



创意感动生活
The Creative Life

TCL ELECTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

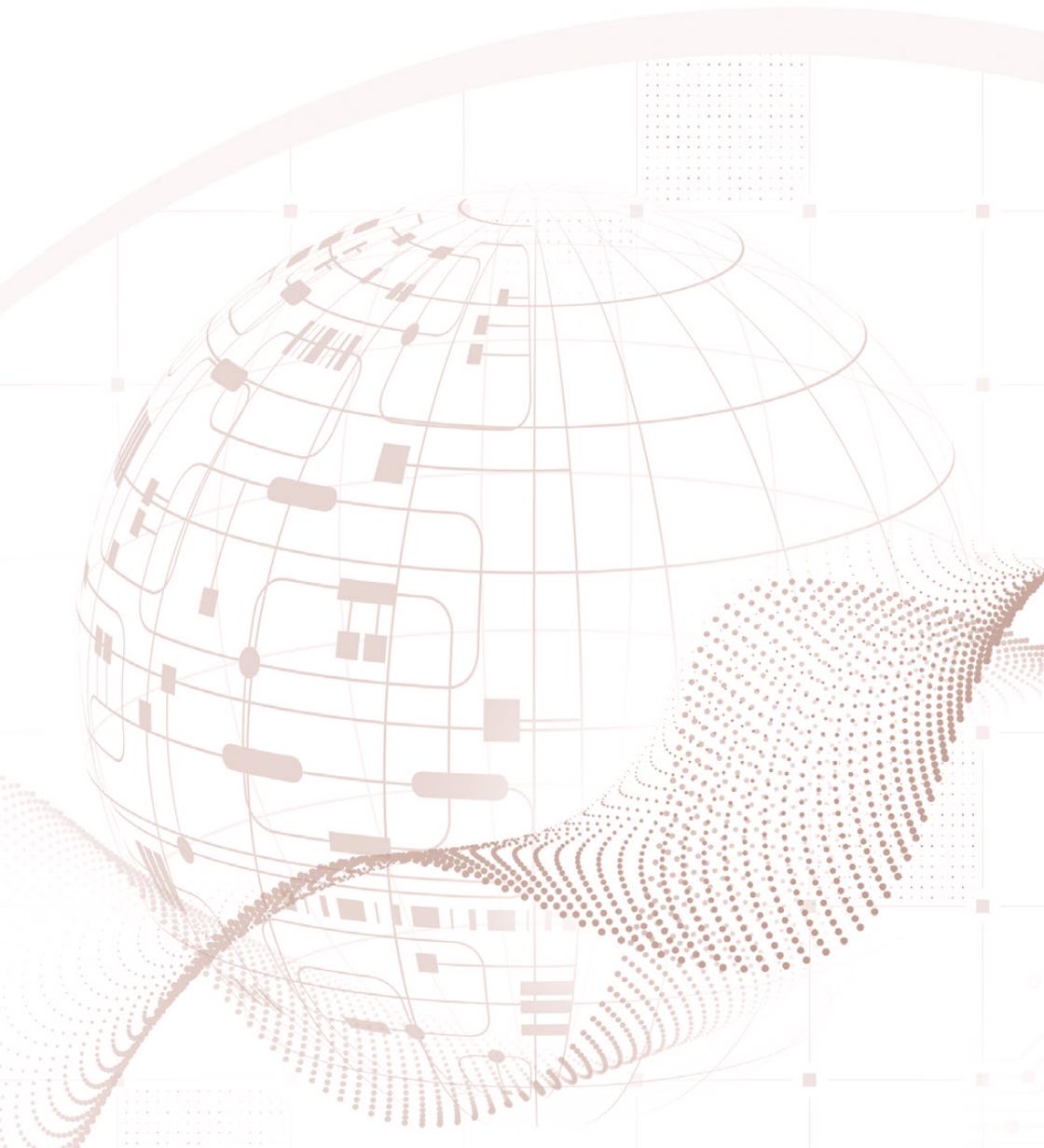
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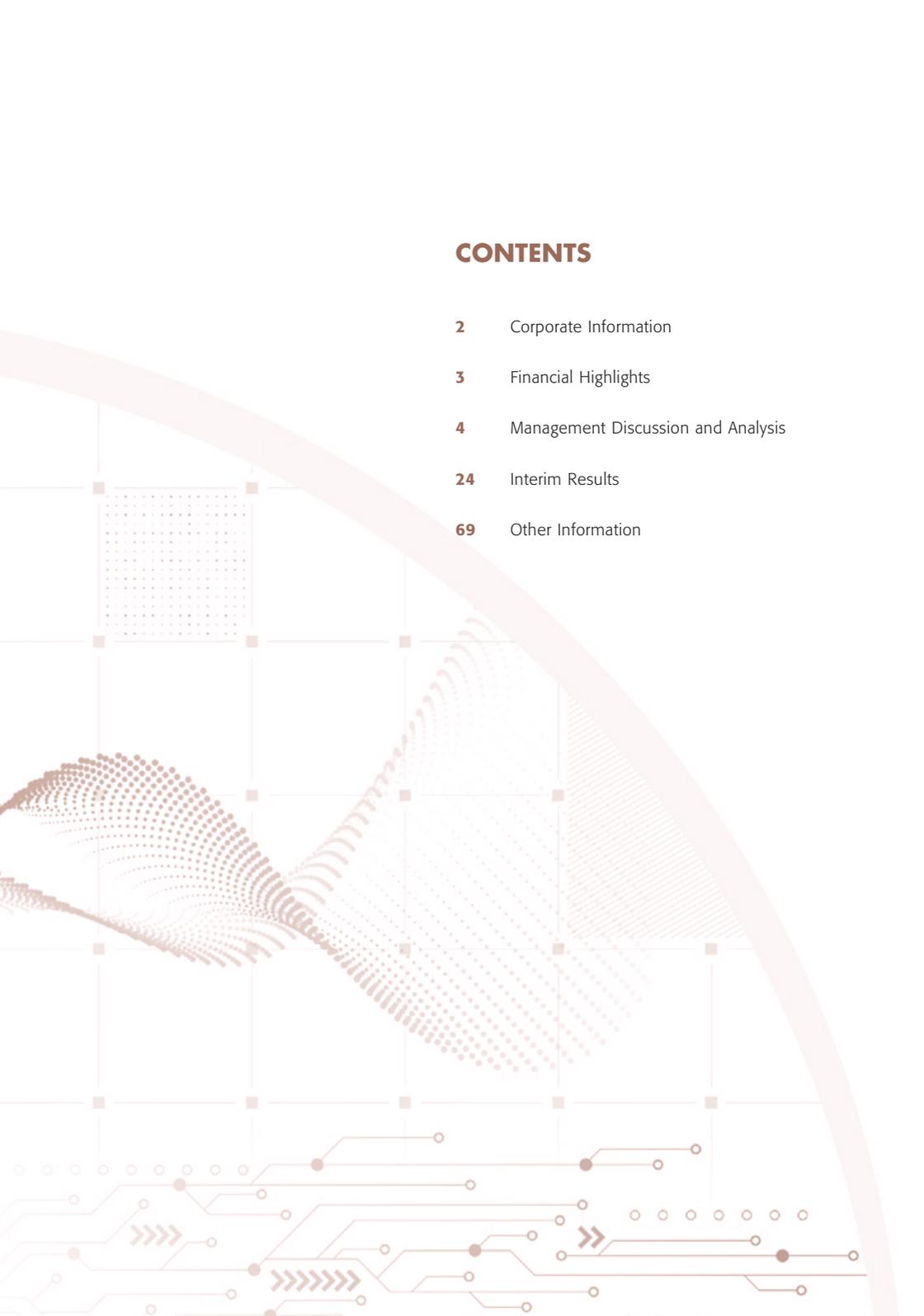
Interim Report 2022

INSPIRE GREATNESS



INSPIRE GREATNESS





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CORPORATE INFORMATION*

BOARD OF DIRECTORS

Executive Directors

Ms. DU Juan (Chairperson)
Mr. YAN Xiaolin
Mr. HU Dien Chien (Chief Financial Officer)

Non-executive Directors

Mr. WANG Cheng
Mr. Albert Thomas DA ROSA, Junior
(retired on 17 June 2022)
Mr. SUN Li
Mr. LI Yuhao

Independent Non-executive Directors

Mr. Robert Maarten WESTERHOF
(retired on 17 June 2022)
Dr. TSENG Shieng-chang Carter
Professor WANG Yijiang
Mr. LAU Siu Ki

CHIEF EXECUTIVE OFFICER

Mr. ZHANG Shaoyong

JOINT COMPANY SECRETARIES

Mr. HU Dien Chien
Ms. CHOY Fung Yee, Solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Ms. DU Juan
Ms. CHOY Fung Yee, Solicitor, Hong Kong
Mr. HU Dien Chien (alternate authorised
representative to both Ms. DU Juan and
Ms. CHOY Fung Yee)

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 (effective from 15 August 2022)

PRINCIPAL OFFICE

5th Floor, Building 22E
22 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories, Hong Kong
(effective from 1 September 2022)

REGISTERED OFFICE

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

INVESTOR AND MEDIA RELATIONS

Hong Kong Zhixin Financial News Agency Limited
Suite 2402, Kingkey Timemark
No. 9289 Binhe Road
Futian District, Shenzhen, the PRC

WEBSITE

<http://electronics.tcl.com>

* The latest practicable date for ascertaining information in this section is 16 September 2022.

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, TCL Electronics Holdings Limited (the "Company") and its subsidiaries (collectively 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 joint stock limited company established in 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%.**

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Stereo 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year-on-year 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..

MANAGEMENT DISCUSSION AND ANALYSIS

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the full year of 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.

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 as at 30 June 2022.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the full year of 2022, the momentum of structural upgrade of global consumer market is expected to 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", continue to deepen its all-scenario smart and healthy living strategy, and strive to become a world-leading enterprise of smart devices.

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 intelligentised transformation 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 experiences across “All Scenarios, All Categories and Inter-connectivity”. Speed up the all-category layout of “intelligent IoT ecosystem” to steadfastly move towards global leadership.

MANAGEMENT DISCUSSION AND ANALYSIS

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	(27,897,694)	(29,368,005)
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	(11,025)	(6,613)
Finance costs	801,823	1,344,591
Shares of profits and losses of:	(253,912)	(216,944)
– Joint ventures	12,026	9,982
– Associates	(58,176)	12,762
Profit before tax	501,761	1,150,391
Income tax	(209,033)	(72,038)
Profit for the period	292,728	1,078,353
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

MANAGEMENT DISCUSSION AND ANALYSIS

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	Proportion of the total revenue	2021	Proportion of the total revenue
	HK\$'000		HK\$'000	
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	33,679,256	100.0%	34,933,848	100.0%

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.

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 the section "Interim Results" in this interim report.

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 the section "Interim Results" in this interim report.

²² "Internet business" refers to "Internet business" as set out in the operating segment information of the notes to the section "Interim Results" in this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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 derivative financial instruments to reasonably hedge exchange risks, offsetting the exchange differences during the period, resulting in net foreign exchange gain after hedging for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 13 May 2022 (after trading hours), TCL Electronics (Huizhou) Co., Limited* (TCL電子(惠州)有限公司) (“TCL Electronics (Huizhou)”, an indirect subsidiary of the Company) entered into an acquisition agreement with T.C.L. Industries Holdings (H.K.) Limited (“T.C.L. Industries (H.K.)”, the immediate controlling shareholder of the Company), pursuant to which T.C.L. Industries (H.K.) conditionally agreed to sell, and TCL Electronics (Huizhou) conditionally agreed to acquire, 100% of the equity interest in and of TCL Digital Technology (Shenzhen) Company Limited* (TCL數碼科技(深圳)有限公司) (“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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the positions of its affiliated companies 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. In addition, training and development programmes are provided on an on-going basis throughout the Group. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and both the performance of individual employees and the Group. In order to align the interests of staff with those of shareholders of the Company, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme adopted on 18 May 2016 ("2016 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.

INTERIM RESULTS

The board (the “Board”) of directors (“Directors” and each a “Director”) of the Company is pleased to announce the unaudited consolidated results and financial position of the Group for the six months ended 30 June 2022 with comparative figures for the corresponding period in 2021. 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		(27,897,694)	(29,368,005)
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		(11,025)	(6,613)
Finance costs	6	801,823	1,344,591
Share of profits and losses of:		(253,912)	(216,944)
Joint ventures		12,026	9,982
Associates		(58,176)	12,762
PROFIT BEFORE TAX	7	501,761	1,150,391
Income tax	8	(209,033)	(72,038)
PROFIT FOR THE PERIOD		292,728	1,078,353

INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) 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
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(719,383)	231,859

INTERIM RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

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

INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2022	2021
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
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
Total non-current assets		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
Assets classified as held for sale	9	3,845	3,952
Total current assets		47,261,112	47,851,686

INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June	31 December
		2022	2021
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
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
Total current liabilities		39,645,205	39,941,024
NET CURRENT ASSETS		7,615,907	7,910,662
TOTAL ASSETS LESS CURRENT LIABILITIES		19,325,391	19,593,313
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
Total non-current liabilities		1,777,240	1,220,649
Net assets		17,548,151	18,372,664
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	2,495,496	2,479,959
Reserves		14,675,797	15,477,904
Non-controlling interests		17,171,293	17,957,863
		376,858	414,801
Total equity		17,548,151	18,372,664

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent														Total equity (unaudited) HK\$'000	
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Cash flow hedge reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Put option reserve (unaudited) HK\$'000	Other reserve (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Fair value reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000		Non-controlling interests (unaudited) HK\$'000
At 1 January 2021	2,452,482	5,062,656	115,089	88,283	947,543	(42,298)	635,607	(110,584)	89,995	(192,941)	133,686	2,405	6,982,269	16,164,190	570,687	16,734,877
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,041,140	1,041,140	-	372,153	1,078,353
Other comprehensive income/(loss) for the period:																
Cash flow hedge	-	-	-	-	-	(22,551)	-	-	-	-	-	-	-	(22,551)	452	(22,099)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	220,277	-	-	-	-	-	-	220,277	15,404	235,681
Reclassification of exchange differences for subsidiaries liquidated	-	-	-	-	-	-	16,750	-	-	-	-	-	-	16,750	-	16,750
Reclassification of exchange differences for associates deemed partial disposed and partial disposed	-	-	-	-	-	-	(6,572)	-	-	-	-	-	-	(6,572)	-	(6,572)
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	8,099	-	8,099	-	8,099
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	7,239	-	7,239	-	7,239
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	5,567	-	-	-	-	5,567	-	5,567
Total comprehensive income/(loss) for the period	-	-	-	-	-	(22,551)	230,455	-	5,567	-	-	15,338	1,041,140	1,269,949	53,069	1,323,018
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,550	1,550
Long-term incentive plans of a subsidiary	-	-	-	-	-	-	-	-	23,666	-	-	-	-	23,666	15,778	39,444
Equity-settled share option arrangements	-	-	327	-	-	-	-	-	-	-	-	-	327	-	327	-
Issue of shares upon exercise of share options	18,580	86,031	(29,769)	-	-	-	-	-	-	-	-	-	-	74,842	-	74,842
Forfeiture of share options during the period	-	-	(5,219)	-	-	-	-	-	-	-	-	-	5,219	-	-	-
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	23,839	-	-	-	23,839	-	23,839
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	20,942	(33,624)	-	-	(4,682)	-	(4,682)
Reclassification of gain previously in other reserve related to partial disposal of an associate	-	-	-	-	-	-	-	-	(5,160)	-	-	-	5,160	-	-	-
2020 final dividend approved	-	(284,082)	-	-	-	-	-	-	-	-	-	-	-	(284,082)	-	(284,082)
At 30 June 2021	2,471,062	4,864,605	80,428	88,283	947,543	(64,849)	866,062	(110,584)	114,068	(163,999)	123,901	17,741	8,033,788	17,268,049	641,084	17,903,133

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent														Non-controlling interests	Total equity	
	Issued capital	Share premium account	Share option reserve	Capital reserve	Reserve funds	Cash flow hedge reserve	Exchange fluctuation reserve	Put option reserve	Other reserve	Shares held for the Award Scheme	Awarded share reserve	Fair value reserve	Retained profits	Total			
	(unaudited)	(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	HK\$'000
At 1 January 2022	2,479,959	4,906,432	61,984	344,750	948,382	1,417	1,012,963	(110,584)	120,662	(246,965)	232,227	19,033	8,176,603	12,957,063	414,801	18,372,664	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	248,962	248,962	43,766	292,728		
Other comprehensive income/(loss) for the period:																	
Cash flow hedge	-	-	-	-	-	59,947	-	-	-	-	-	-	59,947	12,904	72,851		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(790,409)	-	-	-	-	-	(790,409)	(7,832)	(798,241)		
Reclassification of exchange differences for subsidiaries liquidated	-	-	-	-	-	-	28	-	-	-	-	-	28	3	31		
Reclassification of exchange differences for associates deemed partial disposed, partial disposed and liquidated	-	-	-	-	-	-	(384)	-	-	-	-	-	(384)	-	(384)		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	6,360	-	6,360	-	6,360		
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	13,339	-	-	-	13,339	-	13,339		
Total comprehensive income/(loss) for the period	-	-	-	-	-	59,947	(790,765)	-	13,339	-	-	6,360	248,962	(462,157)	48,841	(413,316)	
Acquisition of non-controlling interests	-	-	-	85,172	-	-	-	-	-	-	-	-	85,172	(85,172)	-		
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,612)	(1,612)		
Equity-settled share option arrangements	-	-	91	-	-	-	-	-	-	-	-	-	91	-	91		
Issue of shares upon exercise of share options	39	165	(50)	-	-	-	-	-	-	-	-	-	154	-	154		
Forfeiture of share options during the period	-	-	(8,513)	-	-	-	-	-	-	-	-	-	8,513	-	-		
Issue of shares under the Award Scheme	15,498	-	-	-	-	-	-	-	-	(15,498)	-	-	-	-	-		
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	-	104,119	-	104,119	-	104,119		
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	79,037	(142,476)	-	(63,439)	-	(63,439)		
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	-	(33,762)	-	-	(33,762)	-	(33,762)		
Reclassification of gain previously in other reserve related to partial disposal of an associate	-	-	-	-	-	-	-	-	(140)	-	-	140	-	-	-		
2021 final dividend approved	-	(416,748)	-	-	-	-	-	-	-	-	-	-	(416,748)	-	(416,748)		
At 30 June 2022	2,495,496	4,489,849*	59,512*	429,922*	948,382*	61,364*	222,198*	(110,584)*	133,861*	(217,188)*	193,670*	25,393*	8,434,218*	12,171,293	376,858	12,548,151	

* These reserve accounts comprise the consolidated reserves of HK\$14,675,797,000 (31 December 2021: HK\$15,477,904,000) in the consolidated statement of financial position.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	535,669	1,459,815
Interest paid	(165,903)	(146,999)
Interest element of lease payments	(11,390)	(12,005)
Income taxes paid	(226,590)	(114,721)
Net cash flows from operating activities	131,786	1,186,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	258,249	208,319
Purchases of items of property, plant and equipment	(281,257)	(246,596)
Proceeds from disposal of items of property, plant and equipment	41,855	22,990
Investment in an associate	(3,796)	–
Proceeds from disposal of associates	–	94,853
Proceeds from partial disposal of an associate, net	–	837,217
Proceeds from disposal of financial assets at fair value through profit or loss/(purchases of financial assets at fair value through profit or loss), net	(818,670)	20,547
Advances to related parties of TCL Industries Holdings Co., Ltd. ("TCL Holdings")	(4,087,149)	(3,923,931)
Other investing cash flows, net	(203,728)	(334,811)
Net cash flows used in investing activities	(5,094,496)	(3,321,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	154	74,842
New bank and other loans	9,088,742	8,540,580
Repayment of bank and other loans	(8,667,882)	(6,903,926)
Principal portion of lease payments	(82,675)	(67,228)
Other financing cash flows, net	(157,745)	(88,023)
Net cash flows from financing activities	180,594	1,556,245

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,782,116)	(579,077)
Cash and cash equivalents at beginning of period	11,509,166	10,384,885
Effect of foreign exchange rate changes, net	245,932	205,321
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,972,982	10,011,129
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,626,285	10,322,131
Less: Restricted cash and pledged deposits	(653,303)	(311,002)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	6,972,982	10,011,129

INTERIM RESULTS

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 disclosed 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.

INTERIM RESULTS

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
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to
HKFRSs 2018-2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
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.

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

INTERIM RESULTS

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 Venture²</i>
HKFRS 17	<i>Insurance Contracts¹</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{1,4}</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{1,3}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>

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.

INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION

To better allocate resources, assess results 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.

INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION (continued)

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-in-category marketing		Photovoltaic business		Smart home, smart connective devices and others		Consolidated			
		Large-sized display - the PRC market		Large-sized display - international markets		Small and medium-sized display		Smart commercial display		Internet business		All-in-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	2022	2021
		(unaudited)	(unaudited)	(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	HK\$'000	HK\$'000
Sales to external customers		6,318,270	6,428,749	13,341,320	16,656,831	7,062,592	6,093,136	248,518	145,157	942,210	720,772	4,207,655	3,352,345	172,199	-	1,346,372	1,550,860	33,670,356	34,933,848
Gross profit		1,402,823	1,310,957	2,867,406	2,397,301	770,516	771,660	39,485	20,642	491,009	403,159	585,720	378,979	14,204	-	209,439	282,245	5,781,562	5,585,843

INTERIM RESULTS

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	33,679,256	34,933,848

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

Segments	Large-sized display (unaudited) HK\$'000	Small and medium-sized display (unaudited) HK\$'000	Smart commercial display (unaudited) HK\$'000	Internet business (unaudited) HK\$'000	All-category marketing (unaudited) HK\$'000	Photovoltaic business (unaudited) HK\$'000	Smart home, smart connective devices and others (unaudited) HK\$'000	Total (unaudited) 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	19,659,950	7,062,502	248,538	942,110	4,247,585	172,199	1,346,372	33,679,256
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	19,659,950	7,062,502	248,538	942,110	4,247,585	172,199	1,346,372	33,679,256
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	19,659,950	7,062,502	248,538	942,110	4,247,585	172,199	1,346,372	33,679,256

INTERIM RESULTS

5. REVENUE (continued)

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

For the six months ended 30 June 2021

Segments	Large-sized display (unaudited) HK\$'000 (restated)	Small and medium-sized display (unaudited) (restated)	Smart commercial display (unaudited) (restated)	Internet business (unaudited) HK\$'000	All-category marketing (unaudited) HK\$'000	Smart home, smart connective devices and others (unaudited) (restated) HK\$'000	Total (unaudited) (restated) 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	23,085,580	6,069,136	145,157	720,772	3,352,343	1,560,860	34,933,848
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	23,085,580	6,069,136	145,157	720,772	3,352,343	1,560,860	34,933,848
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	23,085,580	6,069,136	145,157	720,772	3,352,343	1,560,860	34,933,848

INTERIM RESULTS

5. REVENUE (continued)

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

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the six months ended 30 June 2022

Segments	Large-sized display (unaudited) HK\$'000	Small and medium-sized display (unaudited) HK\$'000	Smart commercial display (unaudited) HK\$'000	Internet business (unaudited) HK\$'000	All-category marketing (unaudited) HK\$'000	Photovoltaic business (unaudited) HK\$'000	Smart home, smart connective devices and others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from contracts with customers								
External customers	19,659,950	7,062,502	248,538	942,110	4,247,585	172,199	1,346,372	33,679,256
Intersegment sales	1,579,553	1,918	28,208	6,412	313	-	2,528	1,618,932
	21,239,503	7,064,420	276,746	948,522	4,247,898	172,199	1,348,900	35,298,188
Intersegment adjustments and eliminations	(1,579,553)	(1,918)	(28,208)	(6,412)	(313)	-	(2,528)	(1,618,932)
Total revenue from contracts with customers	19,659,950	7,062,502	248,538	942,110	4,247,585	172,199	1,346,372	33,679,256

INTERIM RESULTS

5. REVENUE (continued)

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

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information: (continued)

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
Revenue from contracts with customers							
External customers	23,085,580	6,069,136	145,157	720,772	3,352,343	1,560,860	34,933,848
Intersegment sales	1,968,126	-	-	3,510	-	118	1,971,754
	25,053,706	6,069,136	145,157	724,282	3,352,343	1,560,978	36,905,602
Intersegment adjustments and eliminations	(1,968,126)	-	-	(3,510)	-	(118)	(1,971,754)
Total revenue from contracts with customers	23,085,580	6,069,136	145,157	720,772	3,352,343	1,560,860	34,933,848

INTERIM RESULTS

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 companies controlled by TCL Holdings	21,390	11,601
Loans from a company controlled by TCL Technology Group Corporation ("TCL Technology")	625	4,550
Imputed interest on a financial liability arising from put option	2,059	–
Interest expense on lease liabilities	11,390	12,005
Total finance costs for the period	253,912	216,944

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 expenses	91	327

INTERIM RESULTS

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	2021
	(unaudited)	(unaudited)
	HK\$'000	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	(42,625)	(64,235)
Total tax charge for the period	209,033	72,038

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).

INTERIM RESULTS

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:

248,962 1,041,140

	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	106,721,621	35,966,063

Weighted average number of ordinary shares in issue
during the period used in the diluted earnings
per share calculation

2,513,447,049 2,462,191,714

INTERIM RESULTS

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.

INTERIM RESULTS

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
	14,146,910	15,826,244

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

INTERIM RESULTS

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

INTERIM RESULTS

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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	3,000,000	3,000,000
Issued and fully paid:		
2,495,495,667 (31 December 2021: 2,479,959,408) shares of HK\$1.00 each	2,495,496	2,479,959

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 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.

INTERIM RESULTS

16. BUSINESS COMBINATION

Six months ended 30 June 2022

Acquisition of equity interest in TCL Digital Technology and its subsidiaries (collectively "TCL Digital Technology Group")

On 13 May 2022 (after trading hours), TCL Electronics (Huizhou) entered into an 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 at the consideration of RMB116,030,900 (equivalent to approximately HK\$136,731,000). TCL Digital Technology Group is principally engaged in investment holding. Such investments include equity interests in various companies which are principally engaged in the business of development, manufacturing and distribution of LED modules, various wireless modules, smart display products, optoelectronic panels, structural components, circuit boards, metallic components and precision components, provision of advisory services, etc.. The transaction was completed in May 2022 and TCL Digital Technology has become an indirect wholly-owned subsidiary of the Group since then.

The aggregate provisional fair values of the identifiable assets and liabilities of TCL Digital Technology Group as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition (unaudited) HK\$'000
Other intangible assets	37
Investments in associates	377,770
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	(9)
Total identifiable net assets at fair value	136,754
Provisional gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(23)
Satisfied by other payables	136,731

INTERIM RESULTS

16. BUSINESS COMBINATION (continued)

Six months ended 30 June 2022 (continued)

Acquisition of equity interest in TCL Digital Technology Group (continued)

The fair values of the above acquisition are determined on a provisional basis as the Group is in the process of completing the independent valuation. They may be adjusted upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

The provisional 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.

An analysis of the cash flows in respect of the acquisition of subsidiaries was as follows:

	(unaudited) HK\$'000
Cash consideration	–
Cash and bank balances acquired	274
<hr/>	
Net inflow of cash and cash equivalents included in cash flows from investing activities	274
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Since the completion of the acquisition, TCL Digital Technology Group had not contributed to the Group's revenue but contributed HK\$43,000 to the consolidated profit for the six months ended 30 June 2022.

Had the acquisition taken place at the beginning of the period, the revenue of the Group and consolidated profit of the Group for the six months ended 30 June 2022 would have been HK\$33,679,256,000 and HK\$305,818,000, respectively.

INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the reporting period:

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Joint ventures:		
Sales of finished goods	799,422	484,387
After-sale service income	1,191	1,202
Sales of raw materials	3,530	1,395
Purchases of raw materials	113,222	302
Associates:		
Interest income	385	429
Purchases of raw materials	596,537	–
Purchases of finished goods	–	8,854
Sales of raw materials	23,920	20,877
Sales of finished goods	3,225,236	2,452,027
After-sale service income	545	668
After-sale service fee	199,484	156,011
Other service income	51,119	40,666
Platform service fee	–	41
Rental, maintenance income and facilities usage income	1,906	1,606

INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS (continued)

- (a) The Group had the following material transactions with related parties during the reporting period: (continued)

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Companies controlled by TCL Holdings:		
Interest income	37,313	3,434
Interest expense	21,390	11,601
Purchases of raw materials	7,437	79,773
Purchases of finished goods	3,501,017	3,225,633
Sales of raw materials	7,288	13,117
Sales of finished goods	182,569	469,547
Rental, maintenance income and facilities usage income	2,279	15,713
Rental expense and licence fee	7,077	17,375
Brand promotion fee	227,611	86,247
After-sale service income	–	1,986
After-sale service fee	20,242	17,656
Promotion fee income	–	285
Additions of right-of-use assets	8,168	12,288
Depreciation of right-of-use assets	13,358	7,822
Interest expense on lease liabilities	956	1,044
IT and other service fee	39,031	31,700
Other service income	25,453	135,728
Other finance service fee	10,097	1,662

INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS (continued)

- (a) The Group had the following material transactions with related parties during the reporting period: (continued)

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Affiliates of TCL Holdings:		
Purchases of raw materials	620,100	1,093,639
Purchases of finished goods	13,872	597
Sales of raw materials	4,263	1,195
Sales of finished goods	285,547	301,671
After-sale service income	–	497
Subcontracting fee expense	185,827	163,750
Logistics service fee expense	173,309	156,340
Additions of right-of-use assets	–	43,612
Depreciation of right-of-use assets	4,812	5,132
Interest expense on lease liabilities	847	1,067
Rental income	1,251	1,335

INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS (continued)

- (a) The Group had the following material transactions with related parties during the reporting period: (continued)

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Companies controlled by TCL Technology:		
Interest income	112	2,563
Interest expense	625	4,550
Purchases of raw materials	4,680,279	8,249,729
Purchases of finished goods	1,239,326	673,002
Sales of raw materials	29,256	17,655
Sales of finished goods	217,465	292,065
Rental, maintenance income and facilities usage income	35,319	12,664
Rental expense and licence fee	4,315	4,840
Reimbursement of R&D and rental expenses	20,589	55,428
After-sale service income	2,854	4,332
After-sale service fee	1,341	–
Promotion fee income	–	1,690
Platform service fee	1,546	1,253
Additions of right-of-use assets	12,698	1,794
Depreciation of right-of-use assets	8,590	10,348
Interest expense on lease liabilities	802	1,211
IT and other service fee	4,562	2,739
Subcontracting fee expense	156	–
Other service income	710	861
Other finance service fee	1	–
Other related parties:		
Sales of finished goods	–	309,818

INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Joint ventures	372,415	267,210	63,330	56,240
Associates	1,611,523	769,266	525,040	152,337
TCL Holdings and its affiliates	6,406,125	1,339,124	7,899,365	2,394,524
TCL Technology and its affiliates	269,847	347,013	3,206,288	4,059,740

- (c) The relevant balance of advance to TCL Holdings under the meaning of Chapter 13 of the Listing Rules amounted to approximately HK\$6,247,857,000, out of which: (i) approximately HK\$1,911,220,000 was deposits placed with TCL Finance (Hong Kong) Co., Limited and/or TCL Holdings Financial Services Associates (as defined in the circular of the Company dated 22 November 2021) pursuant to the master financial (2022-2024) agreement ("Master Financial (2022-2024) Agreement") dated 11 November 2021 entered into among the Company, TCL Holdings and TCL Finance (Hong Kong) Co., Limited with interest rates ranging from 0.0001% to 3.00% per annum and repayable within one year and without collateral; (ii) approximately HK\$4,161,570,000 was loans provided by the Group to Qualified Holdings Group (as defined in the circular of the Company dated 22 November 2021) pursuant to the Master Financial (2022-2024) Agreement with interest rates ranging from 4.05% to 8.00% per annum and repayable within one year and without collateral; and (iii) approximately HK\$175,067,000 was other receivables from TCL Holdings and its subsidiaries and affiliated companies arising from non-trading nature transactions which were interest-free, repayable within one year and without collateral. For details of the Master Financial (2022-2024) Agreement, please refer to the circular of the Company dated 22 November 2021.

INTERIM RESULTS

18. 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	
	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	137,613	141,356	137,613	141,356
Trade receivables classified as financial assets at fair value through profit or loss	979,092	964,470	979,092	964,470
Bills receivable	1,556,460	1,901,694	1,556,460	1,901,694
Other receivables classified as financial assets at fair value through profit or loss	111,519	89,999	111,519	89,999
Financial assets at fair value through profit or loss	2,112,893	1,342,088	2,112,893	1,342,088
Derivative financial instruments	341,569	240,587	341,569	240,587
	5,239,146	4,680,194	5,239,146	4,680,194
Financial liabilities				
Interest-bearing bank and other borrowings	7,259,277	6,880,117	7,172,073	6,830,798
Derivative financial instruments	139,225	52,361	139,225	52,361
Financial liability associated with put option	132,370	121,370	132,370	121,370
Other long-term payables	40,132	48,715	40,132	48,715
	7,571,004	7,102,563	7,483,800	7,053,244

Management has assessed that the fair values of cash and cash equivalents, restricted cash and pledged deposits, trade receivables, trade 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.

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the chief financial officer of the Company ("CFO") and the Audit Committee. At each reporting date, the finance team 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 CFO. 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 30 June 2022 was assessed to be insignificant.

The fair value of the financial liability 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") 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.

INTERIM RESULTS

18. 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, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. 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 or Monte Carlo Simulation Model. The models incorporate various market observable inputs including risk-free rate ("RFR") and volatility. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps, call options and put options are the same as their fair values.

As at 30 June 2022, 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.

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/S multiple of peers	30 June 2022: 3.9x to 8.8x (31 December 2021: 3.9x to 8.8x)	5% (31 December 2021: 5%) increase in multiple would result in increase in fair value by HK\$4,032,000 (31 December 2021: HK\$4,219,000)
		Average P/S multiple of peers	30 June 2022: 15.4x (31 December 2021: 15.4x)	5% (31 December 2021: 5%) increase in multiple would result in increase in fair value by HK\$635,000 (31 December 2021: HK\$664,000)
		Average P/E multiple of peers	30 June 2022: 17.7x (31 December 2021: 17.7x)	5% (31 December 2021: 5%) increase in multiple would result in increase in fair value by HK\$1,518,000 (31 December 2021: HK\$1,558,000)
Unlisted equity investments	Back Solve Method	RFR	30 June 2022: 0.9% (31 December 2021: 0.9%)	1% (31 December 2021: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	30 June 2022: 50.4% (31 December 2021: 50.4%)	1% (31 December 2021: 1%) increase (decrease) in volatility would have no material impact on the fair value

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021: (continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Call option	Black-Scholes Options Pricing Model and Monte Carlo Simulation Model	RFR	30 June 2022: 0.7% to 8.2% (31 December 2021: 0.7% to 8.2%)	1% (31 December 2021: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	30 June 2022: 32.3% to 45.0% (31 December 2021: 32.3% to 45.0%)	1% (31 December 2021: 1%) increase (decrease) in volatility would have no material impact on the fair value
Put option	Black-Scholes Options Pricing Model	RFR	30 June 2022: 1.3% to 8.2% (31 December 2021: 1.3% to 8.2%)	1% (31 December 2021: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	30 June 2022: 36.2% to 45.0% (31 December 2021: 36.2% to 45.0%)	1% (31 December 2021: 1%) increase (decrease) in volatility would have no material impact on the fair value

INTERIM RESULTS

18. 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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2022

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Equity investments designated at fair value through other comprehensive income	16,804	–	120,809	137,613
Trade receivables classified as financial assets at fair value through profit or loss	–	979,092	–	979,092
Bills receivable	–	1,556,460	–	1,556,460
Other receivables classified as financial assets at fair value through profit or loss	–	111,519	–	111,519
Financial assets at fair value through profit or loss	–	2,112,893	–	2,112,893
Derivative financial instruments	–	149,433	192,136	341,569
	16,804	4,909,397	312,945	5,239,146

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2021

	Fair value measurement using			Total (audited) HK\$'000
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	
Equity investments designated at fair value through other comprehensive income	16,804	–	124,552	141,356
Trade receivables classified as financial assets at fair value through profit or loss	–	964,470	–	964,470
Bills receivable	–	1,901,694	–	1,901,694
Other receivables classified as financial assets at fair value through profit or loss	–	89,999	–	89,999
Financial assets at fair value through profit or loss	–	1,342,088	–	1,342,088
Derivative financial instruments	–	52,613	187,974	240,587
	16,804	4,350,864	312,526	4,680,194

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Equity investments at fair value through other comprehensive income:		
At 1 January	124,552	91,953
Acquisition of subsidiaries	1,768	–
Exchange realignment	(5,511)	1,069
At 30 June	120,809	93,022
Derivative financial instruments:		
At 1 January	187,974	162,545
Exchange realignment	4,162	2,434
At 30 June	192,136	164,979

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2022

	Fair value measurement using			Total (unaudited) HK\$'000		
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000			
Derivative financial instruments	–	121,537	17,688	139,225		

As at 31 December 2021

	Fair value measurement using			Total (audited) HK\$'000		
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000			
Derivative financial instruments	–	34,782	17,579	52,361		

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Derivative financial instruments:		
At 1 January	17,579	14,827
Exchange realignment	109	23
	<hr/>	<hr/>
At 30 June	17,688	14,850

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair value are disclosed:

As at 30 June 2022

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Interest-bearing bank and other borrowings	–	7,172,073	–	7,172,073
Financial liability associated with put option	–	–	132,370	132,370
Other long-term payables	–	40,132	–	40,132
	–	7,212,205	132,370	7,344,575

INTERIM RESULTS

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair value are disclosed: (continued)

As at 31 December 2021

	Fair value measurement using			Total (audited) HK\$'000
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	
Interest-bearing bank and other borrowings	–	6,830,798	–	6,830,798
Financial liability associated with put option	–	–	121,370	121,370
Other long-term payables	–	48,715	–	48,715
	–	6,879,513	121,370	7,000,883

19. COMPARATIVE AMOUNTS

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

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 19 August 2022.

OTHER INFORMATION

CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of the Directors have been changed in the following respect since the published date of the 2021 annual report of the Company up to 16 September 2022, 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
30 August 2022	Mr. WANG Cheng was appointed as a director of TCL Zhonghuan (stock code: 002129.SZ).

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

As at 30 June 2022, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

OTHER INFORMATION

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

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 interested or deemed to be interested under equity derivatives (Note 3)	Total	Approximate percentage of the number of issued shares of the Company (Note 2)
		Personal interests	Other interests (Note 1)	Personal interests		
Directors						
DU Juan	Beneficial owner	364,075	–	–	364,075	0.01%
YAN Xiaolin	Beneficial owner	687,923	2,032,904	654,834	3,375,661	0.14%
WANG Cheng	Beneficial owner	5,231,652	4,409,768	4,983,924	14,625,344	0.59%
SUN Li	Beneficial owner	497,498	1,457,137	–	1,954,635	0.08%
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	1,182,991	2,939,845	381,747	4,504,583	0.18%

Notes:

- These interests are restricted shares that have been granted to the relevant Directors and/or chief executive under the Award Scheme and were not vested as at 30 June 2022.
- The percentages are calculated based on the number of issued shares of the Company as at 30 June 2022, i.e. 2,495,495,667 shares of the Company.
- These equity derivatives were outstanding share options granted to the relevant Directors and/or chief executive of the Company under the Share Option Scheme of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors and/or chief executive 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.

OTHER INFORMATION

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

As at 30 June 2022, 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 of the Company

Shareholders	Capacity	Number of shares held	Approximate percentage of the number of issued shares of the Company (Note 1)
TCL Holdings (Note 2)	Interest of controlled corporation	1,308,057,288 (Note 3)	52.42%
WANG Jingbo	Interest of controlled corporation	348,850,000 (Note 4)	13.98%
ZENG Edward Qiang	Interest of controlled corporation	348,850,000 (Note 4)	13.98%
Noah Holdings Limited	Interest of controlled corporation	348,850,000 (Note 5)	13.98%
Shanghai Noah Investment Management Co., Ltd* (上海諾亞投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	13.98%
諾亞正行基金銷售有限公司	Interest of controlled corporation	348,850,000 (Note 5)	13.98%

OTHER INFORMATION

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

Long position in shares of the Company (continued)

Shareholders	Capacity	Number of shares held	Approximate percentage of the number of issued shares of the Company (Note 1)
China Bridge Capital Management Co., Ltd* (北京鑫根投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	13.98%
歌斐創世鑫根併購一號投資基金	Interest of controlled corporation	348,850,000 (Note 4)	13.98%
歌斐創世鑫根併購基金F投資基金	Interest of controlled corporation	348,850,000 (Note 6)	13.98%
Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司)	Interest of controlled corporation	348,850,000 (Note 7)	13.98%
Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	13.98%
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	348,850,000 (Note 4)	13.98%
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	348,850,000 (Note 4)	13.98%
深圳市樂視鑫根併購基金投資管理有限公司	Interest of controlled corporation	348,850,000 (Note 4)	13.98%

OTHER INFORMATION

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

Long position in shares of the Company (continued)

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 of the Company 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 of the Company as at 30 June 2022, being 2,495,495,667 shares in issue.
2. As at 30 June 2022, the following Directors were directors/employees of a company who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:
 - (a) Ms. DU Juan was also a director and the chief executive officer of TCL Holdings;
 - (b) Mr. HU Dien Chien was also the chief financial officer of TCL Holdings;
 - (c) Mr. WANG Cheng was also a director of TCL Holdings; and
 - (d) Mr. SUN Li was also the chief technology officer of TCL Holdings.
3. As at 30 June 2022, TCL Holdings was deemed to be interested in 1,308,057,288 shares of the Company 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), the 348,850,000 shares of the Company 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 controlled 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); and (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 348,850,000 shares of the Company through corporation controlled by it.

OTHER INFORMATION

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

Long position in shares of the Company (continued)

Notes: (continued)

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 348,850,000 shares of the Company as a beneficiary of a trust, and Noah Holdings Limited was deemed to be interested in such shares of the Company 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 348,850,000 shares of the Company 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 348,850,000 shares of the Company as a beneficiary of a trust.

Save as disclosed above, as at 30 June 2022, no person, other than the Directors and chief executive(s) 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 of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "AWARD SCHEME" in the section "OTHER INFORMATION" in this interim report, at no time during the six months ended 30 June 2022 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 share option scheme on 15 February 2007 ("2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. By a shareholders' resolution passed in the annual general meeting ("AGM") of the Company held on 18 May 2016, the 2016 Scheme was adopted and the 2007 Scheme was terminated. As a result, the Company can no longer grant any further options under the 2007 Scheme but all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. Eligible participants of the 2007 Scheme include the Directors, including independent non-executive Directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The 2016 Scheme mainly refined the definition of "any other person" in the eligible participants of the 2007 Scheme to employees and officers of TCL Technology (as the then ultimate beneficial owner of the Company) and its affiliated companies. The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the 2016 Scheme of the Company must not in aggregate exceed 10% of the number of shares of the Company in issue on the date of approval of the 2016 Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders of the Company. 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 Scheme must not exceed 30% of the number of shares of the Company in issue from time to time. 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 or any of their respective associates) of the number of issued shares of the Company, unless otherwise approved by the shareholders of the Company in a general meeting of the Company.

Share options granted to a Director, 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. In addition, the grant of any share options to a substantial shareholder of the Company or an independent non-executive Director, 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 and with an aggregate value (based on the price of the shares of the Company at the date of grant) in excess of HK\$5 million, within any 12-month period, is 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 Scheme by each grantee. The 2016 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 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 of the Company is determinable by the Directors, but may not be less than the highest of (i) the closing price of the shares of the Company on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company 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 of the Company.

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

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 share 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 a share 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 2016 Scheme and the amendments were set out in the circular of the Company dated 18 April 2016.

At the AGM of the Company held on 23 May 2018, an ordinary resolution was passed to refresh the scheme mandate limit under the 2016 Scheme provided that the total number of shares of the Company which may be allotted and issued pursuant to the grant or exercise of share option under the 2016 Scheme shall not exceed 10% of the number of issued shares of the Company as at the date on which the resolution was passed. For details, please refer to the circular of the Company dated 20 April 2018.

As at 30 June 2022, the number of shares of the Company that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit were 43,770,777 and 233,261,356, respectively, which represented approximately 1.75% and 9.35% of the total number of issued shares of the Company as at 30 June 2022, respectively. Assuming all said 43,770,777 outstanding share options were exercised as at 30 June 2022, the total number of shares of the Company as at 30 June 2022 would be 2,539,266,444, and the shareholding of T.C.L. Industries (H.K.) and Zeal Limited would have been dropped to approximately 51.51% and 13.74% respectively.

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

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

Name or category of participants	Number of share options						Date of grant of share options	Exercise price of share options	Exercise period of share options	Share closing price immediately before the date of grant of share options	Weighted average share closing price immediately before the exercise dates	
	At 1 January 2022	Reclassification	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period						At 30 June 2022
Directors												
Executive Director												
WANG Xiaolin	153,478	-	-	-	-	(153,478)	-	02-Jun-16	4.3860	Note 1	4.49	N/A
	116,442	-	-	-	-	-	116,442	23-Jan-18	4.1520	Note 3	3.91	N/A
	538,392	-	-	-	-	-	538,392	25-Apr-18	3.5700	Note 4	3.55	N/A
	808,312	-	-	-	-	(153,478)	654,834					
	808,312	-	-	-	-	(153,478)	654,834					
Non-executive Directors												
Albert Thomas DA ROSA, Junior *	116,442	(116,442)	-	-	-	-	-	23-Jan-18	4.1520	Note 3	3.91	N/A
	116,442	(116,442)	-	-	-	-	-					
WANG Cheng	158,282	-	-	-	-	(158,282)	-	02-Jun-16	4.3860	Note 1	4.49	N/A
	291,063	-	-	-	-	-	291,063	12-May-17	3.7329	Note 2	3.70	N/A
	4,301,397	-	-	-	-	-	4,301,397	23-Jan-18	4.1520	Note 3	3.91	N/A
	391,464	-	-	-	-	-	391,464	25-Apr-18	3.5700	Note 4	3.55	N/A
	5,142,206	-	-	-	-	(158,282)	4,983,924					
Independent Non-executive Directors												
Robert Maarten WESTERHOF **	116,442	(116,442)	-	-	-	-	-	23-Jan-18	4.1520	Note 3	3.91	N/A
	116,442	(116,442)	-	-	-	-	-					
WANG Yijiang	125,818	-	-	-	-	(125,818)	-	02-Jun-16	4.3860	Note 1	4.49	N/A
	116,442	-	-	-	-	-	116,442	23-Jan-18	4.1520	Note 3	3.91	N/A
	242,260	-	-	-	-	(125,818)	116,442					
LAU Siu Ki	116,442	-	-	-	-	-	116,442	23-Jan-18	4.1520	Note 3	3.91	N/A
	119,859	-	-	-	-	-	119,859	25-Apr-18	3.5700	Note 4	3.55	N/A
	236,301	-	-	-	-	-	236,301					
	9,853,651	(232,884)	-	-	-	(284,100)	5,336,667					
Chief executive												
ZHANG Shaoyang	381,747	-	-	-	-	-	381,747	23-Jan-18	4.1520	Note 3	3.91	N/A
	381,747	-	-	-	-	-	381,747					
Other employees of the Group	408,827	-	-	-	-	(408,827)	-	02-Jun-16	4.3860	Note 1	4.49	N/A
	3,454,283	-	-	-	-	(39,115)	3,415,168	12-May-17	3.7329	Note 2	3.70	N/A
	28,394,592	-	-	(26,829)	-	(1,857,252)	26,516,511	23-Jan-18	4.1520	Note 3	3.91	4.20
	32,257,702	-	-	(26,829)	-	(2,305,194)	29,935,679					
Those who have contributed or may contribute to the Group*	1,973,394	-	-	-	-	(1,973,394)	-	02-Jun-16	4.3860	Note 1	4.49	N/A
	5,150,295	-	-	(12,000)	-	(50,029)	5,088,266	25-Apr-18	3.5700	Note 4	3.55	3.99
	2,150,700	232,884	-	-	-	-	2,383,584	23-Jan-18	4.1520	Note 3	3.91	N/A
	9,274,389	232,884	-	(12,000)	-	(2,023,423)	7,471,850					
	48,575,801	-	-	(38,829)	-	(4,766,195)	43,778,777					

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the share option schemes during the period:
(continued)

Note 1 For share options granted to grantees in their capacity as employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

For share options granted to grantees in their capacity as employees of TCL Technology and its subsidiaries ("TCL Technology Group") (excluding the Group), approximately one-third of such share options are exercisable commencing from 31 December 2016, a further approximately one-third are exercisable commencing from 31 December 2017, and the remaining approximately one-third are exercisable commencing from 31 December 2018, up to 1 June 2022.

Note 2 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 3 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 4 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.

* Mr. Albert Thomas DA ROSA, Junior retired as a non-executive Director with effect from 17 June 2022.

** Mr. Robert Maarten WESTERHOF retired as an independent non-executive Director with effect from 17 June 2022.

* This category of participants comprises grantees who were employees and/or officers of TCL Technology and/or its affiliated companies (as defined in the 2016 Scheme) as of the date of grant, some of them have become employees and/or officers of TCL Holdings and/or its affiliated companies as a result of the restructuring of TCL Technology Group. For details of the restructuring, please refer to the circular of the Company dated 19 June 2019.

OTHER INFORMATION

AWARD SCHEME

The Company adopted the Award Scheme on 6 February 2008. By a shareholders' resolution passed in the extraordinary general meeting of the Company held on 11 August 2015, the Award Scheme was amended. Details of the Award Scheme and the amendments are 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 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 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 of the Company under the Award Scheme for not exceeding 3% of the number of shares of the Company in issue as at the date on which the resolution was passed, and make other consequential amendments to the 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 of the Company to approve, among others, the amended Award Scheme with the 2018 Amendments incorporated. On 18 May 2021, the Company granted (i) a total of 42,054,488 awarded shares being new shares under the specific mandate approved by the shareholders of the Company at the AGM of the Company held on 2 June 2020 for issuance and allotment of new shares pursuant to the Award Scheme; and (ii) a total of 72,417,732 awarded shares being existing shares pursuant to the terms of the Award Scheme. For details, please refer to the announcement of the Company dated 19 May 2021. On 27 April 2022, the Company allotted and issued 15,497,430 ordinary shares of the Company pursuant to awards granted in the form of new shares on 18 May 2021 under the Award Scheme.

OTHER INFORMATION**AWARD SCHEME (continued)**

The current specific mandate for the issuance and allotment of new shares of the Company pursuant to the Award Scheme was approved by the shareholders of the Company at the AGM of the Company held on 17 June 2022. As at 17 June 2022, the total number of issued shares of the Company was 2,495,495,667 and the maximum number of new shares of the Company which could be issued under the said specific mandate as approved was therefore 74,864,870. No shares of the Company had been awarded under the said specific mandate up to 30 June 2022. Accordingly, as at 30 June 2022, an aggregate of 74,864,870 shares of the Company can be issued under the Award Scheme. The said specific mandate will expire at the forthcoming AGM of the Company.

The Company has appointed BOCI-Prudential Trustee Limited (“Trustee”) for the administration of the 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. During the six months ended 30 June 2022, the Trustee acquired 10,198,000 shares of the Company from market for future vesting purpose.

Information in relation to the Award Scheme was as follows:

Number of awarded shares				
Granted but not vested as at 1 January 2022	Granted during the period	Vested during the period	Lapsed during the period	Granted but not vested as at 30 June 2022
'000	'000	'000	'000	'000
117,386	–	(45,308)	–	72,078

As at 30 June 2022, (i) 118,757,710 further awarded shares might be granted to the eligible participants of the Award Scheme and; (ii) a maximum of 74,864,870 new shares might be allotted and issued as awarded shares under the specific mandate, which represented approximately 4.76% and 3.00% of the total number of issued shares of the Company as at 30 June 2022, respectively.

The expenses in relation to the Award Scheme recorded during the period from 1 January 2022 to 30 June 2022 were approximately HK\$104,119,000.

OTHER INFORMATION

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 Shiang-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.

OTHER INFORMATION

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 report, 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. 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 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 Company 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).

OTHER INFORMATION

COMPLIANCE WITH DEED OF NON-COMPETITION (continued)

The independent non-executive Directors have reviewed the relevant confirmations on the Deed of Non-Competition (2020) and the Deed of Termination (2020), and all of them are satisfied that the Deed of Non-Competition (2020) and the non-competition undertakings under the Deed of Termination (2020) have been complied with during the period from 1 January 2022 to 30 June 2022 (both dates inclusive).

On behalf of the Board
DU Juan
Chairperson

Hong Kong, 19 August 2022

The English translation of Chinese names or words in this 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.*