



TCL

TCL ELECTRONICS HOLDINGS LIMITED

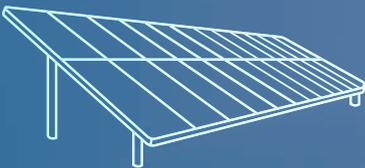
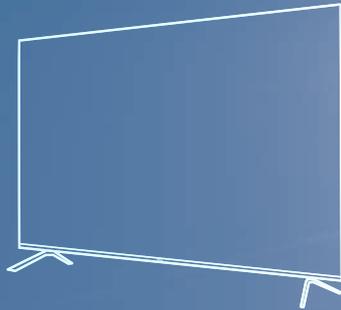
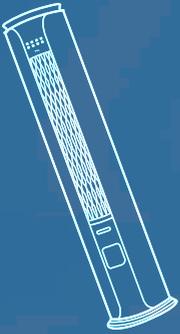
(Incorporated in the Cayman Islands with limited liability)

Stock code: 01070

INSPIRE GREATNESS



INTERIM REPORT 2023



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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. SUN Li
Mr. LI Yuhao

Independent Non-executive Directors

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
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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PRINCIPAL OFFICE

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REGISTERED OFFICE

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* The latest practicable date for ascertaining information in this section is 21 September 2023.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2023 (unaudited) HK\$ Million	2022 (unaudited) HK\$ Million (restated)	
Revenue	34,916	33,679	3.7%
Gross profit	6,500	5,782	12.4%
Profit after tax	316	293	7.8%
Profit attributable to owners of the parent	264	250	5.7%
Non-HKFRS measure: adjusted profit attributable to owners of the parent	262	259	1.0%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

1. Overview

Amid Stalled Recovery in Market Demand, New Business Sectors Showed Fierce Competition despite Great Potential, Strategy Remained Consistent and Operational Quality Improved Steadily

In the first half of 2023, although the impact of the Covid-19 pandemic on global social activity and macroeconomy gradually subsided, the global economic recovery remained plagued by uncertainties caused by factors such as persistently high inflation, the lingering effects of the energy crisis and geopolitical tensions. Consumer activities in the People's Republic of China ("PRC") improved in the second quarter of 2023, driven by various holidays and festivals, but was still on a downward trend year-on-year when compared to that of 2022, and the journey to recovery is still full of obstacles. Looking at the industry as a whole, the trillion-yuan market for home appliances has stabilised, among others, the television ("TV") has shown a generally flat trend with varying performance in different markets; global TV shipment increased slightly by 0.1% year-on-year in the first half of 2023, and shipment continued to shrink in a number of regions including the PRC, Japan, Europe, Asia-Pacific and Central and East Africa¹. Meanwhile, new energy and other new business sectors grew rapidly, with newly installed capacity of the distributed photovoltaic industry in the PRC doubling year-on-year to 41.0 GW in the first half of 2023². While the competition is fierce, the landscape is still taking shape and has yet to fully solidify.

¹ According to latest data from Omdia, global TV shipment increased by 0.1% year-on-year in the first half of 2023, with the PRC market down by 2.8% year-on-year, the Japan market down by 10.1%, the European market down by 9.7%, Asia-Pacific and Central and East Africa down by 2.3% and 2.0% year-on-year, respectively; the North American market and the Latin American market up by 13.2% and 9.1% year-on-year, respectively. Omdia is a global technology research organisation formed by the merger of research divisions (Ovum/Heave Reading and Tractica) and IHS Markit International.

² Source: National Energy Administration of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of these market challenges and opportunities during the first half of 2023, the Group continued to execute its development strategy of “Value Led by Brand with Relative Cost Advantage, Ultimate Efficiency Operation and Collaborative Innovation”. During the reporting period, the Group strengthened its product, marketing, operational, organisational and collaborative innovation capabilities while focusing on the intelligent device market, with an emphasis on achieving breakthroughs in mid-to-high-end market segments, expanding its global presence and consolidating its leading edge in the display industry. It also actively scaled up its innovative business, including its distributed photovoltaic business and Augmented Reality (“AR”) and Extended Reality (“XR”) smart glasses, which led to steady improvement in the quality of the Group’s operations.

Captured Mid-to-High-End Market Demand, Leveraged Brand Power to Drive Rapid Growth of Business Scale and Steadily Improved Profitability

For the six months ended 30 June 2023, the Group’s revenue amounted to HK\$34,916 million, representing a 3.7% year-on-year increase. Driven by an improved product mix of TCL smart screens³ and the increasing contribution of mid-to-high-end and large-screen products, the Group’s gross profit increased by 12.4% year-on-year to HK\$6,500 million, and the overall gross profit margin increased by 1.4 percentage points year-on-year to 18.6%. In terms of expenses, the Group continued to reduce costs and increase efficiency, with the administrative expense ratio decreasing by 0.5 percentage points year-on-year. At the same time, given the importance of strong brand power towards the long-term development of its business, the Group strategically increased its investment in marketing in the first half of 2023, driving a 0.9 percentage points year-on-year increase in the selling and distribution expense ratio during the reporting period and leading the Group’s overall expense ratio to increase by 0.4 percentage points year-on-year to 15.7%. The Group is confident that these marketing investments will drive the business scale and create further premium brand value for its long-term growth.

³ Smart screens mainly refer to smart TVs under large-sized display business, and over 90% of the Group’s TVs are smart screens in terms of shipment.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, the Group continued to promote the rapid development of innovative businesses such as distributed photovoltaic and AR/XR smart glasses by leveraging the advantages which TCL has accumulated over the years in the display business including global brand power, a comprehensive distribution network, and the vertical integration across the entire industry chain. The Group also continued to utilise its internet business as a value-added service to empower its core business, and expand the all-category layout of its “intelligent IoT (internet of things) ecosystem” with smart display products at its core. As a result of increasing economies of scale, during the reporting period, the Group’s profit after tax increased by 7.8% year-on-year to HK\$316 million and its profit attributable to owners of the parent amounted to HK\$264 million, representing a year-on-year increase of 5.7%.

During the reporting period, the Group’s overall financial position remained healthy. As of 30 June 2023, the Group’s gearing ratio⁴ was 36.7%, representing a decrease of 8.0 percentage points year-on-year. The Group’s operational efficiency continued to improve, the inventory turnover days in the first half of 2023 was 70 days, representing a year-on-year acceleration of 16 days. The cash conversion cycle was 38 days, representing a year-on-year acceleration of 15 days.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Display Business Remained a Global Market Share Leader while Internet Business and Innovative Business Sustained Strong Revenue Growth

In the first half of 2023, the Group made considerable investments in marketing and promotion for its long-term development, significantly enhancing the awareness and reputation of the Group's brand and products. The global brand index of TCL smart screens increased by 5.9% year-on-year to 82⁵ in the first half of 2023. At the same time, the Group tapped into the mid-to-high-end market, driving a breakthrough by maintaining a leading business scale and delivering significant year-on-year growth. In the first half of 2023, TCL smart screens bucked the market trend by recording a 12.9% year-on-year increase in shipment to 11.46 million sets. TCL smart screen's global market share in terms of shipment and sales revenue increased by 1.3 percentage points and 1.5 percentage points to 12.4% and 10.2%, respectively, ranking among the top two and three⁶ in the world, respectively. Shipment of TCL smart screens of 65 inches and above increased by 67.8% year-on-year, and accounted for 22.5% of total smart screen shipment, representing a significant increase of 7.4 percentage points year-on-year. The average size of TCL smart screens increased by 3.6 inches year-on-year to 49.9 inches.

The internet business and innovative business represent blue ocean opportunities for the Group's profit growth; both segments performed well and sustained strong growth during the reporting period. In the first half of 2023, the Group's internet business revenue reached HK\$1,113 million, representing an increase of 18.1% year-on-year, and its gross profit margin increased by 1.9 percentage points year-on-year to 54.1%, with its profit contribution continuing to rise. In the first half of 2023, the Group's innovative business recorded robust growth of 65.2% year-on-year in revenue to HK\$8,688 million, of which, the photovoltaic business, which officially commenced operations in the second quarter of 2022, reached HK\$1,685 million in revenue, representing a remarkable increase of 878.5% year-on-year, while the all-category marketing business saw further expansion, with revenue increasing by 43.0% year-on-year to HK\$6,073 million. The Group's smart connection and smart home business recorded a year-on-year increase of 10.9% in revenue to HK\$930 million, with the gross profit margin of the smart connection business improving significantly by 7.0 percentage points year-on-year to 20.4%.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Strengthened R&D Capability Drove High-Quality Development of Award-Winning Products Worldwide

Research and development (“R&D”) expenses for the first half of 2023 increased by 2.3% year-over-year to HK\$1,095 million, and the R&D expense ratio reached 3.1%. The Group continued to invest in and strengthen its industry-leading R&D capabilities and status, making significant technological advances in leading display product technology, achieving innovative breakthroughs in display quality by establishing technical control points of Mini LED large screens and developing self-adjusting sound quality technology. The Group increased investments in systematic technology platforms, deepened its accumulation of core competencies in innovation areas such as AR, and explored the application of intelligent interactive scenarios. It also consolidated its AIxIoT technology platform, continuing to incorporate artificial intelligence (“AI”) large-language model capabilities to enhance product and service experiences and internal operational efficiency.

During the reporting period, the Group launched various new smart products including Mini LED smart screens, smart tablets and intelligent door locks. These products received international recognition on a number of occasions, fully demonstrating the Group’s industry-leading technological capabilities and long-term planning. In the display business, the TCL X11G QD-Mini LED smart screen won the “2023 AWE Award” and “Innovation Award for Mini LED Display of the Year”, the TCL 4K Mini LED smart screen C845 won the “Gold Award for New Generation Display Technology”, and the TCL NXTPAPER 12 Pro Tablet won the “Eye Protection Technology Innovation Award”. In the innovative business, the TCL Dual Wash Washing Machine G160Q10-HDY and the TCL Fresh Air III Series Air Conditioner won the “AWE Excellent Product Award”. The TCL Ultra Thin Refrigerator R461P12-UQ was awarded the title of “Pioneer of Freezing and Fresh Storage” by the National Household Appliances Industry Information Centre of the PRC, while the TCL Fresh Air III Series Air Conditioner was honoured with the title of “Pioneer of Fresh and Healthy Air”. In terms of AR/XR smart glasses, the NXTWEAR X2 won the “China Information Technology Expo Innovation Award” and the TCL NXTWEAR S won the “Global Mobile Award” (GLOMO). In the photovoltaic business, TCL Photovoltaic Technology (Shenzhen) Co., Ltd.* (TCL光伏科技(深圳)有限公司) (a subsidiary of the Company) won the “2023 Industrial and Commercial Photovoltaic Excellence EPC⁷ Award”.

⁷ EPC stands for Engineering Procurement Construction, which means the company is entrusted by the owner to carry out the whole process or a number of stages of the design, procurement, construction and commissioning of engineering construction projects in accordance with the contract.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Display Business

2.1 Large-Sized Display

Captured Mid-to-High-End Market Demand, Greater Brand Power Drove Rapid Business Scale Expansion and Continuously Improved Profitability

According to statistics from Omdia, global TV shipment in the first half of 2023 amounted to 92.71 million sets, representing a slight year-on-year increase of 0.1%, although some markets such as North America and Latin America have shown signs of recovery, shipment continued to shrink in a number of regions, including the PRC, Japan, Europe, Asia-Pacific and Central and East Africa. Benefitting from the increased mid-to-high-end demand and the 618 (18 June) Shopping Festival in the PRC, in the first half of 2023, global shipment of TCL smart screens increased by 12.9% year-on-year to 11.46 million sets, generating HK\$21,042 million in revenue, representing a 7.0% year-on-year increase, with both growth rates outperforming the industry average. TCL smart screens continued to lead the market. In terms of shipment, TCL smart screen's market share increased steadily from 5.6% in 2015 to 12.4% in the first half of 2023, up by 1.3 percentage point year-on-year, continuing to rank among top two globally; in terms of sales revenue, TCL smart screen's market share was 10.2% in the first half of 2023, up by 1.5 percentage points year-on-year, ranking among the top three globally⁸.

With large-screen TVs becoming the dominant trend in the industry, the Group is focusing on executing its "mid-to-high-end + large-screen" strategy and the "TCL + Falcon" dual brand strategy. In the first half of 2023, the Group's global shipment of TCL smart screens of 65 inches and above increased by 67.8% year-on-year significantly, and these large screens accounted for 22.5% of total shipment of TCL smart screens, representing an increase of 7.4 percentage points year-on-year. The average size of TCL smart screens increased to 49.9 inches, up by 3.6 inches year-on-year. Global shipment of TCL Mini LED smart screens surged by 114.5% year-on-year, while global shipment of TCL quantum dot LED ("QLED") smart screens increased by 69.9% year-on-year. The Group's product mix continued to improve, with the gross profit margin of the large-sized display business increasing by 0.5 percentage points year-on-year to 19.2% in the first half of 2023.

⁸ Source: Global TV brand shipment and sales revenue data from 2015 to the first half 2023 from Omdia.

MANAGEMENT DISCUSSION AND ANALYSIS

As a pioneer in Mini LED display technology, the Group has continued to invest in R&D of Mini LED technology to deliver superior audio-visual experiences to users through technological innovation. Following the launch of its blockbuster products TCL QD-Mini LED smart screen X11G and the Mini LED smart screen Q10G Pro in March 2023, the Group launched its flagship Mini LED smart screen TCL Q10H in May 2023. This model was specifically designed to cater to the demands of audio-visual enthusiasts. It uses micron-level Mini LED beads and has up to 2,304 Mini LED partitions, an XDR (Extreme Dynamic Range) peak brightness of 3,000 nits, and an ultra-high dynamic contrast ratio of 30 million to 1, resulting in vastly superior image quality in terms of luminance, contrast ratio and dynamic range, and presenting images that are closer to reality.

The PRC Market

In the first half of 2023, the overall PRC TV industry showed a weak consumption trend. According to the latest data from Omdia, the shipment of the PRC TV market was 17.78 million sets in the first half of 2023, representing a year-on-year decline of 2.8%. Driven by enhanced brand power, optimised distribution channels in the PRC and the 618 Shopping Festival, the Group outperformed the industry against the trend. The shipment of TCL smart screens in the PRC market increased by 12.8% year-on-year in the first half of 2023, while shipment in the second quarter of 2023 increased by 14.0% year-on-year and 43.1% quarter-on-quarter. The revenue for the first half of 2023 increased by 9.2% year-on-year to HK\$6,898 million, or 16.8% year-on-year if denominated in Renminbi ("RMB") and excluding the effect of the exchange rate. The gross profit margin for the first half of 2023 remained flat year-on-year at 22.2%. Gross profit margin for the second quarter of 2023 increased by 3.2 percentage points quarter-on-quarter, reflecting the significant gross profit margin boost resulting from the launch of new TCL smart screen products in the second quarter.

At the same time, the proportion of large-sized smart screen shipment continued to increase. In the first half of 2023, shipment of 65-inch and above TCL smart screens increased by 45.6% year-on-year, and accounted for 50.9% of the Group's total TCL smart screen shipment in the PRC market, representing an increase of 11.5 percentage points year-on-year. 75-inch and above TCL smart screens accounted for 29.7% of the Group's total TCL smart screen shipment in the PRC market, representing an increase of 12.4 percentage points year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the latest omni-channel data from CMM⁹, in the first half of 2023, TCL smart screen's market share in terms of retail sales revenue increased by 4.2 percentage points year-on-year to 17.5%, retaining its top-two ranking in the PRC market, while its brand index in the PRC market increased by 12.8% year-on-year to 132¹⁰, ranking the first among the Chinese brands. During the 618 Shopping Festival in 2023, the Group adhered to its mid-to-high-end strategy, stepped up its marketing investments on e-commerce platforms, and leveraged live streams, short videos and other channels to achieve effective sales conversion. TCL Mini LED smart screens, QLED smart screens, 75-inch and above smart screens, and 98-inch mega-size smart screens all ranked No.1 in their respective categories in terms of both online sales revenue and online sales volume. Falcon smart screens, a sub-brand, also won the top spot in terms of online sales volume growth¹¹, with a 98% year-on-year increase in online sales revenue of gaming TVs with a high refresh rate and an 86% year-on-year increase in online sales revenue of 75-inch and above smart screens.

International Markets

In the first half of 2023, despite the uncertainties in the global economy, the Group managed to capitalise on the growth in demand for high-end and large-screen products in the display business market, with shipment of TCL smart screens in international markets rising by 12.9% year-on-year, of which the shipment of 65-inch and above TCL smart screens in international markets increased by 101.7% year-on-year. The Group's determined strategy to optimise its product mix achieved breakthroughs and drove a 6.0% year-on-year increase in revenue from TCL smart screens in international markets to HK\$14,144 million in the first half of 2023, with gross profit margin remaining stable, increasing by 0.8 percentage points year-on-year to 17.8%, demonstrating the strong resilience of the smart screens business of the Group.

⁹ CMM refers to China Market Monitor Co., Ltd., a research institution that focuses on retail market of consumer goods and home appliances in the PRC.

¹⁰ The brand index is calculated by dividing the market share of sales revenue of TV by the market share of sales volume for the first half of 2023 from CMM's omni-channel data.

¹¹ Source: TCL official e-commerce platform, JDSZ and Tmall SYCM etc., with the statistical period from 31 May 2023 to 18 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Demand for certain consumer technology products has bounced back amidst the gradual recovery of the global economy. According to the latest reports from GfK¹² and NPD¹³, the market share in terms of shipment of TCL smart screens of the Group ranked among the top five in nearly 30 countries overseas in the first half of 2023, including:

- North American Markets: in the first half of 2023, demand for TVs in North American markets reversed its downward trajectory during the Covid-19 pandemic and resumed positive growth, with shipment of TV industry recording year-on-year growth of 13.2%¹⁴. By comparison, the Group's TCL smart screens performed quite well in North American markets, with shipment growing by 18.6% year-on-year, outperforming the industry average. The market share of TCL smart screens in terms of retail sales volume ranked the third in the United States of America (U.S.) and Canada, and the fifth in Mexico (Source: NPD¹⁵);
- Emerging Markets: in the first half of 2023, the Group continued to focus on key channels in emerging markets, driving a particularly strong year-on-year growth of TCL smart screen shipment, reaching 17.6% year-on-year, significantly outperformed the industry average. TCL smart screens secured the top spot for market share by shipment in the Philippines, Australia, Myanmar and Pakistan; ranked the second in Saudi Arabia; the third in Brazil, Argentina and Kazakhstan; the fourth in Thailand, Vietnam and Chile; and the fifth in Japan, the United Arab Emirates, Ecuador and India (Source: GfK¹⁶); and
- European Markets: in the first half of 2023, high inflation and overall economic headwinds led to a 9.7%¹⁷ year-on-year decline in the shipment of TV industry in Europe, with shipment of TCL smart screens down by 10.0% year-on-year, but TCL smart screens retained a leading market share in several countries. In terms of market share by shipment, TCL smart screens maintained the second place in France, ranked the third in the Czech Republic and Sweden, rose to the fourth place in Italy, Spain, Greece and Poland, and ranked the fifth in Hungary and the Netherlands (Source: GfK¹⁸).

¹² GfK refers to Gesellschaft für Konsumforschung, a consumer goods market research company and global market research organisation headquartered in Nuremberg, Germany.

¹³ NPD refers to the NPD Group, a market research firm that provides global data, industry expertise and perspective analysis.

¹⁴ Source: TV brand shipment data of the first half of 2023 in North American markets from Omdia.

¹⁵ Source: U.S./Canada/Mexico retail market survey report of NPD, based on TV retail sales volume from January 2023 to June 2023.

¹⁶ Source: Global market report of GfK, based on TV shipment from January 2023 to June 2023.

¹⁷ Source: TV brand shipment data of the first half of 2023 in European markets from Omdia.

¹⁸ Source: Global market report of GfK, based on TV shipment from January 2023 to June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 *Small-and-Medium-Sized Display*

Relatively Significant Drop in Business Scale Yet with Continuously Enhanced Profitability; Harnessing R&D to Empower New Business Growth

In the first half of 2023, demand for mobile communication devices and tablets remained sluggish, global shipment of mobile phone and tablet dropped by 11.3% and 24.9% year-on-year¹⁹, respectively. The Group achieved significant progress on its “product-driven, focused on breakthroughs and quality-improved development” strategy. Notably, during the reporting period, the Group successfully launched several new intelligent products in the small-and-medium-sized display segment, including the TCL 40 R 5G smartphone and the TCL TAB 10 Gen 2 tablet. Additionally, the Group continued to enhance its market presence by further shoring up its network of partnerships with prominent mobile carriers in Europe and America, effectively expanding its outreach across all channels. In the first half of 2023, due to the challenging market environment and strategic contracting of business undertaken by the Group, the total shipment and revenue of small-and-medium-sized display business reached 5.24 million sets and HK\$3,396 million respectively, both of which represented a significant year-on-year decrease of approximately 50%, exerting considerable pressure on the overall revenue growth of the Group. However, benefitting from the streamlining of the product line and enhanced operational efficiency, the segment recorded an impressive surge in gross profit margin to 16.3%, up by 4.8 percentage points year-on-year. The tablet business saw a particularly significant enhancement in profitability, and the small-and-medium-sized display business is expected to improve further in the second half of 2023.

In respect of major markets worldwide, according to the latest IDC report, in the first half of 2023, the Group’s smartphone shipment ranked the fourth in the U.S., the fifth in Canada, and the seventh in Western Europe, whilst in terms of Android tablet shipment, the Group ranked the sixth worldwide, ranked the third in the U.S., the fourth and the fifth in the Western Europe and Latin America, respectively.

¹⁹ Source: IDC’s global shipment data of mobile phone and tablet for the first half of 2023. IDC refers to International Data Corporation, a global provider of market information and consulting services related to the information technology, telecommunications industry and consumer technology markets.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3 *Smart Commercial Display*

Focusing on the Interactive Flat Panel Display (“IFPD”) Market, Continuously Expanding Service Scenarios, Strengthening Channel Cooperation, and Achieving High Growth of Business Scale

In the first half of 2023, the Group focused on the IFPD market, providing multi-scenario product solutions encompassing smart education, smart enterprise and smart medical solutions, achieving a 66.2% increase in relevant revenue year-on-year to an impressive HK\$413 million. The Group cooperated on an ongoing basis with DingTalk and Tencent to bolster the development of the IFPD market, provided multi-scenario product solutions, developed efficient office applications, improved education and teaching scenarios, and further deepened cooperation with leading overseas IFPD brands. During the reporting period, the Group launched a new smart meeting board, the TCL NXTHUB V60Pro. It stands as the industry's first interactive board capable of achieving ultrasonic screen projection. Users can effortlessly project the screen of their computers and tablets onto the device input-free and network-free when brought into its close proximity, and it is also equipped with an intelligent service solution system and high-definition touchscreen. Furthermore, the Group launched TCL Smart Education Whiteboard X60L and C60, which are designed with extreme simplicity in mind, and feature upgraded intelligent gesture and eye protection technologies to elevate teaching quality, and convenient interactive operations to empower the localisation of the smart classroom.

3. **Internet Business**

Continue to Put User Experience at Its Core, Drove Double-Digit Growth in Internet Business with Steady Profitability

The Group is committed to expanding the global presence of its home internet business and strives to provide users with products and services that allow multi-screen real-time interaction and smart sensing across all scenarios. During the six months ended 30 June 2023, the Group's global internet business achieved an 18.1% year-on-year increase in revenue to HK\$1,113 million, with gross profit margin increasing by 1.9 percentage points year-on-year to 54.1%, demonstrating outstanding business performance and made significant profit contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Internet Business in the PRC Market

In the first half of 2023, the Group's PRC internet business focused on user experience and continued to enrich platform content and enhanced platform operational efficiency. In the first half of 2023, the domestic internet business recorded revenue of HK\$887 million, representing an increase of 8.9% year-on-year. With continuous enrichment in platform content, vertical and innovative businesses such as music, games, education, children and application stores have expanded, vertical and innovative businesses becoming a new growth engine of the Group's internet business. Driven by the continuously strengthened software product competitiveness, the expansion of the innovative business and improved user loyalty, the platform operational capacity has been further enhanced.

Moreover, during the reporting period, the Group firstly introduced the "Super Story Painter" (超級智繪) AI story collection, a customised children's content column based on a cutting-edge AI large-language model, the first of its kind in the internet TV industry. The successful launch of this AI-driven content highlights the Group's expertise in AI large-language model technology. Moreover, it demonstrates the remarkable potential for generating rich and customised content for smart devices. These capabilities can also provide value-added content for the Group's display products and empower the smart home scenarios.

3.2 Internet Business in International Markets

During the reporting period, the Group maintained close cooperation with prominent internet giants such as Google, Roku and Netflix to continuously enhance user experience. At the same time, the Group increased its monetisation capability by reaching out to the vast number of TCL smart screen users through partnerships with OTT²⁰ platforms. As of the end of June 2023, TCL Channel, the Group's integrated content application, is available in 60 countries in North America, Europe, Central and South America, and Asia Pacific, with a total user base of over 21 million. In the first half of 2023, the Group's internet business revenue from international market reached HK\$226 million, representing a substantial increase of 77.1% year-on-year.

²⁰ OTT refers to Over The Top, a media service offered directly to viewers via the internet.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Innovative Business

4.1 Photovoltaic Business

Capturing New Market Opportunities and Achieving Exponential Growth in Scale to Empower Second Growth Curve in the Long Run

The Group officially commenced its photovoltaic business in the second quarter of 2022. In the first half of 2023, it had capitalised on industrial synergies and leveraged its complete upstream photovoltaic industry chain, extensive financial partnership resources, and plentiful industrial and commercial project opportunities both domestically and overseas. Building upon its established channel coverage and penetration in the PRC market, the Group's business cultivation and capacity building in the photovoltaic business have led to a successful expansion into this vast blue ocean sector, as evidenced by the growing business scale of distributed photovoltaic solutions in both B2B (business-to-business) and B2C (business-to-customer) sectors. As of the end of June 2023, the Group's photovoltaic business had extended its coverage to 14 major provinces and cities in the PRC. In the first half of 2023, the revenue from photovoltaic business achieved over eight-fold growth year-on-year, exceeding HK\$1,685 million, with an increase of more than 35 new industrial and commercial contracted projects, more than 350 new channel distributors, and a total of more than 10,000 contracted rural residents.

In the second half of the year, the Group will actively promote the high-quality growth of its distributed photovoltaic business in more provinces and regions in the PRC, achieve large-scale coverage across industrial and commercial and household distributed photovoltaic business, and make preparations for expansion into key overseas markets. In the long term, the Group is committed to entering the top echelon of domestic distributed photovoltaic providers, becoming an innovator and leader in providing comprehensive solutions that enable rural zero-carbon lifestyles and zero-carbon industrial parks, while becoming an important player in the global photovoltaic market.

MANAGEMENT DISCUSSION AND ANALYSIS

4.2 All-Category Marketing

Rapid Business Growth through Branding Power and Strong Channel Advantages of the Group

Leveraging its robust global brand power and advantages of comprehensive channel layout, the Group has promoted the continuous growth of global all-category distribution business of smart appliances, including air conditioners, refrigerators and washing machines of TCL brand. In the first half of 2023, revenue from the all-category marketing segment increased by 43.0% year-on-year to HK\$6,073 million. Gross profit increased by 57.4% year-on-year to HK\$922 million, and the gross profit margin increased by 1.4 percentage points year-on-year to 15.2%. According to the ChinaIOL²¹ data on global shipment in the first half of 2023, TCL air conditioners ranked the fourth in the global market. Furthermore, various new products have garnered prestigious industry accolades such as the "AWE Excellent Product Award", "AWE Innovation Award", "iF Design Award" and "Red Dot Design Award", further enhancing the branding power of the Group.

4.3 Smart Connection and Smart Home

Continuing to Advance the All-category Smart IoT Ecosystem, Focusing on the Development of Smart Connective Products and Smart Home Products

The Group's smart connection and smart home businesses recorded revenue of HK\$930 million in the first half of 2023, achieving a year-on-year growth of 10.9%. Gross profit margin increased by 2.2 percentage points year-on-year to 18.7%, indicating a steady improvement in profitability. Among others, revenue from the smart home business increased by 9.7% year-on-year to HK\$315 million, while revenue from the smart connection business increased by 11.6% year-on-year to HK\$615 million.

²¹ ChinaIOL is an industrial chain research platform located in the PRC, providing information services such as industry analysis and research reports on household appliances, refrigeration and air conditioning, heating ventilation and air conditioning, components and other related industries.

MANAGEMENT DISCUSSION AND ANALYSIS

For the smart connection business, the Group made significant strides in the first half of 2023 by enhancing its carrier channel presence and actively expanding its portfolio of 4G and 5G products, achieving the shipment of 1.72 million sets in the first half of the year and significantly increasing its gross profit margin by 7.0 percentage points year-on-year to 20.4%. For the smart home business, the Group launched four new smart door lock products and upgraded six products in 10-series in the second quarter, which together accounted for more than 30% of the total product shipment in the first half of the year. Additionally, the Group successfully penetrated into offline regional chain channels, resulting in a remarkable year-on-year surge of over 50% in the offline door lock shipment in the first half of 2023.

In addition, the Group maintained its leading position in the AR industries during the first half of 2023. In the PRC, the Group successfully launched upgraded XR smart glasses Air Plus, which is equipped with RayNeo Pocket (雷鳥魔盒), a multifunctional audio-visual entertainment system. Air Plus offers an impressive display with a distance of 6 meters and an equivalent size of 215 inches. Powered by Micro OLED display technology, it supports 1080P resolution and a smooth 120Hz refresh rate, and is able to connect to Display Port (“DP”)-enabled devices including mobile phones, tablets and notebooks, making it perfect for a wide range of scenarios, including movie viewing, gaming and office. The integrated mainstream video platform offers an extensive collection of ultra-high-definition video content, delivering an immersive giant-screen viewing experience. Falcon Innovations Technology (Shenzhen) Co., Ltd.* (雷鳥創新技術(深圳)有限公司)²² (“Falcon Innovations”) operates the No. 1 position²³ on domestic online platform for AR glasses. During the 618 Shopping Festival, TCL NXTWEAR smart glasses achieved remarkable success on both JD.com and Tmall, securing top positions in both sales volume and sales revenue in the AR category²⁴.

²² The smart glasses business is principally carried out by Falcon Innovations, a company in which the Group held approximately 12.28% equity interest as at 30 June 2023.

²³ Source: The sales volume for consumer-grade AR glasses in the PRC market for the second quarter of 2023 from CINNO Research. CINNO Research is a third-party research and advisory company focusing on the supply chain of optoelectronic core components such as display semiconductors and the consumer electronics industry located in the PRC.

²⁴ Statistical time interval of JD platform: 23 May 2023 to 18 June 2023; statistical time interval of Tmall platform: 31 May 2023 to 18 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Outlook

Shift of Product Chain Advantages, Increasing Stabilisation of Panel Prices, Improving Industry Landscape, Prominent Mid-to-High-End Demand, Continued Brand and Product Enhancements to Strengthen the Group's Global Leadership Position

As panel production capacity continues shifting to Chinese players and concentration further intensifies, the upstream competitive landscape is expected to be reshaped, leading to a stable trend in panel prices. Since the third quarter of 2022, global panel prices have been slowly trending upward, and are expected to stabilise in a manner conducive to simultaneous upstream and downstream TV industry development. The global TV competitive landscape has been improving in recent years, with the top five brands' concentration steadily rising from 51.4% in 2018 to 59.7% in 2022²⁵. Additionally, as per a report from Sigmaintell²⁶, global shipment of large-screen 75-inch and above TVs is forecasted to achieve a rapid 26.0% compound annual growth rate between 2021 and 2025.

The overall competitive landscape of the industry is improving, with a notable surge in demand for mid-to-high-end products. The Group remains committed to enhancing its brand influence and product competitiveness and focusing on the development of mid-to-high-end and large-screen products with a view to expanding its global market share in terms of sales revenue and capturing more of the mid-to-high-end market. There is an ongoing trend of increasing concentration among leading companies, including the Group which possess vertical industrial chain advantages, are poised to accelerate future growth and consolidate the position as a global leader in the industry.

²⁵ Source: Global TV brand shipment data from 2018 to 2022 from Omdia.

²⁶ Sigmaintell is a research and advisory company focusing on global high-tech industry located in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Core Display Business Grows Market Share and Profitability, while Innovative Business Expanding Scale to Empower Second Growth Curve

Based on its display business and technology, the Group will focus on mid-to-high-end products and continue to implement the dual-brand strategy of “TCL+Falcon”, optimising its domestic and overseas channel layout while improving the product mix. This strategy aims to solidify the Group’s position as a global leader and foster high-quality growth. Meanwhile, the Group will effectively leverage the brand power and channel resources it has accumulated in its core business over the years. Focusing on enhancing user experience, it will step up investments in the internet business. Moreover, the Group will increase investments in the photovoltaic and smart glasses businesses to capture blue ocean growth opportunities in these new business lines to create an easier and more comfortable “intelligent IoT ecosystem,” which will empower the Group’s long-term growth.

Meanwhile, the Group aims to capitalise on favourable factors such as the rebound in consumption and supportive policies to expedite the growth of the smart device industry and expand into emerging sectors. Focusing on enhancements in the five key areas of products, operations, marketing, organisation and collaborative innovation, the Group will also leverage its competitive strengths and adhere to its “Value Led by Brand with Relative Cost Advantage, Ultimate Efficiency Operation and Collaborative Innovation” strategy to empower the twin development goals of “Globalisation” and “Technological Transformation”, and reinforce vertical integration throughout the entire industrial chain, and advancing towards the goal of becoming a world-leading smart device enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between the First Half of 2023 and the First Half of 2022

The table below lists the figures of the first half of 2023 and the comparative figures for the first half of 2022:

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
REVENUE	34,916,442	33,679,256
Cost of sales	(28,416,397)	(27,897,694)
Gross profit	6,500,045	5,781,562
Other income and gains	1,008,228	1,272,650
Selling and distribution expenses	(3,652,736)	(3,232,806)
Administrative expenses	(1,829,709)	(1,923,484)
Research and development costs	(1,095,434)	(1,070,314)
Other operating expenses	(42,773)	(14,760)
Impairment losses of financial assets, net	(49,669)	(11,025)
Finance costs	837,952	801,823
Shares of profits and losses of:	(431,684)	(253,912)
– Joint ventures	9,573	12,026
– Associates	3,986	(58,176)
Profit before tax	419,827	501,761
Income tax	(103,775)	(208,503)
Profit for the period	316,052	293,258
Profit attributable to owners of the parent	263,709	249,509
Non-HKFRS measure: adjusted profit attributable to owners of the parent	262,035	259,412

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's revenue increased by 3.7% year-on-year from HK\$33,679 million in the first half of 2022 to HK\$34,916 million in the first half of 2023. If the impact of the exchange rate conversion of RMB into Hong Kong dollars ("HK\$") is excluded, the overall revenue denominated in RMB in the first half of 2023 increased by 10.9% year-on-year. The following table shows the Group's revenue by business segment for the six months ended 30 June 2023 and 30 June 2022:

	Six months ended 30 June		2022	Proportion of the total revenue
	2023	Proportion of the total revenue		
	HK\$ Million	2023	HK\$ Million (restited)	Proportion of the total revenue
Display Business²⁷	24,851	71.2%	27,190	80.7%
– Large-Sized Display	21,042	60.3%	19,660	58.4%
– The PRC Market	6,898	19.8%	6,319	18.8%
– International Markets	14,144	40.5%	13,341	39.6%
– Small-and-Medium-Sized Display	3,396	9.7%	7,281	21.6%
– Smart Commercial Display	413	1.2%	249	0.7%
Internet Business²⁸	1,113	3.1%	942	2.8%
– The PRC Market	887	2.5%	814	2.4%
– International Markets	226	0.6%	128	0.4%
Innovative Business²⁹	8,688	24.9%	5,259	15.6%
– Photovoltaic Business	1,685	4.8%	172	0.5%
– All-Category Marketing	6,073	17.4%	4,248	12.6%
– Smart Connection and Smart Home	930	2.7%	839	2.5%
Others	264	0.8%	288	0.9%
Total revenue	34,916	100.0%	33,679	100.0%

²⁷ "Display business" (including large-sized display (i.e. smart screen business), small-and-medium-sized display and smart commercial display) corresponds to both (i) the "Smart screen" segment; and (ii) the display business in both the "Smart mobile, connective devices and services" segment and the "Smart commercial display, smart home, photovoltaic and other businesses" segment as set out in the operating segment information of the notes to the financial statements.

²⁸ "Internet business" refers to the "Internet business" as set out in the operating segment information of the notes to the financial statements.

²⁹ "Innovative business" (including smart connection, smart home, all-category marketing and photovoltaic business) corresponds to (i) the "All-category marketing" segment; and (ii) the remaining business after excluding the display business both in the "Smart mobile, connective devices and services" segment and the "Smart commercial display, smart home, photovoltaic and other businesses" segment as set out in the operating segment information of the notes to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Display Business

Revenue from the display business decreased by 8.6% year-on-year, from HK\$27,190 million in the first half of 2022 to HK\$24,851 million in the first half of 2023. The year-on-year decline was mainly attributable to the weak demand in the communications sector and continued strategic contraction of the Group's small-and-medium-sized display business, revenue from which decreased by 53.4% year-on-year.

Internet Business

The Group's revenue from the internet business increased by 18.1% year-on-year, from HK\$942 million in the first half of 2022 to HK\$1,113 million in the first half of 2023. The growth was primarily driven by the steady expansion of vertical and innovative businesses; at the same time, the Group continued to make breakthroughs in the commercialisation of its overseas internet business, with revenue increasing by 77.1% to HK\$226 million during the reporting period.

Innovative Business

The Group's innovative business revenue increased by 65.2% year-on-year from HK\$5,259 million in the first half of 2022 to HK\$8,688 million in the first half of 2023. The growth was mainly attributable to the photovoltaic business, which combined the advantages of its own vertical industry chain with TCL's resources, and the all-category marketing business, which benefitted from the Group's global branding and channel synergies of the Group, which drove the respective rapid development and scale expansion of the innovative business.

Gross Profit and Gross Profit Margin

Overall gross profit increased by 12.4% year-on-year from HK\$5,782 million in the first half of 2022 to HK\$6,500 million in the first half of 2023. Gross profit margin for the first half of 2023 was 18.6%, representing an increase of 1.4 percentage points as compared to that for the first half of 2022. This was mainly attributable to the Group's persistence in promoting its mid-to-high-end transformation strategy, improvement in product revenue mix, and the implementation of appropriate cost control measures, as a result, growth in revenue was higher than the increase in costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Display Business

Gross profit margin of the display business for the first half of 2023 was 18.8%, representing an increase of 2.1 percentage points year-on-year. This was mainly attributable to the ongoing optimisation of the product mix as a result of the mid-to-high-end strategy and the continued internationalisation of the large-sized display business, overlaid with new product launches that gained market recognition, in addition to the focus strategy and the streamlining of the product lineup of small-and-medium-sized display business during the reporting period.

Internet Business

Gross profit margin of the internet business for the first half of 2023 was 54.1%, representing an increase of 1.9 percentage points year-on-year. This was mainly attributable to the Group maintaining its core focus on user experience, prioritising on relatively high-margin vertical and innovative businesses and overseas business, thereby achieving high quality growth.

Innovative Business

Gross profit margin of the innovative business for the first half of 2023 was 14.1%, representing an increase of 0.1 percentage points year-on-year.

Other Income and Gains

Other income and gains decreased by 20.8% year-on-year from HK\$1,273 million in the first half of 2022 to HK\$1,008 million in the first half of 2023, mainly due to the decrease in exchange gains as compared to the same period last year as a result of the impact of exchange rate fluctuations during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses increased by 13.0% year-on-year from HK\$3,233 million in the first half of 2022 to HK\$3,653 million in the first half of 2023, mainly due to increased selling expenses including the Group's strategically increased investments in overseas channel construction and brand marketing.

Administrative Expenses

Administrative expenses decreased by 4.9% year-on-year from HK\$1,923 million in the first half of 2022 to HK\$1,830 million in the first half of 2023, the year-on-year decrease was mainly due to cost reductions and improvements in operational efficiency of the Group.

R&D Costs

R&D costs increased by 2.3% year-on-year from HK\$1,070 million in the first half of 2022 to HK\$1,095 million in the first half of 2023. The increase was mainly attributable to the Group's increased R&D investments in the areas of high-end displays, intelligent interactive application scenarios and other related technologies during the reporting period.

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net increased by 350.5% year-on-year from HK\$11.03 million in the first half of 2022 to HK\$49.67 million in the first half of 2023, mainly due to the increase in provision for trade receivables during the reporting period.

Finance Costs

Finance costs increased by 70.0% year-on-year from HK\$254 million in the first half of 2022 to HK\$432 million in the first half of 2023, mainly due to the increase in the interest expense generated by the increase in the U.S. federal funds rate during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of Profits and Losses – Joint Ventures and Associates

The share of profits of HK\$13.56 million for the first half of 2023, as compared to the share of loss of HK\$46.15 million for the corresponding period last year, was mainly attributable to the increase in share of profits from the Group's associates during the reporting period as a result of the improved operating environment.

Profit before Tax

Profit before tax decreased by 16.3% year-on-year from HK\$502 million in the first half of 2022 to HK\$420 million in the first half of 2023, mainly due to the impact of market environment during the reporting period, the performance of the small-and-medium-sized display business was below expectations; at the same time, the Group's strategy of increasing investment in branding and channel marketing in order to enhance the Group's brand power and product strength resulted in higher selling and distribution expenses in the first half of 2023.

Income Tax

Income tax decreased by 50.2% year-on-year from HK\$209 million in the first half of 2022 to HK\$104 million in the first half of 2023, mainly attributable to the decrease in current period's taxable profits of certain subsidiaries of the Group, resulting in a year-on-year decrease of income tax.

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

Profit for the period increased by 7.8% year-on-year from HK\$293 million in the first half of 2022 to HK\$316 million in the first half of 2023. Profit attributable to owners of the parent increased by 5.7% year-on-year from HK\$250 million in the first half of 2022 to HK\$264 million in the first half of 2023. The increase was mainly attributable to the positive results of the Group's mid-to-high-end strategy and operational quality improvements, which drove a rebound in profitability.

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

Adjusted profit attributable to owners of the parent increased by 1.0% year-on-year from HK\$259 million in the first half of 2022 to HK\$262 million in the first half of 2023. This was mainly due to the Group strategically increased its investment in brand promotion and after-sales service as it deepened the execution of its mid-to-high-end strategy, coupled with the performance of its small-and-medium-sized display business which was below expectations due to weak market demand globally of the industry, resulting in a lower year-on-year growth rate of adjusted profit attributable to owners of the parent during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
Profit attributable to owners of the parent, as reported	263,709	249,509
Loss from investment companies, net ³⁰	3,345	9,301
Acquisition of subsidiaries and (gain)/loss on disposal and liquidation of subsidiaries, net ³¹	(19,771)	8
Loss related to call options and put options, net ³²	2,464	2,059
(Gain)/loss on disposal of non-current assets, net ³³	12,288	(1,465)
Non-HKFRS measure:		
adjusted profit attributable to owners of the parent	262,035	259,412

³⁰ Loss from investment companies, net includes net (gains)/losses on deemed disposals, disposals, liquidations, deemed partial purchases/disposals of investment companies.

³¹ Acquisition of subsidiaries and (gain)/loss on disposal and liquidation of subsidiaries, net includes gain on bargain purchase, net (gains)/losses on deemed disposals, disposals and liquidation of subsidiaries.

³² Loss related to call options and put options, net includes changes in fair value of call options and put options, imputed interests on a financial liability arising from a put option and (gain)/loss on settlement of expired call options.

³³ (Gain)/loss on disposal of non-current assets, net includes net (gains)/losses on disposal of fixed assets, other intangible assets, right-of-use assets and other assets.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The Group had no significant investment held as at 30 June 2023, and did not undertake any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2023.

Liquidity and Financial Resources

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

The cash and cash equivalents of the Group as at 30 June 2023 amounted to approximately HK\$6,694,898,000, decreasing by 28.7% compared with 31 December 2022, of which 0.4% was in HK\$, 26.5% was in U.S. dollars, 48.6% was in RMB, 5.4% was in Euros and 19.1% 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 2023 were approximately HK\$5,440,512,000 which were interest-bearing at fixed rates ranging from 2.40% to 6.77% and denominated in U.S. dollars, RMB, Euros and Mexican Peso. The maturity profile of borrowings was on demand to within three years. It is the intention of the Group to maintain a mix of equity and debt to ensure an efficient capital structure and in view of the reasonable interest rate. There was no material change in available credit facilities when compared with the year ended 31 December 2022 and there was no asset held under finance lease as at 30 June 2023.

As at 30 June 2023, the Group's gearing ratio was 0% since the Group's cash and cash equivalents, and restricted cash and pledged deposits of approximately HK\$6,757,691,000 were higher than the total interest-bearing bank and other borrowings and lease liabilities of approximately HK\$5,853,150,000. The gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents, and restricted cash and pledged deposits), divided by equity attributable to owners of the parent. The maturity profile of such borrowings ranged from on demand to within six years.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2023, the Group had restricted cash and pledged deposits balance of approximately HK\$62,793,000 (31 December 2022: HK\$119,555,000) 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 2023, the Group had capital commitments which were contracted but not provided for of approximately HK\$619,072,000 (31 December 2022: HK\$673,618,000) and no capital commitments which were authorised but not contracted for (31 December 2022: HK\$116,590,000).

As at 30 June 2023, 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 2023, 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 2023.

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 2023, the Group had a total of 24,119 dynamic and talented employees. During the six months ended 30 June 2023, the total staff costs amounted to approximately HK\$2,579,607,000, which were all dedicated to advancing the quality and reliability of our operations. The Group promotes individuals based on their performance in the positions held and development potential. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. In addition, training and development programmes are provided on an on-going basis throughout the Group. The remuneration policy of the Group is 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 35,177,319 shares of the Company remained outstanding as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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. The Award Scheme expired on 5 February 2023. Awarded shares granted and subsisting under the Award Scheme prior to such expiry shall continue to be in full force and effect in accordance with the Award Scheme and their terms of grant. There remained a total of 37,001,744 awarded shares granted but remained outstanding as at 30 June 2023.

INTERIM RESULTS

FINANCIAL INFORMATION

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
REVENUE	5	34,916,442	33,679,256
Cost of sales		(28,416,397)	(27,897,694)
Gross profit		6,500,045	5,781,562
Other income and gains		1,008,228	1,272,650
Selling and distribution expenses		(3,652,736)	(3,232,806)
Administrative expenses		(1,829,709)	(1,923,484)
Research and development costs		(1,095,434)	(1,070,314)
Other operating expenses		(42,773)	(14,760)
Impairment losses on financial assets, net		(49,669)	(11,025)
Finance costs	6	837,952	801,823
Share of profits and losses of:		(431,684)	(253,912)
Joint ventures		9,573	12,026
Associates		3,986	(58,176)
PROFIT BEFORE TAX	7	419,827	501,761
Income tax	8	(103,775)	(208,503)
PROFIT FOR THE PERIOD		316,052	293,258

INTERIM RESULTS

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

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (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	(65,196)	132,245
Reclassification adjustments for gains included in profit or loss	(56,929)	(59,652)
Income tax effect	14,277	258
	(107,848)	72,851
Exchange differences:		
Translation of foreign operations	(329,955)	(798,241)
Reclassification adjustments for foreign operations disposed of or liquidated during the period	307	31
Reclassification adjustments for associates deemed partial disposed, partial disposed and liquidated during the period	166	(384)
	(329,482)	(798,594)
Financial assets at fair value through other comprehensive income:		
Changes in fair value, net of income tax	(15,876)	6,360
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(453,206)	(719,383)

INTERIM RESULTS

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

	Note	Six months ended 30 June	
		2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates and a joint venture		1,453	13,339
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		1,453	13,339
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(451,753)	(706,044)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(135,701)	(412,786)
Profit attributable to:			
Owners of the parent		263,709	249,509
Non-controlling interests		52,343	43,749
		316,052	293,258
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(214,930)	(461,610)
Non-controlling interests		79,229	48,824
		(135,701)	(412,786)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	11		
Basic		HK10.92 cents	HK10.37 cents
Diluted		HK10.62 cents	HK9.93 cents

INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000 <i>(restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,531,812	2,738,647
Investment properties		548,930	545,800
Right-of-use assets		849,823	992,237
Goodwill		3,167,153	3,195,180
Other intangible assets		1,330,146	1,206,929
Investments in joint ventures		120,068	110,458
Investments in associates		1,440,535	1,558,882
Equity investments designated at fair value through other comprehensive income		195,017	200,433
Deferred tax assets		458,174	429,644
Other deferred assets		582,977	567,197
Total non-current assets		11,224,635	11,545,407
CURRENT ASSETS			
Inventories		12,148,804	9,837,314
Trade receivables	12	13,252,239	10,935,081
Bills receivable		2,856,208	2,219,329
Prepayments, other receivables and other assets		11,217,212	9,019,669
Tax recoverable		95,257	191,904
Financial assets at fair value through profit or loss		1,299,352	1,266,076
Derivative financial instruments		328,321	579,984
Restricted cash and pledged deposits		62,793	119,555
Cash and cash equivalents		6,694,898	9,390,941
Assets classified as held for sale	9	47,955,084 3,567	43,559,853 3,681
Total current assets		47,958,651	43,563,534

INTERIM RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	<i>Notes</i>	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000 <i>(restated)</i>
CURRENT LIABILITIES			
Trade payables	13	17,638,319	14,086,945
Bills payable		2,200,806	4,859,890
Other payables and accruals		14,999,368	11,525,218
Interest-bearing bank and other borrowings	14	4,391,804	4,433,624
Lease liabilities		202,773	153,915
Tax payable		83,619	175,716
Financial liability associated with put option		176,025	160,667
Derivative financial instruments		394,453	134,214
Provisions		1,045,477	1,007,542
Total current liabilities		41,132,644	36,537,731
NET CURRENT ASSETS		6,826,007	7,025,803
TOTAL ASSETS LESS CURRENT LIABILITIES		18,050,642	18,571,210
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	1,048,708	1,029,459
Lease liabilities		209,865	255,826
Deferred tax liabilities		318,608	327,928
Other long-term payables		27,118	76,896
Total non-current liabilities		1,604,299	1,690,109
Net assets		16,446,343	16,881,101
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	2,507,569	2,499,780
Reserves		13,442,113	13,963,889
Non-controlling interests		15,949,682	16,463,669
		496,661	417,432
Total equity		16,446,343	16,881,101

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent														Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Reserve funds HK\$'000	Cash flow hedge reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Put option reserve HK\$'000	Other reserve HK\$'000	Shares held for the Award Scheme HK\$'000	Awarded share reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000				
At 31 December 2022 (audited)	2,499,780	4,521,954	52,572	432,305	987,463	(9,331)	(723,068)	(110,584)	164,159	(237,094)	237,379	51,153	8,593,540	16,460,228	417,428	16,877,656	
Effect of adoption of amendments to HKAS 12 (note 2)	-	-	-	-	-	-	-	-	-	-	-	-	3,441	3,441	4	3,445	
At 1 January 2023 (restated)	2,499,780	4,521,954	52,572	432,305	987,463	(9,331)	(723,068)	(110,584)	164,159	(237,094)	237,379	51,153	8,596,981	16,463,669	417,432	16,881,101	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	263,709	263,709	52,343	316,052	
Other comprehensive income/(loss) for the period:																	
Cash flow hedge	-	-	-	-	-	(107,570)	-	-	-	-	-	-	-	(107,570)	(278)	(107,848)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(357,119)	-	-	-	-	-	-	(357,119)	27,164	(329,955)	
Redesignation of exchange differences for subsidiaries disposed or liquidated	-	-	-	-	-	-	307	-	-	-	-	-	-	307	-	307	
Redesignation of exchange differences for an associate deemed partial disposed	-	-	-	-	-	-	166	-	-	-	-	-	-	166	-	166	
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	(15,876)	-	(15,876)	-	(15,876)	
Share of other comprehensive income of associates and a joint venture	-	-	-	-	-	-	-	-	1,453	-	-	-	-	1,453	-	1,453	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(107,570)	(356,646)	-	1,453	-	-	(15,876)	263,709	(214,950)	79,229	(135,701)	
Issue of shares upon exercise of share options	57	240	(83)	-	-	-	-	-	-	-	-	-	-	214	-	214	
Forfeiture of share options during the period	-	-	(5,852)	-	-	-	-	-	-	-	-	-	5,852	-	-	-	
Issue of shares under the Award Scheme	7,732	-	-	-	-	-	-	-	-	(7,732)	-	-	-	-	-	-	
Employee share-based compensation benefits under the Award Scheme	-	-	-	-	-	-	-	-	-	-	69,215	-	-	69,215	-	69,215	
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	54,691	(104,716)	-	-	(50,025)	-	(50,025)	
2022 final dividend approved	-	(318,461)	-	-	-	-	-	-	-	-	-	-	-	(318,461)	-	(318,461)	
At 30 June 2023 (unaudited)	2,507,569	4,203,733	46,637	432,305	987,463	(116,901)	(1,079,714)	(110,584)	165,612	(190,135)	201,878	35,277	8,866,542	15,949,682	496,661	16,446,343	

* These reserve accounts comprise the consolidated reserves of HK\$13,442,113,000 (31 December 2022 (restated): HK\$13,963,889,000) in the consolidated statement of financial position.

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent															
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Reserve funds HK\$'000	Cash flow hedge reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Put option reserve HK\$'000	Other reserve HK\$'000	Shares held for the Award Scheme HK\$'000	Awarded share reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 December 2021 (audited)	2,479,959	4,906,432	67,984	344,750	948,382	1,417	1,017,963	(110,584)	120,662	(246,965)	232,227	19,033	8,176,603	17,957,863	414,801	18,372,664
Effect of adoption of amendments to HKAS 12 (note 2)	-	-	-	-	-	-	-	-	-	-	-	-	3,473	3,473	62	3,535
At 1 January 2022 (restated)	2,479,959	4,906,432	67,984	344,750	948,382	1,417	1,017,963	(110,584)	120,662	(246,965)	232,227	19,033	8,180,076	17,961,336	414,863	18,376,199
Profit for the period (restated)	-	-	-	-	-	-	-	-	-	-	-	-	249,509	249,509	43,749	293,258
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)
Redclassification of exchange differences for subsidiaries liquidated	-	-	-	-	-	-	28	-	-	-	-	-	-	28	3	31
Redclassification 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 (restated)	-	-	-	-	-	59,947	(790,765)	-	13,339	-	-	6,360	249,509	(461,610)	48,824	(412,786)
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)
Redclassification 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 (unaudited and restated)	2,495,496	4,489,849	59,512	429,922	948,382	61,364	227,198	(110,584)	133,861	(217,188)	193,870	25,393	8,438,238	17,175,313	376,903	17,552,216

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	(unaudited) HK\$'000	(unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	931,258	535,669
Interest paid	(281,587)	(165,903)
Interest element of lease payments	(10,791)	(11,390)
Income taxes paid	(197,731)	(226,590)
Net cash flows from operating activities	441,149	131,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	400,348	258,249
Purchases of items of property, plant and equipment	(147,268)	(281,257)
Proceeds from disposal of items of property, plant and equipment	22,026	41,855
Investment in an associate	–	(3,796)
Proceeds from disposal of subsidiaries	135,200	–
Proceeds from partial disposal of an associate	24,268	–
Purchases of financial assets at fair value through profit or loss, net	(50,788)	(818,670)
Advances to related parties of TCL Industries Holdings Co., Ltd. ("TCL Holdings")	(2,965,855)	(4,087,149)
Other investing cash flows, net	(301,890)	(203,728)
Net cash flows used in investing activities	(2,883,959)	(5,094,496)

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	214	154
New bank and other loans	4,443,241	9,088,742
Repayment of bank and other loans	(4,399,543)	(8,667,882)
Principal portion of lease payments	(86,503)	(82,675)
Interest paid	(123,063)	(63,111)
Other financing cash flows, net	(4)	(94,634)
Net cash flows from/(used in) financing activities	(165,658)	180,594
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,608,468)	(4,782,116)
Cash and cash equivalents at beginning of period	9,390,941	11,509,166
Effect of foreign exchange rate changes, net	(87,575)	245,932
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,694,898	6,972,982
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,757,691	7,626,285
Less: Restricted cash and pledged deposits	(62,793)	(653,303)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	6,694,898	6,972,982

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 HKICPA and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

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 2022.

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 2022, which have been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), 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 are 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 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 2022, except for the adoption of the new and revised HKFRSs effective as of 1 January 2023.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules*</i>

* The amendments have been issued by the International Accounting Standards Board (“IASB”). At the date of this interim report, the equivalent amendments are expected to be issued shortly by the HKICPA

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

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim consolidated statement of financial position:

		As at 30 June 2023 HK\$'000	Increase As at 31 December 2022 HK\$'000	As at 1 January 2022 HK\$'000
	<i>Note</i>			
Assets				
Deferred tax assets	(i)	3,940	3,494	3,728
Total non-current assets		3,940	3,494	3,728
Total assets		3,940	3,494	3,728
Liabilities				
Deferred tax liabilities	(i)	112	49	193
Total non-current liabilities		112	49	193
Total liabilities		112	49	193
Net assets		3,828	3,445	3,535
Equity				
Retained profits		3,807	3,441	3,473
Equity attributable to owners of the parent		3,807	3,441	3,473
Non-controlling interests		21	4	62
Total equity		3,828	3,445	3,535

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

	Increase/(decrease)	
	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Income tax credit	383	530
Profit for the period	383	530
Attributable to:		
Owners of the parent	366	547
Non-controlling interests	17	(17)
	383	530
Total comprehensive income for the period	383	530

The Group has adopted amendments to HKAS 12 using the modified retrospective method with the date of initial application of 1 January 2023. Under this method, the amendments have been applied retrospectively and the comparative information for the basic and diluted earnings per share attributable to ordinary equity holders of the parent and total comprehensive loss for the six months ended 30 June 2022 were restated.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group is currently assessing its exposure to Pillar Two income taxes.

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>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{1,3,4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants^{1,4}</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements^{1,5}</i>

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

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 and December 2022, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁴ As a consequence of the amendments to HKAS 1 *Non-current Liabilities with Covenants* issued by the HKICPA in 2022, the effective date of the amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* was deferred and entities are required to apply both amendments for annual periods beginning on or after 1 January 2024. In addition, consequential amendments were made to HKFRS Practice Statement 2 *Making Materiality Judgements*

⁵ The amendments have been issued by the IASB. At the date of this interim report, the equivalent amendments are expected to be issued shortly by the HKICPA

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

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

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

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

The presentation of reportable operating segments has been revised as detailed in page 49 of this interim report, and accordingly the comparative figures of such reportable operating segments have been restated, as the management believes that the information regarding such restated segments would be useful to the users of these financial statements.

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													
	Smart screen		Internet business		Smart mobile, connective devices and services		All-category marketing		Smart commercial display, smart home, photovoltaic and other businesses		Consolidated			
	TCL smart screen - the PIC market	TCL smart screen - intentional markets	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000		
Sales to external customers	6,887,515	63,187,200	14,144,314	13,341,230	1,113,871	942,110	4,011,634	7,833,030	6,077,908	4,247,335	2,877,160	996,591	34,916,442	33,679,356
Gross profit	1,533,400	1,402,823	2,516,799	2,267,406	60,829	491,909	678,871	912,238	921,042	585,720	247,104	121,466	6,500,045	5,781,562

INTERIM RESULTS

5. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Revenue from contracts with customers	34,916,442	33,679,256

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Smart screen and other products (unaudited) HK\$'000	Internet business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Types of goods or services			
Sale of goods	33,462,435	10,613	33,473,048
Construction services	341,136	–	341,136
Video-on-demand services	–	267,728	267,728
Advertising, vertical application and other new businesses	–	834,530	834,530
Total revenue from contracts with customers	33,803,571	1,112,871	34,916,442
Geographical markets			
Mainland China	12,921,951	886,605	13,808,556
Europe	3,765,212	–	3,765,212
North America	7,086,519	63,918	7,150,437
Emerging markets	10,029,889	162,348	10,192,237
Total revenue from contracts with customers	33,803,571	1,112,871	34,916,442
Timing of revenue recognition			
Goods transferred at a point in time	33,462,435	10,613	33,473,048
Services transferred over time	341,136	267,728	608,864
Services transferred at a point in time	–	834,530	834,530
Total revenue from contracts with customers	33,803,571	1,112,871	34,916,442

INTERIM RESULTS

5. REVENUE (continued)

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

For the six months ended 30 June 2022

Segments	Smart screen and other products (unaudited) HK\$'000 (restated)	Internet business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Types of goods or services			
Sale of goods	32,737,146	73,423	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	32,737,146	942,110	33,679,256
Geographical markets			
Mainland China	9,640,822	814,374	10,455,196
Europe	4,044,340	–	4,044,340
North America	9,040,098	6,201	9,046,299
Emerging markets	10,011,886	121,535	10,133,421
Total revenue from contracts with customers	32,737,146	942,110	33,679,256
Timing of revenue recognition			
Goods transferred at a point in time	32,737,146	73,423	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	32,737,146	942,110	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:

For the six months ended 30 June 2023

Segments	Smart screen and other products (unaudited) HK\$'000	Internet business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from contracts with customers			
External customers	33,803,571	1,112,871	34,916,442
Intersegment sales	2,110,498	11,253	2,121,751
	35,914,069	1,124,124	37,038,193
Intersegment adjustments and eliminations	(2,110,498)	(11,253)	(2,121,751)
	33,803,571	1,112,871	34,916,442

For the six months ended 30 June 2022

Segments	Smart screen and other products (unaudited) HK\$'000 (restated)	Internet business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Revenue from contracts with customers			
External customers	32,737,146	942,110	33,679,256
Intersegment sales	1,612,520	6,412	1,618,932
	34,349,666	948,522	35,298,188
Intersegment adjustments and eliminations	(1,612,520)	(6,412)	(1,618,932)
	32,737,146	942,110	33,679,256

INTERIM RESULTS

6. FINANCE COSTS

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Interest on:		
Bank and other loans	399,851	218,448
Loans from companies controlled by TCL Holdings	18,578	21,390
Interest expense on lease liabilities	10,791	11,390
Imputed interest on a financial liability arising from put option	2,464	2,059
Loans from a company controlled by TCL Technology Group Corporation ("TCL Technology")	-	625
Total finance costs for the period	431,684	253,912

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Depreciation of property, plant and equipment	205,216	199,953
Depreciation of investment properties	7,150	7,420
Depreciation of right-of-use assets	104,133	96,167
Amortisation of other intangible assets	233,148	298,728
Employee share-based compensation benefits under the Award Scheme	69,215	104,119
Equity-settled share option expenses	-	91

INTERIM RESULTS

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
Current – Hong Kong		
Charge for the period	11,411	61,189
Overprovision in prior periods	(735)	–
Current – Elsewhere		
Charge for the period	120,259	155,429
Underprovision/(Overprovision) in prior periods	(9,714)	35,040
Deferred	(17,446)	(43,155)
Total tax charge for the period	103,775	208,503

9. ASSETS CLASSIFIED AS HELD FOR SALE

On 20 May 2021, the Group decided to dispose of a piece of its land located in Mainland China. The disposal is expected to be completed in 2023. As at 30 June 2023, 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 2023 (30 June 2022: 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	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)

Earnings

Profit attributable to ordinary equity holders
of the parent, used in the basic and
diluted earnings per share calculations:

263,709 249,509

	Number of shares	
	Six months ended 30 June	
	2023 (unaudited)	2022 (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

2,415,861,008 2,406,385,683

Effect of dilution – weighted average number of
ordinary shares:

Share options

19,657 339,745

Awarded shares

66,241,889 106,721,621

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

2,482,122,554 2,513,447,049

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\$348,563,000 (31 December 2022: HK\$359,746,000) due by them with interest bearing at 3% (31 December 2022: 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 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Current to 90 days	9,297,116	8,349,202
91 to 180 days	2,561,248	1,672,728
181 to 365 days	868,712	324,001
Over 365 days	809,494	831,093
	13,536,570	11,177,024
Impairment allowance	(284,331)	(241,943)
	13,252,239	10,935,081

Included in the Group's trade receivables are (i) receivables to be factored of HK\$581,772,000 (31 December 2022: HK\$315,207,000), 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\$16,326,000 (31 December 2022: HK\$25,106,000). The above receivables are classified as financial assets at fair value through profit or loss. The remaining trade receivables with a gross carrying amount of HK\$12,938,472,000 (31 December 2022: HK\$10,836,711,000) 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 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Current to 90 days	14,998,557	11,589,314
91 to 180 days	2,253,288	1,920,841
181 to 365 days	163,060	382,203
Over 365 days	223,414	194,587
	17,638,319	14,086,945

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 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Current		
Bank loans – unsecured	4,375,478	4,408,518
Advances from banks as consideration for factored trade receivables	16,326	25,106
	4,391,804	4,433,624
Non-current		
Bank loans – unsecured	1,048,708	1,029,459
	5,440,512	5,463,083
Analysed into:		
Bank loans repayable:		
Within one year or on demand	4,391,804	4,433,624
In the second year	827,313	250,287
In the third to fifth years, inclusive	221,395	738,870
After five years	–	40,302
	5,440,512	5,463,083

Notes:

- (a) As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) TCL Technology has individually guaranteed certain of the Group's bank loans up to HK\$103,382,000 (31 December 2022: HK\$123,114,000) and TCL Holdings has individually guaranteed certain of the Group's bank loans up to HK\$4,007,359,000 (31 December 2022: HK\$3,374,453,000) as at the end of the reporting period.

INTERIM RESULTS

15. SHARE CAPITAL

	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Authorised:		
3,000,000,000 (31 December 2022: 3,000,000,000) shares of HK\$1.00 each	3,000,000	3,000,000
Issued and fully paid:		
2,507,568,733 (31 December 2022: 2,499,780,203) shares of HK\$1.00 each	2,507,569	2,499,780

On 28 April 2023, the Company allotted and issued 7,731,969 shares pursuant to award granted in the form of new shares under the Award Scheme.

During the six months ended 30 June 2023, share options carrying rights to subscribe for 50,000, 1,000 and 5,561 shares were exercised at the exercise prices of HK\$3.7329, HK\$3.5700 and HK\$4.1520 per share, respectively, pursuant to the terms of the 2016 Scheme, resulting in the issue of an aggregate of 56,561 shares of HK\$1.00 each for a total cash consideration of approximately HK\$214,000 before expenses.

INTERIM RESULTS

16. BUSINESS COMBINATION

Six months ended 30 June 2022

Acquisition of equity interest in TCL Digital Technology (Shenzhen) Company Limited (TCL數碼科技(深圳)有限責任公司) ("TCL Digital Technology") and its subsidiaries (collectively "TCL Digital Technology Group")*

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 Group at the consideration of approximately RMB116,031,000 (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 a 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)
<hr/>	
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)
<hr/>	
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)

As at 30 June 2022, the fair values of the above acquisition were determined on a provisional basis as the Group was 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
<hr/>	

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.

As at 31 December 2022, the Group finalised its assessment of the fair values of the identifiable assets and liabilities of TCL Digital Technology Group and concluded that the final amount of goodwill for this acquisition was HK\$ nil, compared with the provisional gain on bargain purchase of HK\$23,000 initially assessed and, hence, made an adjustment to reduce the gain on bargain purchase of HK\$23,000 for the year ended 31 December 2022.

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	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Joint ventures:		
Sales of finished goods	773,677	799,422
After-sale service income	1,242	1,191
Sales of raw materials	28,948	3,530
Purchases of raw materials	34,872	113,222
Other service income	20,088	–
Associates:		
Interest income	144	385
Purchases of raw materials	499,599	596,537
Purchases of finished goods	1,740	–
Sales of raw materials	22,701	23,920
Sales of finished goods	3,919,637	3,225,236
After-sale service income	34	545
After-sale service fee	457,137	199,484
Other service income	46,641	51,119
Rental, maintenance income and facilities usage income	2,558	1,906

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	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Companies controlled by TCL Holdings:		
Interest income	62,668	37,313
Interest expense	18,578	21,390
Purchases of raw materials	43,049	7,437
Purchases of finished goods	4,757,428	3,501,017
Sales of raw materials	4,878	7,288
Sales of finished goods	624,730	182,569
Rental, maintenance income and facilities usage income	1,386	2,279
Rental expense and licence fee	10,634	7,077
Brand promotion fee	248,487	227,611
After-sale service income	2,975	–
After-sale service fee	19,648	20,242
Additions of right-of-use assets	44,995	8,168
Depreciation of right-of-use assets	17,752	13,358
Interest expense on lease liabilities	1,226	956
IT and other service fee	27,696	39,031
Other service income	31,106	25,453
Other finance service fee	1,730	10,097
Affiliates of TCL Holdings:		
Purchases of raw materials	779,906	620,100
Purchases of finished goods	670,446	13,872
Sales of raw materials	288,362	4,263
Sales of finished goods	266,548	285,547
Subcontracting fee expense	131,312	185,827
Logistics service fee expense	190,648	173,309
Depreciation of right-of-use assets	4,154	4,812
Interest expense on lease liabilities	600	847
Rental income	2,232	1,251
IT and other service fee	101,736	–
Rental expense and licence fee	182	–
After-sale service fee	13,066	–
Other service income	1,402	–

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	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Companies controlled by TCL Technology:		
Interest income	69	112
Interest expense	-	625
Purchases of raw materials	5,910,879	4,680,279
Purchases of finished goods	2,025,748	1,239,326
Sales of raw materials	689,641	29,256
Sales of finished goods	133,600	217,465
Rental, maintenance income and facilities usage income	30,894	35,319
Rental expense and licence fee	2,211	4,315
Reimbursement of research and development and rental expenses	38,398	20,589
After-sale service income	1,096	2,854
After-sale service fee	1,105	1,341
Platform service fee	58	1,546
Additions of right-of-use assets	-	12,698
Depreciation of right-of-use assets	10,834	8,590
Interest expense on lease liabilities	737	802
IT and other service fee	3,636	4,562
Subcontracting fee expense	1,802	156
Other service income	2,078	710
Other finance service fee	-	1

INTERIM RESULTS

17. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Joint ventures	389,053	388,213	29,204	68,267
Associates	1,471,467	1,836,867	669,872	682,600
TCL Holdings and its affiliates	6,543,320	3,006,314	10,952,559	4,146,849
TCL Technology and its affiliates	1,219,794	596,767	4,098,699	2,292,975

- (c) The relevant balance of advance to TCL Holdings under the meaning of Chapter 13 of the Listing Rules as at 30 June 2023 amounted to approximately HK\$4,218,704,000, out of which: (i) approximately HK\$1,060,510,000 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 4.50% per annum and repayable within one year and without collateral; (ii) approximately HK\$2,859,270,000 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 3.55% to 4.50% per annum and repayable within one year and without collateral; and (iii) approximately HK\$298,924,000 was other receivables from TCL Holdings and its subsidiaries and affiliated companies arising from non-trading nature transactions which were interest-free, unsecured and repayable within one year. For details of the Master Financial (2022-2024) Agreement, please refer to the Company's announcement dated 11 November 2021 and the circular dated 22 November 2021.

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 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	195,017	200,433	195,017	200,433
Trade receivables classified as financial assets at fair value through profit or loss	598,098	340,313	598,098	340,313
Bills receivable	2,856,208	2,219,329	2,856,208	2,219,329
Other receivables classified as financial assets at fair value through profit or loss	63,477	76,136	63,477	76,136
Financial assets at fair value through profit or loss	1,299,352	1,266,076	1,299,352	1,266,076
Derivative financial instruments	328,321	579,984	328,321	579,984
	5,340,473	4,682,271	5,340,473	4,682,271
Financial liabilities				
Interest-bearing bank and other borrowings	5,440,512	5,463,083	5,391,437	5,394,702
Derivative financial instruments	394,453	134,214	394,453	134,214
Financial liability associated with put option	176,025	160,667	176,025	160,667
Other long-term payables	2,953	16,731	2,953	16,731
	6,013,943	5,774,695	5,964,868	5,706,314

INTERIM RESULTS

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

Management has assessed that the fair values of cash and cash equivalents, 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.

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 2023 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 2023, the mark-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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 2023 and 31 December 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/S multiple of peers	30 June 2023: 3.9x to 6.4x (31 December 2022: 3.9x to 6.4x)	5% (31 December 2022: 5%) increase in multiple would result in increase in fair value by HK\$776,000 (31 December 2022: HK\$800,000)
		Average P/S multiple of peers	30 June 2023: 3.7x to 16.0x (31 December 2022: 3.7x to 16.0x)	5% (31 December 2022: 5%) increase in multiple would result in increase in fair value by HK\$1,453,000 (31 December 2022: HK\$1,515,000)
		Average P/E multiple of peers	30 June 2023: 11.5x to 23.1x (31 December 2022: 11.5x to 23.1x)	5% (31 December 2022: 5%) increase in multiple would result in increase in fair value by HK\$9,057,000 (31 December 2022: HK\$9,347,000)
Unlisted equity investments	Back Solve Method	RFR	30 June 2023: Nil (31 December 2022: Nil)	1% (31 December 2022: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	30 June 2023: Nil (31 December 2022: Nil)	1% (31 December 2022: 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 2023 and 31 December 2022: (continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Call options	Black-Scholes Options Pricing Model and Monte Carlo Simulation Model	RFR	30 June 2023: 3.9% to 4.2% (31 December 2022: 3.9% to 4.2%)	1% (31 December 2022: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	30 June 2023: 34.6% to 45.4% (31 December 2022: 34.6% to 45.4%)	1% (31 December 2022: 1%) increase (decrease) in volatility would have no material impact on the fair value
Put option	Black-Scholes Options Pricing Model	RFR	30 June 2023: 3.9% to 4.2% (31 December 2022: 3.9% to 4.2%)	1% (31 December 2022: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	30 June 2023: 34.6% to 45.4% (31 December 2022: 34.6% to 45.4%)	1% (31 December 2022: 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 2023

	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	–	178,213	195,017
Trade receivables classified as financial assets at fair value through profit or loss	–	598,098	–	598,098
Bills receivable	–	2,856,208	–	2,856,208
Other receivables classified as financial assets at fair value through profit or loss	–	63,477	–	63,477
Financial assets at fair value through profit or loss	–	1,299,352	–	1,299,352
Derivative financial instruments	–	77,967	250,354	328,321
	16,804	4,895,102	428,567	5,340,473

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 2022

	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	–	183,629	200,433
Trade receivables classified as financial assets at fair value through profit or loss	–	340,313	–	340,313
Bills receivable	–	2,219,329	–	2,219,329
Other receivables classified as financial assets at fair value through profit or loss	–	76,136	–	76,136
Financial assets at fair value through profit or loss	–	1,266,076	–	1,266,076
Derivative financial instruments	–	335,448	244,536	579,984
	16,804	4,237,302	428,165	4,682,271

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:

	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Equity investments at fair value through other comprehensive income:		
At 1 January	183,629	124,552
Acquisition of subsidiaries	-	1,768
Exchange realignment	(5,416)	(5,511)
At 30 June	178,213	120,809
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000 (restated)
Derivative financial instruments:		
At 1 January	244,536	187,975
Exchange realignment	5,818	4,161
At 30 June	250,354	192,136

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 2023

	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	-	394,453	-	394,453

As at 31 December 2022

	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	-	134,214	-	134,214

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:

	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Derivative financial instruments:		
At 1 January	-	17,579
Exchange realignment	-	109
At 30 June	-	17,688

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 2022: 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 2023

	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	-	5,391,437	-	5,391,437
Financial liability associated with put option	-	-	176,025	176,025
Other long-term payables	-	2,953	-	2,953
	-	5,394,390	176,025	5,570,415

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 2022

	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	–	5,394,702	–	5,394,702
Financial liability associated with put option	–	–	160,667	160,667
Other long-term payables	–	16,731	–	16,731
	–	5,411,433	160,667	5,572,100

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 25 August 2023.

OTHER INFORMATION

CHANGES OF PARTICULARS OF THE DIRECTOR

Certain particulars of the Director have been changed in the following respects since 1 January 2023 up to 21 September 2023, 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
6 April 2023	Mr. WANG Cheng resigned as a director of TCL Zhonghuan Renewable Energy Technology Co., Limited* (TCL中環新能源科技股份有限公司) (a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange, stock code: 002129.SZ).
3 July 2023	Mr. WANG Cheng resigned as a director of Amlogic (Shanghai) Co., Ltd.* (晶晨半導體(上海)股份有限公司) (a joint stock limited company established under the laws of the PRC, the shares of which are listed on the sci-tech innovation board of the Shanghai Stock Exchange, stock code: 688099.SH).

OTHER INFORMATION

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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:

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

OTHER INFORMATION

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

Interests in the Company – Long Positions (continued)

Notes:

1. 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 2023.
2. These equity derivatives were outstanding share options granted to the relevant Directors and/or chief executive of the Company under the 2016 Scheme as at 30 June 2023.
3. The percentages are calculated based on the number of issued shares of the Company as at 30 June 2023, i.e. 2,507,568,733 shares of the Company.

Save as disclosed above, as at 30 June 2023, 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 2023, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares 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	1,374,856,288 (Note 3)	54.83%
WANG Jingbo	Interest of controlled corporation	348,850,000 (Note 4)	13.91%
ZENG Edward Qiang	Interest of controlled corporation	348,850,000 (Note 4)	13.91%
Noah Holdings Limited	Interest of controlled corporation	348,850,000 (Note 5)	13.91%
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)	13.91%
諾亞正行基金銷售有限公司	Interest of controlled corporation	348,850,000 (Note 5)	13.91%
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)	13.91%
歌斐創世鑫根併購一號投資基金	Interest of controlled corporation	348,850,000 (Note 4)	13.91%

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)
歌斐創世鑫根併購基金F投資基金	Interest of controlled corporation	348,850,000 (Note 6)	13.91%
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)	13.91%
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)	13.91%
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)	13.91%
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)	13.91%
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)	13.91%

Notes:

- 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 2023, being 2,507,568,733 shares in issue.

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)

2. As at 30 June 2023, 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 Divisions 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 2023, TCL Holdings was deemed to be interested in 1,374,856,288 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 held as to (i) 0.1% by Mr. ZENG Edward Qiang through China Bridge Capital Management Co., Ltd.* (北京鑫根投資管理有限公司); 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.
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.

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and chief executive of the Company whose interests or short positions are set out in the section headed "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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "AWARD SCHEME" in this interim report, at no time during the six months ended 30 June 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company adopted a 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, a new 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. For details, please refer to the circular of the Company dated 18 April 2016. The purpose of the 2016 Scheme is to recognise and motivate the contribution of the participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

Eligible participants of the 2007 Scheme include the Directors, including independent non-executive Directors, other employees of the Group, advisers, consultants, agents, contractors, clients or suppliers of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group. The eligible participants of the 2016 Scheme is the same as the 2007 Scheme save that under the 2016 Scheme, the definition of “any other person” is refined to employees and officers of any affiliated company (i.e. TCL Technology (being the then ultimate controlling shareholder of the Company), its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, is recorded as an affiliated company in the financial statements of TCL Technology, which shall include any company in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital). The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date until 17 May 2026.

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.

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

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 vesting period or minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the underlying shares of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the Directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share options.

The exercise price of a share option to subscribe for shares 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.

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.

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

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 1 January 2023, the number of shares of the Company that could be issued upon exercise of all share options that could be granted under the then available scheme mandate limit was 233,261,356, which represented approximately 9.33% of the total number of issued shares of the Company as at 1 January 2023. As at 30 June 2023, 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 35,177,319 and 233,261,356, respectively, which represented approximately 1.40% and 9.30% of the total number of issued shares of the Company as at 30 June 2023, respectively. Assuming all said 35,177,319 outstanding share options were exercised as at 30 June 2023, the total number of issued shares of the Company as at 30 June 2023 would be 2,542,746,052, and the shareholding of T.C.L. Industries (H.K.) and Zeal Limited would have been dropped to approximately 54.07% and 13.72% respectively. As at 21 September 2023, being the latest practicable date of this interim report, 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 35,177,319 and 233,261,356, respectively, which represented approximately 1.40% and 9.30% of the total number of issued shares of the Company as at the latest practicable date of this interim report, 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					At 30 June 2023	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK\$	Weighted average share closing price immediately before the exercise dates HK\$
	At 1 January 2023	Reclassification	Granted during the period	Exercised during the period	Cancelled during the period						
Directors											
<i>Executive Director</i>											
YAN Xiaolin	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 2	3.91	N/A
	538,392	-	-	-	-	538,392	25-Apr-18	3,5700	Note 3	3.55	N/A
	654,834	-	-	-	-	654,834					
	654,834	-	-	-	-	654,834					
<i>Non-executive Director</i>											
WANG Cheng	1,063	-	-	-	(1,063)	-	12-May-17	3,7329	Note 1	3.70	N/A
	4,301,397	-	-	-	-	4,301,397	23-Jan-18	4,1520	Note 2	3.91	N/A
	391,464	-	-	-	-	391,464	25-Apr-18	3,5700	Note 3	3.55	N/A
	4,693,924	-	-	-	(1,063)	4,692,861					
<i>Independent Non-executive Directors</i>											
WANG Yijiang	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 2	3.91	N/A
	116,442	-	-	-	-	116,442					
LAU Siu Ki	116,442	-	-	-	-	116,442	23-Jan-18	4,1520	Note 2	3.91	N/A
	119,859	-	-	-	-	119,859	25-Apr-18	3,5700	Note 3	3.55	N/A
	236,301	-	-	-	-	236,301					
	5,046,667	-	-	-	(1,063)	5,045,604					
Chief executive											
ZHANG Shaoyong	381,747	-	-	-	-	381,747	23-Jan-18	4,1520	Note 2	3.91	N/A
	381,747	-	-	-	-	381,747					
Other employees of the Group^a											
	2,157,243	(47,251)	-	(50,000)	-	(2,059,992)	12-May-17	3,7329	Note 1	3.70	3.70
	18,565,303	2,276,876	-	(5,000)	-	(1,307,725)	23-Jan-18	4,1520	Note 2	3.91	3.75
	100,610	1,599,903	-	-	-	1,700,513	25-Apr-18	3,5700	Note 3	3.55	N/A
	20,823,156	3,829,528	-	(55,000)	-	(3,367,717)					
Employees of TCL Holdings and fellow subsidiaries and associated companies of the Company^a											
	30,976	47,251	-	-	-	(78,227)	12-May-17	3,7329	Note 1	3.70	N/A
	637,200	(241,467)	-	-	-	395,733	23-Jan-18	4,1520	Note 2	3.91	N/A
	668,176	(194,216)	-	-	-	(78,227)					
Others^a											
	197,781	-	-	-	-	(197,781)	12-May-17	3,7329	Note 1	3.70	N/A
	6,880,568	(2,035,409)	-	(561)	-	(42,675)	23-Jan-18	4,1520	Note 2	3.91	4.13
	4,468,414	(1,599,903)	-	(1,000)	-	2,867,511	25-Apr-18	3,5700	Note 3	3.55	3.74
	11,546,763	(3,635,312)	-	(1,561)	-	(240,456)					
	39,121,343	-	-	(56,561)	-	(3,887,463)					

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

OTHER INFORMATION

SHARE OPTION SCHEMES (continued)

To comply with the disclosure requirements under the new Rule 17.07 of the Listing Rules which have come into effect on 1 January 2023, information in the above table is presented in the manner that grantees have been re-categorised, with reference to their capacity as at 30 June 2023, into (i) employee participants; (ii) related entity participants; (iii) service providers (if any); and (iv) others who do not fall within the foregoing categories. In this connection, (i) "Other employees of the Group" are employees of the Group other than Directors and chief executives of the Company; (ii) "Employees of TCL Holdings and fellow subsidiaries and associated companies of the Company" corresponds to the related entity participants within the meaning of the new Chapter 17; and (iii) "Others" are participants which do not fall into the definition of employee participants, related entity participants or service providers under the new Chapter 17, who are employees of the then affiliated companies of the Company which however do not fall within the definition of related entity participants under the new Chapter 17.

AWARD SCHEME

The Company adopted the Award Scheme on 6 February 2008 and, unless otherwise cancelled or amended, will remain in force for 15 years from that date until 5 February 2023. The purposes of the Award Scheme are to recognise and motivate the contribution of certain participants and to provide incentives and help the Group in retaining its existing employees and recruiting suitable personnel as additional employees to further the operation and development of the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Eligible participants of the Award Scheme include employees of the Group (including but not limited to directors, chief executives and supervisors), advisers, consultants, agents, contractors, clients or suppliers of any member of the Group, and any employee or officer of any affiliated company (i.e. TCL Technology (being the then ultimate controlling shareholder of the Company), its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, is recorded as an affiliated company in the financial statements of TCL Technology, which shall include any company in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital) who has a managerial role in the affiliated company, whom the Board in its sole discretion considers may contribute or have contributed to the Group.

OTHER INFORMATION

AWARD SCHEME (continued)

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 were set out in the Company's announcements dated 6 February 2008 and 25 June 2015 respectively and the circulars dated 19 March 2008 and 27 July 2015 respectively. On 13 June 2016, the Board further resolved to amend the Award Scheme to allow the Board, at its sole and absolute discretion, to accelerate the vesting of awarded shares of the Company and/or waive and/or alter any or all of the vesting conditions attached to the awarded shares of the Company. 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.

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

OTHER INFORMATION

AWARD SCHEME (continued)

On 18 May 2021, the Company granted (i) a total of 42,054,488 awarded shares of the Company being new shares under the specific mandate approved by the shareholders at the AGM of the Company held on 2 June 2020 for issuance and allotment of new shares of the Company pursuant to the Award Scheme ("2021 New Shares Grant"); and (ii) a total of 72,417,732 awarded shares of the Company 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 and 28 April 2023, the Company allotted and issued 15,497,430 and 7,731,969 ordinary shares of the Company respectively pursuant to awards granted in the form of new shares of the Company on 18 May 2021 under the Award Scheme.

The latest 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 hence 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 the expiry of the Award Scheme on 5 February 2023.

As at 1 January 2023, (i) the maximum number of awarded shares of the Company (whether in the form of new shares or existing shares) available for grant under the Award Scheme (i.e. the scheme limit) was 118,757,710 (representing approximately 4.75% of the total number of issued shares of the Company as at 1 January 2023); and (ii) the number of new shares of the Company which could be issued under the then specific mandate was 74,864,870 (representing approximately 2.99% of the total number of issued shares of the Company as at 1 January 2023). The said scheme limit and specific mandate have expired upon the expiration of the Award Scheme on 5 February 2023. Accordingly, as at 30 June 2023, no further awarded share of the Company (whether in the form of new shares or existing shares) is available for grant under the Award Scheme. As at 21 September 2023, being the latest practicable date of this interim report, save for those new shares of the Company to be issued and allotted upon vesting pursuant to the terms of the 2021 New Shares Grant which was made under the specific mandate approved by the shareholders at the AGM of the Company held on 2 June 2020, no new shares of the Company are available for issue under the Award Scheme.

OTHER INFORMATION

AWARD SCHEME (continued)

Although the Award Scheme has expired on 5 February 2023, the provisions of the Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any awards granted thereunder or otherwise as may be required in accordance with the provisions of the Award Scheme, and the outstanding awards which are granted and subsisting under the Award Scheme shall continue to be in full force and effect in accordance with the Award Scheme.

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 right in respect of the awarded shares of the Company held by the Trustee.

The following award shares were outstanding during the period:

Name or category of participants	Number of award shares						At 30 June 2023	Date of grant of award shares	Share closing price on the date of grant of award shares HK\$	Vesting period of award shares	Share closing price immediately before the date of grant of award shares HK\$	Weighted average share closing price immediately before the vesting dates HK\$
	At 1 January 2023	Reclassification	Granted during the period	Vested during the period [†]	Cancelled during the period	Lapsed during the period						
Directors												
<i>Executive Director</i>												
YAN Xiaolin	2,032,904	-	-	(1,016,452)	-	-	1,016,452	18-May-21	5.21	Note 1	5.16	3.67
	2,032,904	-	-	(1,016,452)	-	-	1,016,452					
	2,032,904	-	-	(1,016,452)	-	-	1,016,452					
<i>Non-executive Directors</i>												
WANG Cheng	4,409,768	-	-	(2,204,884)	-	-	2,204,884	18-May-21	5.21	Note 1	5.16	3.67
	4,409,768	-	-	(2,204,884)	-	-	2,204,884					
SUN Li	1,457,137	-	-	(728,569)	-	-	728,568	18-May-21	5.21	Note 1	5.16	3.67
	1,457,137	-	-	(728,569)	-	-	728,568					
	5,866,905	-	-	(2,933,453)	-	-	2,933,452					
Chief executive												
ZHANG Shaoyong	2,939,845	-	-	(1,469,923)	-	-	1,469,922	18-May-21	5.21	Note 1	5.16	3.67
	2,939,845	-	-	(1,469,923)	-	-	1,469,922					
Other employees of the Group												
	51,397,351	(878,510)	-	(24,319,276)	-	-	26,199,565	18-May-21	5.21	Note 1	5.16	3.67
	51,397,351	(878,510)	-	(24,319,276)	-	-	26,199,565					
Employees of TCL Holdings and fellow subsidiaries and associated companies of the Company												
	1,674,602	791,082	-	(1,196,834)	-	-	1,268,850	18-May-21	5.21	Note 1	5.16	3.67
	1,674,602	791,082	-	(1,196,834)	-	-	1,268,850					
Others												
	8,139,582	87,428	-	(4,113,507)	-	-	4,113,503	18-May-21	5.21	Note 1	5.16	3.67
	8,139,582	87,428	-	(4,113,507)	-	-	4,113,503					
	72,051,189	-	-	(35,049,445)	-	-	37,001,744					

OTHER INFORMATION

AWARD SCHEME (continued)

The following award shares were outstanding during the period: (continued)

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

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

* The awarded shares vested during the period set out in the above table represent the awarded shares underlying such awards of which the relevant vesting conditions have been fulfilled, i.e. such awarded shares which the grantees are entitled to vest upon them, during the period in accordance with the vesting schedule. Yet, under the rules of the Award Scheme, out of the aforesaid awarded shares, certain awarded shares may be deducted by the Company for paying relevant withholding tax for and on behalf of the relevant grantee, if any and where applicable, and accordingly, the final number of awarded Shares, net of tax (if any), actually vested upon and received by a particular grantee during the period may be less than the figures shown in this column.

During the six months ended 30 June 2023, the Company has not granted any share options under the 2016 Scheme or awarded shares under the Award Scheme. As disclosed above, as at 1 January 2023, an aggregate of 39,121,343 share options of the Company and 25,662,255 awarded shares of the Company (being granted in the form of new shares of the Company) were outstanding/unvested and hence during the six months ended 30 June 2023, an aggregate of 64,783,598 shares of the Company may be issued out of the aforesaid outstanding/unvested share options and awarded shares of the Company (being granted in the form of new shares of the Company) granted under the 2016 Scheme and Award Scheme of the Company (representing approximately 2.58% of the weighted average number of shares of the Company in issue during the six months ended 30 June 2023).

During the six months ended 30 June 2023, a total of 7,788,530 shares of the Company were issued, 56,561 of which were issued to option holders who exercised their share options granted under the 2016 Scheme, whilst 7,731,969 of which were issued as awarded shares of the Company under 2021 New Shares Grant pursuant to the Award Scheme.

The expenses in relation to the Award Scheme recorded during the period from 1 January 2023 to 30 June 2023 were approximately HK\$69,215,000.

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 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any dividend for the six months ended 30 June 2023 (30 June 2022: 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.

Throughout the six months ended 30 June 2023, the Company has complied with the code provisions as set out in Part 2 of the Corporate Governance Code under Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed this interim report and the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023, including the accounting principles adopted by the Group, with the Company's management. As at the date of this interim report, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (chairperson), Dr. TSENG Shiang-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 Directors' securities transactions 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 2023.

OTHER INFORMATION

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a written confirmation from TCL Holdings and T.C.L. Industries (H.K.) confirming that for the period from 1 January 2023 to 30 June 2023 (both dates inclusive), they had fully complied with the deed of non-competition executed by them in favour of the Company dated 29 June 2020 (“Deed of Non-Competition (2020)”).

The Company has received a written confirmation from TCL Technology confirming that for the period from 1 January 2023 to 30 June 2023 (both dates inclusive), it had fully complied with 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)”).

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 non-competition undertakings under the Deed of Non-Competition (2020) and the Deed of Termination (2020) have been complied with during the period from 1 January 2023 to 30 June 2023 (both dates inclusive).

On behalf of the Board

DU Juan

Chairperson

Hong Kong, 25 August 2023

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.*