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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01070)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "Board") of directors ("Directors" and each a "Director") of TCL Electronics Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 with comparative figures for the corresponding periods of the preceding financial year.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	
	HK$ Million	HK$ Million	Change
CONTINUING OPERATIONS			
Revenue	**74,847**	50,953	46.9%
Gross profit	**12,534**	9,662	29.7%
Profit for the year	**1,279**	1,893	(32.4%)
Profit attributable to owners of the parent	**1,184**	1,847	(35.9%)
Full year dividend per share (HK cents)			
– Paid interim dividend per share	**–**	9.70	N/A
– Proposed final dividend per share	**16.70**	11.50	45.2%

Note: The above figures do not include discontinued operations

BUSINESS REVIEW AND PROSPECTS

1. Overview

In 2021, the Covid-19 pandemic still posed challenges to the industry and consumer demand. The volatility of price of raw materials such as panels and chips, as well as international logistics, put greater pressure on operations across the industry. Meanwhile, the ecosystem and pattern of the display and value-added service industry continued to upgrade, characterised by accelerated intelligentisation of the industry and transformation of technology. On the whole, despite periodic adjustments taking place across the industry in which the Group operates, the global business scale still continued to expand.

In 2021, the Group embraced changes by employing the strategy of "Value Led by Brand with Relative Cost Advantage", building a new management team and actively working on transformation and innovation. Focusing on the mid-to-high-end market and overseas markets, the Group forayed into new tracks of innovative businesses, which drove the Group's core business to significantly outperform the industry. To better facilitate synergistic business development of the Group, the Group reorganised its business structure into display business, innovative business and Internet business. Of which, the display business includes the large-sized display business (i.e. smart screen[1] business), the small and medium-sized display business and smart commercial display business. The innovative business includes smart connection, smart home, all-category marketing and photovoltaic business. The Internet business will continue to empower the development of the Group's display and innovative businesses as foundational value-added services. The Group will accelerate the implementation of the all-category intelligent Internet of things ("IoT") ecosystem in global markets, consolidate user operation capabilities, and at the same time reinforce its leading edge in the smart display industry. The Group will vigorously develop its innovative businesses by making full use of TCL's global brand power and channel advantages, so as to bring more growth drivers for the expansion of the scale of the Group's business.

In 2021, the Group's active reforms yielded remarkable results and the overall revenue scale grew despite downturn trend, making comprehensive breakthroughs in innovative businesses. In terms of display business, revenue from large-sized display business increased by 24.3% year-on-year to HK$49,267 million, revenue of small and medium-sized display business increased by 29.5%[2] year-on-year to HK$14,375 million, and revenue of smart commercial display business increased by 18.3% year-on-year to HK$307 million. For innovative business, revenue from

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[1] Smart screen mainly refers to smart television ("TV") related products. By shipment over 90% of the Group's TV products are smart screen products.

[2] In September 2020, the Group consolidated the small and medium-sized display business. The 29.5% growth was based on the pro forma consolidation of small and medium-sized display business since January 2020. The year-on-year growth rate was 206.4% in terms of its actual consolidation since September 2020.

smart connection business increased by 34.2%[3] year-on-year to HK$1,560 million, revenue from smart home business increased by 78.9% year-on-year to HK$614 million, and distribution revenue from all-category marketing increased by 70.7% year-on-year to HK$6,372 million. The global Internet business also grew by 49.9% year-on-year to HK$1,849 million, making greater profit contribution. In 2021, the Group's global business scale and ranking continued to lead. The market share[4] of the Group's smart screen firmly ranked No.3 worldwide, and ranked among top 5 in 20 overseas countries and regions. The market share of its smart Android tablet ranked No.4 in the world, while the market share of mobile phone ranked No.3 and No.4 in Canada and the United States of America ("U.S."), respectively.

For the year ended 31 December 2021, the Group's revenue from continuing operations reached HK$74,847 million, increasing by 46.9% year-on-year. The gross profit reached HK$12,534 million with a year-on-year increase of 29.7%, and the gross profit margin decreased by 2.3 percentage points year-on-year to 16.7% due to the increasing prices of panel and chips. Research and Development ("R&D") expenses increased by 52.2% year-on-year to HK$2,481 million, and the R&D expense ratio reached 3.3%. However, the expense ratio was 15.0%, down by 0.5 percentage points year-on-year. For the year ended 31 December 2021, mainly due to increase in raw material prices, the Group's net profit attributable to owners of the parent from continuing operations was HK$1,184 million, decreasing by 35.9% year-on-year. With the drop of the price of upstream panels since the second half of 2021, the Group's gross profit level gradually increased, and the business performance in the fourth quarter of 2021 rebounded significantly. Subject to Shareholders' approval, the Board proposed a final dividend of HK16.70 cents per share for the year ended 31 December 2021, representing a full-year dividend payout ratio of 35.0%.

In terms of R&D investment and accomplishments, in 2021, the Group continued to raise R&D investment, and launched a wide range of intelligent products including Mini LED smart screen, 5G mobile phone, educational tablet, smart commercial display, smart home and AR/XR glasses, which won multiple international recognition and awards. Among them, for large-sized display, TCL OD Zero Mini LED 8K smart screen X925 PRO won the "Best Innovation Award" at the 2022 Consumer Electronics Show ("CES"); TCL 98X9C IMAX Enhanced giant smart screen and TCL C12 QLED Mini LED smart screen won the "Technological Innovation Award" at China Audio and Video Industry Forum ("AVF") in 2021; TCL X10 8K QLED TV was honored with the "2021 Display Industry Award" by the Society for Information Display ("SID"). For small and

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3 In September 2020, the Group consolidated the related business of smart connection. The 34.2% growth was based on the pro forma consolidation of smart connection business since January 2020. The year-on-year growth rate was 211.4% in terms of its actual consolidation since September 2020.

4 The market share is calculated based on the global shipment in 2021. Of which, the global TV data is from Omdia report, the TV data by country is from the GfK and NPD reports, and the mobile phone and Android tablet data is from the IDC report.

medium-sized display, the TCL 20 Pro 5G won the "2022 CES Innovation Award". For smart commercial display, TCL NXTHUB won the "International Design Excellence Awards" ("IDEA"). For smart home, TCL TS8132 was honored with the "Best Buy Soundbar 2021-2022" award by the Expert Imaging and Sound Association ("EISA"); TCL Sweeva 6500 robot vacuum cleaner won the CES "2022 Innovation Award"; TCL Breeva A2 and A5 air purifiers won the German Red Dot Awards of 2021. In terms of smart connection, TCL NXTWEAR AIR received the "The Most Innovative Award of The Year" from the International Data Group ("IDG") of the U.S. These numerous awards accredited to various smart products reflected the Group 's strong capabilities in cutting-edge display and smart technologies.

2. Display Business

2.1 Large-Sized Display

Due to the combination of rising panel prices and advanced demand from the pandemic in 2021, the overall market shipment of global TV sector declined. However, benefitting from the optimisation of the TV industry's product mix and upgrade, the overall sales revenue of the industry still increased significantly. According to the latest industry data from Omdia[5], global TV shipment in 2021 dropped by 5.3% year-on-year to 214 million sets, and sales revenue increased by 14.8% year-on-year. The Group's global smart screen sales volume in 2021 decreased slightly by 1.5% year-on-year to 23.58 million sets with its market share by sales volume increasing by 0.8 percentage points year-on-year to 11.5%, firmly ranking among top three in the world. During the year, the Group actively optimised its product mix, the global sales revenue of TCL smart screen in 2021 increased by 24.3% year-on-year to HK$49,267 million, and the overall sales performance of TCL smart screen was better than the industry average.

International Markets

In 2021, both sales volume and revenue of the Group in international markets achieved growth. The sales volume of TCL smart screen in international markets increased by 7.6% year-on-year, the average selling price ("ASP") increased by 25.1% year-on-year and the sales revenue reached HK$36,029 million, representing an increase of 34.7% year-on-year. Gross profit margin reached 16.1%, which basically remained flat when compared year-on-year.

[5] Omdia refers to a global technology research organisation formed by unifying research brands (Ovum, Heave Reading and Tractica) and the acquired IHS Markit International.

According to the latest report by GfK[6] and NPD[7], the market share of the Group's TCL smart screen ranked among top 5 in 20 overseas countries and regions in terms of sales volume, and achieved year-on-year growth in market share in more than 20 overseas countries, among which:

- North American Markets: due to the "stay-at-home economy" in 2020, the demand for smart screen in North American markets surged more than expected in 2020, hence resulting in a drop in demand in 2021. Due to the relatively high base in 2020, the sales volume of TCL smart screen declined by 6.2% year-on-year in 2021, but still up by 17.6% when compared to that in 2019. For the 12 months ended 31 December 2021, the market share of TCL smart screen by sales volume ranked No.2 in the U.S., No.3 in Canada and rose to No.4 in Mexico (Source: NPD[8]);

- Emerging Markets[9]: with a continuous focus on the key countries, the sales volume of TCL smart screen grew by 10.5% year-on-year in 2021. For the 12 months ended 31 December 2021, the market share of TCL smart screen by sales volume ranked No.1 in both Australia and Pakistan, continued to rank No.2 in the Philippines and Myanmar and No.3 in Saudi Arabia and Morocco, and ranked No.4 in Thailand, Brazil, Vietnam and Argentina (Source: GfK); and

- European Markets: the sales volume of TCL smart screen sustained a high growth momentum in 2021, up by 47.6% year-on-year. For the 12 months ended 31 December 2021, the market share of TCL smart screen by sales volume firmly ranked No.3 in France, rose to No.4 in both Italy and the Czech Republic, and ranked No.5 in Poland (Source: GfK).

The PRC Market

In 2021, the overall retail TV market in the PRC showed trends of optimised product mix, continuous upgrades, decrease in sales volume and increase in revenue. According to the omni-channel data of CMM[10], the overall retail sales volume of the TV industry in the PRC market dropped by 10.4% year-on-year to 37.03 million sets in 2021, while retail sales revenue increased by 15.2% year-on-year to RMB131.5 billion. According to CMM's omni-channel data, in 2021 TCL smart screen ranked No.3 by retail sales volume and No.2 by retail sales revenue in the PRC market, and

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

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

8 This report refers to NPD's U.S./Canada/Mexico retail market research report, based on LCD TV sales volume during January to December 2021 and during January to December 2020.

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

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

mid-to-high-end products continued to expand with its Mini LED smart screen and QLED smart screen securing the rank of No.1 in the PRC market by retail sales volume.

2021 saw a gradual fallback of panel prices in July after a significant rise. During the year, the Group adopted strategies such as optimising product mix and raising selling prices to actively cope with the rising raw material prices, and offset to a great extent pressure of the rising costs. With the change in sales structure, despite a year-on-year decrease of 24.4% in sales volume of TCL smart screen in the PRC market in 2021, the Group recorded a year-on-year increase of 36.0% in ASP of TCL smart screen. Sales revenue of TCL smart screen reached HK$13,238 million, up by 2.9% on a year-on-year basis; gross profit margin was 18.3%, down by 3.0 percentage points year-on-year. The Group will continue optimising its product mix and channel structure in future, boosting market penetration of mid-to-high-end products and strengthening cost reduction and efficiency enhancement, so as to enlarge its competitive edge in the industry and drive improvement in business performance.

2.2 Small and Medium-Sized Display

During the year, the Group launched a number of small and medium-sized screen products, such as TCL 20 Series and 30 Series 5G mobile phones, and NXTPAPER Series educational tablets with eye protection feature, which mainly targeted global top-tier network operators and ranked among the top in sales volume in European and American markets. In 2021, the Group's total sales volume of small and medium-sized display business reached 25.31 million sets, representing a year-on-year growth of 7.5%; the revenue was HK$14,375 million, up by 29.5% year-on-year[11].

In terms of key global markets, according to the latest IDC[12] report, in 2021, sales volume of the Group's mobile phone ranked No.3 in Canada, No.4 in the U.S. and No.5 in Australia and Western Europe. In 2021, sales volume of the Group's smart Android tablets ranked No.4 in the world, among others, it ranked No.3 in the U.S., No.4 in Latin America and No. 5 in Western Europe.

2.3 Smart Commercial Display

In 2021, the Group joined hands with DingTalk and Tencent Meeting ecosystem to seize the opportunity of rapid expansion of remote video conferencing, and forayed into the commercial interactive tablet market.

[11] In September 2020, the Group consolidated the small and medium-sized display business. The 29.5% growth was based on the pro forma consolidation of small and medium-sized display business since January 2020. The year-on-year growth rate was 206.4% in terms of its actual consolidation since September 2020.

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

During the year, the Group launched NXTHUB V60, the first Android large screen with DingTalk video conference in the PRC market, followed by NXTHUB F1 MAX video conferencing large screen jointly released with DingTalk. In addition, the newly launched NXTHUB V61 was also certified by Tencent Meeting Rooms. The scale of the Group's smart commercial display business continued to grow in 2021, with total revenue increasing by 18.3% year-on-year to HK$307 million.

3. Innovative Business

3.1 Smart Connection

The Group has advanced deeply its all-category intelligent IoT ecosystem with focus on smart connective products including smart glasses[13], routers and smart wearables. During the year, the Group launched TCL NXTWEAR Air and Falcon Smart Glasses Pioneer Edition, officially entering the AR/VR field. Meanwhile, while focusing on SIM-card-enabled routers, the Group successfully unveiled four new product categories featuring 5G CPE[14] and 5G MiFi[15], and launched two new smart wearable products at the same time, resulting in a notable growth in the overall sales scale of smart connection. In 2021, the Group's total sales volume of smart connection business reached 5.25 million sets, representing a prominent year-on-year growth of 33.5%. Revenue was HK$1,560 million, with a significant rise of 34.2%[16] year-on-year.

In terms of key global markets and countries, according to the latest figures of global shipment for 2021 as reported by TSR[17], TCL mobile routers ranked No.3 globally, of which it ranked No.1 in the European market. TCL CPE ranked No.6 in terms of global sales volume.

3.2 Smart Home

Leveraging on its strong international brand power and extensive global channel resources, the Group has developed multi-category IoT products to aim for international markets. During the year, the Group was awarded "2021-2022 Top 15 Global Smart Connected Device Brands" at CES 2022. In 2021, revenue from the Group's smart home business reached HK$614 million, up by 78.9% year-on-year.

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

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

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

16 In September 2020, the Group consolidated the related business of smart connection. The 34.2% growth was based on the pro forma consolidation of smart connection business since January 2020. The year-on-year growth rate was 211.4% in terms of its actual consolidation since September 2020.

17 TSR refers to TOKYO SHOKO RESEARCH, LTD.

3.3 All-Category Marketing

The Group has been developing its international business for over two decades, with a well-established channel network in global market and the brand awareness of TCL grows year by year. In order to further improve the intelligent IoT ecosystem and its all-category layout, the Group has strived to maximise its synergistic effect for the distribution of air conditioners, refrigerators and washing machines by leveraging on the brand edge and channel strengths in global market. Distribution revenue of the Group's all-category marketing business reached HK$6,372 million in 2021, representing a growth of 70.7% year-on-year. TCL's air conditioners, refrigerators and washing machines have been frequently recognised by international awards. Among them, the TCL C12 refrigerator won "Red Dot Award" together with the "iF Design Award 2021" in Germany during the year. The TCL C12 washing machine was also recognised by the "iF Design Award 2021". Going forward, the Group will further leverage on its leading edge in brand and channels, to drive the global development of its all-category marketing business.

4. Internet Business

The Group has been actively developing its home Internet business on a global scale, striving to provide users with all-scenario products and services for multi-screen, real-time interaction and smart sensing. For the year ended 31 December 2021, the Group's global Internet business revenue reached HK$1,849 million, representing an increase of 49.9% year-on-year.

The PRC Market

In 2021, revenue from the Group's domestic Internet business (mainly relating to the business of Shenzhen Falcon Network Technology Co. Ltd.* (深圳市雷鳥網絡科技有限公司) ("Falcon Network Technology") and its subsidiaries (collectively, "Falcon Network Technology Group")) in the PRC reached HK$1,490 million, representing a significant increase of 63.7% year-on-year, among which revenue from Falcon Network Technology Group's membership business, vertical and innovative business, and advertising business grew by 62.3%, 78.1% and 25.2% year-on-year, respectively. Together with ongoing improvement in software competitiveness, constant expansion in innovative businesses and greater user stickiness, average revenue per user of Falcon Network Technology Group reached HK$76.2 in 2021, representing a year-on-year growth of 43.4%. As at the end of December 2021, the number of monthly active users of Falcon Network Technology Group reached 19.88 million, representing a year-on-year growth of 11.0%. In addition, Falcon Network Technology Group has been comprehensively developing its innovative businesses such as children's business and large-screen education, as well as exploring vertical content areas such as cloud gaming and short videos. For instance, it set up a joint lab with Tencent START cloud gaming services to explore the market potential of cloud gaming on large screens and create the ultimate cloud gaming experience for consumers on large screens.

In addition, the Group has further increased its shareholding in Falcon Network Technology to 82.22% as of the end of February 2022, which is expected to further increase its revenue and profit contribution to the Group in future.

International Markets

In 2021, the revenue from the Group's Internet business in international markets reached HK$359 million, representing an increase of 11.2% year-on-year. In 2021, the Group continued to expand the development opportunities of global home Internet business, deepened its close cooperation with Internet giants such as Roku, Google and Netflix, achieved additional revenue share from Google platform operations, and enhanced the future room of growth of the Group's Internet revenue in international markets. At the same time, the Group completed the commercial transformation of TCL Channel. As at the end of December 2021, the Group's integrated contents application, TCL Channel, had already covered 58 countries in North America, Europe, Central and South America and Asia Pacific, with a cumulative number of users of 7.05 million. The Group will continue to promote the launch of TCL Channel in more countries in the future with a commitment to providing users with premium quality experience and services in every key market.

5. Outlook

Looking forward to 2022, the structural upgrade of global consumer market is expected to continue. While PRC's economy shifts from speedy growth to high quality development, the upstream panel price will also become stabilised, with more opportunities emerging from the accelerated process of digitisation. At the same time, the global landscape is undergoing profound changes amid ongoing pandemic overseas, adding to the uncertainties of development among international enterprises. In the face of both opportunities and challenges, the Group will keep forging ahead with the strategy of "Value Led by Brand with Relative Cost Advantage", adhere to "Globalisation" and "Technological Transformation", and will continue consolidating and enhancing its leading position in the industry. The Group will vigorously expand its all-category layout of "intelligent IoT ecosystem", strengthen its all-scenario smart and healthy living strategy, and strive to become a world-leading enterprise of smart devices.

– Strengthen the construction of R&D capabilities in technology, attach great importance to R&D investment, adhere to product innovation, and develop industry-leading high-end display technologies such as Mini LED, QLED and 8K. At the same time, focus on intelligent interaction technologies, vigorously push forward the exploration of AI, Internet-based big data, 5G, intelligent manufacturing and other technological areas, and continuously enhance the core competitiveness of the Group;

– constantly strengthen the layout in global supply chain and marketing channels and leverage on and deepen the Group's distinctive advantage of vertically integrated industrial chain. Continue to expand market share and brand awareness of the Group in both domestic and international TV markets, and strive to become No.1 brand in the global TV market. Meanwhile, relying on the Group's global brand and channel advantages, maximise the synergistic effect of all categories, and actively extend all-category marketing business;

– intensify efforts to further advance the development of global Internet business, and deepen the cooperation with overseas Internet partners while improving operations and profitability of Falcon Network Technology Group, to strengthen the integration of domestic and overseas content resources and optimise business ecosystem. Actively explore and develop innovative business, and continuously reinforce operations and profitability of global Internet business;

– seize the emerging opportunities (for example, the national policy of carbon neutrality and opportunities arising from green and clean energy), rely on the trend of technological transformation and innovation and bring together the advantages of the Group in vertical industry chain, sales channels, financial resources and technology to rapidly develop and expand diversified new businesses such as photovoltaic business and AR/XR smart glasses, enabling the Group to achieve high-quality development in the long run; and

– seize the opportunities of digitisation and intelligentisation brought by the development of cutting-edge technologies such as AI and IoT, and keep stepping up efforts in implementing the all-scenario smart and healthy living strategy. Expand the development of three major smart scenarios, namely smart home, mobile services and smart commercial display to offer users smart living services across "All Scenarios, All Categories and Inter-connectivity". Carry forward the all-category layout of "intelligent IoT ecosystem" to steadfastly move towards global leadership.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between 2021 and 2020

The table below lists and compares the figures of 2021 and 2020:

	For the year ended 31 December	
	2021	2020
	HK$'000	HK$'000
CONTINUING OPERATIONS		
REVENUE	**74,846,888**	50,952,927
Cost of sales	**(62,312,579)**	(41,290,719)
Gross profit	**12,534,309**	9,662,208
Other income and gains	**3,029,028**	2,357,859
Selling and distribution expenses	**(7,043,046)**	(5,616,591)
Administrative expenses	**(4,222,634)**	(2,292,414)
Research and development costs	**(2,480,566)**	(1,630,468)
Other operating expenses	**(81,755)**	(52,997)
Impairment losses of financial assets, net	**(32,147)**	(43,387)
	1,703,189	2,384,210
Finance costs	**(400,860)**	(243,769)
Shares of profits and losses of:		
– Joint ventures	**610**	23,236
– Associates	**144,827**	(84,339)
Profit before tax from continuing operations	**1,447,766**	2,079,338
Income tax	**(168,476)**	(185,935)
Profit for the year from continuing operations	**1,279,290**	1,893,403
Profit for the year from discontinued operations	**–**	1,752,216
Profit for the year	**1,279,290**	3,645,619
Profit attributable to owners of the parent		
– For the year (including discontinued operations)	**1,183,999**	3,599,442
– From continuing operations	**1,183,999**	1,847,226

Revenue[18]

The Group's revenue from continuing operations increased by 46.9% year-on-year from HK$50,953 million in 2020 to HK$74,847 million in 2021. The following table shows the Group's revenue by business segments for the years ended 31 December 2021 and 31 December 2020:

	For the year ended 31 December			
	2021		2020	
	HK$'000	**Proportion of the total revenue**	HK$'000	Proportion of the total revenue
Display business	**63,948,886**	**85.4%**	44,570,429	87.5%
Innovative business	**8,546,073**	**11.4%**	4,577,409	9.0%
Internet business	**1,849,165**	**2.5%**	1,233,364	2.4%
Others	**502,764**	**0.7%**	571,725	1.1%
Total revenue	**74,846,888**	**100.0%**	50,952,927	100.0%

Display Business

Revenue from display business grew by 43.5% year-on-year from HK$44,570 million in 2020 to HK$63,949 million in 2021, mainly attributable to the rapid growth in scale of the small and medium-sized display business, whose year-on-year revenue growth rate reached 206.4%. Meanwhile, the product mix of large-sized display business was improved, with the ASP of smart screen increased by 26.1% year-on-year.

Innovative Business

Revenue from innovative business grew by 86.7% year-on-year from HK$4,577 million in 2020 to HK$8,546 million in 2021. This significant year-on-year growth was mainly due to the rapid expansion of smart connection business and all-category marketing business, whose revenue grew at a year-on-year rate of 211.4% and 70.7%, respectively.

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[18] In order to facilitate synergistic business development of the Group, the Group reorganised its business structure into (a) display business; (b) innovative business; and (c) Internet business. For easy understanding, under the sections headed "Business Review and Prospects" and "Management discussion and analysis" in this announcement:

a) "Display business", which comprises large-sized display business (i.e. smart screen business), the small and medium-sized display business and smart commercial display business, corresponds to (i) the "Smart screen" operating segment; (ii) the display business under the "Smart Mobile, Connective Devices and Services" operating segment; and (iii) the display business under the "Smart Commercial Display, Smart Home and others" operating segment under the original business structure as set out in the operating segment information of the financial statements;

b) "Innovative business", which comprises smart connection business, smart home business, all-category marketing business and photovoltaic business, corresponds to (i) the remaining businesses under the "Smart Mobile, Connective Devices and Services" operating segment excluding display business; and (ii) the remaining businesses under the "Smart Commercial Display, Smart Home and others" segment excluding display business under the original business structure as set out in the operating segment information of the financial statements; and

c) "Internet business" still corresponds to the "Internet Business" segment under the original business structure as set out in the operating segment information of the financial statements.

Internet Business

The revenue of Internet business increased by 49.9% year-on-year from HK$1,233 million in 2020 to HK$1,849 million in 2021, mainly due to the improvement of software product capabilities, further enrichment of platform content and continuous boost of user loyalty of Falcon Network Technology Group. The domestic Internet business of the Group (mainly relating to the business of Falcon Network Technology Group) significantly increased by 63.7% in revenue to HK$1,490 million in 2021.

Gross Profit and Gross Profit Margin

Overall gross profit increased by 29.7% year-on-year from HK$9,662 million in 2020 to HK$12,534 million in 2021. Gross profit margin was 16.7% in 2021, down by 2.3 percentage points when compared to that of the corresponding period in 2020.

Display Business

The gross profit margin of display business was 16.1% in 2021, down by 2.1 percentage points year-on-year, which was mainly due to the overall pressure on gross profit as a result of the significant increase in prices of raw materials such as panels in the first half of 2021. Panel prices started to fall in the second half of 2021 and the Group's gross profit margin showed an upward trend in the third quarter of 2021.

Innovative Business

The gross profit margin of innovative business in 2021 was 13.7%, which decreased by 1.1 percentage points year-on-year, mainly due to the increase in raw material prices.

Other Income and Gains

Other income and gains increased by 28.5% year-on-year from HK$2,358 million in 2020 to HK$3,029 million in 2021, mainly due to a year-on-year increase of HK$498 million and HK$127 million respectively in realisation gains from settlement of derivative financial instruments and interest income in 2021.

Selling and Distribution Expenses

The selling and distribution expenses increased by 25.4% year-on-year from HK$5,617 million in 2020 to HK$7,043 million in 2021, the reason for which was mainly related to revenue growth, and due to increased transportation expenses resulting from growing overseas sales volume, and the Group's further investment in branding and market development.

Administrative Expenses

The administrative expenses increased by 84.2% year-on-year from HK$2,292 million in 2020 to HK$4,223 million in 2021, mainly due to increase of labor costs, exchange losses and fees for engaging agencies, etc.

R&D Costs

The R&D costs increased by 52.2% year-on-year from HK$1,630 million in 2020 to HK$2,481 million in 2021. The growth was mainly attributable to the Group's increased investments in frontier technologies such as Mini LED, AI, IoT, 5G, cloud services, big data, intelligent interaction, Android TV system and Internet for its future development.

Impairment Losses on Financial Assets, Net

The net impairment losses on financial assets decreased by 25.9% year-on-year from HK$43 million in 2020 to HK$32 million in 2021. The decrease was mainly due to the Group incurred less expected credit losses on accounts receivable during the year than last year.

Finance Costs

The finance costs increased by 64.4% year-on-year from HK$244 million in 2020 to HK$401 million in 2021, mainly due to increase in new loans.

Share of Profits and Losses – Joint Ventures and Associates

The share of losses in 2020 was HK$61 million and the share of profits in 2021 was HK$146 million, mainly because SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A. ("SEMP TCL") (a then associate of the Company, now a subsidiary of the Company) recorded a loss due to exchange rate fluctuation before it was consolidated in July 2020, resulting in the share of losses in the corresponding period in 2020.

Profit before Tax from Continuing Operations

The profit before tax from continuing operations decreased by 30.4% year-on-year from HK$2,079 million in 2020 to HK$1,447 million in 2021.

Income Tax

The income tax decreased by 9.4% year-on-year from HK$186 million in 2020 to HK$168 million in 2021, the decrease was mainly due to the recognition of deferred tax assets by the Company's subsidiaries.

Profit for the Year and Profit Attributable to Owners of the Parent from Continuing Operations

The profit for the year from continuing operations decreased by 32.4% year-on-year from HK$1,893 million in 2020 to HK$1,279 million in 2021. In 2021, the profit attributable to owners of the parent from continuing operations was HK$1,184 million, decreased by 35.9% year-on-year. The decrease was mainly due to a notable surge in panel prices in the first half of 2021 and significantly growing overall transportation expenses caused by the increase in overseas sales volume. Panel prices started falling in the second half of 2021, and the Group's business performance has shown an upward trend in the fourth quarter of 2021.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

During the period from 3 March 2021 to 4 March 2021, TCL King Electrical Appliances (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司, a subsidiary of the Company) ("TCL King (Huizhou)") sold an aggregate of 8,222,400 shares of Amlogic (Shanghai) Co., Ltd.* (晶晨半導體(上海)股份有限公司) ("Amlogic", a joint stock limited company established in the PRC, the shares of which are listed on the sci-tech innovation board of the Shanghai Stock Exchange, stock code: 688099.SH) (the "Amlogic Shares") (representing approximately 2.00% of the total issued Amlogic Shares as at 4 March 2021) by way of block trading in the open market at an average price of approximately RMB79.36 per share for an aggregate consideration of approximately RMB652.51 million (equivalent to approximately HK$781.90 million) (before transaction costs), which was receivable in cash on settlement. Further details of these transactions are set out in the Company's announcement dated 4 March 2021. During the period from 6 May 2021 to 25 May 2021, TCL King (Huizhou) further sold 658,458 Amlogic Shares (representing approximately 0.16% of the total issued Amlogic Shares as at 25 May 2021) by way of auction in the open market at an average price of approximately RMB85.64 per share for an aggregate consideration of approximately RMB56.39 million (equivalent to approximately HK$67.69 million) (before transaction costs), which was receivable in cash on settlement (collectively the "Amlogic Disposals"). Immediately following the completion of the Amlogic Disposals, the Company (through TCL King (Huizhou)) held 20,555,950 Amlogic Shares (representing approximately 5.00% of the total issued Amlogic Shares as at 25 May 2021).

On 17 December 2021 (after trading hours), the investment cooperation framework agreement ("Investment Cooperation Framework Agreement") had been entered into between the Company and TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司) ("TCL Holdings") in respect of, among others, the establishment of an investment fund ("Investment Fund") in the form of limited partnership and the subscription of interests therein. Pursuant to the Investment Cooperation Framework Agreement, the total capital commitment to the Investment Fund is RMB1,000.00 million (equivalent to approximately HK$1,222.50 million), of which RMB199.90 million will be contributed by one or more subsidiary(ies) of the Company to be nominated by the Company as limited partner(s) and RMB800.10 million will be contributed by one or more subsidiary(ies) of TCL Holdings to be nominated by TCL Holdings as general partner(s). Further details of this transaction are set out in the Company's announcement dated 17 December 2021.

On 17 December 2021 (after trading hours), TCL King (Huizhou) entered into the equity transfer agreement with TCL Holdings, pursuant to which TCL King (Huizhou) had agreed to sell, and TCL Holdings had agreed to purchase, 100% equity interest in TCL Hengshi Tianrui Investment (Ningbo) Co., Ltd.* (TCL恒時天瑞投資(寧波)有限公司, a subsidiary of TCL King (Huizhou)) at the consideration of approximately RMB10.40 million (equivalent to approximately HK$12.71 million). The transaction was completed on 28 December 2021. Further details of this transaction are set out in the Company's announcement dated 17 December 2021.

On 20 December 2021 (after trading hours), the strategic co-operation agreement ("Strategic Co-operation Agreement") had been entered into between the Company and TCL Holdings in respect of, among others, the formation of a joint venture company ("JV Company") and the subscription of interests therein. Pursuant to the Strategic Co-operation Agreement, the registered capital of the JV Company is RMB100.00 million (equivalent to approximately HK$122.25 million), of which RMB19.99 million will be contributed by one or more subsidiary(ies) of the Company to be nominated by the Company ("TCL Electronics Nominee Company(ies)") and RMB80.01 million will be contributed by one or more subsidiary(ies) of TCL Holdings to be nominated by TCL Holdings ("TCL Holdings Nominee Company(ies)"). Upon completion, the JV Company will be owned as to 19.99% by TCL Electronics Nominee Company(ies) and 80.01% by TCL Holdings Nominee Company(ies). Pursuant to the Strategic Co-operation Agreement, TCL Electronics Nominee Company(ies) and TCL Holdings Nominee Company(ies) shall enter into the shareholders' agreement ("Shareholders' Agreement") and the articles of association of the JV Company which will set out the terms to govern, among other things, the relationship between TCL Electronics Nominee Company(ies) and TCL Holdings Nominee Company(ies) as shareholders of the JV Company and the operation and management of the JV Company. Further details of this transactions are set out in the Company's announcement dated 20 December 2021.

Pursuant to the Shareholders' Agreement, among others, the entire capital commitment from TCL Electronics Nominee Company(ies) to the JV Company in the sum of RMB19.99 million (equivalent to approximately HK$24.44 million) shall be satisfied by way of injecting into and transferring to the JV Company the 51 registered invention patents legally and beneficially owned by the Group in relation to augmented reality technology ("Intellectual Property Rights"). As TCL Electronics Nominee Company(ies) will hold only 19.99% equity interest of the JV Company upon formation of the JV Company, the JV Company will not become a subsidiary of the TCL Electronics Nominee Company(ies), and hence the injection into and transfer of Intellectual Property Rights from the Group to the JV Company subject to and in accordance with the Strategic Co-operation Agreement and the Shareholders' Agreement will constitute a disposal of the Intellectual Property Rights by the Group. The transaction has been completed as at the date of this announcement. Further details of this transactions are set out in the Company's announcement dated 20 December 2021.

Save as disclosed above, the Group had no other significant investment held as at 31 December 2021, and did not undertake any material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Liquidity and Financial Resources

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

The cash and cash equivalents of the Group as at 31 December 2021 amounted to approximately HK$11,509,166,000, of which 0.3% was in Hong Kong dollars, 43.3% was in U.S. dollars, 44.0% was in Renminbi, 3.4% was in Euros and 9.0% was in other currencies for overseas operations.

For the purpose of day-to-day liquidity management and future expansion, the Group has access to bank and other borrowings. The bank and other borrowings of the Group as at 31 December 2021 were HK$6,880,117,000 which were interest-bearing at fixed rates ranging from 0.20% to 4.75% and denominated in U.S. dollars, Renminbi, Euros and Mexican Peso. The maturity profile of borrowing was on demand to within seven years. It is the intention of the Group to maintain a mix of equity and debt to ensure an efficient capital structure and in view of the reasonable interest rate. There was no material change in available credit facilities when compared with the year ended 31 December 2020 and there was no asset held under finance lease as at 31 December 2021.

As at 31 December 2021, the Group's gearing ratio was 0% since the Group's cash and cash equivalents, and restricted cash and pledged deposits of approximately HK$12,085,924,000 were higher than the total interest-bearing bank and other borrowings and lease liabilities of approximately HK$7,340,621,000. Gearing ratio was calculated by net borrowings (i.e. total interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents, and restricted cash and pledged deposits), divided by equity attributable to owners of the parent. The maturity profile of such borrowings ranged from on demand to within seven years.

Pledge of Assets

As at 31 December 2021, the Group had restricted cash and pledged deposits balances of approximately HK$576,758,000 (31 December 2020: HK$202,229,000) pledged as the balance of performance and quality guarantees, financial assets and banking facilities for the Group.

Capital Commitments and Contingent Liabilities

As at 31 December 2021, the Group had the following capital commitments:

	2021	2020
	HK$'000	HK$'000
Contracted, but not provided for	**400,089**	231,096
Authorised, but not contracted for	**663,529**	256,002
	1,063,618	487,098

As at 31 December 2021, 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 SEMP TCL, is currently a defendant in a lawsuit in Brazil with Brazil tax authority for alleged improper application of tax credits for the period of 2012 and 2013.

As at the date of this announcement, the lawsuit is still ongoing. The information usually required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigations. Based on the response from the independent attorney in charge, it is expected that the litigation will last for 3 to 5 years. The Group has not made any provision as the Group, based on the advice from the Group's legal counsel, believes that SEMP Mobilidade has a valid defence against the allegation.

Pending Litigation

Save as disclosed above, the Group was not involved in any material litigation as at 31 December 2021.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

As at 31 December 2021, the Group had a total of 31,238 dynamic and talented employees. During the year ended 31 December 2021, the total staff costs amounted to HK$5,989,639,000. They were all dedicated to advancing the quality and reliability of our operations. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and performance of both the individual 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. Share options carrying rights to subscribe for a total number of 48,575,801 shares remained outstanding as at 31 December 2021.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and was amended on 11 August 2015, 13 June 2016, 24 November 2017 and 4 May 2018 respectively. 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Twelve months ended 31 December 2021 HK$'000	2020 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**74,846,888**	50,952,927
Cost of sales		**(62,312,579)**	(41,290,719)
Gross profit		**12,534,309**	9,662,208
Other income and gains		**3,029,028**	2,357,859
Selling and distribution expenses		**(7,043,046)**	(5,616,591)
Administrative expenses		**(4,222,634)**	(2,292,414)
Research and development costs		**(2,480,566)**	(1,630,468)
Other operating expenses		**(81,755)**	(52,997)
Impairment losses on financial assets, net		**(32,147)**	(43,387)
		1,703,189	2,384,210
Finance costs	6	**(400,860)**	(243,769)
Share of profits and losses of:			
Joint ventures		**610**	23,236
Associates		**144,827**	(84,339)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**1,447,766**	2,079,338
Income tax	8	**(168,476)**	(185,935)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,279,290**	1,893,403
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	9	**–**	1,752,216
PROFIT FOR THE YEAR		**1,279,290**	3,645,619

	Twelve months ended 31 December	
	2021	2020
	HK$'000	HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of the hedging instruments arising during the year	**144,746**	32,987
Reclassification adjustments for gains included in profit or loss	**(103,426)**	(67,689)
Income tax effect	**2,280**	1,019
	43,600	(33,683)
Exchange differences:		
Translation of foreign operations	**378,920**	879,796
Reclassification adjustments for foreign operations disposed of or liquidated during the year	**16,736**	87,092
Reclassification adjustments for associates deemed partial disposed, partial disposed, disposed of or liquidated during the year	**(7,769)**	185,059
	387,887	1,151,947
Financial assets at fair value through other comprehensive income:		
Changes in fair value, net of income tax	**5,677**	5,190
Reclassification adjustments for subsidiaries disposed of during the year	**–**	1,508
	5,677	6,698
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**437,164**	1,124,962

	Note	Twelve months ended 31 December 2021 HK$'000	2020 HK$'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of income tax		**10,953**	15,225
Share of other comprehensive income of associates and a joint venture		**12,122**	30,363
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**23,075**	45,588
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**460,239**	1,170,550
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,739,529**	4,816,169
Profit attributable to:			
Owners of the parent		**1,183,999**	3,599,442
Non-controlling interests		**95,291**	46,177
		1,279,290	3,645,619
Total comprehensive income attributable to:			
Owners of the parent		**1,638,822**	4,743,236
Non-controlling interests		**100,707**	72,933
		1,739,529	4,816,169
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic			
– For profit for the year		**HK49.26 cents**	HK154.43 cents
– For profit from continuing operations		**HK49.26 cents**	HK79.25 cents
Diluted			
– For profit for the year		**HK47.50 cents**	HK152.26 cents
– For profit from continuing operations		**HK47.50 cents**	HK78.14 cents

Details of the dividends for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2021 HK$'000**	31 December 2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,061,005**	2,757,190
Investment properties		**569,177**	579,559
Right-of-use assets		**1,079,530**	844,369
Goodwill		**3,322,316**	3,301,381
Other intangible assets		**1,311,484**	1,314,735
Investments in joint ventures		**80,852**	89,793
Investments in associates		**1,600,929**	1,343,495
Equity investments designated at fair value through other comprehensive income		**141,356**	101,670
Deferred tax assets		**336,792**	271,552
Other deferred assets		**179,210**	136,396
Restricted cash and pledged deposits		**–**	131
Total non-current assets		**11,682,651**	10,740,271
CURRENT ASSETS			
Inventories		**13,555,596**	10,026,153
Trade receivables	12	**11,697,726**	10,851,368
Bills receivable		**1,901,694**	2,829,150
Prepayments, other receivables and other assets		**6,901,965**	5,764,323
Tax recoverable		**122,154**	114,766
Financial assets at fair value through profit or loss		**1,342,088**	1,083,253
Derivative financial instruments		**240,587**	339,992
Restricted cash and pledged deposits		**576,758**	202,098
Cash and cash equivalents		**11,509,166**	10,384,885
		47,847,734	41,595,988
Assets classified as held for sale	13	**3,952**	–
Total current assets		**47,851,686**	41,595,988

	Notes	31 December 2021 HK$'000	31 December 2020 HK$'000
CURRENT LIABILITIES			
Trade payables	14	**15,826,244**	14,417,138
Bills payable		**3,599,248**	3,051,721
Other payables and accruals		**12,743,589**	10,688,229
Interest-bearing bank and other borrowings	15	**6,387,292**	4,588,751
Lease liabilities		**140,820**	95,469
Tax payable		**116,231**	142,874
Financial liability associated with put option		**121,370**	–
Derivative financial instruments		**34,782**	179,942
Provisions		**971,448**	800,412
Total current liabilities		**39,941,024**	33,964,536
NET CURRENT ASSETS		**7,910,662**	7,631,452
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,593,313**	18,371,723
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**492,825**	858,037
Lease liabilities		**319,684**	250,563
Financial liability associated with put option		**–**	123,916
Deferred tax liabilities		**341,846**	355,190
Other long-term payables		**48,715**	34,313
Derivative financial instruments		**17,579**	14,827
Total non-current liabilities		**1,220,649**	1,636,846
Net assets		**18,372,664**	16,734,877
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	**2,479,959**	2,452,482
Reserves		**15,477,904**	13,711,708
		17,957,863	16,164,190
Non-controlling interests		**414,801**	570,687
Total equity		**18,372,664**	16,734,877

Notes:

1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and have been applied retrospectively, but are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on various Interbank Offered Rates as at 31 December 2021. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and no significant modification gain or loss arises as a result of applying the amendments to these changes.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$450,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021.

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

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1 issued in August 2020, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, the effective date of HKFRS 17 was deferred to 1 January 2023, and HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical television ("smart screen" or "TV") segments and other product types and has four 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 overseas markets;

(b) Internet business segment – membership cards, video-on-demand, advertising, vertical application and other new businesses;

(c) Smart mobile, connective devices and services segment – manufacture and sale of mobile phones, smart connective products and display and service; and

(d) Smart commercial display, smart home and other businesses segment.

The Group's TV original design manufacture ("ODM") business and safety and inspection equipment business were regarded as discontinued operations which details are set out in note 9.

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

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

	Continuing operations												Discontinued operations					
	Smart screen				Internet business		Smart mobile, connective devices and services		Smart commercial display, smart home and others		Total continuing operations				Eliminations		Consolidated	
	TCL smart screen – the PRC market		TCL smart screen – overseas markets															
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:																		
Sales to external customers	**13,238,010**	12,862,333	**36,028,572**	26,756,990	**1,849,165**	1,233,364	**15,935,477**	5,192,734	**7,795,664**	4,907,506	**74,846,888**	50,952,927	**–**	6,796,477	**–**	–	**74,846,888**	57,749,404
Intersegment sales	**2,401,943**	2,749,393	**709,543**	672,001	**18,153**	37,627	**2,817**	105	**76,043**	91,396	**3,208,499**	3,550,522	**–**	–	**(3,208,499)**	(3,550,522)	**–**	–
Total	**15,639,953**	15,611,726	**36,738,115**	27,428,991	**1,867,318**	1,270,991	**15,938,294**	5,192,839	**7,871,707**	4,998,902	**78,055,387**	54,503,449	**–**	6,796,477	**(3,208,499)**	(3,550,522)	**74,846,888**	57,749,404
Gross profit	**2,429,129**	2,739,714	**5,795,769**	4,363,482	**1,042,269**	829,913	**2,359,633**	1,049,092	**907,509**	680,007	**12,534,309**	9,662,208	**–**	463,991	**–**	–	**12,534,309**	10,126,199

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers	**74,846,888**	50,952,927

Disaggregated revenue information from continuing operations for revenue from contracts with customers

For the year ended 31 December 2021

Segments	**Smart screen and other products HK$'000**	**Internet business HK$'000**	**Total HK$'000**
Type of goods or services			
Sale of goods	**72,997,723**	**235,120**	**73,232,843**
Video-on-demand services	**–**	**389,715**	**389,715**
Advertising, vertical application and other new businesses	**–**	**1,224,330**	**1,224,330**
Total revenue from contracts with customers	**72,997,723**	**1,849,165**	**74,846,888**
Geographical markets			
Mainland China	**18,028,151**	**1,490,214**	**19,518.365**
Europe	**11,158,321**	**–**	**11,158,321**
North America	**22,331,632**	**41,821**	**22,373,453**
Emerging Markets	**21,479,619**	**317,130**	**21,796,749**
Total revenue from contracts with customers	**72,997,723**	**1,849,165**	**74,846,888**
Timing of revenue recognition			
Goods transferred at a point in time	**72,997,723**	**235,120**	**73,232,843**
Services transferred over time	**–**	**389,715**	**389,715**
Services transferred at a point in time	**–**	**1,224,330**	**1,224,330**
Total revenue from contracts with customers	**72,997,723**	**1,849,165**	**74,846,888**

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

For the year ended 31 December 2020

Segments	Smart screen and other products HK$'000	Internet business HK$'000	Total HK$'000
Type of goods or services			
Sale of goods	49,719,563	117,082	49,836,645
Video-on-demand services	–	277,051	277,051
Advertising, vertical application and other new businesses	–	839,231	839,231
Total revenue from contracts with customers	49,719,563	1,233,364	50,952,927
Geographical markets			
Mainland China	15,735,849	910,538	16,646,387
Europe	6,160,206	–	6,160,206
North America	14,760,867	45,678	14,806,545
Emerging Markets	13,062,641	277,148	13,339,789
Total revenue from contracts with customers	49,719,563	1,233,364	50,952,927
Timing of revenue recognition			
Goods transferred at a point in time	49,719,563	117,082	49,836,645
Services transferred over time	–	277,051	277,051
Services transferred at a point in time	–	839,231	839,231
Total revenue from contracts with customers	49,719,563	1,233,364	50,952,927

6. FINANCE COSTS

	2021 **HK$'000**	2020 HK$'000
Interest on:		
Bank and other loans	**331,038**	212,299
Loans from a company controlled by TCL Technology Group Corporation ("TCL Technology")	**17,179**	345
Loans from companies controlled by TCL Holdings	**22,515**	15,391
Discounted bills receivable from a company controlled by TCL Technology	**2,481**	132
Imputed interest on a financial liability arising from a put option	**5,460**	8,118
Interest expense on lease liabilities	**22,187**	7,484
Total finance costs for the year from continuing operations	**400,860**	243,769

7. PROFIT BEFORE TAX

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

	2021	2020
	HK$'000	HK$'000
Cost of inventories sold	**62,312,579**	41,290,719
Depreciation of property, plant and equipment	**348,606**	217,584
Depreciation of investment properties	**14,922**	6,868
Depreciation of right-of-use assets	**166,251**	116,671
Depreciation on other deferred assets	**1,043**	1,489
Research and development costs	**2,480,566**	1,630,468
Amortisation of other intangible assets	**599,069**	161,944
Lease payments not included in the measurement of lease liabilities	**138,075**	77,949
Auditor's remuneration	**11,649**	13,119
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**5,311,468**	3,942,518
Equity-settled share option expense	**1,912**	14,298
Employee share-based compensation benefits under the Award Scheme	**132,163**	7,700
Share award benefits of a subsidiary	**39,536**	89,629
Defined contribution expenses	**504,560**	197,717
	5,989,639	4,251,862
Foreign exchange differences, net	**496,816**	(171,236)
Impairment of financial assets:		
Impairment of trade receivables, net	**31,827**	15,636
Impairment of other receivables, net	**2,716**	20,410
	34,543	36,046
Impairment of goodwill**	**12,049**	–
Impairment of property, plant and equipment**	**–**	6,410
Impairment of other intangible assets**	**–**	2,428
Write-down/(reversal) of inventories to net realisable value	**381,395**	(44,995)
Rental income, net	**(19,356)**	(15,682)
Interest income	**(404,475)**	(276,878)
Government grants*:		
Credited to other revenue and gains	**(635,297)**	(515,325)
Deducted from cost of sales and relevant expenses	**(52,723)**	(71,014)
	(688,020)	(586,339)

	2021 HK$'000	2020 HK$'000
Fair value (gains)/losses, net:		
Derivative instruments – transactions not qualifying as hedges	**38,456**	(29,334)
Financial assets at fair value through profit or loss	**(16,105)**	(314)
Realised gain on settlement of derivative financial instruments	**(703,723)**	(205,583)
Realised gain on settlement of financial assets at fair value through profit or loss	**(86,986)**	(77,997)
Gain on disposal of items of property, plant and equipment, net	**(23,111)**	(2,034)
(Gain)/loss on disposal of other intangible assets, net	**(5,593)**	185**
Loss arising from remeasurement and deemed disposal of previously held interests in step acquisition of subsidiaries	**–**	23,688**
(Gain)/loss on liquidation of subsidiaries	**16,750****	(1,384)
Loss on disposal of a subsidiary	**2****	–
Gain on disposal of associates	**–**	(14,252)
Gain on partial disposal of an associate	**(740,988)**	(787,941)
Deemed gain on partial disposal of associates	**(61,993)**	(82)
Gain on liquidation of an associate	**–**	(227)
Restructuring cost provision, net	**–**	129
Product warranty provision, net	**772,885**	488,402

Notes:

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

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

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, no subsidiary (2020: one subsidiary) of the Group which are qualifying entities under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of these subsidiaries are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% for 2020. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2021	2020
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**24,723**	37,832
Underprovision in prior years	**1,644**	270
Current– Elsewhere		
Charge for the year	**233,514**	173,527
(Overprovision)/Underprovision in prior years	**(12,351)**	7,866
Deferred	**(79,054)**	(33,560)
Total tax charge for the year from continuing operations	**168,476**	185,935

9. DISCONTINUED OPERATIONS

On 29 June 2020, the Company and T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries (H.K.)") entered into a conditional share transfer agreement, pursuant to which T.C.L. Industries (H.K.) has conditionally agreed to acquire from the Company and the Company has conditionally agreed to transfer to T.C.L. Industries (H.K.) its 100% equity interest in Moka International Limited ("Moka International"), at a consideration of RMB2,500,000,000 ("Moka International Disposal"), which was satisfied in cash. Moka International and its subsidiaries are principally engaged in TV ODM business. The Moka International Disposal was completed on 31 August 2020.

On 14 September 2020, TCL Commercial Information Technology (Huizhou) Limited ("CI Tech", a subsidiary of the Company) entered into an equity transfer agreement with an independent third party, pursuant to which CI Tech agreed to sell, and the independent third party agreed to acquire 100% equity interest in TCL New Technology (Huizhou) Co., Limited ("New Technology (Huizhou)") at the consideration of RMB80,092,000 ("New Technology (Huizhou) Disposal"), which was satisfied in cash. New Technology (Huizhou) is principally engaged in safety and inspection equipment business. The New Technology (Huizhou) Disposal was completed on 23 September 2020.

The Moka International Disposal and the New Technology (Huizhou) Disposal constitute discontinued operations in TV ODM business and safety and inspection equipment business respectively.

The results of discontinued operations for the year ended 31 December 2020 were presented below:

	2020
	HK$'000
Revenue	6,796,477
Cost of sales	(6,332,486)
Gross profit	463,991
Other income and gains	89,667
Selling and distribution costs	(129,589)
Administrative expenses	(151,811)
Research and development costs	(133,014)
Reversal of impairment losses on financial assets, net	1,919
	141,163
Finance costs	(6,326)
Profit before tax from the discontinued operations	134,837
Income tax:	
Related to pre-tax profit	(26,169)
	108,668
Net gain on disposal of discontinued operations	1,643,548
Profit for the year from the discontinued operations	1,752,216

	2020
Earnings per share from discontinued operations:	
Basic	HK75.18 cents
Diluted	HK74.12 cents

The calculations of basic and diluted earnings per share from discontinued operations were based on:

	2020
Profit attributable to ordinary equity holders of the parent from discontinued operations	HK$1,752,216,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 11)*	2,330,839,467
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation *(note 11)*	2,364,105,060

10. DIVIDENDS

	2021	2020
	HK$'000	HK$'000
Interim dividend – Nil (2020: HK9.70 cents) per ordinary share	**–**	230,029
Proposed final dividend – HK16.70 cents (2020: HK11.50 cents) per ordinary share	**414,153**	282,035
	414,153	512,064

The Board resolved to not declare any dividend for the six months ended 30 June 2021 (2020: HK9.70 cents per ordinary share and the total amounts declared and paid are HK$230,029,000 and HK$230,237,000 respectively).

The above amount of proposed final dividend for the year ended 31 December 2021 was calculated based on the number of shares of the Company as at 31 December 2021 for illustration. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM"). These consolidated financial statements do not reflect this dividend payable.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,403,808,710 (2020: 2,330,839,467) in issue during the year.

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

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

	2021	2020
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:		
From continuing operations	**1,183,999**	1,847,226
From discontinued operations	**–**	1,752,216
	1,183,999	3,599,442

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the year used in the basic earnings per share calculation	**2,403,808,710**	2,330,839,467
Effect of dilution – weighted average number of ordinary shares:		
Share options	**11,739,101**	15,454,669
Awarded shares	**77,246,828**	17,810,924
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,492,794,639**	2,364,105,060

12. TRADE RECEIVABLES

	Note	2021 HK$'000	2020 HK$'000
Due from third parties		**10,405,892**	7,271,930
Due from related parties:			
Companies controlled by TCL Holdings	(a)	**45,822**	2,042,688
Affiliates of TCL Holdings	(a)	**71,596**	6,267
Companies controlled by TCL Technology	(a)	**327,773**	190,745
Affiliates of TCL Technology	(a)	**6**	–
Joint ventures	(a)	**267,210**	130,570
Associates	(a)	**767,468**	1,137,743
Other related parties	(a)	**–**	229,665
		1,479,875	3,737,678
Impairment allowance		**(188,041)**	(158,240)
		11,697,726	10,851,368

Note:

(a) As at 31 December 2021 and 2020, the amounts were interest-free, unsecured and repayable within one year.

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

Save for those amounts due from the related parties, in view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group holds a commercial property from a group of customers as collaterals for trade receivables of HK$443,049,000 (2020: Nil) due by them with interest bearing at 3% per annum. The Group does not hold any collaterals or other credit enhancements over its remaining trade receivables. The remaining trade receivables are non-interest bearing.

Included in the Group's trade receivables are receivables to be factored of HK$955,454,000 (2020: HK$549,631,000), as well as 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$9,016,000 (2020: HK$6,808,000). The above receivables are classified as financial assets at fair value through profit or loss. The remaining trade receivables with a gross carrying amount of HK$10,921,297,000 (2020: HK$10,453,169,000) are measured at amortised cost.

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

	2021	2020
	HK$'000	HK$'000
Current to 90 days	**9,216,657**	8,774,198
91 to 180 days	**1,704,485**	981,656
181 to 365 days	**443,167**	120,536
Over 365 days	**521,458**	1,133,218
	11,885,767	11,009,608
Impairment allowance	**(188,041)**	(158,240)
	11,697,726	10,851,368

13. ASSETS CLASSIFIED AS HELD FOR SALE

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

14. TRADE PAYABLES

	Note	**2021**	2020
		HK$'000	HK$'000
Due to third parties		**9,841,942**	9,598,711
Due to related parties:			
Companies controlled by TCL Holdings	(a)	**1,494,278**	1,440,688
Affiliates of TCL Holdings	(a)	**348,295**	487,038
Companies controlled by TCL Technology	(a)	**3,994,289**	2,837,266
Affiliates of TCL Technology	(a)	**1,770**	–
Joint ventures	(a)	**56,240**	–
Associates	(a)	**89,430**	51,476
Other related parties	(a)	**–**	1,959
		5,984,302	4,818,427
		15,826,244	14,417,138

Note:

(a) As at 31 December 2021 and 2020, the amounts were interest-free, unsecured and repayable within one year.

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

	2021	2020
	HK$'000	HK$'000
Current to 90 days	**13,976,830**	13,236,751
91 to 180 days	**1,468,244**	768,348
181 to 365 days	**145,062**	162,076
Over 365 days	**236,108**	249,963
	15,826,244	14,417,138

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Current		
Bank loans – unsecured	**6,356,258**	4,522,538
Other loans – unsecured	**22,018**	59,405
Advances from banks as consideration for factored receivables	**9,016**	6,808
	6,387,292	4,588,751
Non-current		
Bank loans – unsecured	**492,825**	836,651
Other loans – unsecured	**–**	21,386
	492,825	858,037
	6,880,117	5,446,788
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**6,365,274**	4,529,346
In the second year	**117,057**	736,125
In the third to fifth years	**253,448**	100,526
After fifth years	**122,320**	–
	6,858,099	5,365,997
Analysed into:		
Other loans repayable:		
Within one year or on demand	**22,018**	59,405
In the second year	**–**	21,386
	22,018	80,791
	6,880,117	5,446,788

Notes:

(a) As at 31 December 2021 and 2020, the carrying amounts of the Group's bank and other borrowings were approximated to their fair values.

(b) TCL Holdings together with TCL Technology have guaranteed certain of the Group's bank loans up to HK$3,564,279,000 (2020: HK$2,687,453,000) and TCL Technology has individually guaranteed certain of the Group's bank loans up to HK$1,598,204,000 (2020: HK$1,726,855,000) as at the end of the reporting period.

16. SHARE CAPITAL

	2021	2020
	HK$'000	HK$'000
Authorised:		
3,000,000,000 (2020: 3,000,000,000) shares of HK$1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
2,479,959,408 (2020: 2,452,481,691) shares of HK$1.00 each	**2,479,959**	2,452,482

During the year, the subscription rights attaching to 12,144,021, 4,789,276, 747,999, 1,416,399, 7,422,836 and 957,186 share options were exercised at the subscription prices of HK$3.3918, HK$4.4834, HK$4.3860, HK$3.7329, HK$4.1520 and HK$3.5700 per share, respectively, resulting in the issue of an aggregate of 27,477,717 shares of HK$1.00 each for a total cash consideration of HK$105,467,000 before expenses.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares by the Company, or any of its subsidiaries, of the shares of the Company for the year ended 31 December 2021.

FINAL DIVIDEND

The Board has proposed a final dividend of HK16.70 cents (2020: HK11.50 cents) in cash per share for the year ended 31 December 2021. Subject to approval at the forthcoming AGM on 17 June 2022, Friday, the said final dividend will be payable on or about 5 August 2022, Friday to shareholders whose names appear on the register of members of the Company on 7 July 2022, Thursday.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlements to attend and vote at the AGM, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on 13 June 2022, Monday for registration. Members of the Company whose names are recorded in the register of members of the Company on 13 June 2022, Monday are entitled to attend and vote at the AGM.

The record date for determining the entitlements of the shareholders of the Company to the proposed final dividend is 7 July 2022, Thursday. In order to qualify for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on 7 July 2022, Thursday. The Hong Kong register of members of the Company will be closed from 8 July 2022, Friday to 11 July 2022, Monday (both dates inclusive), during which no transfer of the Shares may be registered.

AGM

The AGM of the Company will be held on 17 June 2022, Friday. The notice of AGM will be published on the websites of the Company and the Hong Kong Stock Exchange and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE

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

None of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2021, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to Listing Rules ("CG Code", subsequently amended with effect from 1 January 2022 ("Amended CG Code")), except for the deviation from the Code Provisions D.1.4, E.1.2 and F.1.1 of the CG Code (i.e. Code Provisions C.3.3, F.2.2 and C.6.1 respectively under the Amended CG Code).

Under Code Provision D.1.4 of the CG Code (Code Provision C.3.3 under Amended CG Code), all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

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

Under Code Provision E.1.2 of the CG Code (Code Provision F.2.2 under Amended CG Code), the chairman of the board should attend the AGM. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Due to other pre-arranged business commitments which must be attended to, Mr. LI Dongsheng ("Mr. LI", being the then chairperson of the Board and an executive Director and subsequently resigned as chairperson of the Board and an executive Director with effect from 9 August 2021) was not present at the AGM held on 21 May 2021 ("2021 AGM"). However, Mr. LAU Siu Ki (being the chairperson of the Audit Committee and an independent non-executive Director), Professor WANG Yijiang (being the chairperson of the nomination committee of the Company and an independent non-executive Director) and Dr. TSENG Shieng-chang Carter (being the chairperson of the remuneration committee of the Company and an independent non-executive Director) were present at the 2021 AGM to maintain an ongoing dialogue and communicate with the shareholders and encourage their participation.

Under Code Provision F.1.1 of the CG Code (Code Provision C.6.1 under Amended CG Code), the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs.

During the period from 1 January 2021 to 9 June 2021, the company secretary of the Company was Ms. CHOY Fung Yee ("Ms. CHOY"). Ms. CHOY, being a practising solicitor in Hong Kong and a partner of the Company's legal advisor, is not an employee of the Company. Mr. HU Dien Chien ("Mr. HU"), an executive Director and the chief financial officer of the Company, was the assigned contact person with Ms. CHOY. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) is speedily delivered to Ms. CHOY through the contact person assigned. Given the long-term relationship between Ms. CHOY and the Group, Ms. CHOY is very familiar with the operations of the Group and has an in-depth knowledge of the management of the Group. Having in place a mechanism that Ms. CHOY will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY as the company secretary of the Company is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. On 10 June 2021, Mr. HU has been appointed as a joint company secretary of the Company for a term of three years with effect from 10 June 2021, whilst Ms. CHOY has been re-designated as the other joint company secretary of the Company. For details, please refer to the announcement of the Company dated 10 June 2021.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ERNST AND YOUNG ("EY")

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the announcement have been agreed by EY to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2021, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (chairperson), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that, save as disclosed below, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2021.

On 16 March 2021, the spouse of Mr. LI disposed of 124,000 shares of the Company (approximately 0.005% of the then total number of issued shares of the Company) on-exchange without first notifying the designated Directors and receiving a dated written acknowledgement as required under Rule A.3(a)(i) and B.8 of the Model Code due to inadvertent omission, notwithstanding that Mr. LI has used his best endeavours to intercept such disposal order as soon as he realised that it was within the blackout period.

The Company has maintained an effective system to ensure the Directors to comply with the Model Code, and has taken various steps to address the aforementioned non-compliance of the Model Code, including providing briefings and trainings to the Directors to enhance their awareness of the importance of complying with the Model Code in their dealings of the securities of the Company, and strengthening communication with Directors and their assistants in relation to securities dealings and blackout notices. The Company was informed by Mr. LI that he had already taken remedial measures to prevent similar incidents from happening again.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a confirmation on the deed of non-competition executed by TCL Holdings and T.C.L. Industries (H.K.) in favour of the Group dated 29 June 2020 ("Deed of Non-Competition (2020)") from TCL Holdings and T.C.L. Industries (H.K.) signed by each of them confirming that for the period from 1 January 2021 to 31 December 2021 (both dates inclusive), they had fully complied with the Deed of Non-Competition (2020).

The Company has received a confirmation on the deed of termination executed by and among TCL Technology, T.C.L. Industries (H.K.) and the Company dated 29 June 2020 ("Deed of Termination (2020)") from TCL Technology signed by it confirming that for the period from 1 January 2021 to 31 December 2021 (both dates inclusive), it had fully complied with the Deed of Termination (2020).

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

On behalf of the Board
DU Juan
Chairperson

Hong Kong, 11 March 2022

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

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