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TCL ELECTRONICS HOLDINGS LIMITED
TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (“Directors” and each a “Director”) of TCL Electronics Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 with comparative figures for the corresponding period in 2021.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022 (unaudited) HK\$ Million	2021 (unaudited) HK\$ Million	
Revenue	33,679	34,934	(3.6%)
Gross profit	5,782	5,566	3.9%
Profit after tax ^{1,2}	293	1,078	(72.8%)
Profit attributable to owners of the parent ^{1,2}	249	1,041	(76.1%)
Profit attributable to owners of the parent after deducting one-off non-operating items ^{1,3}	257	245	4.9%

Notes:

- In the first half of 2021, the Group partially disposed of its equity interest in Amlogic (Shanghai) Co., Ltd.* (晶晨半導體(上海)股份有限公司) (“Amlogic”, a limited company established in the the People’s Republic of China (“PRC”), the shares of which are listed on the sci-tech innovation board of the Shanghai Stock Exchange, stock code: 688099.SH), resulting in a one-off gain of HK\$741 million.
- Both profit after tax and profit attributable to owners of the parent decreased year-on-year, mainly due to the one-off gain of HK\$741 million from the partial disposal of the equity interest of Amlogic in the first half of 2021 by the Group.
- The Group had incurred share-based compensation expenses and the related income tax effect during the reporting period. If the two adjustments were added back, **the Group’s adjusted profit attributable to owners of the parent after deducting one-off non-operating items would increase from HK\$279 million in the first half of 2021 to HK\$332 million in the first half of 2022, with a year-on-year growth of 19.1%.**

BUSINESS REVIEW AND PROSPECTS

1. Overview

The first half of 2022 saw a changing and turbulent market environment. Recurrent outbreaks of Coronavirus disease 2019 (“Covid-19”), rising inflation overseas, foreign exchange volatility and rising international logistics costs all posed huge challenges to consumer demand and industry development. Meanwhile, partially relieved pressure on the upstream supply chain and the exponential trend of upgrading of the consumer electronics ecosystem accelerated the intelligentisation and technological transformation of the entire industry. Implementing its strategy of “Value Led by Brand with Relative Cost Advantage”, the Group has resiliently responded to market challenges and actively seized opportunities, continuing with its focus on developing the mid-to-high-end and global markets as well as expanding into new business fields. Owing to TCL’s global brand power, its distinctive advantage of vertically integrated industrial chain and broad global channel resources, the Group made breakthroughs in the mid-to-high-end market in the first half of 2022, with high-end and large-screen products taking up higher proportion and the quality of operations significantly boosted. At the same time, by proactively propelling beyond its business boundaries and accelerating the growth of its innovative business, the Group has been fueled with more growth momentum.

Persistent Mid-to-High-End Breakthroughs and Internationalised Operation, Enhanced Operational Quality and Elevated Profit Against the Downward Trend

For the six months ended 30 June 2022, the Group’s revenue reached HK\$33,679 million, decreased slightly by 3.6% year-on-year. The gross profit was up by 3.9% year-on-year, reaching HK\$5,782 million, as a result of improved product mix of the Group coupled with lower raw material costs. The overall gross profit margin reached 17.2%, recording an increase of 1.3 percentage points year-on-year. Research and development (“R&D”) costs increased by 4.0% year-on-year to HK\$1,070 million, with an R&D expense ratio of 3.2%, up by 0.3 percentage points over the corresponding period last year. For the six months ended 30 June 2022, the Group’s profit attributable to owners of the parent after deducting one-off non-operating items amounted to HK\$257 million, up by 4.9% year-on-year.

Display Business Continued to Lead in the Global Market, Innovative Business and Internet Business Became Growth Engines

In the first half of 2022, the Group actively promoted the globalisation of its all-category intelligent Internet of Things (“IoT”) ecosystem, with improvement in the operational quality of smart screen business and achievement of breakthroughs in new businesses against the downward trend. During the reporting period, revenue from innovative business reached HK\$5,259 million, representing a significant increase of 21.1% year-on-year. In particular, the photovoltaic business became officially operational in the second quarter of 2022, generating HK\$172 million in revenue in a single quarter. Also, the all-category marketing business continued to grow in scale, with revenue increasing by 26.7% year-on-year to HK\$4,248 million and gross profit margin rising sharply by 2.5 percentage points year-on-year. Revenue from Internet business reached HK\$942 million, demonstrating a notable increase of 30.7% year-on-year and making greater profit contribution. Display business generated revenue of HK\$26,971 million, out of which revenue from small and medium-sized display business and smart commercial display business grew by 16.4% and 71.2% year-on-year, respectively. At the same time, benefitting from the focus on operational quality, the overall gross profit margin of display business rose by 1.2 percentage points year-on-year to 16.6%. In addition, the Group’s display business continued to lead in the global market. The market share of TCL smart screen¹ maintained the 3rd place² globally, and ranked among the top 5³ in over 20 countries and regions worldwide with steady improvement. The market share⁴ of smart Android tablet ranked No.5 in the world, while the market share of mobile phone ranked No.3 and No.4 in Canada and the United States of America (“U.S.”), respectively.

¹ Smart screen mainly refers to smart television (“TV”) of the related large-sized display products. By shipment over 95% of the Group’s TV products are smart screen products.

² Source: Omdia, global data of TV shipment in the first quarter of 2022.

³ Source: NPD and GfK, TV retail sales volume from January to June 2022.

⁴ Source: IDC, global shipment of the first quarter of 2022.

Continuously Increased Investments in R&D on Frontier Technologies, New Products in All Categories Winning International Awards

In terms of R&D investment and accomplishments, the Group kept up its R&D investment in cutting-edge technologies and products in the first half of 2022, and launched a wide range of intelligent products including Mini LED smart screen, 5G mobile phone, smart lock and Augmented Reality (“AR”) / Extended Reality (“XR”) glasses, etc., which won various international awards. Among them, for display business, TCL Mini LED smart screen X12 and X11 series won the “Red Dot Award” of 2022 in Germany; TCL OD Zero Mini LED 8K TV X925 PRO won the “2021-2022 Innovation Award of Mini LED Display Technology” at the Consumer Electronics Show on account of its multiple technological advantages. In terms of innovative business, TCL P73 Series and 93 Series Home Theatre Soundbar, together with TCL NXTWEAR AIR Smart Glasses were winners of the “iF Design Award” of 2022 in Germany; TCL Smart Wing Fresh Air Conditioner series won the “Red Dot Award” of 2022 in Germany. The recognition of various types of new intelligent products by the awards reflected the Group’s strong capabilities in cutting-edge display and smart technologies.

2. Display Business

2.1 Large-Sized Display

In 2022, there was pressure on the TV industry as a whole due to weak consumer demand as a result of recurrent Covid-19 outbreaks, international geopolitics and global inflation. According to the latest data from Omdia⁵, the actual global TV shipment fell by 4.3% year-on-year to 49.07 million sets in the first quarter of 2022, and Omdia forecasted a 2.2% decline year-on-year in global TV shipment in 2022. In the face of such challenging market environment, the Group focused on mid-to-high-end breakthroughs and made satisfactory achievements, rapidly driving up the sales of larger-screen products. The global sales volume of the Group’s TCL smart screen in the first half of 2022 reached 10.15 million sets, of which the sales volume of TCL smart screen of 65 inches and above grew significantly by 36.9% year-on-year to 1.53 million sets, and its proportion by sales volume increased by 5.1 percentage points year-on-year to 15.1%. Meanwhile, the Group’s global sales volume of TCL Mini LED smart screen rose by 7.8% year-on-year in the first half of 2022, and the sales volume of TCL Mini LED smart screen in the PRC market went up by 31.2% year-on-year, reflecting the remarkable effectiveness of the Group’s effort in promoting high-end products and effectively improving the operational quality of the Group.

⁵ Omdia is a global technology research organisation formed by consolidating research brands (Ovum, Heave Reading and Tractica) and the acquired IHS Markit International.

International Markets

In the first half of 2022, the sales revenue of the Group's TCL smart screen in international markets decreased by 19.9% year-on-year to HK\$13,341 million, mainly due to the drop in market demand in the European and American markets. Nevertheless, as a result of the Group's continuous optimisation of product mix, the sales volume of TCL smart screen of 65 inches and above grew by 13.0% year-on-year. Efforts in increasing proportion of products sold in large-sized and high-end category yielded significant results, driving the gross profit margin up by 2.6 percentage points year-on-year to 17.0% and greatly improved the quality of operation.

According to the latest report by GfK⁶ and NPD⁷, the market share of the Group's TCL smart screen ranked among the top 5 in more than 20 overseas countries and regions in terms of sales volume with year-on-year growth, among which:

- North American Markets: although the TV market size in North America decreased due to demand in advance from the Covid-19 pandemic, the Group's smart screen business in North American markets made steady progress, with a 0.9 percentage points increase in gross profit margin in the first half of 2022 and leading in market share. For the six months ended 30 June 2022, the market share of TCL smart screen by sales volume ranked No.3 in the U.S. and Canada, and rose to No.4 in Mexico (Source: NPD⁸);
- Emerging Markets⁹: with continuous focus on key countries and regions, the sales volume of TCL smart screen in the first half of 2022 increased by 7.6% year-on-year against the downward trend, and gross profit margin increased by 2.3 percentage points year-on-year. For the six months ended 30 June 2022, the market share of TCL smart screen by sales volume ranked No.1 in Australia and Pakistan, No.2 in the Philippines and Myanmar, No.3 in Saudi Arabia and Republic of Kazakhstan, No.4 in Thailand, Brazil, Vietnam, Argentina and Morocco, and No.5 in Indonesia, Chile and the United Arab Emirates (Source: GfK); and

⁶ GfK stands for Gesellschaft für Konsumforschung, a consumer goods market research company and global market research organisation headquartered in Nuremberg, Germany.

⁷ NPD refers to the NPD Group, a market research company that provides global data, industry expertise and insightful analysis.

⁸ This report refers to NPD's U.S./Canada/Mexico retail market research report, based on LCD TV sales volume during January to June 2022 and during January to June 2021.

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

- **European Markets:** the sales volume of TCL smart screen increased significantly in the first quarter of 2022, but was under pressure in the second quarter of 2022 due to rising inflation and consumers' weakened purchasing power. In the first half of 2022, the overall sales volume of TCL smart screen declined year-on-year but gross profit margin remained flat year-on-year. During the period, rankings of the sales volume of TCL smart screen kept ascending against the downward trend in various European countries. For the six months ended 30 June 2022, the market share of TCL smart screen by sales volume rose to No.2 in France, No.3 in the Czech Republic and Italy, No.4 in Poland and No.5 in Hungary (Source: GfK).

The PRC Market

In the first half of 2022, the overall PRC market of TV industry remained under pressure amidst recurring Covid-19 outbreaks and weakening demand. According to the latest data from Sigmaintell¹⁰, shipment of TV industry in the PRC market dropped by 1.4% year-on-year to 17.07 million sets in the first half of 2022. With efforts made to accelerate the product mix upgrade and strengthen online and offline channel capabilities, the Group successfully boosted the overall sales volume of TCL smart screen in the PRC market by a year-on-year growth of 1.1% against the downward trend in the first half of 2022. The market share of TCL smart screen by shipment increased by 0.7 percentage points year-on-year to 13.9%, firmly ranking top 3 in the PRC market¹¹.

Product mix of TCL smart screen in the PRC market was remarkably enhanced in the first half of 2022, and the sales volume of TCL smart screen of 65 inches and above increased sharply by 58.8% year-on-year, with its proportion by sales volume increased significantly by 14.3 percentage points year-on-year to 39.4%. The sales volume of TCL Mini LED smart screen increased by 31.2% year-on-year, and both TCL Mini LED smart screen and TCL quantum dot ("QLED") smart screen secured the rank of No.1¹² in the PRC in terms of omni-channel retail sales volume. Sales revenue of the Group's smart screen in the PRC market reached HK\$6,319 million in the first half of 2022, which essentially remained flat year-on-year, while gross profit margin recorded a notable increase of 1.8 percentage points year-on-year to 22.2%, benefitting from the optimisation and upgrade of product mix.

¹⁰ Sigmaintell is an information technology research and advisory company with focus on global high-tech industry.

¹¹ Source: Sigmaintell, TV shipment of the first half of 2022.

¹² Source: CMM, omni-channel retail sales volume of the first half of 2022.

During the period of 618 (18 June) shopping festival¹³, by targeting consumer preferences and adhering to its mid-to-high-end strategy, the Group saw remarkable performance in dual brands of TCL and Falcon. According to the data of CMM¹⁴, TCL smart screen ranked No.1 in terms of online sales amount and market share by online retail sales volume for TV of 65 inches and above; both TCL Mini LED smart screen and TCL smart screen with high refresh rate of 120 Hz or above became the best sellers by retail sales volume during the period of 618 shopping festival in 2022.

2.2 Small and Medium-Sized Display

In the first half of 2022, the Group launched new small and medium-sized display smart products such as the TCL Stylus 5G smartphone and the TCL TAB Disney Edition tablet, while continuing to strengthen its partnership across channels with global top-tier network operators. The overall sales volume was among the top in European and American markets. In the first half of 2022, the Group's total revenue of small and medium-sized display business reached HK\$7,062 million, representing a year-on-year growth of 16.4%, among which sales performance in North America stood out with over 50% year-on-year growth in its revenue.

In terms of key global markets, according to the latest IDC¹⁵ report, in the first quarter of 2022, sales volume of the Group's mobile phone ranked No.3 in Canada, No.4 in the U.S. and Australia, and No.5 in Western Europe. Sales volume of the Group's smart Android tablet in the first quarter of 2022 ranked No.5 in the world; and, among others, ranked No.4 in the U.S., Western Europe and Latin America.

¹³ Statistics calculated from week 23 to 25 in 2022 (i.e. 30 May 2022 to 19 June 2022) and week 23 to 25 in 2021 (i.e. 31 May 2021 to 20 June 2021).

¹⁴ CMM refers to China Market Monitor Co., Ltd., a research institute focusing on the research of consumer goods and home appliance retail market in the PRC.

¹⁵ IDC refers to International Data Corporation, a global provider of market intelligence and advisory services for the information technology, telecommunications, and consumer technology markets.

2.3 Smart Commercial Display

In the first half of 2022, the Group continued to expand smart meeting ecosystem in the PRC market jointly with DingTalk and Tencent, vigorously exploring the commercial interactive tablet market. Meanwhile, the Group successfully entered into the international commercial display market, rapidly gaining experiences of products and operations in the overseas markets. During the reporting period, the Group launched 98-inch smart interactive tablet TCL NXTHUB 98V50 and commercial display 98P60, which are empowered by giant screen display of 4K high definition and high touch refresh rate up to 125Hz, and equipped with a variety of office software and applications, such as DingTalk Meeting, Tencent Docs and WPS, etc., providing users with efficient applications in multiple scenarios. In addition, the Group also launched TCL Smart Educational Tablet X60, which installs T-Cloud Smart Education System that integrates features of whiteboard, classroom management and study management to facilitate stable and efficient teaching. Total revenue of the Group's smart commercial display in the first half of 2022 reached HK\$249 million, recording a remarkable increase of 71.2% year-on-year.

3. Innovative Business

3.1 All-Category Marketing

The Group has been developing internationally for over two decades, with a well-established market channel network worldwide and growing TCL brand awareness year by year. In the first half of 2022, by leveraging its global brand edge and channel strength, the Group accelerated the growth of the distribution scale of air conditioners, refrigerators and washing machines. Distribution revenue of the Group's all-category marketing business reached HK\$4,248 million during the period, representing a year-on-year growth of 26.7%. The distribution gross profit grew by 54.6% year-on-year to HK\$586 million, with remarkable increase of 2.5 percentage points in the distribution gross profit margin year-on-year. At the same time, TCL's air conditioners, refrigerators and washing machines have been frequently recognised by international awards. Both TCL Smart Wing Fresh Air Conditioner and TCL Whisper Q-Series Window Air-Conditioner won the "Red Dot Award" of 2022 in Germany. Going forward, the Group will give full play to its leading edge in brand and channels, so as to drive the global development of its all-category marketing business.

3.2 Photovoltaic Business

Seizing the global trend of clean energy and carbon neutrality and maximising its industry synergistic strengths, the Group speedily forayed into the photovoltaic industry in collaboration with TCL Zhonghuan Renewable Energy Technology Co., Ltd* (TCL中環新能源科技股份有限公司) (“TCL Zhonghuan”, a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange, stock code: 002129.SZ), bringing top photovoltaic industry chain resources and rich project operation experience. Meanwhile, the Group strives to accelerate the expansion of distributed photovoltaic from the perspectives of B2B and B2C (business-to-business and business-to-customer) by taking advantage of its channel coverage in the PRC. With green energy technology and innovative financial services at its core, the Group started with household photovoltaic business, aiming to provide rural residents with one-stop services in the development, investment, construction management and operation and maintenance of green power facilities through finance leases or operating leases. The Group also developed commercial and industrial photovoltaic business, dedicated in providing green-energy conversion services for industrial, logistics and specialist parks and clusters as well as for commercial complexes.

Officially operational in the second quarter of 2022, the Group’s photovoltaic business achieved success in terms of both volume and profit within a single quarter, generating HK\$172 million in revenue for the first half of 2022, with monthly installation orders and revenue growing exponentially. In the future, the Group will accelerate the development of its distributed photovoltaic business and strive to become a green-energy innovator and leader in providing integrated solutions to help achieve zero carbon in rural areas and industrial parks.

3.3 Smart Connection and Smart Home

The Group has advanced rapidly its all-category intelligent IoT ecosystem with focus on smart connective products, including smart glasses¹⁶, routers and smart wearables, as well as smart home business such as smart locks, robot vacuum cleaners, air purifiers and smart sound bars. In the first half of 2022, the Group launched the new consumer-grade XR smart glasses, Falcon Air, in the PRC, providing a variety of services for users, including video streaming, mobile gaming and remote office. At the same time, sales volume of the Group's smart lock continued rising to new heights, ranking at the forefront of the PRC market in the first half of the year. In the first half of 2022, the Group's smart connection and smart home businesses generated a revenue of HK\$839 million, of which revenue from smart home business went up by 25.8% year-on-year to HK\$287 million. Smart connection business, on the contrary, was affected by the Covid-19 pandemic and geopolitical tensions with MiFi¹⁷ market in Europe and America suffering from a year-on-year decline, but still remained relatively competitive.

In terms of key global markets and countries, according to the latest figures of global shipment for 2021 as reported by TSR¹⁸, TCL mobile routers ranked No.3 globally, among others, it ranked No.1 in the European markets. TCL CPE¹⁹ ranked No.6 in terms of global sales volume.

4. Internet Business

The Group has been deepening the global presence of its home Internet business, aiming to provide users with all-scenario products and services for multi-screen, real-time interaction and smart sensing. For the six months ended 30 June 2022, the Group's global Internet business revenue reached HK\$942 million, representing an increase of 30.7% year-on-year.

¹⁶ The smart glasses business is mainly carried out by Falcon Innovations Technology (Shenzhen) Co., Ltd.* (雷鳥創新技術(深圳)有限公司), in which the Group holds approximately 19.99% of its shares.

¹⁷ MiFi refers to Mobile WiFi, a portable broadband wireless device.

¹⁸ TSR refers to TOKYO SHOKO RESEARCH, LTD..

¹⁹ CPE refers to Customer Premise Equipment, which is a device that converts broadband signals or mobile network data directly into WiFi signals.

4.1 Internet Business in the PRC Market

The Group's domestic Internet business (mainly the domestic business of Shenzhen Falcon Network Technology Co. Ltd.* (深圳市雷鳥網絡科技有限公司) and its subsidiaries (collectively, "Falcon Network Technology Group") in the PRC) continued to enhance its capabilities of monetisation and profitability, generating HK\$814 million in revenue in the first half of 2022, representing a significant growth of 35.7% year-on-year. In particular, Falcon Network Technology Group carried on with efforts to enrich platform content, improve the recommendation accuracy and make the system more user-friendly, resulting in a year-on-year increase of 19.0% and 95.8% in revenue from its membership business and vertical and innovative business respectively in the first half of 2022. Evolving at scale, the vertical and innovative businesses hence became new growth engines. Revenue from advertising business fell by 19.7% year-on-year as a result of economic downturn brought by Covid-19 pandemic in the PRC. Together with ongoing improvement in its software competitiveness, constant expansion in innovative business and greater user stickiness, ARPU (average revenue per user) of Falcon Network Technology Group reached HK\$39.3 in the first half of 2022, representing a year-on-year growth of 25.3%, while the average daily time spent by users reached 5.15 hours.

4.2 Internet Business in International Markets

The Group has actively maintained close cooperation with Internet giants, such as Roku and Google, with sustainable revenue sharing from Google platform operation since 2021. Meanwhile, the Group constantly optimised its user service experience. In the first half of 2022, as a result of steady exploration of the development opportunities of global home Internet business by the Group, revenue from the Group's Internet business in international markets reached HK\$128 million, up by 5.7% year-on-year. Meanwhile, overseas business of Falcon Network Technology Group rapidly accumulated TCL Channel users by reaching out to massive TCL smart screen users worldwide through OTT platform partners. As of the end of June 2022, the Group's integrated content application, TCL Channel, had covered 60 countries in North America, Europe, Central and South America and Asia Pacific, with a cumulative user base of over 10 million. The Group will keep improving its traffic monetisation capability from TCL Channel in the future, with a commitment to providing users with premium quality experience and services in every key market.

5. Outlook

Looking into 2022, the momentum of structural upgrade of global consumer market will remain unchanged. Meanwhile, the new pattern of “internal circulation” accelerates to take shape in the PRC market, laying a solid foundation for high-quality development of the domestic economy. In addition, rapid digitisation will inject more development momentum into the industries where the Group operates. At the same time, international enterprises still face various challenges against the backdrop of global geopolitical turmoil, ongoing Covid-19 outbreaks and rising inflation overseas.

Facing both opportunities and challenges, in the second half of 2022, the Group will fully leverage its competitive strengths to the fullest, actively innovate to adapt to changes and carry forward with the strategy of “Value Led by Brand with Relative Cost Advantage”. With the aim to keep its leading position in global market share for the full year of 2022, the Group will continue to optimise its product mix in order to cope with the downward pressure of weakening market demand, and strive to improve the full-year revenue and profit performance. Pushing forward its strategic layout of “Globalisation” and “Technological Transformation” continuously in the long run, the Group will focus on “Display, Connection and Channels” as the three competitive cores, vigorously explore and extend the all-category track of “intelligent IoT ecosystem”, deepen its all-scenario smart and healthy living strategy, and strive to become a world-leading enterprise of smart devices.

- Keep technological R&D capability as a key to development. Maintain a 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, plan ahead for a deeper layout in the field of intelligent interaction, vigorously explore frontier technologies, such as artificial intelligence (AI), Internet-based big data, 5G and intelligent manufacturing, and further enhance the core technology competitiveness of the Group;
- Expand the Group’s distinctive advantage of vertically integrated industrial chain, consolidate and expand its edges in global supply chain and marketing channels. With further efforts to globalisation, enlarge the Group’s global TV market share and brand awareness, and strive to lead as No.1 brand in the global TV market. Meanwhile, relying on its outstanding strengths in brand and channels around the world, the Group will maximise the synergistic effect of all categories, focus on all-category marketing business and keep building up its competitiveness;
- Broaden the scale and service boundaries of global Internet business, steadily enhance operations and profitability of Falcon Network Technology Group and expand the cooperation with overseas Internet partners in terms of scope and depth, so as to strengthen the integration of domestic and overseas content resources. Actively explore innovative business, continue optimising business ecosystem and reinforce operations and profitability of global Internet business;
- Seize the emerging opportunities (for example, the national policy of carbon neutrality and opportunities arising from green and clean energy), and capitalise on the trend of technological transformation and innovation. Fully utilise the advantages of the Group in vertical industrial chain, sales channels, financial resources and technology to speed up the expansion of diversified new businesses, such as photovoltaic business and AR/XR smart glasses, etc., driving the Group to achieve high-quality development in the long run; and
- Grasp firmly the favorable opportunities brought about by socioeconomic digitalisation and intelligentisation and fulfill the strategy for all-scenario smart and healthy living. Strengthen the expansion of three major smart scenarios, namely smart home, mobile services and smart commercial display, to offer users smart living services across “All Scenarios, All Categories and Inter-connectivity”. Speed up the all-category layout of “intelligent IoT ecosystem” to steadfastly move towards global leadership.

Comparison between the First Half of 2022 and the First Half of 2021

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
REVENUE	33,679,256	34,933,848
Cost of sales	<u>(27,897,694)</u>	<u>(29,368,005)</u>
Gross profit	5,781,562	5,565,843
Other income and gains	1,272,650	1,810,251
Selling and distribution expenses	(3,232,806)	(3,219,353)
Administrative expenses	(1,923,484)	(1,744,368)
Research and development costs	(1,070,314)	(1,029,187)
Other operating expenses	(14,760)	(31,982)
Impairment losses of financial assets, net	<u>(11,025)</u>	<u>(6,613)</u>
	801,823	1,344,591
Finance costs	(253,912)	(216,944)
Shares of profits and losses of:		
– Joint ventures	12,026	9,982
– Associates	<u>(58,176)</u>	<u>12,762</u>
Profit before tax	501,761	1,150,391
Income tax	<u>(209,033)</u>	<u>(72,038)</u>
Profit for the period	<u>292,728</u>	<u>1,078,353</u>
Profit attributable to owners of the parent	248,962	1,041,140
Profit attributable to owners of the parent after deducting one-off non-operating items	256,806	244,718

Revenue

The Group's revenue decreased by 3.6% year-on-year from HK\$34,934 million in the first half of 2021 to HK\$33,679 million in the first half of 2022. The following table shows the Group's revenue by business segments for the six months ended 30 June 2022 and 30 June 2021:

	Six months ended 30 June			
	2022		2021	
	HK\$'000	Proportion of the total revenue	HK\$'000	Proportion of the total revenue
Display business ²⁰	26,970,990	80.1%	29,299,873	83.9%
Innovative business ²¹	5,258,525	15.6%	4,341,864	12.4%
Internet business ²²	942,110	2.8%	720,772	2.1%
Others	507,631	1.5%	571,339	1.6%
Total revenue	<u>33,679,256</u>	<u>100.0%</u>	<u>34,933,848</u>	<u>100.0%</u>

Display Business

Revenue from display business decreased by 7.9% year-on-year from HK\$29,300 million in the first half of 2021 to HK\$26,971 million in the first half of 2022. The year-on-year decrease was mainly due to the impact of external environment including exacerbated global geopolitical risks, recurrent outbreaks of Covid-19 pandemic in the PRC and overseas inflation, which weakened the overall demand in consumer market, with revenue from the Group's large-sized display business dropping year-on-year.

Innovative Business

Revenue from innovative business grew by 21.1% year-on-year from HK\$4,342 million in the first half of 2021 to HK\$5,259 million in the first half of 2022, mainly attributable to the rapid development of all-category marketing business and the new layout of photovoltaic business.

^{20.} "Display business" refers to (i) "Large-sized display"; (ii) "Small and medium-sized display"; and (iii) "Smart commercial display" as set out in the operating segment information of the notes to financial statements.

^{21.} "Innovative business" refers to (i) "All-category marketing"; (ii) "Photovoltaic business"; and (iii) the business related to smart home and smart connective devices of "Smart home, smart connective devices and others" as set out in the operating segment information of the notes to financial statements.

^{22.} "Internet business" refers to "Internet business" as set out in the operating segment information of the notes to financial statements.

Internet Business

Revenue from Internet business increased by 30.7% year-on-year from HK\$721 million in the first half of 2021 to HK\$942 million in the first half of 2022, mainly due to the scaled-up growth of the vertical and innovative business under Falcon Network Technology Group, with further enrichment of platform content and remarkable improvement in overall platform efficiency. The Internet business of the Group in the PRC (mainly the domestic business of Falcon Network Technology Group) recorded a significant growth of 35.7% in revenue.

Gross Profit and Gross Profit Margin

Overall gross profit increased by 3.9% year-on-year from HK\$5,566 million in the first half of 2021 to HK\$5,782 million in the first half of 2022. Gross profit margin for the first half of 2022 was 17.2%, up by 1.3 percentage points when compared to that of the corresponding period in 2021. The major reasons were that the Group focused on quality of operations, insisted on making breakthroughs in the mid-to-high-end market and strengthened cost reduction and efficiency enhancement, bringing the increase in gross profit margin of the Group.

Display Business

The gross profit margin of display business in the first half of 2022 was 16.6%, representing an increase of 1.2 percentage points year-on-year, mainly due to the successful breakthroughs the Group made in the mid-to-high-end market. Outstanding sales performance of large-sized and high-end products led to a significant rebound in gross profit margin for the Group's smart screen business.

Innovative Business

The gross profit margin of innovative business was 14.2% in the first half of 2022, with a slight increase of 0.2 percentage points year-on-year, almost remaining flat.

Internet Business

The gross profit margin of Internet business was 52.2% in the first half of 2022, down by 3.7 percentage points year-on-year, mainly due to the increase in the revenue proportion of its vertical and innovative business, the gross profit of which was lower than that of advertising business.

Other Income and Gains

Other income and gains decreased by 29.7% year-on-year from HK\$1,810 million in the first half of 2021 to HK\$1,273 million in the first half of 2022, mainly due to the year-on-year decrease in both the one-off gain²³ from the partial disposal of the equity interest of an associate of the Company and the realised gain²⁴ on settlement of derivative financial instruments as a result of reporting classification. Meanwhile, the foreign exchange gains²⁴ increased by HK\$623 million year-on-year.

Selling and Distribution Expenses

The selling and distribution expenses increased slightly by 0.4% year-on-year to HK\$3,233 million in the first half of 2022 from HK\$3,219 million in the first half of 2021.

Administrative Expenses

The administrative expenses increased by 10.3% year-on-year from HK\$1,744 million in the first half of 2021 to HK\$1,923 million in the first half of 2022, mainly due to the increase in fair value losses²⁴ arising from hedging financial instruments and net realised losses on settlement of derivative financial instruments²⁴ during the period.

R&D Costs

The R&D costs increased by 4.0% year-on-year from HK\$1,029 million in the first half of 2021 to HK\$1,070 million in the first half of 2022. The growth was mainly attributable to the Group's continuous increased investments in high-end display technologies, such as Mini LED and QLED, as well as other frontier technologies including intelligent interaction and cloud services.

²³ In the first half of 2021, the Group partially disposed of the equity interest in Amlogic, resulting in a one-off gain of HK\$741 million.

²⁴ As foreign exchange fluctuated greatly in the first half of 2022, the Group used financial derivatives to reasonably hedge exchange risks, resulting in net foreign exchange gain after hedging for the six months ended 30 June 2022.

Impairment Losses on Financial Assets, Net

The net impairment losses on financial assets increased by 66.7% year-on-year from approximately HK\$7 million in the first half of 2021 to approximately HK\$11 million in the first half of 2022, mainly due to the increase in provision for expected credit losses on account receivables and other receivables during the reporting period.

Finance Costs

The finance costs increased by 17.0% year-on-year from HK\$217 million in the first half of 2021 to HK\$254 million in the first half of 2022, mainly due to the increase in new interest-bearing bank loans during the reporting period.

Share of Profits and Losses – Joint Ventures and Associates

The share of losses in the first half of 2022 was approximately HK\$46 million while the share of profits in the corresponding period last year was approximately HK\$23 million, mainly due to the increased share of losses from the Group's associates during the reporting period as a result of weakening market demand.

Profit before Tax

The profit before tax decreased by 56.4% year-on-year from HK\$1,150 million in the first half of 2021 to HK\$502 million in the first half of 2022, mainly due to the one-off gain of HK\$741 million from the partial disposal of the equity interest of Amlogic by the Group in the corresponding period last year.

Income Tax

The income tax increased by 190.2% year-on-year from approximately HK\$72 million in the first half of 2021 to HK\$209 million in the first half of 2022. The increase was mainly attributable to the increase in income tax provision as a result of increased profit before tax of certain subsidiaries of the Group and underprovision of income tax in prior years.

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

The profit for the period decreased by 72.8% year-on-year from HK\$1,078 million in the first half of 2021 to HK\$293 million in the first half of 2022. The profit attributable to owners of the parent went down by 76.1% year-on-year from HK\$1,041 million in the first half of 2021 to HK\$249 million in the first half of 2022, mainly due to the one-off gain of HK\$741 million from the partial disposal of the equity interest of Amlogic by the Group in the corresponding period last year.

Profit Attributable to Owners of the Parent after Deducting One-off Non-Operating Items

Profit attributable to owners of the parent after deducting one-off non-operating items grew by 4.9% year-on-year from HK\$245 million in the first half of 2021 to HK\$257 million in the first half of 2022, mainly attributable to the remarkable results of the Group's mid-to-high-end strategy and improved quality of operations, which led to a rebound in profitability against the downward market trend.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

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

Save as disclosed above, the Group had no other significant investment held as at 30 June 2022, and did not undertake any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

Liquidity and Financial Resources

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

The cash and cash equivalents of the Group as at 30 June 2022 amounted to approximately HK\$6,972,982,000, of which 0.9% was in Hong Kong dollars, 40.3% was in U.S. dollars, 42.8% was in Renminbi, 2.5% was in Euros and 13.5% was in other currencies for overseas operations.

For the purpose of day-to-day liquidity management and future expansion, the Group has access to bank and other borrowings. The bank borrowings of the Group as at 30 June 2022 were approximately HK\$7,259,277,000 which were interest-bearing at fixed rates ranging from 0.63% to 6.30% and denominated in U.S. dollars, Renminbi, Euros and Mexican Peso. The maturity profile of borrowing was on demand to within seven years. It is the intention of the Group to maintain a mix of equity and debt to ensure an efficient capital structure and in view of the reasonable interest rate. There was no material change in available credit facilities when compared with the year ended 31 December 2021 and there was no asset held under finance lease as at 30 June 2022.

As at 30 June 2022, the Group's gearing ratio was 0.3% which was calculated by net borrowings of approximately HK\$47,739,000 (i.e. total interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents, and restricted cash and pledged deposits), divided by equity attributable to owners of the parent of approximately HK\$17,171,293,000. The maturity profile of such borrowings ranged from on demand to within seven years.

Pledge of Assets

As at 30 June 2022, the Group had restricted cash and pledged deposits balance of approximately HK\$653,303,000 (31 December 2021: HK\$576,758,000) pledged as the balance of performance and quality guarantees, financial assets and banking facilities for the Group.

Capital Commitments and Contingent Liabilities

As at 30 June 2022, the Group had capital commitments of approximately HK\$725,923,000 (31 December 2021: HK\$400,089,000) and HK\$121,942,000 (31 December 2021: HK\$663,529,000) which were contracted but not provided for and authorised but not contracted for, respectively.

As at 30 June 2022, the Group had the following contingent liabilities which have not been provided for in the financial statements:

SEMP TCL Mobilidade Ltda. ("SEMP Mobilidade", a subsidiary of the Company) is currently a respondent in a tax assessment dispute in Brazil with Brazil tax authority for alleged improper application of tax credits for the financial years of 2012 and 2013. As at 30 June 2022, the tax assessment dispute was still ongoing. The information usually required by Hong Kong Accounting Standard ("HKAS") 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that such disclosure can be expected to prejudice seriously the outcome. Based on the response from the independent attorney in charge, it is expected that the dispute will last for 3 to 5 years. The Group has not made any provision as the Group, based on the advice from its legal counsel, believes that SEMP Mobilidade has a valid defence against the allegation.

Pending Litigation

Saved as disclosed above, the Group was not involved in any material litigation as at 30 June 2022.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

As at 30 June 2022, the Group had a total of 26,965 dynamic and talented employees. During the six months ended 30 June 2022, the total staff costs amounted to approximately HK\$2,412,979,000, which were all dedicated to advancing the quality and reliability of our operations. The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and both the performance of individual employees and the Group. In order to align the interests of staff with those of shareholders of the Company, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme adopted on 18 May 2016 ("Share Option Scheme"). Share options carrying rights to subscribe for a total number of 43,770,777 shares of the Company remained outstanding as at 30 June 2022.

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

FINANCIAL INFORMATION

The following condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
REVENUE	5	33,679,256	34,933,848
Cost of sales		<u>(27,897,694)</u>	<u>(29,368,005)</u>
Gross profit		5,781,562	5,565,843
Other income and gains		1,272,650	1,810,251
Selling and distribution expenses		(3,232,806)	(3,219,353)
Administrative expenses		(1,923,484)	(1,744,368)
Research and development costs		(1,070,314)	(1,029,187)
Other operating expenses		(14,760)	(31,982)
Impairment losses on financial assets, net		<u>(11,025)</u>	<u>(6,613)</u>
		801,823	1,344,591
Finance costs	6	(253,912)	(216,944)
Share of profits and losses of:			
Joint ventures		12,026	9,982
Associates		<u>(58,176)</u>	<u>12,762</u>
PROFIT BEFORE TAX	7	501,761	1,150,391
Income tax	8	<u>(209,033)</u>	<u>(72,038)</u>
PROFIT FOR THE PERIOD		<u>292,728</u>	<u>1,078,353</u>

Six months ended 30 June

2022	2021
(unaudited)	(unaudited)
HK\$'000	HK\$'000

OTHER COMPREHENSIVE INCOME/(LOSS)

Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:

Cash flow hedges:

Effective portion of changes in fair value of the hedging instruments arising during the period	132,245	25,470
Reclassification adjustments for gains included in profit or loss	(59,652)	(52,377)
Income tax effect	258	4,808
	72,851	(22,099)

Exchange differences:

Translation of foreign operations	(798,241)	235,681
Reclassification adjustments for foreign operations liquidated during the period	31	16,750
Reclassification adjustments for associates deemed partial disposed, partial disposed and liquidated during the period	(384)	(6,572)
	(798,594)	245,859

Financial assets at fair value through other comprehensive income:

Changes in fair value, net of income tax	6,360	8,099
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Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods

(719,383)	231,859
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		Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of income tax		–	7,239
Share of other comprehensive income of associates		<u>13,339</u>	<u>5,567</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>13,339</u>	<u>12,806</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX		<u>(706,044)</u>	<u>244,665</u>
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		<u><u>(413,316)</u></u>	<u><u>1,323,018</u></u>
Profit attributable to:			
Owners of the parent		248,962	1,041,140
Non-controlling interests		<u>43,766</u>	<u>37,213</u>
		<u><u>292,728</u></u>	<u><u>1,078,353</u></u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(462,157)	1,269,949
Non-controlling interests		<u>48,841</u>	<u>53,069</u>
		<u><u>(413,316)</u></u>	<u><u>1,323,018</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		<u><u>HK10.35 cents</u></u>	<u><u>HK43.30 cents</u></u>
Diluted		<u><u>HK9.91 cents</u></u>	<u><u>HK42.29 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,975,067	3,061,005
Investment properties		556,484	569,177
Right-of-use assets		1,012,200	1,079,530
Goodwill		3,265,146	3,322,316
Other intangible assets		1,250,243	1,311,484
Investments in joint ventures		90,000	80,852
Investments in associates		1,838,428	1,600,929
Equity investments designated at fair value through other comprehensive income		137,613	141,356
Deferred tax assets		371,867	336,792
Other deferred assets		212,436	179,210
		11,709,484	11,682,651
CURRENT ASSETS			
Inventories		12,102,109	13,555,596
Trade receivables	12	10,665,229	11,697,726
Bills receivable		1,556,460	1,901,694
Prepayments, other receivables and other assets		12,716,504	6,901,965
Tax recoverable		136,218	122,154
Financial assets at fair value through profit or loss		2,112,893	1,342,088
Derivative financial instruments		341,569	240,587
Restricted cash and pledged deposits		653,303	576,758
Cash and cash equivalents		6,972,982	11,509,166
		47,257,267	47,847,734
Assets classified as held for sale	9	3,845	3,952
		47,261,112	47,851,686

		30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	13	14,146,910	15,826,244
Bills payable		2,615,750	3,599,248
Other payables and accruals		15,271,441	12,743,589
Interest-bearing bank and other borrowings	14	6,116,614	6,387,292
Lease liabilities		157,439	140,820
Tax payable		157,407	116,231
Financial liability associated with put option		132,370	121,370
Derivative financial instruments		139,225	34,782
Provisions		908,049	971,448
		<hr/>	<hr/>
Total current liabilities		39,645,205	39,941,024
		<hr/>	<hr/>
NET CURRENT ASSETS		7,615,907	7,910,662
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,325,391	19,593,313
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	1,142,663	492,825
Lease liabilities		257,308	319,684
Deferred tax liabilities		337,137	341,846
Other long-term payables		40,132	48,715
Derivative financial instruments		–	17,579
		<hr/>	<hr/>
Total non-current liabilities		1,777,240	1,220,649
		<hr/>	<hr/>
Net assets		17,548,151	18,372,664
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	2,495,496	2,479,959
Reserves		14,675,797	15,477,904
		<hr/>	<hr/>
		17,171,293	17,957,863
Non-controlling interests		376,858	414,801
		<hr/>	<hr/>
Total equity		17,548,151	18,372,664
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) (“Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclose in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain financial assets which are measured at fair value. Assets classified as held for sale is stated at the lower of their carrying amounts and fair values less costs to sell. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the revised HKFRSs effective as of 1 January 2022.

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

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

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

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

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

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

² No mandatory effective date yet determined but available for adoption

³ As a consequence of the amendments to HKAS 1 issued in August 2020, 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 in October 2020 to align the corresponding wording with no change in conclusion

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

To better allocate resources, assess performance and help investors understand the Group's operations, the Group revisits the operating segments and divides into seven reportable operating segments according to the nature of businesses and development stages, products and services and risk and return, etc.:

- (a) Large-sized display segment – manufacture and sale of large-sized smart screen in:
 - Large-sized display – the PRC market; and
 - Large-sized display – the international markets;
- (b) Small and medium-sized display segment – manufacture and sale of small and medium-sized display;
- (c) Smart commercial display segment – manufacture and sale of smart commercial display;
- (d) Internet business segment – membership cards, video-on-demand, advertising, vertical application and other new businesses;
- (e) All-category marketing segment – distribution of TCL branded air conditioners, refrigerators and washing machines and other household appliances;
- (f) Photovoltaic business segment – household, industrial and commercial distributed photovoltaic business; and
- (g) Smart home, smart connective devices and others segment.

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

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

Six months ended 30 June

	Large-sized display		Small and medium-sized display		Smart commercial display		Internet business		All-category marketing		Photovoltaic business		Smart home, smart connective devices and others		Consolidated			
	Large-sized display - the PRC market		Large-sized display - international markets		Smart commercial display		Internet business		All-category marketing		Photovoltaic business		Smart home, smart connective devices and others		Consolidated			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
	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		
				(re-stated)		(re-stated)		(re-stated)		(re-stated)		(re-stated)		(re-stated)		(re-stated)		
Sales to external customers	6,318,720	6,428,749	13,341,230	16,656,831	7,062,502	6,069,136	248,538	145,157	942,110	720,772	4,247,585	3,352,343	172,199	-	1,346,372	1,560,860	33,679,256	34,933,848
Gross profit	1,402,823	1,310,957	2,267,406	2,397,501	770,576	771,660	39,485	20,642	491,909	403,159	585,720	378,979	14,204	-	209,439	282,945	5,781,562	5,565,843

5. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers	<u>33,679,256</u>	<u>34,933,848</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

Segments	Large-sized	Small and	Smart	Internet	All-category	Photovoltaic	Smart home,	Total
	display	medium-sized	commercial	business	marketing	business	smart connective	
	(unaudited)	display	display	(unaudited)	(unaudited)	(unaudited)	devices and	
	HK\$'000	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	others	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Types of goods or services								
Sale of goods	19,659,950	7,062,502	248,538	73,423	4,247,585	172,199	1,346,372	32,810,569
Video-on-demand services	-	-	-	262,869	-	-	-	262,869
Advertising, vertical application and other new businesses	-	-	-	605,818	-	-	-	605,818
Total revenue from contracts with customers	<u>19,659,950</u>	<u>7,062,502</u>	<u>248,538</u>	<u>942,110</u>	<u>4,247,585</u>	<u>172,199</u>	<u>1,346,372</u>	<u>33,679,256</u>
Geographical markets								
Mainland China	6,318,720	29,511	127,871	814,374	2,535,773	172,199	456,748	10,455,196
Europe	2,329,455	1,038,346	17,959	-	172,507	-	486,073	4,044,340
North America	4,283,909	4,410,100	102,708	6,201	51,990	-	191,391	9,046,299
Emerging markets	6,727,866	1,584,545	-	121,535	1,487,315	-	212,160	10,133,421
Total revenue from contracts with customers	<u>19,659,950</u>	<u>7,062,502</u>	<u>248,538</u>	<u>942,110</u>	<u>4,247,585</u>	<u>172,199</u>	<u>1,346,372</u>	<u>33,679,256</u>
Timing of revenue recognition								
Goods transferred at a point in time	19,659,950	7,062,502	248,538	73,423	4,247,585	172,199	1,346,372	32,810,569
Services transferred over time	-	-	-	262,869	-	-	-	262,869
Services transferred at a point in time	-	-	-	605,818	-	-	-	605,818
Total revenue from contracts with customers	<u>19,659,950</u>	<u>7,062,502</u>	<u>248,538</u>	<u>942,110</u>	<u>4,247,585</u>	<u>172,199</u>	<u>1,346,372</u>	<u>33,679,256</u>

For the six months ended 30 June 2021

Segments	Large-sized display (unaudited) HK\$'000 (restated)	Small and medium-sized display (unaudited) HK\$'000 (restated)	Smart commercial display (unaudited) HK\$'000 (restated)	Internet business (unaudited) HK\$'000	All-category marketing (unaudited) HK\$'000 (restated)	Smart home, smart connective devices and others (unaudited) HK\$'000 (restated)	Total (unaudited) HK\$'000
Types of goods or services							
Sale of goods	23,085,580	6,069,136	145,157	98,869	3,352,343	1,560,860	34,311,945
Video-on-demand services	–	–	–	182,149	–	–	182,149
Advertising, vertical application and other new businesses	–	–	–	439,754	–	–	439,754
Total revenue from contracts with customers	<u>23,085,580</u>	<u>6,069,136</u>	<u>145,157</u>	<u>720,772</u>	<u>3,352,343</u>	<u>1,560,860</u>	<u>34,933,848</u>
Geographical markets							
Mainland China	6,428,749	27,427	145,157	599,930	1,724,033	552,610	9,477,906
Europe	3,158,733	1,579,477	–	–	171,545	695,047	5,604,802
North America	6,869,276	2,914,345	–	10,157	288,289	280,534	10,362,601
Emerging markets	6,628,822	1,547,887	–	110,685	1,168,476	32,669	9,488,539
Total revenue from contracts with customers	<u>23,085,580</u>	<u>6,069,136</u>	<u>145,157</u>	<u>720,772</u>	<u>3,352,343</u>	<u>1,560,860</u>	<u>34,933,848</u>
Timing of revenue recognition							
Goods transferred at a point in time	23,085,580	6,069,136	145,157	98,869	3,352,343	1,560,860	34,311,945
Services transferred over time	–	–	–	182,149	–	–	182,149
Services transferred at a point in time	–	–	–	439,754	–	–	439,754
Total revenue from contracts with customers	<u>23,085,580</u>	<u>6,069,136</u>	<u>145,157</u>	<u>720,772</u>	<u>3,352,343</u>	<u>1,560,860</u>	<u>34,933,848</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank and other loans	218,448	188,788
Loans from a company controlled by TCL Technology Group Corporation (“TCL Technology”)	625	4,550
Loans from companies controlled by TCL Industries Holdings Co., Ltd. (“TCL Holdings”)	21,390	11,601
Imputed interest on a financial liability arising from put option	2,059	–
Interest expense on lease liabilities	11,390	12,005
	<hr/>	<hr/>
Total finance costs for the period	253,912	216,944
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7. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	199,953	172,214
Depreciation of investment properties	7,420	7,437
Depreciation of right-of-use assets	96,167	67,136
Amortisation of other intangible assets	298,728	284,686
Employee share-based compensation benefits under the Award Scheme	104,119	23,839
Share award benefits of a subsidiary	–	39,327
Equity-settled share option expense	91	327
	<hr/>	<hr/>
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8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary (30 June 2021: no subsidiary) of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5% for the six months ended 30 June 2022. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	61,189	22,369
Overprovision in prior periods	–	(602)
Current – Elsewhere		
Charge for the period	155,429	124,782
Underprovision/(Overprovision) in prior periods	35,040	(10,276)
Deferred	<u>(42,625)</u>	<u>(64,235)</u>
Total tax charge for the period	<u><u>209,033</u></u>	<u><u>72,038</u></u>

9. ASSETS CLASSIFIED AS HELD FOR SALE

On 20 May 2021, the Group decided to dispose of a piece of its land located in the Mainland China and the buildings on that piece of land. The disposal is expected to be completed in 2022. As at 30 June 2022, final negotiations for the sale were in progress and the land and the buildings were classified as current assets held for sale.

10. DIVIDENDS

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

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

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:	<u>248,962</u>	<u>1,041,140</u>
	Number of shares	
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the period used in the basic earnings per share calculation	2,406,385,683	2,404,554,107
Effect of dilution – weighted average number of ordinary shares:		
Share options	339,745	21,671,544
Awarded shares	<u>106,721,621</u>	<u>35,966,063</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>2,513,447,049</u>	<u>2,462,191,714</u>

12. TRADE RECEIVABLES

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

Save for those amounts due from 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\$374,334,000 (31 December 2021: HK\$443,049,000) due by them with interest bearing at 3% (31 December 2021: 3%) per annum. The Group does not hold any collaterals or other credit enhancements over its remaining trade receivables. The remaining trade receivables are non-interest bearing.

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

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Current to 90 days	9,051,258	9,216,657
91 to 180 days	1,243,087	1,704,485
181 to 365 days	283,039	443,167
Over 365 days	277,095	521,458
	10,854,479	11,885,767
Impairment allowance	(189,250)	(188,041)
	10,665,229	11,697,726

Included in the Group's trade receivables are (i) receivables to be factored of HK\$940,701,000 (31 December 2021: HK\$955,454,000), as well as (ii) the assets and the associated liabilities representing the extent of the Group's continuing involvement in the factored trade receivables of which the Group neither retained nor transferred substantially all of the risks and rewards, amounted to HK\$38,391,000 (31 December 2021: HK\$9,016,000). The above receivables are classified as financial assets at fair value through profit or loss. The remaining trade receivables with a gross carrying amount of HK\$9,875,387,000 (31 December 2021: HK\$10,921,297,000) are measured at amortised cost.

13. TRADE PAYABLES

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

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Current to 90 days	11,613,992	13,976,830
91 to 180 days	2,104,298	1,468,244
181 to 365 days	93,711	145,062
Over 365 days	334,909	236,108
	<u>14,146,910</u>	<u>15,826,244</u>

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Current		
Bank loans – unsecured	6,078,223	6,356,258
Other loans – unsecured	–	22,018
Advances from banks as consideration for factored trade receivables	38,391	9,016
	6,116,614	6,387,292
Non-current		
Bank loans – unsecured	1,142,663	492,825
	7,259,277	6,880,117
Analysed into:		
Bank loans repayable:		
Within one year or on demand	6,116,614	6,365,274
In the second year	148,854	117,057
In the third to fifth years, inclusive	934,180	253,448
After five years	59,629	122,320
	7,259,277	6,858,099
Analysed into:		
Other loans repayable:		
Within one year or on demand	–	22,018
	7,259,277	6,880,117

Notes:

- (a) As at 30 June 2022 and 31 December 2021, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) TCL Holdings together with TCL Technology have not jointly guaranteed any of the Group's bank loans (31 December 2021: HK\$3,564,279,000), TCL Technology has individually guaranteed certain of the Group's bank loans up to HK\$145,724,000 (31 December 2021: HK\$1,598,204,000) and TCL Holdings has individually guaranteed certain of the Group's bank loans up to HK\$5,180,324,000 (31 December 2021: Nil) as at the end of the reporting period.

15. SHARE CAPITAL

	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Authorised:		
3,000,000,000 (31 December 2021: 3,000,000,000) shares of HK\$1.00 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid:		
2,495,495,667 (31 December 2021: 2,479,959,408) shares of HK\$1.00 each	<u>2,495,496</u>	<u>2,479,959</u>

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

During the six months ended 30 June 2022, share options carrying rights to subscribe for to 12,000 and 26,829 shares were exercised at the exercise prices of HK\$3.5700 and HK\$4.1520 per share, respectively, pursuant to the terms of the Share Option Scheme, resulting in the issue of an aggregate of 38,829 shares of HK\$1.00 each for a total cash consideration of approximately HK\$154,000 before expenses.

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2022.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

None of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2022, complied with the code provisions (the “Code Provision(s)”) set out in Part 2 of Corporate Governance Code under Appendix 14 to the Listing Rules (“CG Code”), except for the deviation from Code Provision C.3.3.

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (chairperson), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules ("Model Code"). Specific enquiries have been made with all Directors who 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 six months ended 30 June 2022.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a confirmation on the deed of non-competition executed by and among TCL Holdings, T.C.L. Industries (H.K.) and the Company in favour of the Group dated 29 June 2020 (“Deed of Non-Competition (2020)”) from TCL Holdings and T.C.L. Industries (H.K.) signed by each of them confirming that for the period from 1 January 2022 to 30 June 2022 (both dates inclusive), they had fully complied with the Deed of Non-Competition (2020).

The Company has received a confirmation on the deed of termination executed by and among TCL Technology, T.C.L. Industries (H.K.) and the Company dated 29 June 2020 (“Deed of Termination (2020)”) from TCL Technology signed by it confirming that for the period from 1 January 2022 to 30 June 2022 (both dates inclusive), it had fully complied with the non-competition undertakings under the Deed of Termination (2020).

The independent non-executive Directors have reviewed the relevant confirmations on Deed of Non-Competition (2020) and Deed of Termination (2020), and all of them are satisfied that Deed of Non-Competition (2020) and the non-competition undertakings under the Deed of Termination (2020) have been complied with during the period.

On behalf of the Board

DU Juan

Chairperson

Hong Kong, 19 August 2022

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

As at the date of this announcement, the Board comprises Ms. DU Juan, Mr. YAN Xiaolin and Mr. HU Dien Chien as executive Directors, Mr. WANG Cheng, Mr. SUN Li and Mr. LI Yuhao as non-executive Directors and Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki as independent non-executive Directors.