total amount recognised in profit or loss	332,852	309,344

16. LEASES (CONTINUED)

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced is disclosed in notes 43(c) and 44(b), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of various commercial and industrial properties in Hong Kong, the PRC and Mexico under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$34,060,000 (2022: HK$22,250,000), details of which are included in note 5 to the financial statements.

At 31 December, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**29,272**	37,365
After one year but within two years	**23,703**	20,757
After two years but within three years	**18,303**	10,650
After three years but within four years	**17,705**	10,442
After four years but within five years	**11,179**	10,601
After five years	**1,771**	6,303
	101,933	96,118

17. GOODWILL

	HK$'000
At 1 January 2022:	
Cost	3,385,348
Accumulated impairment	(63,032)
Net carrying amount	3,322,316
Cost at 1 January 2022, net of accumulated impairment	3,322,316
Exchange realignment	(127,136)
Cost and net carrying amount at 31 December 2022	3,195,180
At 31 December 2022:	
Cost	3,258,212
Accumulated impairment	(63,032)
Net carrying amount	3,195,180
Cost at 1 January 2023, net of accumulated impairment	3,195,180
Exchange realignment	(1,541)
Cost and net carrying amount at 31 December 2023	3,193,639
At 31 December 2023:	
Cost	3,256,671
Accumulated impairment	(63,032)
Net carrying amount	3,193,639

17. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- PRC TV products with the TCL brand ("PRC TCL TV CGU")
- Commercial display products ("Commercial Display Products CGU")
- Falcon internet business ("Falcon Internet Business CGU")
- Smart mobile, connective devices and services ("Smart Mobile, Connective devices and Services CGU")
- Brazil TV products with the TCL brand and other household products ("Brazil TCL TV and Other Household Products CGU")
- Others*

* The others represented certain CGUs which individually form an insignificant portion of the goodwill amount of the Group.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections and the growth rate used to extrapolate the cash flows beyond the five-year period of each CGU are as follows:

		2023	2022
PRC TCL TV CGU	discount rate	16%	16%
	growth rate	2.3%	3%
Commercial Display Products CGU	discount rate	15%	15%
	growth rate	2.3%	3%
Falcon Internet Business CGU	discount rate	14%	14%
	growth rate	2.3%	3%
Smart Mobile, Connective devices and Services CGU	discount rate	14%	14%
	growth rate	2.3%	3%
Brazil TCL TV and Other Household Products CGU	discount rate	18%	20%
	growth rate	3%	3%
Others	discount rate	21%	21%
	growth rate	2.3%	3%

17. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	PRC TCL TV CGU HK$'000	Commercial Display Products CGU HK$'000	Falcon Internet Business CGU HK$'000	Smart Mobile, Connective services and Services CGU HK$'000	Brazil TCL TV and Other Household Products CGU HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2022	340,531	251,437	1,076,995	1,260,399	252,838	12,980	3,195,180
As at 31 December 2023	**340,531**	**244,602**	**1,061,410**	**1,260,399**	**273,717**	**12,980**	**3,193,639**

Assumptions were used in the value-in-use calculation of all CGUs for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

18. OTHER INTANGIBLE ASSETS

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships and others HK$'000	Computer software HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2023						
Cost at 1 January 2023, net of accumulated amortisation and impairment	281,230	115,180	276,389	210,953	323,177	1,206,929
Additions	1,793	–	2,043	12,284	348,706	364,826
Transfer from other deferred assets	–	–	–	384,237	–	384,237
Amortisation provided during the year	(33,885)	(27,436)	(53,833)	(65,869)	(359,597)	(540,620)
Disposals	(1,359)	–	–	(6,429)	–	(7,788)
Impairment during the year	–	(21,927)	–	–	–	(21,927)
Exchange realignment	(324)	1,131	(186)	(4,432)	(4,608)	(8,419)
At 31 December 2023	247,455	66,948	224,413	530,744	307,678	1,377,238
At 31 December 2023:						
Cost	450,909	407,178	435,630	1,114,851	348,414	2,756,982
Accumulated amortisation and impairment	(203,454)	(340,230)	(211,217)	(584,107)	(40,736)	(1,379,744)
Net carrying amount	247,455	66,948	224,413	530,744	307,678	1,377,238

18. OTHER INTANGIBLE ASSETS (CONTINUED)

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships and others HK$'000	Computer software HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation and impairment	308,389	144,461	326,602	166,240	365,792	1,311,484
Additions	9,055	–	21,334	19,779	438,933	489,101
Transfer from construction in progress	–	–	–	87,063	–	87,063
Acquisition of subsidiaries (note 41)	37	–	–	–	–	37
Amortisation provided during the year	(33,894)	(29,078)	(64,855)	(44,125)	(450,970)	(622,922)
Disposals	–	–	(264)	(5,236)	–	(5,500)
Exchange realignment	(2,357)	(203)	(6,428)	(12,768)	(30,578)	(52,334)
At 31 December 2022	281,230	115,180	276,389	210,953	323,177	1,206,929
At 31 December 2022:						
Cost	451,254	406,173	435,616	744,046	553,344	2,590,433
Accumulated amortisation and impairment	(170,024)	(290,993)	(159,227)	(533,093)	(230,167)	(1,383,504)
Net carrying amount	281,230	115,180	276,389	210,953	323,177	1,206,929

19. INVESTMENTS IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
Share of net assets	87,128	96,363
Goodwill on acquisition	21,807	21,807
	108,935	118,170
Provision for impairment	(7,712)	(7,712)
	101,223	110,458

The following table illustrates the aggregate summarised financial information of the Group's joint ventures that are not individually material:

	2023 HK$'000	2022 HK$'000
Share of the joint ventures' profit/(loss) for the year	(2,220)	26,784
Share of the joint ventures' total comprehensive income/(loss) for the year	(2,439)	24,795
Aggregate carrying amount of the Group's investments in the joint ventures	101,223	110,458

The Group has discontinued the recognition of its share of losses of a joint venture, TCL-IMAX Entertainment Co., Ltd. during the year ended 31 December 2017 because the share of losses of the joint venture exceeded the Group's interest in the relevant joint venture and the Group has no obligation to take up further losses.

20. INVESTMENTS IN ASSOCIATES

	2023 **HK$'000**	2022 HK$'000
Share of net assets	**1,087,929**	1,192,663
Goodwill on acquisition	**197,512**	366,219
	1,285,441	1,558,882
Provision for impairment	**(32,884)**	–
	1,252,557	1,558,882

During the year ended 31 December 2023, the Group disposed of its investment in an associate and no longer had its representative on the board of the associate. The investments was transferred to equity investments designated at fair value through other comprehensive income and a disposal gain of HK$18,536,000 was recognised in other income and gains.

For the year ended 31 December 2023, the Group assessed the recoverable amounts of the investments in associates at 31 December 2023 and as a result the carrying amounts of investments in these associates were written down to the recoverable amounts. Impairment losses of HK$32,884,000 were recognised in "Other operating expenses".

Particulars of the Group's material associates are as follows:

Name	Particulars of registered capital	Place of Registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Amlogic (Shanghai) Co., Ltd. ("Amlogic")#	RMB416,393,968	PRC/ Chinese Mainland	4.94	Note(a)
Huan Technology Co., Ltd.* ("Huan Technology")	RMB52,989,648	PRC/ Chinese Mainland	34.00	Note(b)

* The English name of the company is not official and is the direct translation from its Chinese name for identification purposes only.

\# Up to the date of approval of these financial statements, Amlogic has not yet disclosed its annual financial statements for the year ended 31 December 2023. The figures presented in the table below are extracted from financial information which was released publicly disclosed by Amlogic, with some information not being disclosed.

All the associates have been accounted for using the equity method in these financial statements.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes:

(a) Amlogic

Amlogic, which is considered as a material associate of the Group, is a strategic partner of the Group engaged in the manufacture and trading of integrated circuits and other semiconductor services.

Although the Group holds less than 20% of the voting power of Amlogic, in the opinion of the directors, the Group is in a position to exercise significant influence over Amlogic through its representation in the board of directors and its participation in policy-making processes of Amlogic.

The following table illustrates the summarised financial information of Amlogic, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 **HK$'000**	2022 HK$'000
Net assets	**5,990,191**	5,349,565
Net assets, excluding goodwill	**5,972,105**	5,331,520
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**4.94%**	5.00%
Group's share of net assets of the associate, excluding goodwill	**295,022**	266,576
Goodwill on acquisition	**18,086**	18,045
Carrying amount of the investment	**313,108**	284,621
Revenue	**5,959,409**	6,439,630
Profit for the year	**515,499**	809,922
Fair value of the Group's investment in the associate	**1,420,429**	1,632,000

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

(b) Huan Technology

Huan Technology, which is considered a material associate of the Group, is a strategic partner of the Group engaged in internet platform operation. Huan Technology has become an associate of the Group since 1 November 2019.

The following table illustrates the summarised financial information of Huan Technology, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 **HK$'000**	2022 HK$'000
Net assets	**1,039,013**	952,825
Net assets, excluding goodwill	**932,638**	844,888
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**34.00%**	34.00%
Group's share of net assets of the associate, excluding goodwill	**317,097**	287,262
Goodwill on acquisition	**106,375**	107,937
Carrying amount of the investment	**423,472**	395,199
Revenue	**805,603**	802,744
Profit for the year	**100,624**	72,684
Total comprehensive income for the year	**100,624**	72,684

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2023 **HK$'000**	2022 HK$'000
Share of the associates' profit/(loss) for the year	**33,209**	(2,409)
Share of the associates' other comprehensive income/(loss) for the year	**(1,537)**	24,567
Share of the associates' total comprehensive income for the year	**31,672**	22,158
Aggregate carrying amount of the Group's investments in these associates	**515,977**	879,062

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Listed equity investments, at fair value		
Beijing Digital Telecom Co., Ltd.	**7,941**	16,804
	7,941	16,804
Unlisted equity investments, at fair value		
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.*	**11,165**	9,146
Shanghai Digital TV National Engineering Research Center Co., Ltd.*	**2,648**	3,750
Shenzhen Zhongcailian Technology Co., Ltd.*	**3,166**	2,989
Shanghai Guanmu Investment Management Partnership (Limited Partnership)*	**87,939**	121,397
RayNeo Co., Ltd.* (formerly known as Falcon Innovations Technology (Shenzhen) Co., Ltd.)*	**88,603**	13,619
Fengzhangqingyu Investment (Ningbo) Partnership (Limited Partnership)*	**22,276**	22,603
Huizhou Kuyu Network Technology Co., Ltd.*	**90,029**	–
Others	**9,825**	10,125
	315,651	183,629
	323,592	200,433

* The English names of the companies are not official and are the direct translation from their Chinese names for identification purposes only.

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers that these investments are strategic in nature.

22. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	5,136,579	3,255,196
Work in progress	416,853	398,544
Finished goods	6,658,092	6,183,574
	12,211,524	9,837,314

23. TRADE RECEIVABLES

	Note	2023 HK$'000	2022 HK$'000
Due from third parties		11,792,769	8,146,870
Due from related parties:			
Companies controlled by TCL Industries Holdings	(a)	2,092,248	154,659
Affiliates of TCL Industries Holdings	(a)	379,120	184,501
Companies controlled by TCL Technology	(a)	647,213	521,234
Affiliates of TCL Technology	(a)	–	28,804
Joint ventures	(a)	535,761	388,213
Associates	(a)	399,745	1,752,743
		4,054,087	3,030,154
Impairment allowance		(298,968)	(241,943)
		15,547,888	10,935,081

Note:

(a) As at 31 December 2023 and 2022, the amounts were interest-free, unsecured and repayable within one year.

The majority of the Group's sales in the PRC are conducted on a 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.

23. TRADE RECEIVABLES (CONTINUED)

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$354,540,000 (2022: HK$359,746,000) due by them with interest-bearing at 3% (2022:3%) per annum. The Group does not hold any collateral 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$910,616,000 (2022: HK$315,207,000), and (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, amounting to HK$26,964,000 (2022: HK$25,106,000). 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$14,909,276,000 (2022: HK$10,836,711,000) 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:

	2023 HK$'000	2022 HK$'000
Current to 90 days	**10,740,047**	8,349,202
91 to 180 days	**3,186,071**	1,672,728
181 to 365 days	**916,826**	324,001
Over 365 days	**1,003,912**	831,093
	15,846,856	11,177,024
Impairment allowance	**(298,968)**	(241,943)
	15,547,888	10,935,081

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**241,943**	188,041
Impairment losses, net (note 7)	**123,523**	83,408
Amount written off as uncollectible	**(68,246)**	(14,050)
Exchange realignment	**1,748**	(15,456)
At end of year	**298,968**	241,943

23. TRADE RECEIVABLES (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables measured at amortised cost using a provision matrix:

As at 31 December 2023

	Gross carrying amount HK$'000	Ratio	ECLs HK$'000	ECL rate (%)
Individual provision for ECLs	**326,299**	**2.2%**	**208,081**	**63.77%**
Provision for ECLs based on the credit risk characteristics group	**14,582,977**	**97.8%**	**90,887**	**0.62%**
Total	**14,909,276**	**100.0%**	**298,968**	**2.01%**

As at 31 December 2022

	Gross carrying amount HK$'000	Ratio	ECLs HK$'000	ECL rate (%)
Individual provision for ECLs	336,041	3.1%	154,351	45.93%
Provision for ECLs based on the credit risk characteristics group	10,500,670	96.9%	87,592	0.83%
Total	10,836,711	100.0%	241,943	2.23%

23. TRADE RECEIVABLES (CONTINUED)

Set out below is the information about provision for expected credit loss of trade receivables based on the credit risk characteristics group:

As at 31 December 2023

Past due	Gross carrying amount HK$'000	ECLs HK$'000	ECL rate (%)
Within one year	**14,050,579**	**22,093**	**0.16%**
After one year	**532,398**	**68,794**	**12.92%**
Total	**14,582,977**	**90,887**	**0.62%**

As at 31 December 2022

Past due	Gross carrying amount HK$'000	ECLs HK$'000	ECL rate (%)
Within one year	10,025,437	36,258	0.36%
After one year	475,233	51,334	10.80%
Total	10,500,670	87,592	0.83%

24. BILLS RECEIVABLE

	2023 HK$'000	2022 HK$'000
Financial assets at fair value through other comprehensive income	**3,458,107**	2,219,329
	3,458,107	2,219,329

25. CONTRACT ASSETS

	2023 HK$'000	2022 HK$'000
Contract assets arising from:		
Sale of products	**109,441**	–
Construction services	**38,342**	–
Total	**147,783**	–
Impairment	**(81)**	–
Net carrying amount	**147,702**	–

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**147,702**	–

25. CONTRACT ASSETS (CONTINUED)

The movements in the loss allowance for impairment of contract assets are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	–	–
Impairment losses (note 7)	81	–
At end of year	81	–

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2023	2022
Expected credit loss rate	0.05%	–
Gross carrying amount (HK$'000)	147,783	–
ECLs (HK$'000)	81	–

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 HK$'000	2022 HK$'000
Prepayments and deposits		627,798	188,778
Other receivables	(a)	3,048,026	3,620,104
VAT receivables		2,261,525	2,585,102
Dividend receivable		8,748	19,639
Interest receivable		50,289	12,780
Due from companies controlled by TCL Industries Holdings	(b)	2,075,365	2,632,679
Due from affiliates of TCL Industries Holdings	(b)	1,843,811	34,475
Due from companies controlled by TCL Technology	(c)	426,553	44,280
Due from affiliates of TCL Technology	(c)	–	2,449
Due from associates	(c)	17,048	84,124
		10,359,163	9,224,410
Impairment allowance		(215,454)	(204,741)
		10,143,709	9,019,669

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Notes:

(a) As at 31 December 2023, no amount (2022: HK$209,075,000) was pledged for certain discounted bills.

(b) The relevant balance of advance to TCL Industries Holdings under the meaning of Chapter 13 of the Listing Rules amounted to approximately HK$3,919,176,000 (2022: HK$2,667,154,000), out of which: (i) approximately HK$1,168,053,000 (2022: HK$549,851,000) was deposits placed with TCL Finance (Hong Kong) Co., Limited and/or TCL Industries Holdings Financial Services Associates pursuant to the Master Financial (2022-2024) Agreement dated 11 November 2021 entered into among the Company, TCL Industries Holdings and TCL Finance (Hong Kong) Co., Limited with interest rates ranging from 0.0001% to 4.79% (2022: 0.01% to 3.30%) per annum and repayable within one year and without collateral; (ii) approximately HK$413,738,000 (2022: HK$680,320,000) was loans provided by the Group to Qualified Holdings Group (as defined in the announcement of the Company dated 11 November 2021) pursuant to the Master Financial (2022-2024) Agreement dated 11 November 2021 entered into among the Company, TCL Industries Holdings and TCL Finance (Hong Kong) Co., Limited with interest rates at 4.50% (2022: 4.00% to 8.00%) per annum and repayable within one year and without collateral; and (iii) approximately HK$2,337,385,000 (2022: HK$1,436,983,000) was other receivables from TCL Industries Holdings Group arising from non-trading nature transactions which were interest-free, unsecured and repayable within one year. For details of the Master Financial (2022-2024) Agreement, please refer to the Company's announcement dated 11 November 2021 and the circular dated 22 November 2021.

(c) As at 31 December 2023 and 2022, the amounts were interest-free, unsecured and repayable within one year.

The Group has classified certain other receivables amounting to HK$250,764,000 (2022: HK$76,136,000) as financial assets measured at fair value through profit or loss as these items are held for trading. The remaining amounts are measured at amortised cost.

ECLs are estimated for other receivables and amounts due from related companies by applying a loss rate approach with reference to the historical loss records of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The credit quality of the financial assets included in the line items of prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful". Set out below is the information about the credit risk exposure on the Group's other receivables and amounts due from related companies:

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

As at 31 December 2023

	Normal	**Doubtful**	**Total**
ECL rate	**0.04%**	**95.46%**	**2.92%**
Gross carrying amount (HK$'000)	**7,147,072**	**222,817**	**7,369,889**
ECLs (HK$'000)	**2,752**	**212,702**	**215,454**

As at 31 December 2022

	Normal	Doubtful	Total
ECL rate	0.10%	7.26%	3.19%
Gross carrying amount (HK$'000)	3,645,037	2,773,074	6,418,111
ECLs (HK$'000)	3,543	201,198	204,741

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	2023 **HK$'000**	2022 HK$'000
At beginning of year	**204,741**	216,556
Impairment losses, net (note 7)	**15,127**	8,112
Amount written off as uncollectible	**(1,607)**	(8,776)
Reversal of amount written off as uncollectible in previous years	**1,640**	–
Disposal of subsidiaries	**(865)**	–
Exchange realignment	**(3,582)**	(11,151)
At end of year	**215,454**	204,741

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **HK$'000**	2022 HK$'000
Trust products and financial products issued by commercial banks	**943,102**	1,266,076

28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2023 **HK$'000**	2022 HK$'000
Cash and bank balances	**10,736,877**	9,390,941
Restricted cash and pledged deposits	**57,432**	119,555
	10,794,309	9,510,496
Less: Restricted cash and pledged deposits:		
– for factored trade receivables	**2,629**	69,746
– for banking facilities and other financial instruments	**19,696**	22,672
– others restricted cash and pledged deposits	**35,107**	27,137
Cash and cash equivalents	**10,736,877**	9,390,941

As at 31 December 2023, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$3,906,545,000 (2022: HK$4,015,498,000). RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances, restricted cash and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, included in the Group's cash and bank balances were deposits of HK$226,000 (2022: HK$335,850,000), placed with TCL Technology Finance Co., Ltd., a subsidiary of TCL Technology and a financial institution approved by the People's Bank of China.

29. TRADE PAYABLES

	Note	2023 HK$'000	2022 HK$'000
Due to third parties		**11,838,216**	8,053,031
Due to related parties:			
Companies controlled by TCL Industries Holdings	(a)	**2,208,371**	2,528,936
Affiliates of TCL Industries Holdings	(a)	**398,403**	622,568
Companies controlled by TCL Technology	(a)	**3,812,639**	2,187,509
Affiliates of TCL Technology	(a)	**–**	16,430
Joint ventures	(a)	**122,124**	68,267
Associates	(a)	**735,921**	610,204
		7,277,458	6,033,914
		19,115,674	14,086,945

Note:

(a) As at 31 December 2023 and 2022, 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:

	2023 HK$'000	2022 HK$'000
Current to 90 days	**15,712,598**	11,589,314
91 to 180 days	**2,502,257**	1,920,841
181 to 365 days	**731,302**	382,203
Over 365 days	**169,517**	194,587
	19,115,674	14,086,945

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

30. OTHER PAYABLES AND ACCRUALS

	Notes	2023 HK$'000	2022 HK$'000
Other payables	(a)	**8,583,429**	6,991,280
Advanced receipts		**7,885**	7,739
Accruals		**2,358,361**	2,026,575
Dividend payable		**16**	18
Contract liabilities	(b)	**1,267,355**	1,342,829
Due to companies controlled by TCL Industries Holdings	(c)	**918,558**	950,582
Due to affiliates of TCL Industries Holdings	(c)	**1,746,137**	44,763
Due to companies controlled by TCL Technology	(c)	**220,066**	78,110
Due to affiliates of TCL Technology	(c)	**–**	10,926
Due to associates	(c)	**6,910**	72,396
Due to a joint venture	(c)	**71**	–
		15,108,788	11,525,218

Notes:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

(b) Details of contract liabilities are as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000	1 January 2022 HK$'000
Short-term advances received from customers			
Sale of goods	**1,157,314**	1,245,818	2,078,712
Video-on-demand services	**110,041**	97,011	78,295
Total contract liabilities	**1,267,355**	1,342,829	2,157,007

Contract liabilities include short-term advances received to deliver goods and video-on-demand services.

(c) As at 31 December 2023, amounts due to companies controlled by TCL Industries Holdings of HK$241,290,000 were interest-bearing at 0.05% to 4.65% per annum. The remaining amounts were interest-free, unsecured and repayable within one year. As at 31 December 2022, the amounts were interest-free, unsecured and repayable within one year.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
Non-current assets		
Call option	1,071	–
Current assets		
Forward currency contracts	41,359	335,448
Call options and put options	146,245	244,536
	187,604	579,984
Total	188,675	579,984
Current liabilities		
Forward currency contracts	96,518	134,214
	96,518	134,214

Cash flow hedge – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in BRL/EUR/GBP/MXN/CAD/AUD/JPY/RMB/RUB and forecast purchases in the USD, These forecast transactions are highly probable, and they comprise about 100% of the Group's total expected sales in BRL/EUR/GBP/MXN/CAD/AUD/JPY/RMB/RUB and purchases in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge – Foreign currency risk (continued)

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following foreign exchange forward contracts:

	Less than 3 months	3 to 6 months	Total
As at 31 December 2023			
Foreign currency forward contracts (highly probable forecast sales) Notional amount (in HK$'000)	299,303	235,742	535,045
Foreign currency forward contracts (highly probable forecast purchases) Notional amount (in HK$'000)	1,978,463	–	1,978,463

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount HK$'000	Carrying amount HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2023				
Foreign currency forward contracts (highly probable forecast sales)	220,004	1,599	Derivative financial instruments (assets)	233
Foreign currency forward contracts (highly probable forecast sales)	315,041	(10,032)	Derivative financial instruments (liabilities)	(45,700)
Foreign currency forward contracts (highly probable forecast purchases)	–	–	Derivative financial instruments (assets)	32,698
Foreign currency forward contracts (highly probable forecast purchases)	1,978,463	(25,910)	Derivative financial instruments (liabilities)	102,262

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge – Foreign currency risk (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000	Cash flow hedge reserve HK$'000
Year ended 31 December 2023		
Highly probable forecast sales	(45,467)	(6,001)
Highly probable forecast purchases	134,960	(11,668)

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging (loss)/gain recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount HK$'000	Tax effect HK$'000	Total HK$'000	Gross amount HK$'000	Tax effect HK$'000	Total HK$'000	
Year ended 31 December 2023							
Highly probable forecast sales	(45,467)	11,015	(34,452)	46,091	(8,160)	37,931	Revenue/Other income
Highly probable forecast purchases	134,960	-	134,960	(156,319)	-	(156,319)	Cost of sales

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedge – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in fair value hedges of accounts receivable in USD from certain subsidiaries which functional currency is RMB. There is an economic relationship between the hedged item and the hedging instrument as the terms of the foreign currency forward contracts match the terms of accounts receivables.

The Group has established a hedge ratio of 1:1 for the hedging relationships as the foreign currency risk of the foreign currency forward contracts is identical to that of the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

Hedge ineffectiveness can arise from:

- Differences in the timing of the fair value of the hedged item and the hedging instrument
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items

The impact of the hedging instrument on the statement of financial position is as follows:

	Notional amount HK$'000	Carrying amount HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2023				
Foreign currency forward contracts	**3,829,007**	**(5,301)**	**Derivative financial instruments (liabilities)**	**(165,500)**

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedge – Foreign currency risk (continued)

The impact of the hedged item on the statement of financial position is as follows:

	Notional amount HK$'000	Carrying amount HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2023				
Foreign accounts receivable	**3,829,007**	**3,829,007**	**Accounts receivable**	**135,406**

Non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures. They are not designated for hedge purposes and are measured at fair value through profit or loss. Net loss of HK$198,944,000 (2022: net gain of HK$176,344,000) as a result of the changes in the fair value of these non-hedging derivative financial contracts were recognised in profit or loss for the year ended 31 December 2023.

Call options and put options

(1) TCL Call Options, TCL Put Options and RV Holdcos Call Options

On 29 June 2018, the Group entered into new shareholders' agreement with Radio Victoria Argentina S.A. ("RVF"), Sontec Argentina S.A. ("Sontec") and the sellers (the "Sellers") of RVF and Sontec, pursuant to which the Group was granted with:

Call options ("TCL Call Options") whereby the Group has the discretion to acquire additional equity interest in RVF and/or Sontec, subject to the total shareholding of the Group not exceeding 49% shareholding of RVF and/or Sontec at any time, at a consideration based on the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise, which is exercisable at any time within 8 years after the closing date of acquisition of RVF and Sontec (the "RVF and Sontec Acquisition").

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Call options and put options (continued)

(1) TCL Call Options, TCL Put Options and RV Holdcos Call Options (continued)

Put options ("TCL Put Options") whereby the Group has the discretion to dispose of all equity interest in RVF and/or Sontec at a consideration based on the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise, which is exercisable at any time after 2 years and within 8 years of the RVF and Sontec Acquisition.

As at 31 December 2023 and 2022, the fair values of options were determined by Asset Appraisal Limited based on the Black-Scholes Options Pricing Model. The key inputs into the model for the values of the options are as follows:

	TCL Call Options and Put Options	
	2023	2022
Maturity (year)	**2.5**	3.5
Risk-free rate (%)	**4.2**	4.2
Volatility (%)	**41.2**	45.4

Pursuant to the new shareholders' agreement, the Group also granted call options ("RV Holdcos Call Options") to the Sellers whereby the Sellers have the discretion to acquire all equity interest in RVF and/or Sontec at a consideration based on:

the higher of (i) the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise and (ii) the investment cost of the Group plus a compounded annual rate of return as stipulated, which is exercisable within 180 days starting from 4 years after the RVF and Sontec Acquisition; or

the higher of (i) the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise and (ii) the fair market value of the equity interests of RVF and Sontec, which is exercisable within 60 days starting from the date on which the percentage of shareholding of the Group in RVF and Sontec falls below 5%.

In 2022, RV Holdcos Call Options were not exercised which were expired in December 2022. Gain on expiration of the option recognised in profit or loss of was HK$17,579,000.

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Call options and put options (continued)

(2) TCL SEMP Call Option

On 20 July 2020 (Sao Paulo time) (21 July 2020 (Hong Kong time)), the Group entered into the shareholders' agreement with STA, TCL SEMP and Affonso Brandão Hennel, pursuant to which the Group was granted a call option by STA ("TCL SEMP Call Option"), whereby the Group has the right to purchase all, but not less than all, of the remaining 20% equity interest of TCL SEMP held by STA at the exercise price based on the adjusted net book value of TCL SEMP on the date of exercise, which is exercisable within 3 years since the date of above mentioned shareholders' agreement.

On 7 July 2023, the Group, STA, TCL SEMP and Affonso Brandão Hennel entered into the New Shareholders' Agreement in respect of TCL SEMP, pursuant to which, the TCL SEMP Call Option and the Put Option was terminated in its entirety; and STA granted the New Call Option ("New TCL SEMP Call Option") to the Group and the Group granted the New Put Option ("New TCL SEMP Put Option") to STA, pursuant to which both parties would have the right to purchase from the other, and the counterparty would be obliged to sell, all but not less than all, of the remaining 25% equity interest of TCL SEMP at the purchase price based on the audited net book value of TCL SEMP on the date of exercise, which is exercisable upon occurrence of any trigger event, and the New TCL SEMP Put Option's purchase price is subject to a maximum price of R$1,200,000,000 (equivalent to approximately HK$1,935,960,000).

As at 31 December 2023, the fair value of the call option was determined by Labeo Finance (31 December 2022: Cosmos Advisors) based on the Monte Carlo simulation model. The key inputs into the model for the value of the call option are as follows:

	2023 New TCL SEMP Call Option	2022 TCL SEMP Call Option
Maturity (year)	**49.5**	0.5
Risk-free rate (%)	**3.9**	3.9
Volatility (%)	**34.6**	34.6

32. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTION

	2023 HK$'000	2022 HK$'000
Measured at amortised cost:		
Current: Redemption liability arising from TCL SEMP Put Option	–	160,667
Non-current: Redemption liability arising from New TCL SEMP Put Option	269,001	–

The amounts represented financial liabilities associated with put options granted to the non-controlling shareholder of TCL SEMP.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	0.60 to 6.64	2024	4,344,214	0.88 to 5.99	2023	4,408,518
Advances from banks as consideration for factored trade receivables	4.81 to 6.47	2024	26,964	0.70 to 5.77	2023	25,106
Loans from a company controlled by TCL Industries Holdings	3.05 to 3.15	2024	551,650	–	–	–
			4,922,828			4,433,624
Non-current						
Bank loans – unsecured	2.40 to 3.20	2025 – 2026	888,826	1.46 to 4.75	2024 – 2028	1,029,459
			888,826			1,029,459
			5,811,654			5,463,083

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,371,178**	4,433,624
In the second year	**665,290**	250,287
In the third to fifth years, inclusive	**223,536**	738,870
After five years	**–**	40,302
	5,260,004	5,463,083
Analysed into:		
Other loans repayable:		
Within one year or on demand	**551,650**	–
	5,811,654	5,463,083

Notes:

(a) As at 31 December 2023 and 2022, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Technology has individually guaranteed certain of the Group's bank loans of up to HK$80,888,000 (2022: HK$123,114,000) and TCL Industries Holdings has individually guaranteed certain of the Group's bank loans of up to HK$4,006,479,000 (2022: HK$3,374,453,000) as at the end of the reporting period.

Included in bank and other loans are the following amounts denominated in currencies other than the functional currencies of the entities to which they relate:

	2023 HK$'000	2022 HK$'000
USD	**1,701,426**	3,118,233
RMB	**4,106,574**	2,343,041
EUR	**3,654**	1,656
MXN	**–**	153
	5,811,654	5,463,083

34. PROVISIONS

	Warranties HK$'000	Restructuring costs HK$'000	Pending litigation HK$'000	Total HK$'000
At 1 January 2023	1,004,009	534	2,999	1,007,542
Additional provision	1,237,534	–	24,168	1,261,702
Reversal of unutilised amounts	(435,231)	–	(22,376)	(457,607)
Amount utilised during the year	(763,404)	–	(566)	(763,970)
Exchange realignment	4,190	64	238	4,492
At 31 December 2023	1,047,098	598	4,463	1,052,159

Warranties

The Group provides warranties ranging from one to five years to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Restructuring costs

The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

Pending litigation

Provision has been provided based on the best estimate of the litigation compensation.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Changes in fair value HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Right-of-use assets HK$'000	Deferred income HK$'000	Total HK$'000
At 31 December 2021	1,132	3,071	328,270	–	9,373	341,846
Effect of adoption of amendments to HKAS 12 (note 2.2)	–	–	–	75,644	–	75,644
At 1 January 2022 (restated)	1,132	3,071	328,270	75,644	9,373	417,490
Acquisition of subsidiaries (note 41)	–	–	9	–	–	9
Deferred tax charged/(credited) to profit or loss during the year (restated)	61	26,703	(13,857)	(10,804)	(2,342)	(239)
Deferred tax charged to other comprehensive income during the year	–	20,703	–	–	–	20,703
Exchange realignment	–	(2,603)	(1,298)	2,463	(2,697)	(4,135)
Gross deferred tax liabilities at 31 December 2022 (restated)	**1,193**	**47,874**	**313,124**	**67,303**	**4,334**	**433,828**
Deferred tax charged/(credited) to profit or loss during the year	**47**	**(7,221)**	**(13,959)**	**(2,172)**	**78,156**	**54,851**
Deferred tax charged to other comprehensive income during the year	**–**	**12,203**	**–**	**–**	**–**	**12,203**
Exchange realignment	**–**	**(40)**	**367**	**(281)**	**(498)**	**(452)**
Gross deferred tax liabilities at 31 December 2023	**1,240**	**52,816**	**299,532**	**64,850**	**81,992**	**500,430**

35. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and other provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Changes in fair value HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Lease liabilities HK$'000	Total HK$'000
At 31 December 2021	84,178	220,300	31,324	–	990	–	336,792
Effect of adoption of amendments to HKAS 12 (note 2.2)	–	–	–	–	–	79,179	79,179
At 1 January 2022 (restated)	84,178	220,300	31,324	–	990	79,179	415,971
Deferred tax credited/(charged) to profit or loss during the year (restated)	28,447	84,084	23,731	4,118	(990)	(10,894)	128,496
Deferred tax credited/(charged) to other comprehensive income during the year	–	4,352	–	(1,888)	–	–	2,464
Exchange realignment	–	(9,769)	(1,607)	(11)	–	–	(11,387)
Gross deferred tax assets at 31 December 2022 (restated)	**112,625**	**298,967**	**53,448**	**2,219**	**–**	**68,285**	**535,544**
Deferred tax credited/(charged) to profit or loss during the year	**8,802**	**105,784**	**(15,705)**	**4,957**	**–**	**(404)**	**103,434**
Deferred tax credited/(charged) to other comprehensive income during the year	**–**	**(1,828)**	**–**	**6,048**	**–**	**–**	**4,220**
Exchange realignment	**–**	**4,291**	**3,431**	**144**	**–**	**(305)**	**7,561**
Gross deferred tax assets at 31 December 2023	**121,427**	**407,214**	**41,174**	**13,368**	**–**	**67,576**	**650,759**

35. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 HK$'000	2022 HK$'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**490,690**	429,644
Net deferred tax liabilities recognised in the consolidated statement of financial position	**340,361**	327,928

Deferred tax assets have not been recognised in respect of the following items:

	2023 HK$'000	2022 HK$'000
Tax losses	**9,925,397**	9,496,323
Deductible temporary differences	**670,106**	876,151
	10,595,503	10,372,474

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries/jurisdictions in which the Group operates. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

35. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2023, no deferred tax liabilities has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK$9,375,228,000 as at 31 December 2023 (2022: HK$8,942,965,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. SHARE CAPITAL

Shares

	2023 HK$'000	2022 HK$'000
Authorised:		
3,000,000,000 (2022: 3,000,000,000) shares of HK$1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
2,507,568,733 (2022: 2,499,780,203) shares of HK$1.00 each	**2,507,569**	2,499,780

A summary of movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2022		2,479,959,408	2,479,959	4,906,432	7,386,391
Dividend paid to shareholders		–	–	(403,818)	(403,818)
Issue of shares upon exercise of share options	(a)	4,323,365	4,323	19,340	23,663
Issue of shares under the 2008 Share Award Scheme	(b)	15,497,430	15,498	–	15,498
At 31 December 2022 and 1 January 2023		2,499,780,203	2,499,780	4,521,954	7,021,734
Dividend paid to shareholders		–	–	(309,471)	(309,471)
Issue of shares upon exercise of share options	(a)	56,561	57	240	297
Issue of shares under the 2008 Share Award Scheme	(b)	7,731,969	7,732	–	7,732
At 31 December 2023		2,507,568,733	2,507,569	4,212,723	6,720,292

36. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes:

(a) During the year ended 31 December 2023, the subscription rights attaching to 1,000, 50,000 and 5,561 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 56,561 shares of HK$1.00 each for a total cash consideration of HK$214,000 before expenses. An amount of HK$83,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

During the year ended 31 December 2022, 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. An amount of HK$6,489,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) Details of the shares allotted for the 2008 Share Award Scheme are set out in note (c) of the share award schemes of the Company below.

37. SHARE-BASED PAYMENTS

Share option schemes of the Company

The Company adopted the 2016 Share Option Scheme on 18 May 2016. Following the amendments of Chapter 17 of the Listing Rules which has taken effect on 1 January 2023, 2023 Share Option Scheme was adopted on 3 November 2023 and the 2016 Share Option Scheme was terminated on the same date.

2016 Share Option Scheme

Eligible participants of the 2016 Share Option Scheme include the directors of the Company, including independent non-executive directors of the Company, other employees of the Group, advisers, consultants, agents, contractors, clients or suppliers of any member of the Group, or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group. Under the 2016 Share Option Scheme, the definition of "any other person" is employees and officers of any affiliated company (i.e. TCL Technology (being the then ultimate controlling shareholder of the Company), its subsidiaries, and companies which, in accordance with the generally accepted accounting principles in the PRC, is recorded as affiliated companies in the financial statements of TCL Technology, which shall include any company in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2016 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of 2016 Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2016 Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issued or to be issued upon exercise of share options granted to any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantive shareholder, independent non-executive director or other associates, see the paragraph below) of the issued shares of the Company.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option schemes of the Company (continued)

2016 Share Option Scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a non-refundable nominal consideration of HK$1.00 by each grantee. The 2016 Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option.

The exercise price of a share option to subscribe for shares of the Company is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

The directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option schemes of the Company (continued)

2023 Share Option Scheme

The Participants of the 2023 Share Option Scheme include (i) director(s) and employee(s) (whether full time or part time employees) of the Company and/or of any of its subsidiaries (including persons who are granted share awards or share options under the 2023 Share Option Scheme as an inducement to enter into employment contracts with these companies) ("Employee Participant(s)"); (ii) director(s) and employee(s) (whether full time or part time employee) of the holding company(ies), fellow subsidiary(ies) or associated company(ies) of the Company ("Related Entity Participant(s)"); and (iii) person(s) (whether a natural person, a corporate entity or otherwise) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including but not limited to person(s) who work for any member of the Group as independent contractors (such as agents, distributors, contractors, vendors, suppliers, advisers, consultants and other service providers of any member of the Group) where the continuity and frequency of their services are akin to those of employees, but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity ("Service Provider(s)").

The total number of shares of the Company which may be allotted and issued in respect of all share options that may be granted under the 2023 Share Option Scheme and all share options and all share awards that may be granted under all the schemes or arrangements involving the grant by the Company or any member of the Group of options over shares of the Company or other securities of the Company to, or for the benefit of, specified participants of such schemes or arrangements which, in the opinion of the Hong Kong Stock Exchange, is analogous to a share scheme as described in Chapter 17 of the Listing Rules, other than the 2023 Share Option Scheme or the 2023 Share Award Scheme (as the case may be) ("Other Schemes") existing at such time, must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the 2023 Share Option Scheme ("Scheme Mandate Limit"). The total number of shares of the Company which may be allotted and issued in respect of share options that may be granted to Service Providers under the 2023 Share Option Scheme and all share options and all share awards that may be granted under any Other Schemes existing at such time, must not in aggregate exceed 1% of the total number of shares of the Company in issue as at the date of approval of the 2023 Share Option Scheme (the "Service Provider Sublimit"). The Scheme Mandate Limit and the Service Provider Sublimit may respectively be refreshed by ordinary resolution of the shareholders of the Company in general meeting after three years from 3 November 2023 or the date of shareholders' approval for the last refreshment. The Scheme Mandate Limit is 250,756,873 Shares, representing approximately 10.00% of the issued shares of the Company as at the date of this annual report.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option schemes of the Company (continued)

2023 Share Option Scheme (continued)

The maximum number of shares of the Company issued or to be issued upon exercise of share options granted to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantial shareholder of the Company, independent non-executive director of the Company, or any of their respective associates) of the number of issued shares of the Company, unless otherwise approved by the shareholders in a general meeting of the Company.

Share options granted to a director of the Company, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors of the Company. In addition, the grant of any share options to a substantial shareholder of the Company or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the number of shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted upon payment of a non-refundable nominal consideration of HK$0.10, and within the period determined by the Board provided that no such offer shall be open for acceptance after the expiry or termination of the 2023 Share Option Scheme by each grantee.

The exercise price of a share option to subscribe for shares of the Company is determinable by the directors of the Company, but may not be less than the highest of (i) the closing price of the Shares on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of the Shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The directors of the Company have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option schemes of the Company (continued)

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

The following share options were outstanding under the share option scheme during the year:

	2023		2022	
	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$	Number of options '000
At 1 January	4.0428	39,121	4.0590	48,576
Forfeited during the year	3.9154	(4,140)	4.2549	(5,132)
Exercised during the year	3.7742	(57)	3.9726	(4,323)
At 31 December	4.0584	34,924	4.0428	39,121

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2023 was HK$3.7419 per share (2022: HK$5.0372 per share).

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option schemes of the Company (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023

Number of options '000	Exercise price per share* HK$	Exercise period
29,306	**4.1520**	**Note 2**
5,618	**3.5700**	**Note 3**
34,924		

2022

Number of options '000	Exercise price per share* HK$	Exercise period
2,387	3.7329	Note 1
31,115	4.1520	Note 2
5,619	3.5700	Note 3
39,121		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option schemes of the Company (continued)

Note 1: Subject to fulfilment of the performance targets for the year ended 31 December 2016; approximately 21% of the share options were exercisable commencing from 9 January 2018 to 11 May 2023; and subject to fulfilment of the performance targets for the year ended 31 December 2017; approximately 79% of the share options were exercisable commencing from 9 January 2019 to 11 May 2023.

Note 2: Subject to fulfilment of the performance targets for the year ended 31 December 2018, up to about one-sixth of the share options were exercisable commencing from 18 May 2019 to 22 January 2024 and up to another about one-sixth of share options were exercisable commencing from 9 January 2020 to 22 January 2024; and subject to fulfilment of the performance targets for the year ended 31 December 2019, up to about one-sixth of the share options were exercisable commencing from 18 May 2020 to 22 January 2024 and up to another about one-sixth of share options were exercisable commencing from 9 January 2021 to 22 January 2024; and subject to fulfilment of the performance targets for the year ended 31 December 2020, up to about one-sixth of the share options were exercisable commencing from 18 May 2021 to 22 January 2024 and up to another about one-sixth of share options were exercisable commencing from 9 January 2022 to 22 January 2024.

Note 3: Subject to fulfilment of the performance targets for the year ended 31 December 2017, share options granted to grantees in their capacity as employees of the Group, all of such share options were exercisable commencing from 9 January 2019, up to 24 April 2024. Subject to fulfilment of the conditions for exercise of share options that the relevant option grantee (i) has paid the costs incurred or to be incurred by the Company for the relevant part of the share options and (ii) remains to be an employee of TCL Technology or TCL Industries Holdings on 15 June 2018, 15 June 2019 and 15 June 2020 (as the case may be) respectively, approximately one-third of the share options were exercisable commencing from 15 June 2018 to 24 April 2024; another approximately one-third of the share options were exercisable commencing from 15 June 2019 to 24 April 2024; and the remaining approximately one-third of the share options were exercisable commencing from 15 June 2020 to 24 April 2024.

There was no share option granted during 2023.

The 56,561 share options exercised during the year resulted in the issue of 56,561 ordinary shares of the Company and additional share capital of HK$56,561 and share premium of HK$240,000.

At the end of the reporting period, the Company had approximately 34,924,000 share options outstanding under the 2016 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 34,924,000 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$34,924,000 and HK$106,811,000, respectively.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share award schemes of the Company

2008 Share Award Scheme

2008 Share Award Scheme was adopted by the Company on 6 February 2008 (the "Adoption Date") (as amended on 11 August 2015, 13 June 2016, 24 November 2017 and 4 May 2018) to recognise and motivate the contribution of certain participants and to provide incentives and help the Group in retaining its existing employees and recruiting suitable personnel as additional employees to further extend the operation and development of the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

As at 31 December 2023, the 2008 Share Award Scheme comprises (i) the trust for management for the benefit of selected persons ("2008 Selected Persons" and each a "2008 Selected Person", as defined in the circular of the Company dated 7 May 2028) including, among others, connected persons of the Company and the senior management of the Group and (ii) the trust for employees and others for the benefit of selected persons who are not connected persons of the Company. During the period from 1 January 2023 to 29 November 2023, BOCI-Prudential Trustee Limited is responsible for administration of each of the trusts under the Award Scheme, whereas during the period from 30 November 2023 to 31 December 2023 and up to the date of this annual report, BOCI Trustee (Hong Kong) Limited is responsible for administration of each of the trusts under the 2008 Share Award Scheme.

Pursuant to the terms of the 2008 Share Award Scheme:

1. The Board may, from time to time, at its sole and absolute discretion, designate any award to be made to any selected participant. Participants cover (i) employees, advisers, consultants, agents, contractors, clients or suppliers of any member of the Group; and (ii) employees or officers of the affiliated companies whom the Board in its sole discretion considers may contribute or have contributed to the Group (collectively the 2008 Selected Persons and each a 2008 Selected Person).

2. An award may be satisfied by existing shares to be acquired by the trustee for the time being ("Trustee") from the market or new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares") to be held on trust by the Trustee for the 2008 Selected Persons until the end of each vesting period subject to fulfilment of the vesting condition(s). The Board has the discretion to decide whether the Awarded Shares are the existing shares or new shares.

3. The 2008 Selected Persons shall also be entitled to the related distribution derived from the relevant Awarded Shares, which mainly covers a dividend paid by the Company in respect of the Awarded Shares concerned distributed during the period from the grant date to the vesting date of the Awarded Shares. The Awarded Shares and related distribution shall however only be vested on the relevant 2008 Selected Persons on the vesting date subject to fulfilment of the vesting conditions.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share award schemes of the Company (continued)

2008 Share Award Scheme (continued)

Pursuant to the terms of the 2008 Share Award Scheme: (continued)

4. The Company may be obliged to pay the taxes and levies on behalf of the 2008 Selected Persons at the time when the liabilities arise and has the discretion to deduct from such number of Awarded Shares entitled by the relevant 2008 Selected Persons a certain number of the Awarded Shares which is sufficient to cover the relevant liabilities of such taxes and levies as reimbursement. The Awarded Shares so deducted will become returned shares, which will be held by the Trustee and may be awarded as Awarded Shares pursuant to the Award Scheme.

5. The maximum aggregate number of shares awarded by the Board under the 2008 Share Award Scheme is ten percent (10%) of the number of issued shares of the Company as at 23 May 2018 (the "Amendment Date"), excluding all the shares awarded under the rules of the pre-amended 2008 Share Award Scheme up to the Amendment Date.

6. The duration of the 2008 Share Award Scheme is 15 years from the Adoption Date, i.e., continue in force until 5 February 2023.

7. The Board may, at its sole and absolute discretion, accelerate the vesting of Awarded Shares add/or waive and/or alter any or all of the vesting conditions attached to the Awarded Shares.

2023 Share Award Scheme

Following the expiration of the 2008 Share Award Scheme on 5 February 2023, the Company adopted 2023 Share Award Scheme on 3 November 2023. The 2023 Share Award Scheme constitutes a share scheme involving grant of, among others, new Shares under Chapter 17 of the Listing Rules. Details of the 2023 Share Award Scheme were set out in the circular of the Company dated 17 October 2023.

As at 31 December 2023, the 2023 Share Award Scheme comprises (i) the trust for connected persons of the Company and (ii) the trust for non-connected persons of the Company. The Company has appointed BOCI Trustee (Hong Kong) Limited for administration of each of the trusts under the 2023 Share Award Scheme.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share award schemes of the Company (continued)

2023 Share Award Scheme (continued)

Pursuant to the terms of the 2023 Share Award Scheme:

1. Upon and subject to the terms of the 2023 Share Award Scheme and all applicable laws, rules and regulations (including the Listing Rules), the Board shall be entitled at any time within the period commencing on 3 November 2023 and expiring on the day immediately preceding its tenth anniversary (both days inclusive) but subject to early termination pursuant to the provisions of the rules of the 2023 Share Award Scheme in its present or any amended form select any participant (other than any excluded person) for participation in the 2023 Share Award Scheme. Until and unless so selected, no participant shall be entitled to participate in the 2023 Share Award Scheme. The participants of the 2023 Share Award Scheme include Employee Participants (as defined in the circular of the Company dated 17 October 2023), Related Entity Participants (as defined in the circular of the Company dated 17 October 2023), and Service Providers (as defined in the circular of the Company dated 17 October 2023), and provided that if and only if a share award is to be made in the form of existing Shares, Participants in respect of such share award shall also include any other person(s) whom the Board in its sole discretion considers may contribute or have contributed to the Group (including but not limited to employees and officers of any invested entities of the Company, of any affiliated entities of the Company, and/or of any Service Provider).

2. For the purpose of satisfying any award to be granted under the 2023 Share Award Scheme from time to time, the relevant Trustee shall maintain a pool of shares of the Company in the trust funds. Such pool of shares of the Company shall comprise the following: (i) such existing shares of the Company as may be purchased or acquired by the Trustee on-market or off-market by utilising the funds allocated by the Board out of the Group's resources or cash proceeds in the trust funds pursuant to the 2023 Share Award Scheme; (ii) such new shares of the Company as may be subscribed for by the Trustee by utilising the funds allocated by the Board out of the Group's resources or cash proceeds in the trust funds pursuant to the 2023 Share Award Scheme; and (iii) such other shares of the Company in the trust funds, including returned shares, shares of the Company derived from shares held by the Trustee (including fractional shares resulting from any consolidation, re-classification or reorganisation of shares of the Company, Shares as may be allotted or issued to the Trustee as a holder of shares of the Company whether by way of distribution in scrip form, bonus shares or otherwise), Shares transferred or caused to be transferred by the Company from other trusts set up by the Company for the purpose of share incentive schemes and, accepted by the Trustee as additions.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share award schemes of the Company (continued)

2023 Share Award Scheme (continued)

Pursuant to the terms of the 2023 Share Award Scheme: (continued)

3. The Board or any committee of the Board or person(s) to whom the Board has delegated its authority for administration of the 2023 Share Award Scheme shall have the general power from time to time to determine whether a selected person ("2023 Selected Person", as defined in the circular of the Company dated 17 October 2023) is entitled to the related distribution in respect of an award. The Awarded Shares (together with the related distributions, if any) shall only be vested on the relevant selected persons on the vesting date subject to fulfilment of the vesting conditions.

4. In the event that the Company is obliged, required or otherwise requested to pay for and on behalf of the relevant selected person any tax and/or other expenses which are to be borne by him, the Company shall be entitled, as the Board may in its sole and absolute discretion determine, to elect on the vesting date to recover such amount of tax and/or other expenses paid by the Company for the selected person as reimbursement in accordance with the terms of the 2023 Share Award Scheme.

5. The total number of shares of the Company which may be allotted and issued in respect of all share awards to be granted under the 2023 Share Award Scheme, and all share options and all share awards to be granted under any Other Schemes existing at such time, must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the 2023 Share Award Scheme. The total number of shares of the Company which may be allotted and issued in respect of all share awards to be granted that may be granted to Service Providers under the under the 2023 Share Award Scheme and all share options and all share awards that may be granted under any Other Schemes existing at such time, must not in aggregate exceed 1% of the total number of shares of the Company in issue as at the date of approval of the 2023 Share Award Scheme. The Scheme Mandate Limit and the Service Provider Sublimit may respectively be refreshed by ordinary resolution of the shareholders in general meeting after three years from 3 November 2023 or the date of shareholders' approval for the last refreshment. The Scheme Mandate Limit is 250,756,873 Shares, representing approximately 10.00% of the issued shares of the Company as at the date of this annual report.

6. The 2023 Share Award Scheme became effective on 3 November 2023 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date until 2 November 2033.

7. The Company may, at any time during the subsistence of the relevant trusts in respect of the 2023 Share Award Scheme, and at its sole and absolute discretion, alter the terms and conditions of the Awards granted to a selected person (including but not limited to (i) accelerate the vesting of such Awarded Shares to an earlier date; (ii) postpone the vesting of such awards to a later date; and/or (iii) waive or alter any or all of the vesting conditions attached to such Awarded Shares in accordance with the terms of the 2023 Share Award Scheme.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share award schemes of the Company (continued)

The following Awarded Shares were outstanding during the year:

	2023 Number of Awarded Shares '000	2022 Number of Awarded Shares '000
At 1 January		
– Number of Awarded Shares held by the Trustee	84,053	79,550
– Number of Awarded Shares granted but not vested	72,051	117,386
– Number of Awarded Shares available for grant	118,758	118,758
At 31 December		
– Number of Awarded Shares held by the Trustee	70,788	84,053
– Number of Awarded Shares granted but not vested	37,002	72,051
– Number of Awarded Shares available for grant	118,758	118,758
Granted during the year (note a)	–	–
– Grant using existing shares	–	–
– Grant using new shares	–	–
Lapsed during the year	–	27
Vested during the year	35,049	45,308
Purchased during the year (note b)	–	16,827
Allotted and issued during the year (note c)	7,732	15,498
Individual income tax paid on behalf of the 2008 Selected Persons during the year (note d)	14,052	17,486

Notes:

(a) For the years ended 31 December 2022 and 2023, no Awarded Shares were granted to the Selected Employees. During the year, the Group recognised employee share-based compensation benefits under the Award Scheme of HK$83,636,000 (2022: HK$147,629,000) in respect of the Awarded Shares granted to the Selected Employees.

(b) For the year ended 31 December 2022, 16,827,000 Awarded Shares were purchased by the Trustee at a total cost (including transaction costs) of HK$53,666,000.

(c) For the years ended 31 December 2023, 7,731,969 (2022:15,497,430) Awarded Shares were allotted and issued to the trustee at par value.

(d) For the year ended 31 December 2023, tax has been paid by the Group on behalf of certain 2008 Selected Persons whose rights were vested in the Awarded Shares and 14,052,240 (2022: 17,486,641) Awarded Shares were deducted from the total number of Awarded Shares entitled to be vested to those 2008 Selected Persons as the settlement for the individual income tax paid by the Group on their behalf.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 144 and 145.

(i) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

(ii) Capital reserve

The Group's capital reserve represented the excess of the nominal value of the shares of the subsidiaries acquired prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor as well as the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(iii) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

(iv) Awarded share reserve

The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the selected employees at the date of award.

(v) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of Falcon Network Technology Group, the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Falcon Network Technology Group	**17.78%**	17.78%

	2023 **HK$'000**	2022 HK$'000
Profit for the year allocated to non-controlling interests	**66,367**	58,855
Accumulated balances of non-controlling interests at the reporting date	**378,336**	317,251

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2023 **(Consolidated)** **HK$'000**	2022 (Consolidated) HK$'000
Revenue	**2,140,572**	1,846,034
Total expenses	**(1,767,307)**	(1,537,174)
Profit for the year	**373,265**	308,860
Total comprehensive income for the year	**373,265**	308,860
Current assets	**2,885,231**	2,397,662
Non-current assets	**33,029**	100,981
Current liabilities	**(604,623)**	(563,201)
Non-current liabilities	**(12,654)**	(16,476)
Net cash flows from operating activities	**344,711**	207,781
Net cash flows used in investing activities	**(3,990)**	(69,975)
Net cash flows used in financing activities	**(3,769)**	(4,003)
Net increase in cash and cash equivalents	**336,952**	133,803

40. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

Factoring trade receivables

At 31 December 2023, the Group has entered into certain receivable purchase agreements with financial institutions for the factoring of trade receivables due from certain specified customers with an aggregate carrying amount of HK$1,902,297,000 (2022: HK$3,300,447,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the factored trade receivables. Accordingly, it has derecognised the full carrying amounts of the factored trade receivables. The maximum exposure to loss from the Group's continuing involvement in the factored trade receivables and the undiscounted cash flows to repurchase these factored trade receivables is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the factored trade receivables are not significant.

During the years ended 31 December 2023 and 2022, no gains or losses were recognised on the date of transfer of the factored trade receivables. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

Bills discounted

At 31 December 2023, certain bills receivable were discounted by banks in the PRC and banks in Hong Kong with a carrying amount of HK$1,467,967,000 (2022: HK$648,729,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the discounted bills. Accordingly, it has derecognised the full carrying amounts of the discounted bills. The maximum exposure to loss from the Group's continuing involvement in the discounted bills and the undiscounted cash flows to repurchase these discounted bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the discounted bills are not significant.

During the years ended 31 December 2023 and 2022, no gains or losses were recognised on the date of transfer of the discounted bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

40. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety (continued)

Endorsed bills

At 31 December 2023, certain subsidiaries of the Group endorsed certain bills receivable accepted by banks in the PRC (the "derecognised bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$1,018,203,000 (2022: HK$1,096,974,000). The derecognised bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the derecognised bills are not significant.

During the years ended 31 December 2023 and 2022, no gains or losses were recognised on the date of transfer of the derecognised bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

Financial assets that are not derecognised in their entirety

Factoring trade receivables

During the year ended 31 December 2023, the Group entered into trade receivable factoring arrangements and transferred certain trade receivables to banks. Under the arrangements, the Group was required to pay interest to banks during the payment term of trade debtors or a certain period, using the less. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The carrying amount of the assets that the Group continued to recognise and that of the associated liabilities as at 31 December 2023 amounted to HK$26,964,000 (2022: HK$25,106,000).

41. BUSINESS COMBINATIONS

Year ended 31 December 2022

Acquisition of equity interest in TCL Digital Technology Group

On 13 May 2022, TCL Electronics (Huizhou) Co., Limited* ("TCL Electronics (Huizhou)", TCL電子(惠州)有限公司), a subsidiary of the Company, entered into the acquisition agreement with T.C.L. Industries (H.K.), 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)* (TCL數碼科技(深圳)有限責任公司) and its subsidiaries ("TCL Digital Technology Group") at the consideration of approximately RMB116,031,000 (equivalent to approximately HK$136,731,000). The transaction was completed in May 2022 and TCL Digital Technology Group have become wholly-owned subsidiaries of the Group since then.

The fair values of the identifiable assets and liabilities of TCL Digital Technology Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Other intangible assets	18	37
Investments in associates		377,747
Equity investments designated at fair value through other comprehensive income		1,768
Prepayments, other receivables and other assets		36,850
Cash and bank balances		274
Other payables and accruals		(279,936)
Deferred tax liabilities	35	(9)
Total identifiable net assets at fair value		136,731
Goodwill on acquisition		–
Satisfied by:		
Cash		66,247
Other payables		70,484
		136,731

The fair value of the other receivables as at the date of acquisition amounted to HK$36,850,000. The gross contractual amount of other receivables was HK$36,850,000.

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2022 (continued)

Acquisition of equity interest in TCL Digital Technology Group (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(66,247)
Cash and bank balances acquired	274
Net outflow of cash and cash equivalents included in cash flows from investing activities	(65,973)

Since the completion of the acquisition, TCL Digital Technology Group had not contributed to the Group's revenue but contributed HK$26,055,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place on 1 January 2022, the revenue of the Group and consolidated profit of the Group for the year ended 31 December 2022 would have been HK$71,351,415,000 and HK$566,434,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2023

(a) On 5 January 2023, TCL King (Huizhou) entered into the equity transfer agreement with Shenzhen Qianhai Qihang International Supply Chain Management Co., Limited* ("Shenzhen Qihang", 深圳前海啟航國際供應鏈管理有限公司), pursuant to which TCL King (Huizhou) had agreed to sell, and Shenzhen Qihang had agreed to purchase, 100% equity interest in Huizhou Yunxin Technology Co., Limited* ("Huizhou Yunxin", 惠州市蘊鑫科技有限公司) at the consideration of approximately HK$9,756,000. The transaction was completed on 28 February 2023.

The total net assets disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2023 are as follows:

	Note	2023 HK$'000
Net assets disposed of:		
Trade receivables		16,362
Prepayments, other receivables and other assets		117,432
Trade payable		(121,540)
Other payables and accruals		(2,498)
		9,756
Release of exchange fluctuation reserve		9
		9,765
Loss on disposal of a subsidiary	7	(9)
		9,756
Satisfied by:		
Cash		9,756

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2023 HK$'000
Cash consideration received	9,756
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	9,756

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2023 (continued)

(b) On 2 May 2023, TTE entered into the equity transfer agreement with Shenzhen Langtai Technology Holdings Limited* ("Langtai Tech", 深圳市朗泰科技控股有限公司), pursuant to which TTE had agreed to sell, and Langtai Tech had agreed to purchase, 100% equity interest in TCL Entertainment Solutions Holdings Limited, at the consideration of approximately HK$1. The transaction was completed on 2 May 2023.

The total net liabilities disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2023 is as follows:

	Note	2023 HK$'000
Net liabilities disposed of:		
Trade receivables		25
Prepayments, other receivables and other assets		123
Cash and cash equivalents		812
Other payables and accruals		(1,852)
		(892)
Gain on disposal of a subsidiary	7	892
Satisfied by:		
Consideration receivable included in other receivables		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2023 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(812)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(812)

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2023 (continued)

(c) On 10 May 2023, TCL King (Huizhou) entered into the equity transfer agreement with Inner Mongolia Zhonghuan Crystal Materials Co., Limited* ("Inner Mongolia Zhonghuan", 內蒙古中環晶體材料有限公司), pursuant to which TCL King (Huizhou) had agreed to sell, and Inner Mongolia Zhonghuan had agreed to purchase, 100% equity interest in Inner Mongolia TCL Optoelectronics Technology Co., Limited* ("Inner Mongolia TCL Optoelectronics", 內蒙古TCL光電科技有限公司), at the consideration of approximately HK$132,445,000. The transaction was completed on 31 August 2023.

The total net assets disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2023 are as follows:

	Notes	2023 HK$'000
Net assets disposal of:		
Property, plant and equipment	14	83,254
Right-of-use assets	16(a)	128,442
Prepayments, other receivables and other assets		285
Cash and cash equivalents		8,790
Trade payables		(99,411)
Other payables and accruals		(8,100)
		113,260
Release of exchange fluctuation reserve		121
		113,381
Gain on disposal of a subsidiary	7	19,064
		132,445
Satisfied by:		
Cash		135,046
Other payables and accruals		(2,601)
		132,445

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2023 HK$'000
Cash consideration received	135,046
Cash and bank balances disposed of	(8,790)
Net inflow of cash and cash equivalents included in cash flows from investing activities	126,256

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2022

(a) On 29 August 2022, TTE entered into the equity transfer agreement with Langtai Tech, pursuant to which TTE had agreed to sell, and Langtai Tech had agreed to purchase, 100% equity interest in ST Overseas Limited, a subsidiary of TTE, at the consideration of approximately HK$669,000. The transaction was completed on 31 August 2022.

The total net liabilities disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2022 is as follows:

	Note	2022 HK$'000
Net liabilities disposed of:		
Inventories		5
Trade receivables		23,236
Prepayments, other receivables and other assets		121
Cash and cash equivalents		21,073
Trade payables		(21,304)
Other payables and accruals		(24,068)
Provisions		(26)
		(963)
Release of exchange fluctuation reserve and other reserves		42
		(921)
Gain on disposal of a subsidiary	7	1,590
		669
Satisfied by:		
Consideration receivable included in other receivables		669

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2022 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(21,073)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(21,073)

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2022 (continued)

(b) On 16 September 2022, TCL Entertainment Solutions Limited ("TES Limited") entered into the equity transfer agreement with Langtai Tech, pursuant to which TES Limited had agreed to sell, and Langtai Tech had agreed to purchase, 100% equity interest in Shenzhen Langhe Industrial Co., Ltd.* (深圳市朗和實業有限公司, formerly known as Shenzhen TCL Entertainment Solutions Limited* (深圳TCL娛樂系統有限公司)), at the consideration of approximately HK$1.14, the transaction was completed on 21 September 2022.

The total net liabilities disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2022 is as follows:

	Note	2022 HK$'000
Net liabilities disposed of:		
Prepayments, other receivables and other assets		259
Cash and cash equivalents		356
Other payables and accruals		(3,503)
Provisions		(28)
		(2,916)
Release of exchange fluctuation reserve		81
		(2,835)
Gain on disposal of a subsidiary	7	2,835
		–
Satisfied by:		
Consideration receivable included in other receivables		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2022 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(356)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(356)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$206,771,000 (2022: HK$150,478,000) and HK$206,771,000 (2022: HK$150,478,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	Bank loans and other borrowings HK$'000	Lease liabilities HK$'000	Dividend payable included in other payables HK$'000	Total HK$'000
At 1 January 2023	5,463,083	409,741	18	5,872,842
Changes from financing cash flows	476,974	(187,896)	(318,464)	(29,386)
New lease arising form addition of right-of-use assets	–	206,771	–	206,771
Change in lease contracts	–	(23,447)	–	(23,447)
Foreign exchange movement	(128,403)	2,147	–	(126,256)
Interest expense – lease liabilities	–	17,024	–	17,024
Interest paid classified as operating cash flows	–	(17,024)	–	(17,024)
Dividends payable	–	–	318,462	318,462
At 31 December 2023	5,811,654	407,316	16	6,218,986

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Bank loans and other borrowings HK$'000	Lease liabilities HK$'000	Dividend payable included in other payables HK$'000	Total HK$'000
At 1 January 2022	6,880,117	460,504	12	7,340,633
Changes from financing cash flows	(1,329,085)	(167,312)	(416,741)	(1,913,138)
New lease arising form addition of right-of-use assets	–	150,478	–	150,478
Change in lease contracts	–	(7,332)	–	(7,332)
Foreign exchange movement	(87,949)	(26,597)	–	(114,546)
Interest expense – lease liabilities	–	18,041	–	18,041
Interest paid classified as operating cash flows	–	(18,041)	–	(18,041)
Dividends payable	–	–	416,747	416,747
At 31 December 2022	5,463,083	409,741	18	5,872,842

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 HK$'000	2022 HK$'000
Within operating activities	**123,675**	105,822
Within financing activities	**187,896**	167,312
	311,571	273,134

44. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2023	2022
	HK$'000	HK$'000
Contracted, but not provided for:		
Capital contribution payable to a subsidiary	**401,236**	452,161
Capital contribution payable to associates	**198,274**	221,457
	599,510	673,618
Authorised, but not contracted for:		
Land and buildings	**–**	116,590
	599,510	790,208

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable leases contracts are HK$18,567,000 due within one year and HK$4,600,000 due in the second to fifth years, inclusive.

(c) The Group has various short-term leases and leases of low-value assets contracts that have not yet completed as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are HK$8,781,000 due within one year and HK$4,793,000 due in the second to fifth years, inclusive.

45. CONTINGENT LIABILITIES

TCL SEMP Electroelectronicos Ltda. ("TCL SEMP Electroelectronicos"), a subsidiary of TCL SEMP, is currently a defendant in a lawsuit in Brazil with Brazil tax authority for alleged improper application of tax credits for the periods of 2012 and 2013. As at the date of this report, the lawsuit is still ongoing. The information usually required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigations. Based on the response from the independent attorney in charge, it is expected that the litigation will last for 3 to 8 years. The Group has not made any provision as the Group, based on the advice from the Group's legal counsel, believes that TCL SEMP Electroelectronicos has a valid defence against the allegation.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2023 HK$'000**	2022 HK$'000 (Restated)
Joint ventures:			
Sales of finished goods	(i)	**1,737,401**	1,670,673
After-sales service income	(ii)	**2,626**	2,393
Sales of raw materials	(vii)	**42,214**	8,371
Purchases of raw materials	(vi)	**244,443**	205,172
Rental expense and licence fee	(xi)	**582**	–
Other service income	(xvi)	**32,085**	8,816
Associates:			
Interest income	(iii)	**767**	617
Purchases of raw materials	(vi)	**1,114,360**	1,199,910
Sales of finished goods	(i)	**6,210,358**	8,172,849
After-sale service fee	(xiv)	**665,556**	470,721
After-sale service income	(ii)	**1,296**	730
Sales of raw materials	(vii)	**36,579**	49,315
Purchases of finished goods	(vi)	**3,183**	502
Subcontracting fee expense	(xviii)	**274,992**	–
Rental, maintenance fees and facilities usage income	(x)	**4,605**	5,551
Other service income	(xvi)	**92,808**	96,845

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	**2023 HK$'000**	2022 HK$'000 (Restated)
Companies controlled by TCL Industries Holdings:			
Interest income	(iii)	**139,158**	64,446
Interest expense	(iv)	**36,234**	46,026
Sales of raw materials	(vii)	**26,748**	14,088
Sales of finished goods	(i)	**3,903,790**	521,733
Purchases of raw materials	(vi)	**92,469**	30,298
Purchases of finished goods	(vi)	**7,729,708**	6,351,530
Rental, maintenance income and facilities usage income	(x)	**5,532**	3,754
Rental expense and licence fee	(xi)	**19,700**	15,287
Brand promotion fee	(xii)	**551,005**	387,433
After-sale service income	(ii)	**70**	2,072
After-sale service fee	(xiv)	**211,838**	42,205
Promotion fee income	(xv)	**–**	2,191
Construction service income	(xix)	**792,219**	104,362
Other service income	(xvi)	**112,442**	143,201
Addition of right-of-use assets	(ix)	**50,271**	15,912
IT and other service fees	(viii)	**73,512**	96,266
Depreciation of right-of-use assets		**37,916**	33,864
Interest expense on lease liabilities		**2,370**	1,754
Other finance service fees	(v)	**3,374**	14,606
Affiliates of TCL Industries Holdings:			
Interest expense	(iv)	**129**	–
Purchases of raw materials	(vi)	**1,648,451**	1,432,472
Purchases of finished goods	(vi)	**12,919**	17,490
Sales of finished goods	(i)	**589,182**	674,101
Sales of raw materials	(vii)	**6,021**	6,362
Other service income	(xvi)	**77,845**	–
Subcontracting fee expense	(xviii)	**–**	134,166
Logistics service fee expense	(xvii)	**379,696**	433,936
Addition of right-of-use assets	(ix)	**5,272**	715
Depreciation of right-of-use assets		**13,692**	9,446
Interest expense on lease liabilities		**1,231**	1,582
Rental income	(x)	**3,860**	3,568
IT and other service fees	(viii)	**271,660**	197,460
Rental expense and licence fee	(xi)	**179**	–
After-sales service income	(ii)	**34,752**	–

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
Companies controlled by TCL Technology:			
Sales of raw materials	(vii)	**1,226,553**	230,648
Sales of finished goods	(i)	**50,881**	544,943
Purchases of raw materials	(vi)	**13,294,170**	8,319,380
Purchases of finished goods	(vi)	**5,012,729**	2,733,130
Rental, maintenance income and facilities usage income	(x)	**68,437**	66,054
Rental expense and licence fee	(xi)	**4,726**	7,549
Reimbursement of R&D expenses	(xiii)	**133,217**	127,119
After-sales service income	(ii)	**1,680**	5,368
After-sales service fee	(xiv)	**5,767**	5,119
Platform service fee	(viii)	**962**	3,674
Subcontracting fee expense	(xviii)	**63,585**	150
IT and other service fees	(viii)	**76,445**	95,776
Addition of right-of-use assets	(ix)	**–**	12,698
Depreciation of right-of-use assets		**17,605**	19,350
Interest on lease liabilities		**1,340**	1,496
Construction service income	(xix)	**162,448**	32,894
Other service income	(xvi)	**5,370**	1,651
Other finance service fees	(v)	**–**	1
Interest expense	(iv)	**20**	–
Interest income	(iii)	**357**	507

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes:

(i) The sales of finished goods were made by reference to the prevailing market prices.

(ii) The after-sales service income was determined with reference to the rates of other similar services and the amount of general after-sales service expenses of the Group in the past.

(iii) The interest was charged at rates ranging from 0.0001% to 8.00% (2022: from 0.01% to 5.00%) per annum, which were determined with reference to the savings rates quoted by the People's Bank of China.

(iv) The interest was charged at rates ranging from 0.01% to 4.74% (2022: 1.70% to 3.10%) per annum.

(v) The other finance service fees were determined with reference to the rates of other similar services provided by third party companies.

(vi) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers or the acquisition price plus mark-ups.

(vii) The sales of raw materials were made at the cost plus a certain mark-up which is mutually agreed.

(viii) The platform and IT and other service fees were determined with reference to service expenses charged by third party companies offering similar services.

(ix) The price of addition of right-of-use assets was determined with reference to prices charged by third party companies.

(x) The rental, maintenance income and facilities usage income were determined with reference to the rates of other similar premises.

(xi) The rental expense was charged at rates ranging from RMB14 to RMB222 (2022: RMB55 to RMB131) per square meter. The licence fee was charged at rate of HK$37 (2022: from HK$34 to HK$39) per square feet.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(xii) Brand promotion fee incurred by TCL Industries Holdings was made based on 2.25% (2022: 2.22%) of the annual sales of products using TCL brand within the PRC, 0.75% (2022: 0.70%) of the annual sales of products using TCL brand outside the PRC and 0.25% (2022: 0.25%) of the annual sales of products of ODM and OEM brands, as defined in the Master Brand Promotion (2022-2024) Agreement.

(xiii) The research and development expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Technology.

(xiv) The after-sales service fee was calculated and charged at a percentage of the sales revenue (capped at 2%) of certain TV products in the PRC market.

(xv) The promotion fee income was determined with reference to the percentage charged by other active market participants in providing similar promotion services.

(xvi) The platform and other service income was determined with reference to the rates of similar services provided to other third party companies.

(xvii) The logistics service fee was determined with reference to the rates of other similar services provided by other third party companies.

(xviii) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(xix) The construction service income was determined with reference to the rates of similar services provided to other third-party companies.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other material transactions with related parties:

(i) On 5 January 2023, TCL King (Huizhou) entered into the equity transfer agreement with a related party Shenzhen Qihang, pursuant to which TCL King (Huizhou) had agreed to sell, and Shenzhen Qihang had agreed to purchase, 100% equity interest in Huizhou Yunxin at the consideration of approximately HK$9,756,000, the transaction was completed on 28 February 2023.

(ii) On 10 May 2023, TCL King (Huizhou) entered into the equity transfer agreement with a related party Inner Mongolia Zhonghuan, pursuant to which TCL King (Huizhou) had agreed to sell, and Inner Mongolia Zhonghuan had agreed to purchase, 100% equity interest in Inner Mongolia TCL Optoelectronics at the consideration of approximately HK$132,445,000, the transaction was completed on 31 August 2023.

(iii) On 27 September 2023, Huizhou TCL Mobile entered into an equity transfer agreement with TCL Industries Holdings, pursuant to which Huizhou TCL Mobile agreed to sell, and TCL Industries Holdings agreed to purchase, the target equity interest representing 10% equity interest in and of Huizhou Kuyu at the consideration of RMB51,000,000 (equivalent to approximately HK$55,720,000).

Immediately prior to the completion of the disposal, Huizhou Kuyu was held as to 26% by the Group through TCL King (Huizhou) and Huizhou TCL Mobile in aggregate, which held 16% and 10% equity interest in and of Huizhou Kuyu by TCL King (Huizhou) and Huizhou TCL Mobile respectively, and as to 74% by TCL Industries Holdings. Upon completion of the disposal, the Group would only hold 16% equity interest in and of Huizhou Kuyu through TCL King (Huizhou), and Huizhou Kuyu ceased to be an associate company of the Company. The transaction was completed in September 2023.

(iv) On 13 May 2022, TCL Electronics (Huizhou) (an indirect subsidiary of the Company) entered into an acquisition agreement with T.C.L. Industries Holdings (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) at the consideration of RMB116,031,000 (equivalent to approximately HK$136,731,000). The transaction was completed in May 2022.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with joint ventures, associates of the Group, addition of right-of-use assets, deprecation of right-of-use assets, interest expense on lease liabilities and transactions with certain affiliates of TCL Industries Holdings and TCL Technology and/or companies controlled by TCL Technology included in note 46, all the above transactions disclosed in note 46 also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**323,592**	200,433	**323,592**	200,433
Trade receivables classified as financial assets at fair value through profit or loss	**937,580**	340,313	**937,580**	340,313
Bills receivable	**3,458,107**	2,219,329	**3,458,107**	2,219,329
Other receivables classified as financial assets at fair value through profit or loss	**250,764**	76,136	**250,764**	76,136
Financial assets at fair value through profit or loss	**943,102**	1,266,076	**943,102**	1,266,076
Derivative financial instruments	**188,675**	579,984	**188,675**	579,984
	6,101,820	4,682,271	**6,101,820**	4,682,271
Financial liabilities				
Interest-bearing bank and other borrowings	**5,811,654**	5,463,083	**5,774,675**	5,394,702
Derivative financial instruments	**96,518**	134,214	**96,518**	134,214
Financial liabilities associated with put option	**269,001**	160,667	**269,001**	160,667
Other long-term payables	**2,382**	16,731	**2,382**	16,731
	6,179,555	5,774,695	**6,142,576**	5,706,314

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalent, trade receivable, trade payables and bills payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance director reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 was assessed to be insignificant.

The fair value of the financial liabilities associated with put option is measured by discounted cash flow model using significant unobservable market inputs.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to sales ("EV/S") multiple, price to sales ("P/S") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group invests in unlisted investments, which represent wealth management products issued by banks in the PRC. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Derivative financial instruments, including forward currency contracts and foreign currency swaps are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The model incorporates various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The Group enters into these kinds of derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including call options and put options, are measured using valuation techniques of Black-Scholes Options Pricing Model. The model incorporates various market observable inputs including risk-free rate ("RFR") and volatility. The carrying amounts of forward currency contracts, foreign currency swaps, call options and put options are the same as their fair values.

As at 31 December 2023, the mark-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/S multiple of peers	2023: 4.3x (2022: 3.9x to 6.4x)	5% (2022: 5%) increase in multiple would result in increase in fair value by HK$690,000 (2022: HK$800,000)
		Average P/S multiple of peers	2023: 7.7x (2022: 3.7x to 16.0x)	5% (2022: 5%) increase in multiple would result in increase in fair value by HK$358,000 (2022: HK$1,515,000)
		Average P/E multiple of peers	2023: 6.0x to 8.5x (2022: 11.5x to 23.1x)	5% (2022: 5%) increase in multiple would result in increase in fair value by HK$6,365,000 (2022: HK$9,347,000)
Unlisted equity investments	Back Solve Method	RFR	2023: Nil (2022: Nil)	1% (2022: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	2023: Nil (2022: Nil)	1% (2022: 1%) increase (decrease) in volatility would have no material impact on the fair value
Call option	Black-Scholes Options Pricing Model and Monte Carlo Simulations Model	RFR	2023: 3.9% (2022: 3.9% to 4.2%)	1% (2022: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	2023: 41.2% (2022: 34.6% to 45.4%)	1% (2022: 1%) increase (decrease) in volatility would have no material impact on the fair value
Put option	Black-Scholes Options Pricing Model	RFR	2023: 3.9% (2022: 3.9% to 4.2%)	1% (2022: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	2023: 41.2% (2022: 34.6% to 45.4%)	1% (2022: 1%) increase (decrease) in volatility would have no material impact on the fair value

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

Assets measured at fair value:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	7,941	–	315,651	323,592
Trade receivables classified as financial assets at fair value through profit or loss	–	937,580	–	937,580
Bills receivable	–	3,458,107	–	3,458,107
Other receivables classified as financial assets at fair value through profit or loss	–	250,764	–	250,764
Financial assets at fair value through profit or loss	–	943,102	–	943,102
Derivative financial instruments	–	41,359	147,316	188,675
	7,941	5,630,912	462,967	6,101,820

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	16,804	–	183,629	200,433
Trade receivables classified as financial assets at fair value through profit or loss	–	340,313	–	340,313
Bills receivable	–	2,219,329	–	2,219,329
Other receivables classified as financial assets at fair value through profit or loss	–	76,136	–	76,136
Financial assets at fair value through profit or loss	–	1,266,076	–	1,266,076
Derivative financial instruments	–	335,448	244,536	579,984
	16,804	4,237,302	428,165	4,682,271

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 HK$'000	2022 HK$'000
Equity investments designated at fair value through other comprehensive income:		
At 1 January	183,629	124,552
Additions	91,684	30,548
Acquisition of subsidiaries (note 41)	–	1,768
Disposals	(5,252)	(8,952)
Total gains recognised in other comprehensive income	36,614	36,006
Income tax effect	11,863	11,557
Exchange realignment	(2,887)	(11,850)
At 31 December	315,651	183,629

	2023 HK$'000	2022 HK$'000
Derivative financial instruments:		
At 1 January	244,536	187,975
Total gains/(losses) recognised in profit or loss	(96,062)	54,979
Exchange realignment	(1,158)	1,582
At 31 December	147,316	244,536

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	**–**	**96,518**	**–**	**96,518**

As at 31 December 2022

	Fair value measurement using Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	134,214	–	134,214

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 HK$'000	2022 HK$'000
Derivative financial instruments:		
At 1 January	**–**	17,579
Total losses recognised in profit or loss	**–**	(17,579)
	–	–

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	**5,774,675**	–	**5,774,675**
Financial liabilities associated with put option	–	–	**269,001**	**269,001**
Other long-term payables	–	**2,382**	–	**2,382**
	–	**5,777,057**	**269,001**	**6,046,058**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	5,394,702	–	5,394,702
Financial liabilities associated with put option	–	–	160,667	160,667
Other long-term payables	–	16,731	–	16,731
	–	5,411,433	160,667	5,572,100

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet the borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At the subsidiary level, financing is generally done on a short-term floating rate basis. Long term financing is normally done at Group level.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2023		
USD	**(25)**	**1,136**
USD	**25**	**(1,136)**
2022		
USD	(25)	2,576
USD	25	(2,576)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group takes rolling forecasts on the foreign currency revenue and expenses and matches the currency and the amount incurred so as to alleviate the impact on business due to exchange rate fluctuations. The Group uses foreign currency forward contracts to reduce the foreign currency exposures.

It is the Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2023		
If the HK$ weakens against the USD	5	(272,754)
If the HK$ weakens against the EUR	5	(1,648)
If the HK$ weakens against the RMB	5	(65,393)
If the HK$ weakens against the MXN	5	838
If the HK$ weakens against the THB	5	8,422
If the HK$ weakens against the PLN	5	(1,150)
If the RMB weakens against the USD	5	(16,314)
If the RMB weakens against the HKD	5	2,782
If the RMB weakens against the EUR	5	2,438
If the EUR weakens against the USD	5	(30,467)
If the EUR weakens against the HKD	5	(50)
If the EUR weakens against the RMB	5	(315)
If the EUR weakens against the PLN	5	130,647
If the USD weakens against the EUR	5	(147)
If the USD weakens against the PLN	5	8,734
If the THB weakens against the USD	5	57
If the MXN weakens against the USD	5	17
If the HK$ strengthens against the USD	(5)	272,754
If the HK$ strengthens against the EUR	(5)	1,648
If the HK$ strengthens against the RMB	(5)	65,393
If the HK$ strengthens against the MXN	(5)	(838)
If the HK$ strengthens against the THB	(5)	(8,422)
If the HK$ strengthens against the PLN	(5)	1,150
If the RMB strengthens against the USD	(5)	16,314
If the RMB strengthens against the HKD	(5)	(2,782)
If the RMB strengthens against the EUR	(5)	(2,438)
If the EUR strengthens against the USD	(5)	30,467
If the EUR strengthens against the HKD	(5)	50
If the EUR strengthens against the RMB	(5)	315
If the EUR strengthens against the PLN	(5)	(130,647)
If the USD strengthens against the EUR	(5)	147
If the USD strengthens against the PLN	(5)	(8,734)
If the THB strengthens against the USD	(5)	(57)
If the MXN strengthens against the USD	(5)	(17)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2022		
If the HK$ weakens against the USD	5	(265,154)
If the HK$ weakens against the EUR	5	(4,881)
If the HK$ weakens against the RMB	5	(56,868)
If the HK$ weakens against the MXN	5	327
If the RMB weakens against the USD	5	6,317
If the RMB weakens against the HKD	5	1,539
If the RMB weakens against the EUR	5	(228)
If the RMB weakens against the PLN	5	7,730
If the EUR weakens against the USD	5	3
If the EUR weakens against the HKD	5	(711)
If the USD weakens against the RMB	5	25
If the THB weakens against the USD	5	(10)
If the MXN weakens against the EUR	5	(4)
If the HK$ strengthens against the USD	(5)	265,154
If the HK$ strengthens against the EUR	(5)	4,881
If the HK$ strengthens against the RMB	(5)	56,868
If the HK$ strengthens against the MXN	(5)	(327)
If the RMB strengthens against the USD	(5)	(6,317)
If the RMB strengthens against the HKD	(5)	(1,539)
If the RMB strengthens against the EUR	(5)	228
If the RMB strengthens against the PLN	(5)	(7,730)
If the EUR strengthens against the USD	(5)	(3)
If the EUR strengthens against the HKD	(5)	711
If the USD strengthens against the RMB	(5)	(25)
If the THB strengthens against the USD	(5)	10
If the MXN strengthens against the EUR	(5)	4

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. There is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables measured at amortised cost*	–	–	–	14,909,276	14,909,276
Contract assets*	–	–	–	147,702	147,702
Financial assets included in prepayments, other receivables and other assets**					
– Normal	7,147,072	–	–	–	7,147,072
– Doubtful	–	–	222,817	–	222,817
Cash and cash equivalents					
– Not yet past due	10,736,877	–	–	–	10,736,877
Restricted cash and pledged deposits					
– Not yet past due	57,432	–	–	–	57,432
	17,941,381	–	222,817	15,056,978	33,221,176

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables measured at amortised cost*	–	–	–	10,836,711	10,836,711
Financial assets included in prepayments, other receivables and other assets**					
– Normal	3,645,037	–	–	–	3,645,037
– Doubtful	–	–	2,773,074	–	2,773,074
Cash and cash equivalents					
– Not yet past due	9,390,941	–	–	–	9,390,941
Restricted cash and pledged deposits					
– Not yet past due	119,555	–	–	–	119,555
	13,155,533	–	2,773,074	10,836,711	26,765,318

* For trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23, 25 and 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2023				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	4,989,099	677,757	225,724	–	5,892,580
Lease liabilities	210,789	106,125	132,734	23,304	472,952
Trade payables	19,115,674	–	–	–	19,115,674
Bills payable	4,892,498	–	–	–	4,892,498
Derivative financial instruments	96,518	–	–	–	96,518
Financial liabilities associated to put option	–	–	–	269,001	269,001
Financial liabilities included in other payables	11,475,187	–	–	–	11,475,187
	40,779,765	783,882	358,458	292,305	42,214,410

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	2022				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	4,471,675	262,930	787,862	41,577	5,564,044
Lease liabilities	160,837	97,324	119,303	69,009	446,473
Trade payables	14,086,945	–	–	–	14,086,945
Bills payable	4,859,890	–	–	–	4,859,890
Derivative financial instruments	134,214	–	–	–	134,214
Financial liabilities associated with put option	162,423	–	–	–	162,423
Financial liabilities included in other payables	8,116,868	–	–	–	8,116,868
	31,992,852	360,254	907,165	110,586	33,370,857

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of lease liabilities, interest-bearing bank and other borrowings, less cash and cash equivalents and restricted cash and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2023** **HK$'000**	2022 HK$'000 (Restated)
Lease liabilities	16(b)	**407,316**	409,741
Interest-bearing bank and other borrowings	33	**5,811,654**	5,463,083
Less: Cash and cash equivalents	28	**(10,736,877)**	(9,390,941)
Restricted cash and pledged deposits	28	**(57,432)**	(119,555)
Net assets		**(4,575,339)**	(3,637,672)
Equity attributable to owners of the parent		**16,707,654**	16,463,669
Gearing ratio		**N/A**	N/A

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	5,603,755	5,520,119
Right-of-use assets	6,439	10,302
Total non-current assets	5,610,194	5,530,421
CURRENT ASSETS		
Due from related parties	4,318,784	4,321,955
Other receivables	68,474	60,780
Cash and cash equivalents	1,201	315
Total current assets	4,388,459	4,383,050
CURRENT LIABILITIES		
Due to related parties	734,743	359,502
Other payables and accruals	8,615	17,178
Lease liabilities	3,939	3,606
Total current liabilities	747,297	380,286
NET CURRENT ASSETS	3,641,162	4,002,764
TOTAL ASSETS LESS CURRENT LIABILITIES	9,251,356	9,533,185
NON-CURRENT LIABILITIES		
Lease liabilities	2,339	6,651
Deferred tax liabilities	27	8
Other long-term payables	317	–
Total non-current liabilities	2,683	6,659
Net assets	9,248,673	9,526,526
EQUITY		
Issued capital	2,507,569	2,499,780
Reserves	6,741,104	7,026,746
Total equity	9,248,673	9,526,526

DU Juan
Director

PENG Pan
Director

Notes to Financial Statements

31 December 2023

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium account HK$'000 (note 36)	Share option reserve^Δ HK$'000	Capital reserve# HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2022	4,906,432	126,074	738,936	(246,965)	232,227	1,708,728	7,465,432
Total comprehensive loss for the year (restated)	–	–	–	–	–	(62,833)	(62,833)
Equity-settled share option arrangements	–	91	–	–	–	–	91
Issue of shares upon exercise of share options	19,340	(6,489)	–	–	–	–	12,851
Issue of shares under the 2008 Share Award Scheme	–	–	–	(15,498)	–	–	(15,498)
Employee share-based compensation benefits under the 2008 Share Award Scheme (note 37)	–	–	–	–	147,629	–	147,629
Purchase of shares for the 2008 Share Award Scheme (note 37)	–	–	–	(53,666)	–	–	(53,666)
Vesting of shares under the 2008 Share Award Scheme	–	–	–	79,035	(142,477)	–	(63,442)
Profit distribution to owners	(403,818)	–	–	–	–	–	(403,818)
At 31 December 2022 and 1 January 2023	4,521,954	119,676	738,936	(237,094)	237,379	1,645,895	7,026,746
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(2,207)**	**(2,207)**
Issue of shares upon exercise of share options	**240**	**(83)**	**–**	**–**	**–**	**–**	**157**
Issue of shares under the 2008 Share Award Scheme	**–**	**–**	**–**	**(7,732)**	**–**	**–**	**(7,732)**
Employee share-based compensation benefits under the 2008 Share Award Scheme (note 37)	**–**	**–**	**–**	**–**	**83,636**	**–**	**83,636**
Vesting of shares under the 2008 Share Award Scheme	**–**	**–**	**–**	**54,691**	**(104,716)**	**–**	**(50,025)**
Profit distribution to owners	**(309,471)**	**–**	**–**	**–**	**–**	**–**	**(309,471)**
At 31 December 2023	**4,212,723**	**119,593**	**738,936**	**(190,135)**	**216,299**	**1,643,688**	**6,741,104**

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows: (continued)

Δ The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the exercisable period.

The capital reserve arose as a result of the Group reorganisation in 1999 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the 2008 Selected Persons at the date of award.

50. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2024, the Company granted an aggregate of 82,270,000 awarded shares of the Company pursuant to the 2023 Share Award Scheme to a total of 363 2023 Selected Persons, being Directors and chief executives of the Company, other Employee Participants and Related Entity Participants, subject to their acceptance.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2024.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**78,986,064**	71,351,415	74,846,888	50,952,927	36,335,232
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**1,148,184**	835,528	1,447,766	2,079,338	1,999,484
Income tax	**(321,375)**	(281,694)	(168,476)	(185,935)	(128,237)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**826,809**	553,834	1,279,290	1,893,403	1,871,247
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**–**	–	–	1,752,216	457,836
PROFIT FOR THE YEAR	**826,809**	553,834	1,279,290	3,645,619	2,329,083
Attributable to:					
Owners of the parent	**743,633**	446,975	1,183,999	3,599,442	2,283,416
Non-controlling interests	**83,176**	106,859	95,291	46,177	45,667
	826,809	553,834	1,279,290	3,645,619	2,329,083

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**64,776,450**	55,108,941	59,538,065	52,336,259	33,332,087
TOTAL LIABILITIES	**(47,470,364)**	(38,227,840)	(41,161,866)	(35,601,382)	(21,391,189)
NON-CONTROLLING INTERESTS	**(598,432)**	(417,432)	(414,863)	(570,687)	(356,776)
	16,707,654	16,463,669	17,961,336	16,164,190	11,584,122

Glossary

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

"2008 Share Award Scheme"	the restricted share award scheme adopted by the Company on 6 February 2008 (as amended from time to time), which expired on 5 February 2023;
"2016 Share Option Scheme"	the share option scheme adopted by the Company on 18 May 2016, which was terminated on 3 November 2023;
"2023 AGM"	the AGM held on 1 June 2023;
"2023 Share Award Scheme"	the share award scheme adopted by the Company on 3 November 2023;
"2023 Share Option Scheme"	the share option scheme adopted by the Company on 3 November 2023;
"ACCA"	Association of Chartered Certified Accountants;
"AGM"	annual general meeting of the Company;
"AI"	artificial intelligence;
"AR"	augmented reality;
"Articles"	the articles of association of the Company as amended from time to time;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of the Company;
"AWE Award"	an award presented during the China Home Appliance and Consumer Electronics Expo, which is one of the top three global home appliance and consumer electronics exhibitions;
"Board"	the board of Directors;
"Board Committee(s)"	the committee(s) under the Board, including the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee;
"Board Diversity Policy"	the board diversity policy of the Company adopted on 13 August 2013;
"Cayman Law"	the laws of the Cayman Islands;
"CEO"	the chief executive officer;
"CES"	Consumer Electronics Show;
"CFO"	the chief financial officer;
"CG Code"	the corporate governance code as set out in Appendix C1 to the Listing Rules;

Glossary

"China IOL"	Beijing Zhixindao Technology Co., Ltd.* (北京智信道科技股份有限公司), an industry chain research platform in the PRC, providing industry analysis and research reports on household appliances, refrigeration and air conditioning, heating and ventilation, components, and other related industries;
"Circana"	Circana Group, a market research company that provides global data, industry expertise and analysis from a variety of perspectives that formed through the merger of NPD Group L.P. and Information Resources Corporation;
"CMM"	China Market Monitor Co., Ltd., a research institute focused on the research of consumer goods and the retail home appliance market in the PRC;
"Code Provision(s)"	the code provision(s) of the CG Code;
"Company" or "TCL Electronics"	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01070.HK);
"connected person(s)"	has the meanings ascribed to it under the Listing Rules;
"COO"	the chief operating officer;
"CSOT"	TCL China Star Optoelectronics Technology Co., Ltd.* (TCL 華星光電技術有限公司), formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司), a company established under the laws of the PRC with limited liability, a subsidiary of TCL Technology;
"CTO"	the chief technology officer;
"Deed of Non-Competition (2020)"	the deed executed by TCL Industries Holdings, T.C.L. Industries (H.K.) and the Company on 29 June 2020 in favour of the Company whereby each of TCL Industries Holdings and T.C.L. Industries (H.K.) has undertaken not to (save for the exception as defined on page 39 of the announcement of the Company dated 29 June 2020), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TV sets and smart phones;
"Deed of Termination (2020)"	the deed executed by TCL Technology, T.C.L. Industries (H.K.) and the Company on 29 June 2020 pursuant to which the parties agreed to terminate the Deed of Non-Competition (1999) as amended from time to time and TCL Technology has undertaken not to (save for the Exception as defined on page 39 of the announcement of the Company dated 29 June 2020), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TV sets bearing TCL brand;
"Director(s)"	the director(s) of the Company;
"Dividend Policy"	the dividend policy of the Company which was confirmed and consolidated on 20 December 2018 and took effect from 1 January 2019;
"EGM"	the extraordinary general meeting of the Company;
"Emerging Markets"	regions such as Asia-Pacific, Latin America, Middle East and Africa, etc.;

Glossary

"ESG"	environmental, social and governance;
"Falcon Network Technology"	Shenzhen Falcon Network Technology Co., Ltd.* (formerly literally translated and known as Shenzhen Thunderbird Network Technology Company Limited) (深圳市雷鳥網絡科技有限公司), a limited liability company established and subsisting under the laws of the PRC, an indirect non-wholly-owned subsidiary of the Company;
"Falcon Network Technology Group"	Falcon Network Technology and its subsidiaries;
"Finance Company (HK)"	TCL Finance (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and a direct subsidiary of T.C.L. Industries (H.K.);
"FPD"	flat panel display;
"GDP"	gross domestic product;
"GfK"	Gesellschaft für Konsumforschung, a consumer goods and global market research organisation headquartered in Nuremberg, Germany;
"GMV"	gross merchandise volume;
"Group"	the Company and its subsidiaries collectively;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKAS"	Hong Kong Accounting Standard;
"HKFRS(s)"	Hong Kong Financial Reporting Standards;
"HKICPA"	Hong Kong Institute of Certified Public Accountants;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Companies Ordinance"	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong);
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Huizhou Kuyu"	Huizhou Kuyu Network Technology Co., Ltd.* (惠州酷友網絡科技有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of TCL Industries Holdings;
"Huizhou TCL Mobile"	Huizhou TCL Mobile Communication Co., Ltd., a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
"IDC"	International Data Corporation, a global provider of market information and consulting services related to the information technology, telecommunications and consumer technology markets;
"IFPD"	interactive flat panel display;

Glossary

"IoT"	Internet of Things;
"LED"	light emitting diode;
"Listing Rules"	the rules governing the listing of securities on the Hong Kong Stock Exchange;
"Memorandum"	the memorandum of association of the Company as amended from time to time;
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules;
"Nomination Committee"	the nomination committee of the Company;
"Nomination Policy"	the nomination policy of the Company, which was adopted on 20 December 2018 and took effect from 1 January 2019;
"Omdia"	a global technology research organisation formed through the merger of the research divisions (Ovum/Heave Reading and Tractica) and the acquisition of IHS Markit International;
"OPCO"	Ningbo Falcon Digital Entertainment Co., Ltd.* (寧波雷鳥數字娛樂有限公司), formerly known as Hawk Digital Entertainment Technology (Shenzhen) Co., Limited* (豪客數字娛樂科技(深圳)有限公司) and Shenzhen Falcon Digital Entertainment Co., Ltd.* (深圳市雷鳥數字娛樂科技有限公司), a limited company established under the laws of the PRC and an indirect non-wholly-owned subsidiary of the Company;
"OTT"	Over The Top, an acronym for a variety of media services provided directly to viewers via the internet;
"PRC" or "China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this annual report;
"PRC Equity Owners"	Mr. WANG Hao and Ms. ZHU Xiaojiang, the details of which are set out on page 129 of this annual report;
"QD"	quantum dot;
"R&D"	research and development;
"RayNeo"	RayNeo Co., Ltd. (formerly literally translated and known as Falcon Innovations Technology (Shenzhen) Co., Ltd), a company established under the laws of the PRC with limited liability, which primarily operates the Group's smart glasses business and 11.73% equity interest of which was held by the Group as at 31 December 2023;
"Remuneration Committee"	the remuneration committee of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;

"RUNTO"	Beijing Runto Technology Co., Ltd., a third-party organisation in the PRC that provides data products and research and advisory services;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"Share(s)"	share(s) of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Sigmaintell"	Sigmaintell Consulting Co., Ltd., a service company in the PRC specialising in research and consulting for the global high-tech industry;
"smart screen"	smart TVs under the large-sized display business, over 95% of the Group's TVs in terms of shipment volume are smart screen products;
"STA"	SEMP Amazonas S.A., a company incorporated under the laws of Brazil with limited liability;
"Strategy Committee"	the strategy committee of the Company established on 22 September 2017;
"subsidiary(ies)"	any entity within the meaning of the term "subsidiary" as defined in the Listing Rules and the term "subsidiaries" shall be construed accordingly;
"TCL Communication"	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares were listed on the Main Board of the Hong Kong Stock Exchange from September 2004 to September 2016 (then stock code: 02618.HK), which has become a direct wholly-owned subsidiary of the Company since 1 September 2020;
"TCL Finance"	TCL Technology Finance Co., Ltd.* (TCL 科技集團財務有限公司, formerly known as TCL Finance Co., Ltd.* (TCL 集團財務有限公司)), a company established in the PRC with limited liability and a subsidiary of TCL Technology;
"TCL Finance Lease (Zhuhai)"	TCL Finance Lease (Zhuhai) Co., Ltd.* (TCL 融資租賃(珠海)有限公司), a limited company established under the laws of the PRC and a subsidiary of TCL Industries Holdings;
"TCL Industries Holdings"	TCL Industries Holdings Co., Ltd.* (TCL 實業控股股份有限公司), formerly known as TCL Industries Holdings (Guangdong) Inc.* (TCL 實業控股(廣東)股份有限公司), a joint stock limited company established under the laws of the PRC;
"TCL Industries Holdings Group"	TCL Industries Holdings and its subsidiaries;
"T.C.L. Industries (H.K.)"	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, an immediate controlling Shareholder, and a wholly-owned subsidiary of TCL Industries Holdings;
"TCL King (Huizhou)"	TCL King Electrical Appliances (Huizhou) Co., Ltd (TCL 王牌電器(惠州)有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

Glossary

"TCL NL"	TCL Netherlands B.V., a company established under the laws of the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Company;
"TCL SEMP"	TCL SEMP Indústria e Comércio de Eletroeletrônicos S.A. (formerly known as SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A.), a company incorporated under the laws of Brazil with limited liability, an indirect non-wholly-owned subsidiary of the Company;
"TCL SEMP Eletroeletronicos"	TCL SEMP Eletroeletronicos Ltda. (formerly known as SEMP TCL Mobilidade Ltda.), a company incorporated under the laws of Brazil with limited liability, an indirect subsidiary of the Company;
"TCL Technology"	TCL Technology Group Corporation (TCL 科技集團股份有限公司), formerly known as TCL Corporation (TCL 集團股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100.SZ);
"TCL Technology Group"	TCL Technology and its subsidiaries;
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Tencent Holdings Limited (an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of Hong Kong Stock Exchange (stock code: 00700.HK));
"Trustee"	the trustee appointed by the Board for the administration of the share award scheme(s);
"TV(s)"	television(s);
"VIE Agreements"	collectively the exclusive business cooperation agreement, the exclusive purchase right agreement, the equity pledge agreement, the authorisation letters, the confirmation letters and the spousal consent letters entered into between Falcon Network Technology, OPCO and/or the PRC Equity Owners and/or their spouses on 23 July 2019 (as amended or revised from time to time);
"VIE Announcement"	the announcement of the Company dated 23 July 2019;
"VIE Structure"	the contractual arrangement pursuant to the VIE Agreements for the Group to indirectly participate in the value-added telecommunications business and internet cultural business in the PRC including video membership business with autopay and/or "WeChat Pay to merchant" and/or the like function;
"XR"	extended reality; and
"%"	per cent.

The English translation of Chinese names or words in this annual report, 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.

:: Concept, Design & Production : Capital Financial Press Limited :: www.capitalfp.com ::

TCL Electronics
Investor Relations
WeChat Official Account

5th Floor, Building 22E,
22 Science Park East Avenue,
Hong Kong Science Park,
Shatin, New Territories,
Hong Kong
Tel: (852) 2437 7300
Fax: (852) 2417 7181

http://electronics.tcl.com