TCL

创意感动生活
The Creative Life

TCL ELECTRONICS HOLDINGS LIMITED

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

ANNUAL REPORT 2021

INSPIRE GREATNESS

INSPIRE GREATNESS

Contents


TCL

INSPIRE GREATNESS

TCL Electronics is a world's leading consumer electronics company. Headquartered in the PRC, it is principally engaged in the R&D, manufacturing and sales of consumer electronic products such as smart screens, mobile communication devices and independently develops home Internet services. The Group actively transforms and innovates under the strategy of "Value Led by Brand with Relative Cost Advantage". Focusing on the mid-to-high-end markets around the world, the Group strives to consolidate the "intelligent IoT ecosystem" strategy with all-category layout and is committed to providing users with an all-scenario smart and healthy life while developing into a world-leading smart technology company.

Year in Review 2021

JANUARY

- Awarded "Best Hong Kong Stock Connect Company" by 2020 Gold Hong Kong Stocks

- TCL 4K Mini LED Smart Screen C825 and next-generation OD Zero™ Mini LED display technology were unveiled at CES 2021

MARCH

- Cooperated with the Romanian Ministry of Education, providing tailor-made TCL TAB 10 Tablets for local education system to contribute to the UN poverty alleviation project
- Unveiled TCL C12 full set of AI-empowered home appliances at 2021 Spring New Product Launch

MAY

- Awarded "2021 Display Industry Award" by the Society for Information Display (SID)

Year in Review 2021

AUGUST

- TCL Air Purifier Breeva A2 and A5 won "Red Dot Awards" of 2021 in Germany
- TCL Mini LED 4K Smart Screen C825 was awarded "Premium LCD TV 2021-2022", TCL QLED 4K Smart Screen C728 and Soundbar TS8132 were awarded "Best Buy LCD TV 2021-2022" and "Best Buy Soundbar 2021-2022" by Expert Imaging and Sound Association (EISA), respectively
- Convened the TCL Mini LED Strategic Launch Conference and launched TCL 98X9C – the first bezel-less 98-inch IMAX Enhanced smart screen in the industry

SEPTEMBER

- Awarded "Best IR Company" at the 7th Investor Relations Awards 2021 of Hong Kong Investor Relations Association (HKIRA)

Year in Review 2021

OCTOBER

- TCL Commercial Display NXTHUB was awarded the "International Design Excellence Award" of the U.S.
- TCL 98X9C IMAX Enhanced Smart Screen and TCL C12 Quantum Dot Mini LED Smart Screen won the "Technological Innovation Award" at the China Audio and Video Industry Forum (AVF)
- Released the "LEINIAO Smart Glasses Pioneer Edition" — the industry's first binocular full-color Micro LED holographic waveguide AR glasses

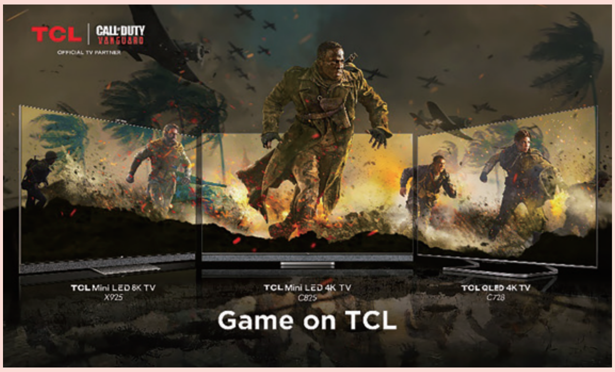
NOVEMBER

- TCL Smart Robot Vacuum Sweeva 6500 won "2022 Innovation Award" at the CES
- Set up a joint laboratory with Tencent's START Cloud Gaming

DECEMBER

- Announced the introduction of three TCL NXTPAPER Series tablets in the Mainland China

PR BRAND EVENTS



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. DU Juan (appointed as an executive Director and chairperson of the Board with effect from 9 August 2021)
Mr. LI Dongsheng (resigned as an executive Director and chairperson of the Board with effect from 9 August 2021)
Mr. YAN Xiaolin
Mr. HU Dien Chien (CFO)

Non-executive Directors

Mr. WANG Cheng (re-designated from an executive Director to a non-executive Director and resigned as CEO with effect from 9 August 2021)
Mr. Albert Thomas DA ROSA, Junior
Mr. SUN Li
Mr. LI Yuhao

Independent Non-executive Directors

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

CEO

Mr. ZHANG Shaoyong

JOINT COMPANY SECRETARIES

Mr. HU Dien Chien (appointed as a joint company secretary of the Company with effect from 10 June 2021)
Ms. CHOY Fung Yee, Solicitor, Hong Kong (re-designated as a joint company secretary of the Company with effect from 10 June 2021)

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

LEGAL ADVISOR

Cheung, Tong & Rosa Solicitors
(ceased legal practice on 1 August 2021)
Ronald Tong & Co (from 1 August 2021)
Room 501, 5/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL OFFICE

7th Floor, Building 22E
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Hong Kong Science Park
Shatin, New Territories, Hong Kong

REGISTERED OFFICE

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

INVESTOR AND MEDIA RELATIONS

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

WEBSITE

http://electronics.tcl.com

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.

Chairperson's Statement

Ms. DU Juan
Chairperson

Chairperson's Statement

DEAR SHAREHOLDERS, PARTNERS AND EMPLOYEES,

In 2021, the Covid-19 pandemic persisted with severity worldwide, and the global political and economic landscape became even more complex. Besides, violent fluctuations occurred in the prices of both upstream raw materials and international logistics, posing a huge challenge to the business environment. Nevertheless, the global consumer market where the Group is in still experienced continuous upgrading of product demand structure, resulting in growing revenue. In the meantime, the upgraded display technology and AI provided stronger momentum for economic growth, accelerating the transformation of the smart devices industry. As a result, the industries of smart devices and display technology have ushered in a broad prospect for development.

2021 happened to be TCL's 40th anniversary. It was meant to be an extraordinary year for the Group. In the face of the opportunities and challenges of the global market, we made breakthroughs in the mid-to-high-end market, accelerated expansion in overseas markets, forayed into innovative businesses and new tracks, and carried out organisational restructuring to stimulate team vitality by following the strategic development path of "Value Led by Brand with Relative Cost Advantage". Benefitting from those efforts, the Group became an industry leader in its core businesses and achieved gradual breakthroughs in innovative businesses. In 2021, the Group's revenue reached HK$74,847 million, up by 46.9% year-on-year. Of which, the revenue generated by display business reached HK$63,949 million, up by 43.5% year-on-year; the revenue from innovative businesses increased by 86.7% year-on-year to HK$8,546 million; and Internet business

revenue reached HK$1,849 million, with an increase of 49.9% year-on-year, making greater profit contribution. However, due to violent fluctuations in the prices of upstream raw materials and the supply chain, the gross profit increased by 29.7% year-on-year to HK$12,534 million, lower than the sales revenue growth. The profit attributable to owners of the parent from continuing operations was HK$1,183 million; basic earnings per share from continuing operations were HK49.26 cents. To express our sincere gratitude to our shareholders, the Board proposed a final dividend of HK16.70 cents per share, representing a full-year dividend payout ratio of 35.0%.

In 2021, the Group's leading edge in the global market continued to expand. Specifically, the Group continued to lead the industry in global business scale and ranking, with overseas businesses generating 73.9% of its total revenue. Among them, the global sales volume of TCL smart screen reached 23.58 million sets, with its market share[1] firmly ranking No.3 worldwide and ranking among the top 5 in 20 countries and regions. The market share of the Group's smart Android tablets ranked No.4 in the world. The market share of the Group's mobile phones ranked No.3 in Canada and No.4 in the U.S.. Besides, the Group significantly optimised its product mix and made remarkable breakthroughs in the mid-to-high-end market. The sales volume of its Mini LED smart screen and QLED smart screen increased by over 50% year-on-year,

[1] The market share is calculated based on the full-year sales volume of 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.

Chairperson's Statement

driving the overall ASP of TCL smart screens up by 26.1% for the whole year. Meanwhile, the Group continued to increase investments in display and smart business and won the 22nd "China Patent Excellence Award" and the "Science and Technology Innovation Award" by China Video Industry Association, etc. In the future, the Group will continue to implement the globalisation strategy, further improve its layout of global production capacity and supply chain, and optimise channel and product structure to consolidate its competitiveness in the international markets.

This year, the Group's global Internet business continued to maintain rapid growth with its full-year revenue increased significantly by 49.9% year-on-year to HK$1,849 million. Notably, the user loyalty of Falcon Network Technology Group continued to grow with the penetration rate of its membership further enhanced. In 2021, its ARPU increased by 43.4% year-on-year, and profitability continued to improve. In international markets, the Group continued to deepen its close cooperation with global Internet giants such as Roku, Google and Netflix and completed the commercial transformation of TCL Channel. The Group's revenue from Internet business in overseas markets reached HK$359 million, an increase of 11.2% year-on-year.

The Group achieved all-round breakthroughs in innovative business (smart connection, smart home and all-category marketing business). This year, the Group launched a variety of high-tech new products such as AR/XR smart glasses, smart locks and robot vacuum cleaners, and accelerated the global development of its all-category marketing business to create new impetus for the Group's development. Therefore, the Group was included in the "2021-2022 Global Smart Connected Device Brands Top 15" at the Global Top Brands Award Ceremony. In 2021, the Group's revenue from smart connection business and smart home business increased by 34.2%[2] and 78.9%, respectively. By leveraging on its extensive brand and channel advantages worldwide, the Group increased its distribution revenue from all-category marketing business by 70.7% year-on-year in 2021.

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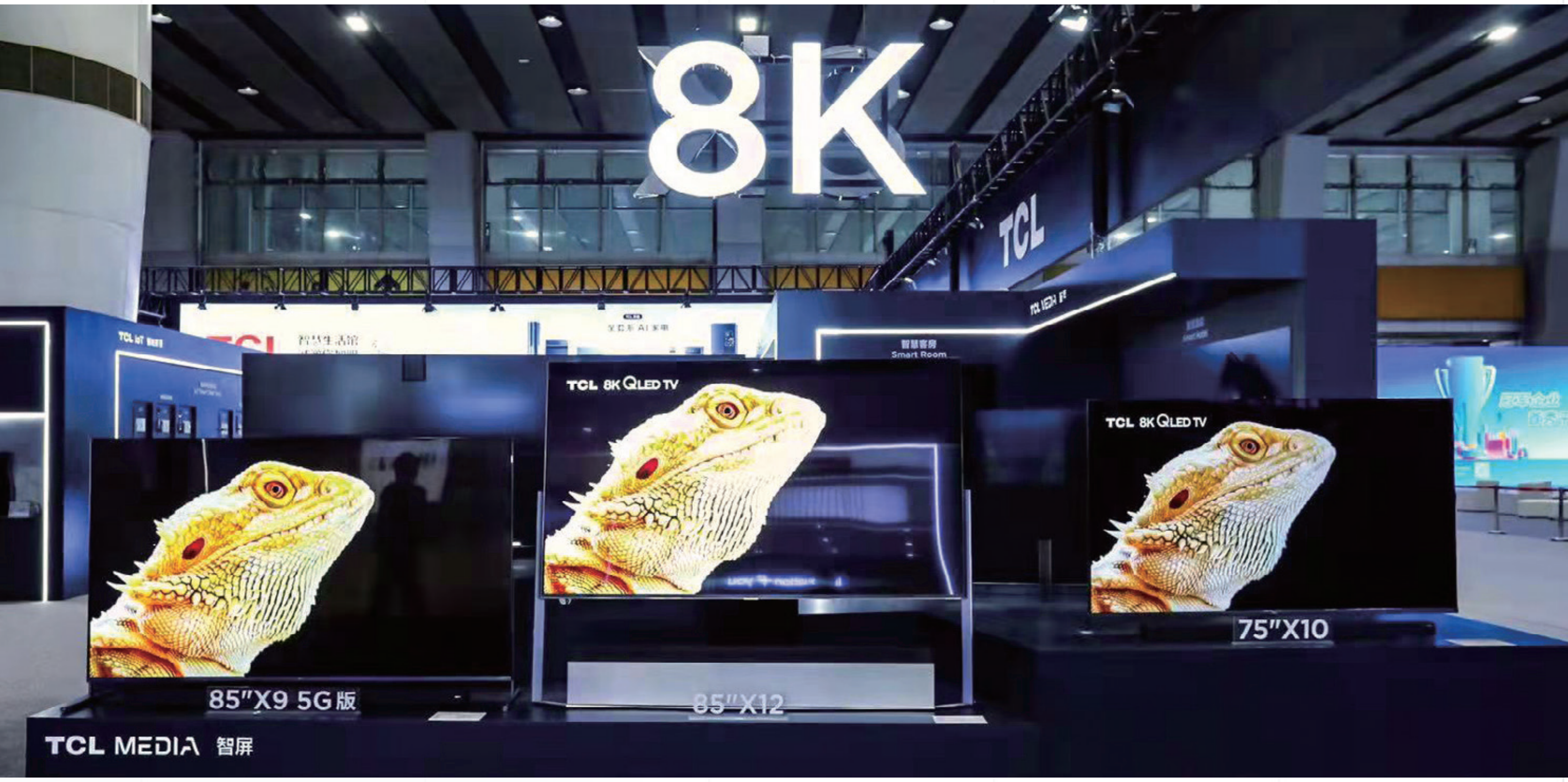
[2] In September 2020, the Group consolidated the related business of smart connection. The 34.2% growth was based on the pro forma consolidation of the smart connection business since January 2020. The year-on-year growth rate was 211.4% in terms of its actual consolidation since September 2020.

Chairperson's Statement



Looking into 2022, global economic recovery is still faced with such challenges as persistent Covid-19 pandemic and international tensions. Nevertheless, we can see that the accelerating consumption upgrading and industrial restructuring will inject momentum into the development of smart devices and digital industries. The Group will continue to adhere to the globalisation strategy and focus on the three core competitive edges of “Display, Connection, and Channel”. Specifically, it will give full play to its advantages of extensive global channel resources and unique vertical integration of the industrial chain as well as prioritise and increase investments in R&D and innovation to translate technical competence into business performance. The Group will support and actively explore innovative businesses while expanding new tracks to bring long-term business growth and greater value return to its shareholders.

On behalf of the Board, I would like to express my sincere gratitude to the global consumers for giving the Group the opportunity to provide you with services. I would also like to express my thanks for the long-standing support and trust from all our shareholders, investors, global customers and partners as well as the dedication and contribution of the Group’s directors, management team and staff over the years!

DU Juan
Chairperson
11 March 2022

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 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 business), the small and medium-sized display business and the 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 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 the 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%[1] 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 smart connection business

[1] 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.

increased by 34.2%[2] year-on-year to HK$1,560 million, revenue from the 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[3] of the Group's smart screen firmly ranked No.3 worldwide, and ranked among the 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 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 panels and chips. 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%.

2 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.

3 The market share is calculated based on the full-year sales volume of 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.

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 "2022 Best of Innovation Award" at the CES; TCL 98X9C IMAX Enhanced giant smart screen and TCL C12 QLED Mini LED smart screen won the "Technological Innovation Award" at the 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 medium-sized display, the TCL 20 Pro 5G won the "2022 Innovation Award" at the CES. For smart commercial display, TCL NXTHUB won the "International Design Excellence Awards" (IDEA) of the U.S.. For smart home, TCL TS8132 was honored with the "Best Buy Soundbar 2021-2022" award by the Expert Imaging and Sound Association (EISA) of Europe; TCL Sweeva 6500 robot vacuum cleaner won the "2022 Innovation Award" at the CES; TCL Breeva A2 and A5 air purifiers won the "Red Dot Awards" of 2021 in Germany. In terms of smart connection, TCL NXTWEAR AIR received the "The Most Innovative Award of The Year" at the Global Top Brands Award Ceremony. 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, 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 the 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 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.

According to the latest report by GfK and NPD, the market share of the Group's TCL smart screen ranked among the 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[4]);

- Emerging Markets[5]: 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, 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 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.

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4 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.

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

Management Discussion and Analysis

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%[6] year-on-year.

In terms of key global markets, according to the latest IDC 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. 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.

[6] 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.

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[7], routers and smart wearables. During the year, the Group launched TCL NXTWEAR Air and LEINIAO 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 and 5G MiFi, 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%[8] 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, 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 the Global Top Brands Award Ceremony. In 2021, revenue from the Group's smart home business reached HK$614 million, up by 78.9% year-on-year.

7 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.

8 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.

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" in Germany. 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 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 the 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;

Management Discussion and Analysis

– 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.

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[9]

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.

[9] 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 "Management Discussion and Analysis" in this report:

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

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.

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.

Management Discussion and Analysis

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 labour 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 (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 (Huizhou) sold an aggregate of 8,222,400 shares of 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 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.

Management Discussion and Analysis

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$12.72 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 report. 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

Please refer to notes 24 and 28 to the financial statements.

Capital Commitments and Contingent Liabilities

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

	2021 **HK$'000**	2020 HK$'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 Mobilidade 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 report, the lawsuit is still ongoing. The information usually required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigations. Based on the response from the independent attorney in charge, it is expected that the litigation will last for 3 to 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.

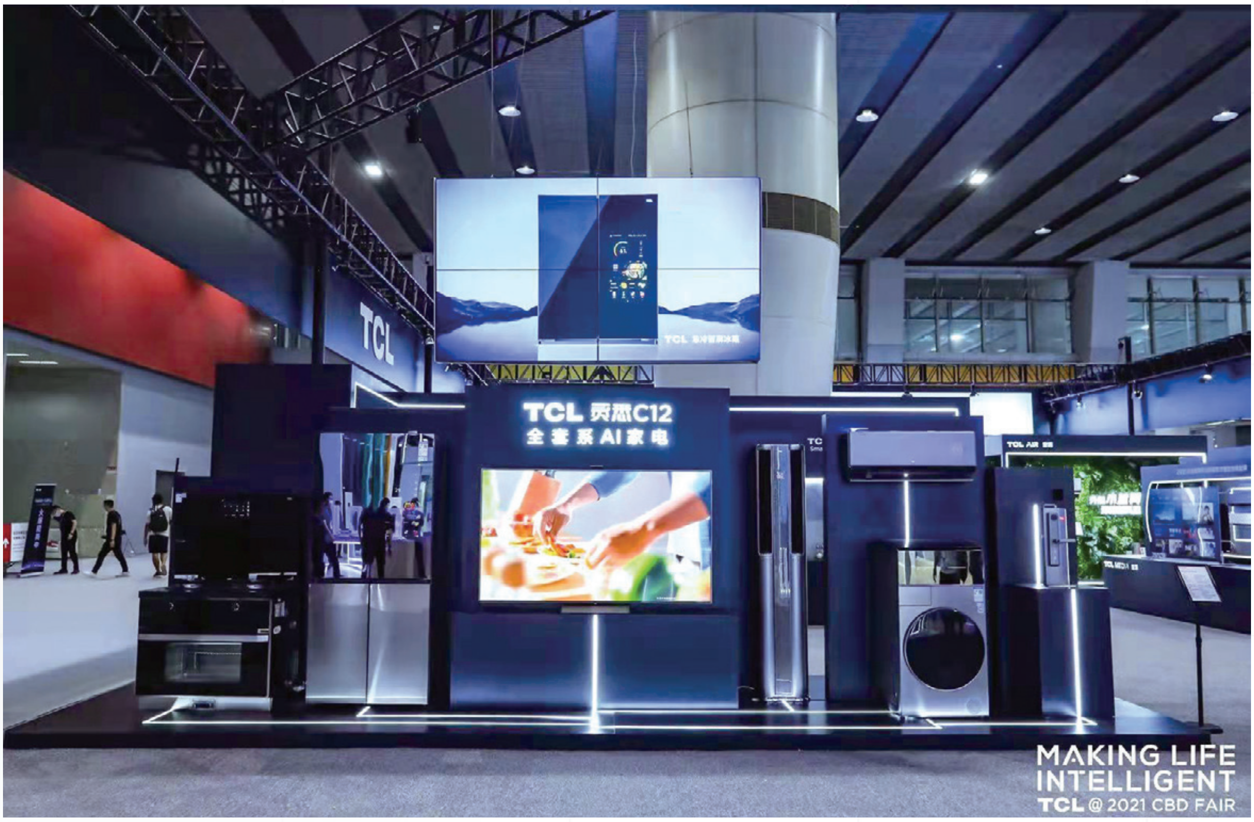
Pending Litigation

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 Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. The remuneration policy of the Group was reviewed regularly, making reference to current legislation, market condition and 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.

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.

Board of Directors and Senior Management

Board of Directors and Senior Management

Board of Directors and Senior Management

Ms. DU Juan

EXECUTIVE DIRECTOR

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

Mr. YAN Xiaolin

EXECUTIVE DIRECTOR

Born in November 1966, an executive Director and a member of the Strategy Committee. Mr. YAN joined the Company in 2001. He is currently the chief technology officer and senior vice president of TCL Technology, the president of TCL Research, a director, chief technology officer and chief scientist of CSOT, the chairperson of Guangdong Juhua Printing Display Technology Co., Ltd., the chairperson of Guangdong Huarui Optronic Material Co., Ltd. and a director of US Kateeva Corporation. From May 2001 to December 2004, he served as the project manager, director of Research Institute and deputy general manager of the R&D Centre of the Group. From December 2004 to October 2005, he was the chief technology officer of Components Strategic Business Unit of TCL Technology and the deputy principal and acting principal of TCL Research. From October 2005 to present, he has been the president of TCL Research. From March 2017 to May 2020, Mr. YAN was a director of Amlogic (688099.SH). Mr. YAN is also an expert of the National Advisory Committee on New Materials Industry, the leader of new display direction of "Key Project for New Materials Research and Development and Application (2030)", the leader of new display direction of the National High-tech R&D Program (863 Program) of the Ministry of Science and Technology of the PRC of the "12th Five-Year Plan", the leader of new display direction of "Key Project on Strategic Advanced Electronic Materials" of the "13th Five-Year Plan", the leader of new display direction of the "Key Project on New Display and Strategic Advanced Electronic Materials" of the "14th Five-Year Plan", chairperson of TC 110 of International Electrotechnical Commission and the vice chairperson, president (Asia) of Organic and Printed Electronics Association and the fellow of the Society for Information Display (SID). Mr. YAN graduated from the Institute of Plasma Physics of Chinese Academy of Science with a Doctoral Degree in July 1999. From July 1999 to May 2001, he was a postdoctoral fellow in the Chinese Academy of Science. Mr. YAN is currently a professor-level senior engineer. Mr. YAN was awarded the special allowance from the State Council of the PRC, the National Middle-aged and Young Expert with Outstanding Contributions in the National "Hundred, Thousand and Ten Thousand Talent Project", Outstanding Leader for Technology and Innovation in Special Support for High-level Talent Program by Organisation Department of the CPC Central Committee, the leader of the Innovative Team in Key Sector of Innovative Talent Promotion Program supported by the Ministry of Science and Technology, Guangdong Province's Guangdong Hundred Talent, the Labour Model of Guangdong Province and the Outstanding National Technological Leader of Shenzhen. In addition, Mr. YAN completed 12 national projects as a person-in-charge, formulated one set of international standard and two sets of national standard of International Electrotechnical Commission as a group leader, as well as registered 32 patents of his inventions as the chief inventor, two of which were awarded the Gold Award and Outstanding Award of the PRC National Patent Award respectively.

Board of Directors and Senior Management

Mr. HU Dien Chien

EXECUTIVE DIRECTOR

Born in March 1979, an executive Director, the CFO, a member of the Remuneration Committee, the Nomination Committee and the Strategy Committee and a joint company secretary of the Company. Mr. HU became an executive Director in December 2021. He is also the CFO of TCL Holdings and the chairperson of board and acting board secretary of Guangdong Homa (002668.SZ). From June 2014 to November 2016, Mr. HU worked for Gogoro Inc., an electric vehicle company in Taiwan, as CFO. He also served from June 2016 to December 2016 as an independent director of Growww Media Co., Ltd. (formerly known as United Advertising Co., Ltd.), a company previously listed on the Taiwan Stock Exchange (then stock code: 08497) from March 2018 to October 2020. Mr. HU held the positions as the CFO, the head of strategic investment department and an executive director with Yue Yuen Industrial (Holdings) Limited (00551.HK) from November 2016 to November 2020. In addition, Mr. HU was an executive director of Eagle Nice (International) Holdings Limited (02368.HK) from May 2019 to November 2020. Mr. HU also once held the following positions: an executive director with Goldman Sachs (Asia) L.L.C., a business analyst with Deutsche Asset Management and a research associate with CLSA Limited (Taiwan branch). Mr. HU has won numerous capital market related awards. In 2019, he was awarded as one out of three "Best CFOs (Developed Market – Hong Kong)" by Institutional Investor 2019 All-Asia Executive Team Research, as well as one out of five "Best IR by CFO (Mid-cap)" by Hong Kong Investor Relations Association. In 2020, he was again awarded as one out of three "Best CFOs (Developed Market - Consumer/Discretionary Sector)" by Institutional Investor 2020 All-Asia Executive Team Research, as well as one out of four "Best IR by CFO (Mid-cap)" by Hong Kong Investor Relations Association. In 2022, he was granted the award of "Best CFO" by the Golden Hong Kong Listed Stock's Annual Award Ceremony. The aforementioned awards represent wide recognition from investment communities for his professional capabilities. He holds a Master of Business Administration Degree in Finance and Accounting from Leonard N. Stern School of Business, New York University, and a Bachelor of Business Administration Degree in Finance from National Taiwan University.

Board of Directors and Senior Management

Mr. WANG Cheng

NON-EXECUTIVE DIRECTOR

Born in November 1974, a non-executive Director. Mr. WANG is currently the chief operating officer of TCL Technology, a director of TCL Holdings, a director of Amlogic (688099.SH) and a director of Guangdong Homa (002668.SZ). Mr. WANG joined the Company in July 1997. During 1997 to 2006, he held various positions in human resources department of the sales branch of the Group and Europe channel customer department of strategic OEM business centre of TTE Corporation (a subsidiary of the Company). From 2006 to 2015, he successively worked as general manager of TCL (Vietnam) Corporation Limited (a then subsidiary of the Company), general manager of overseas business centre and vice president of the Company. From June 2015 to July 2016, Mr. WANG was assigned as human resources director and general manager of human resource management centre of TCL Technology. From August 2016 to November 2017, Mr. WANG was the general manager of supply chain management centre and chief operating officer of the Company; from January 2017 to August 2021, Mr. WANG was the CEO of the Company; from September 2017 to August 2021, Mr. WANG was an executive Director. From January 2019 to August 2021, Mr. WANG was the CEO of TCL Holdings. Mr. WANG is also currently the chairperson of Huizhou Electronic Information Industry Association. Mr. WANG graduated from Heilongjiang Commercial College in 1997 with a Bachelor's Degree in Economics. In 2005, he acquired an EMBA degree from University of Texas at Arlingto.

Board of Directors and Senior Management

Mr. Albert Thomas DA ROSA, Junior
(Alias: Alberto Thomaz DA ROSA Junior 羅凱栢), Bronze Bauhinia Star Medal (BBS)

NON-EXECUTIVE DIRECTOR

Born in October 1953, a non-executive Director. Mr. DA ROSA has been a director of the Company since November 1999. He holds both Bachelor's and Master's Law Degrees from The University of Hong Kong. He qualified as a solicitor in Hong Kong in 1980. He is currently a practicing solicitor and a consultant of Messrs. Raymond Siu & Lawyers, Hong Kong. Mr. DA ROSA is a fellow of The Chartered Institute of Arbitrators, The Hong Kong Institute of Directors, and the Hong Kong Securities and Investment Institute and an accredited mediator with certain institutions in the United Kingdom and Hong Kong. Mr. DA ROSA serves as a member of the Standing Committee on Standards and Development of The Law Society of Hong Kong, Working Party for In-House Lawyers of The Law Society of Hong Kong and Disciplinary Panel Pool of The Insurance Authority of Hong Kong. He held the following positions: member of the Academic and Accreditation Advisory Committee of the Securities and Futures Commission of Hong Kong from 2003 to 2009; member, deputy tribunal convenor and ultimately the tribunal convenor of the Solicitors Disciplinary Tribunal Panel from 1998 to 2014; chairperson of the Appeal Tribunal (Buildings) Panel from 2009 to 2017; member, deputy chairperson and finally the chairperson of the Board of Review (Inland Revenue Ordinance) Panel from 2006 to 2020; and an independent non-executive director of HKC (Holdings) Limited (then stock code: 00190.HK, the withdrawal of listing of its shares has taken effect in June 2021) from 2004 to 2021.

Board of Directors and Senior Management

Mr. SUN Li

NON-EXECUTIVE DIRECTOR

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

Board of Directors and Senior Management

Mr. LI Yuhao
NON-EXECUTIVE DIRECTOR

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

Mr. Robert Maarten WESTERHOF

INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in August 1943, an independent non-executive Director. He has become an independent non-executive Director since September 2006. He has over 30 years' experience in the electronics industry. Mr. WESTERHOF had held senior management positions in the computer, telecommunications and medical systems divisions of Philips, and his last positions in Philips were CEO of Philips Asia (based in Hong Kong and Shanghai) and CEO of Philips North America (based in New York). After his retirement, Mr. WESTERHOF had positions in the Supervisory Board of listed companies in United Kingdom and the Netherlands in the areas of electronics, information and communication technology and medical products and as chairperson of the Supervisory Board of Sparta Beheer B.V., a leading football club in the Netherlands with activities in the Netherlands, Mainland China and Hong Kong as well as the chairperson of board of AND Technologies. Mr. WESTERHOF is currently a director of Cardi-Link, a health and safety company, and a member of the advisory board of Move the Brain, a medical company. Mr. WESTERHOF holds a Master's Degree in Business Administration at the Erasmus University of Rotterdam, the Netherlands, and he has also completed Harvard Business School's Advanced Management Program and International Senior Management Program.

Board of Directors and Senior Management

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

Born in September 1948, an independent non-executive Director, the chairperson of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. Dr. TSENG became an independent non-executive Director in July 2011. He also served as an independent director of TCL Technology from June 2008 to June 2011. Dr. TSENG is currently a senior consultant of the Shenzhen Municipal Government, senior consultant of Tianjin Economic Technological Development Area and the executive chairperson of Nankai International Business Forum. Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the US-based “Committee of 100”. Dr. TSENG holds a Bachelor’s Degree of Science in Electrical Engineering from the National Taiwan University, he then pursued further studies at the University of California where he obtained his Master’s and Doctor’s Degrees in Computer Science and Electronics Engineering. Dr. TSENG has over 40 years of experience in the high-tech industry. While in the U.S., Dr. TSENG worked at PARC (XEROX Research Center) in Silicon Valley and various U.S.-based companies including Lockheed Aircraft Co. and NRL. Dr. TSENG then returned to Taiwan in 1980, and was a co-founder of MICROTEK which was listed in 1988 – the then world class leader in the image scanner industry, one of the first and most successful listed high-tech companies based in Taiwan Hsinchu Science Park. Dr. TSENG has also drawn on his rich experience to coach and mentor executives and managers in the high-tech arena. In 1998, Dr. TSENG set up the “Little Dragon Foundation” with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. Dr. TSENG also serves as an overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano Technology & Engineering.

Professor WANG Yijiang

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Board of Directors and Senior Management

Mr. LAU Siu Ki
INDEPENDENT NON-EXECUTIVE DIRECTOR

Born in July 1958, an independent non-executive Director, the chairperson of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee. Mr. LAU became an independent non-executive Director in November 2017. He graduated from The Hong Kong Polytechnic University in 1981. He is currently a financial advisory consultant of his management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. LAU worked at Ernst & Young for over 15 years. He has over 35 years of experience in corporate governance, corporate financing, financial advisory and management, accounting and audit. Mr. LAU is currently a fellow member of both of ACCA and HKICPA. Mr. LAU was a member of the World Council of ACCA from 2002 to 2011 and was the chairperson of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. Currently, Mr. LAU also serves as an independent non-executive director of Binhai Investment Company Limited (02886.HK), Comba Telecom Systems Holdings Limited (02342.HK), IVD Medical Holdings Limited (01931.HK), Embry Holdings Limited (01388.HK), Samson Holding Ltd. (00531.HK) and FIH Mobile Limited (02038.HK). He is also the company secretary of Hung Fook Tong Group Holdings Limited (01446.HK), Yeebo (International Holdings) Limited (00259.HK) and Expert Systems Holdings Limited (08319.HK). From June 2004 to December 2018, he served as an independent non-executive director of China Medical & HealthCare Group Limited ("CMHG", a company whose shares are listed on the Stock Exchange with stock code: 00383.HK and which was formerly known as COL Capital Limited). On 1 November 2019, the Company was informed by Mr. LAU that Securities and Futures Commissions of Hong Kong ("SFC") had commenced proceedings ("Proceedings") in the Market Misconduct Tribunal ("MMT") involving CMHG and six individuals who were directors of CMHG at the relevant time, including Mr. LAU. The SFC alleged that a breach of the disclosure requirements within the meaning of sections 307B and 307G of Part XIVA of the SFO had or might have taken place in relation to the securities of CMHG. On 12 May 2021, SFC issued a press release in relation to the Proceedings which stated, among others, that the MMT had fined and made orders against Mr. LAU following the Proceedings but the MMT did not make disqualification order against him from being a listed company director. Further details of the above were disclosed in the Company's announcements dated 5 November 2019 and 13 May 2021.

Mr. ZHANG Shaoyong
CEO

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

INTRODUCTION

The Board aims to achieve a high standard of corporate governance and business ethics in pursuing the mission of the Group of becoming a leading smart technology company. The Group's ultimate goal is to maximise values for its Shareholders and customers, and to provide opportunities for its employees.

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

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

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2021, the Company has complied with the Code Provisions of the 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, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both being independent non-executive Directors. As the abovementioned three Directors have been serving as Directors for a considerable period of time, and as such a clear understanding of the terms and conditions of their appointment already exists between the Company and them, 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, and on re-election of the retiring Directors, Shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment 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 annual general meeting. 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, being the then chairperson of the Board and an executive Director, was not present at the 2021 AGM. However, Dr. TSENG Shieng-chang Carter, being the chairperson of the Remuneration Committee and an independent non-executive Director, Professor WANG Yijiang, being the chairperson of the Nomination Committee and an independent non-executive Director, and Mr. LAU Siu Ki, being the chairperson of the Audit Committee 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 the day-to-day knowledge of the Company's affairs.

During the period from 1 January 2021 to 9 June 2021, Ms. CHOY Fung Yee was the then sole company secretary of the Company, who is a practising solicitor in Hong Kong and a partner of the Company's legal advisor, but not an employee of the Company. At that time, Mr. HU Dien Chien, an executive Director and the CFO, was the assigned contact person with Ms. CHOY Fung Yee. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) is speedily delivered to Ms. CHOY Fung Yee through the contact person assigned. Given the long-term relationship between Ms. CHOY Fung Yee and the Group, Ms. CHOY Fung Yee is very familiar with the operations of the Group and has an in-depth knowledge of the management of the Group. Having in place a mechanism that Ms. CHOY Fung Yee will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. CHOY Fung Yee as the company secretary of the Company is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

On 10 June 2021, Mr. HU Dien Chien 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 Fung Yee has been re-designated as the other joint company secretary of the Company. For details, please refer to the announcement of the Company dated 10 June 2021.

For the period from 1 January 2022 up to the date of publication of this annual report, the Company has complied with the Code Provisions under the Amended CG Code, except Code Provision C.3.3 of the Amended CG Code. The reasons for such deviations remain the same as those stated above.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received a confirmation 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) executed by them in favour of the Company dated 29 June 2020.

The Company has received a confirmation 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) executed by and among TCL Technology, T.C.L. Industries (H.K.) and the Company dated 29 June 2020.

The independent non-executive Directors have reviewed the relevant confirmations on Deed of Non-Competition (2020) and Deed of Termination (2020), and all of them are satisfied that the Deed of Non-Competition (2020) and Deed of Termination (2020) have been complied with during the aforementioned relevant periods of the year ended 31 December 2021.

DIRECTORS

The Board

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

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

Board Composition

There are currently 11 Directors, all being industry veterans, responsible to the Shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board during the year ended 31 December 2021 and as at the date of this annual report comprises the following Directors:

Executive Directors

Ms. DU Juan (appointed as an executive Director and the chairperson of the Board with effect from 9 August 2021)

Mr. LI Dongsheng (resigned as an executive Director and the chairperson of the Board with effect from 9 August 2021)

Mr. YAN Xiaolin

Mr. HU Dien Chien

Non-executive Directors

Mr. WANG Cheng (resigned as the CEO of the Company and re-designated from an executive Director to a non-executive Director with effect from 9 August 2021)

Mr. Albert Thomas DA ROSA, Junior

Mr. SUN Li

Mr. LI Yuhao

Independent Non-executive Directors

Mr. Robert Maarten WESTERHOF

Dr. TSENG Shieng-chang Carter

Professor WANG Yijiang

Mr. LAU Siu Ki

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

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

Details of the biographies of the Directors are given under the section "Board of Directors and Senior Management" of this annual report at pages 34 to 47.

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

The non-executive Directors (including independent non-executive Directors) play important roles on the Board. Accounting for more than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of Shareholders and the Group as a whole. Throughout the year of 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and the number of independent non-executive Directors made up at least one-third of the total number of members of the Board.

Number of meetings attended/eligible to attend in 2021

During the year of 2021, the Board held four regular meetings at about quarterly intervals and three additional meetings. As regards general meetings, the Company held the 2021 AGM and the EGM on 10 December 2021 during the year of 2021 to consider the matters regarding, inter alia, (i) the seeking of scheme mandate to issue shares under the Award Scheme; and (ii) the entering into of the Master Sale and Purchase (2022-2024) Agreement, Master Services (2022-2024) Agreement, Master Financial (2022-2024) Agreement and Master Brand Promotion (2022-2024) Agreement and the appointment of Ms. DU Juan as an executive Director and Mr. WANG Cheng as a non-executive Director, respectively. A table summary in regard to the Directors' participation at various Board meetings, Board Committee meetings and the Company's general meetings is set out below:

	Regular Board Meetings	Additional Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Strategy Committee Meetings (Note 5)	General Meetings
Executive Directors							
DU Juan (Note 1)	1/1	1/1	N/A	N/A	N/A	5/6	0/1
LI Dongsheng (Note 2)	3/3	1/2	N/A	N/A	N/A	3/11	0/1
YAN Xiaolin	4/4	2/3	N/A	N/A	N/A	16/17	0/2
HU Dien Chien (Note 3)	4/4	3/3	N/A	4/4	2/2	6/6	2/2
Non-executive Directors							
WANG Cheng (Note 4)	4/4	3/3	N/A	N/A	N/A	11/11	0/2
Albert Thomas DA ROSA, Junior	4/4	3/3	N/A	N/A	N/A	N/A	2/2
SUN Li	4/4	3/3	N/A	N/A	N/A	N/A	0/2
LI Yuhao	4/4	3/3	N/A	N/A	N/A	N/A	0/2
Independent Non-executive Directors							
Robert Maarten WESTERHOF	4/4	3/3	N/A	N/A	N/A	N/A	2/2
TSENG Shieng-chang Carter	4/4	3/3	3/3	4/4	2/2	N/A	2/2
WANG Yijiang	4/4	3/3	3/3	4/4	2/2	N/A	1/2
LAU Siu Ki	4/4	3/3	3/3	4/4	2/2	N/A	2/2

Notes:

1. Ms. DU Juan was appointed as an executive Director, the chairperson of the Board and the chairperson of the Strategy Committee, all with effect from 9 August 2021.

2. Mr. LI Dongsheng resigned as an executive Director, the chairperson of the Board and the chairperson of the Strategy Committee, all with effect from 9 August 2021.

3. Mr. HU Dien Chien was appointed as a member of the Strategy Committee with effect from 9 August 2021.

4. Mr. WANG Cheng was re-designated from an executive Director to a non-executive Director and resigned as a member of the Strategy Committee, all with effect from 9 August 2021.

5. The Strategy Committee was established on 22 September 2017. From 1 January 2021 to 8 August 2021, it comprised Mr. LI Dongsheng as the chairperson and Mr. WANG Cheng and Mr. YAN Xiaolin as the members. From 9 August 2021 to 31 December 2021 and up to the date of this annual report, it comprises Ms. DU Juan as the chairperson, Mr. YAN Xiaolin and Mr. HU Dien Chien as the members.

Notices of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notices are generally given for other Board meetings.

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

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense.

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

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

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

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

Chairperson and CEO

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

For the period commencing from 1 January 2021 to 8 August 2021, the position of the chairperson of the Board was held by Mr. LI Dongsheng. For the period commencing from 9 August 2021 to 31 December 2021 and up to the date of this annual report, the position of the chairperson of the Board is held by Ms. DU Juan.

For the period commencing from 1 January 2021 to 8 August 2021, the position of CEO was held by Mr. WANG Cheng; for the period commencing from 9 August 2021 to 19 August 2021, the position of CEO was held by Mr. ZHANG Shaoyong and Mr. WU Jiyu as Co-CEOs; for the period commencing from 20 August 2021 to 31 December 2021 and up to the date of this annual report, the position of CEO is held by Mr. ZHANG Shaoyong.

The core duties of the chairperson of the Board include:

- ensuring, with the assistance of the management, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- ensuring that the agenda for each Board meeting is drawn up and approving the same, taking into account matters proposed by other Directors;

- encouraging all Directors to fully and actively contribute to the Board's affairs, express different views and discuss issues in sufficient depth before reaching any consensus in Board decisions;

- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promoting the constructive relations between executive and non-executive Directors;

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

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

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

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

Pursuant to Code Provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. Further, pursuant to Code Provision A.4.2 of the CG Code, Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Accordingly, at the 2021 AGM, Mr. LI Dongsheng, Mr. WANG Cheng, Mr. LI Yuhao and Mr. LAU Siu Ki retired from office by rotation pursuant to article 116 of the Articles, and were re-elected as Directors thereat. At the EGM held on 10 December 2021, each of Ms. DU Juan and Mr. WANG Cheng was elected as a Director.

Independent Non-executive Directors

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

Non-executive Directors

As aforementioned, under Code Provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election.

Accordingly, at the 2021 AGM, Mr. LI Yuhao was re-elected as a non-executive Director until the conclusion of the AGM in 2024, and Mr. LAU Siu Ki was re-elected as an independent non-executive Director until the conclusion of the AGM in 2024. At the EGM held on 10 December 2021, Mr. WANG Cheng was elected as a non-executive Director until the conclusion of the AGM in 2024. At the AGM held on 2 June 2020, Mr. Albert Thomas DA ROSA, Junior was re-elected as a non-executive Director until the conclusion of the AGM in 2023, each of Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang was re-elected as an independent non-executive Director until the conclusion of the AGM in 2023. At the EGM held on 20 April 2020, Mr. SUN Li was elected as a non-executive Director until the conclusion of AGM in 2022. At the AGM held on 28 May 2019, Mr. Robert Maarten WESTERHOF was re-elected as an independent non-executive Director until the conclusion of the AGM in 2022.

Nomination of Directors

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

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

Responsibilities of Directors

The CFO of the Company, with assistance from the Company's external legal advisor, works closely with the newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisors setting out such duties and responsibilities under the Listing Rules, Companies Ordinance (Cap. 622 of the laws of Hong Kong) and other related laws and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The package also includes information relating to the operations and business of the Group. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of Directors from time to time. Guidelines for Directors issued by the Companies Registry of Hong Kong have been forwarded to each Director for his information and ready reference.

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

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

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

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

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the period from 1 January 2021 to 31 December 2021:

Directors	Read materials	Attend seminars/briefings
Executive Directors		
Ms. DU Juan (Note 1)	✔	✔
Mr. LI Dongsheng (resigned) (Note 2)	✔	✔
Mr. YAN Xiaolin	✔	✔
Mr. HU Dien Chien	✔	✔
Non-executive Directors		
Mr. WANG Cheng (Note 3)	✔	✔
Mr. Albert Thomas DA ROSA, Junior	✔	✔
Mr. SUN Li	✔	✔
Mr. LI Yuhao	✔	✔
Independent Non-executive Directors		
Mr. Robert Maarten WESTERHOF	✔	✔
Dr. TSENG Shieng-chang Carter	✔	✔
Professor WANG Yijiang	✔	✔
Mr. LAU Siu Ki	✔	✔

Notes:

1. Ms. DU Juan was appointed as an executive Director with effect from 9 August 2021.

2. Mr. LI Dongsheng resigned as an executive Director with effect from 9 August 2021.

3. Mr. WANG Cheng was re-designated from an executive Director to a non-executive Director with effect from 9 August 2021.

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules.

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 Dongsheng (then executive Director) disposed of 124,000 Shares (approximately 0.005% of the then total number of issued Shares) on-exchange without first notifying the designated Directors and receiving a dated written acknowledgement as required under Rules A.3(a)(i) and B.8 of the Model Code due to inadvertent omission, notwithstanding that Mr. LI Dongsheng 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 remedial 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 Dongsheng that he had already taken remedial measures to prevent similar incidents from happening again.

The Directors' and chief executive's interests in Shares within the meaning of Part XV of the SFO as at 31 December 2021 are set out on pages 97 to 98 of this annual report.

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

DELEGATION BY THE BOARD

Management Functions

The Board delegates its powers and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by personnel with the relevant expertise. All Board Committees are provided with accurate and sufficient information in a timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources for the Board Committees to discharge their duties.

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

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

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

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

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;

- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;

- approving the nomination and appointment of personnel other than the member of the Board, senior management and auditor;

- approving press release concerning matters decided by the Board;

- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and

- carrying out any other duties as the Board may delegate from time to time.

Operation

To facilitate the strategic development of the Company, enhance its operation efficiency and core competitiveness and improve its management and decision-making procedures, the Board transformed the predecessor executive committee into the Strategy Executive Committee on 23 October 2014 with specific written terms of reference. The Strategy Executive Committee comprised three then executive Directors, namely Mr. BO Lianming (chairperson), Mr. YAN Xiaolin and Ms. XU Fang.

In order to facilitate the strategic development of the Company and enhance its operation decision-making efficiency, the Board resolved on 22 September 2017 to dissolve the Strategy Executive Committee and to establish the Strategy Committee. After the dissolution of the Strategy Executive Committee, the Strategy Executive Committee no longer remained in force.

At the time of the establishment of the Strategy Committee, it comprised three then executive Directors for the period commencing from 22 September 2017 to 2 March 2018, namely, Mr. BO Lianming (chairperson), Mr. WANG Cheng and Mr. YAN Xiaolin. Following the resignation of Mr. BO Lianming as an executive Director and hence ceasing to be the chairperson of the Strategy Committee with effect from 2 March 2018, the Strategy Committee comprised Mr. LI Dongsheng (chairperson), Mr. WANG Cheng and Mr. YAN Xiaolin up to 8 August 2021. Following the resignation of Mr. LI Dongsheng as an executive Director and hence ceasing to be the chairperson of the Strategy Committee, the re-designation of Mr. WANG Cheng from an executive Director to a non-executive Director and hence ceasing to be a member of the Strategy Committee, all with effect from 9 August 2021, the Strategy Committee currently comprises Ms. DU Juan (chairperson), Mr. YAN Xiaolin and Mr. HU Dien Chien.

Board Committees

Throughout 2021, the Board had four Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee, all with specific written terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committees at the meetings of the Board Committees in 2021 is set out on pages 52 to 53 of this annual report.

Nomination Committee

The Nomination Committee currently comprises four members, namely Mr. HU Dien Chien, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang, and Mr. LAU Siu Ki, the majority being independent non-executive Directors. Professor WANG Yijiang is the chairperson of the Nomination Committee. The Nomination Committee held two meetings during the year of 2021.

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

The main duties of the Nomination Committee include the following:

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

The work performed by the Nomination Committee during 2021 included:

- considering the nomination of Ms. DU Juan as an executive Director and the re-designation of Mr. WANG Cheng from an executive Director to a non-executive Director with effect from 9 August 2021;

- considering the nomination of Mr. Albert Thomas DA ROSA, Junior, Mr. SUN Li, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter to be re-elected as Directors at the AGM in 2022;

- considering the nomination of Mr. ZHANG Shaoyong and Mr. WU Jiyu as Co-CEOs of the Company;

- reviewing the Nomination Policy and Board Diversity Policy;

- reviewing the current Board structure, diversity, size and composition;

- assessing the independence of all independent non-executive Directors; and

- reviewing the contribution required from a Director to perform his responsibilities and whether he has spent sufficient time performing them.

The Nomination Committee performed all these main duties in 2021.

Nomination Policy

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

OBJECTIVE

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

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

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

SELECTION CRITERIA

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

Common Criteria for All Directors

4.1. Reputation, character and integrity

4.2. Commitment in respect of available time

4.3. The willingness to assume fiduciary responsibility

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

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

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

4.7. Breadth of knowledge about issues affecting the Company

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

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

4.10. Fit with the Company's culture

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

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

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

4.13. Accomplishments of the candidate in his/her field

4.14. Outstanding professional and personal reputation

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

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

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

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

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

NOMINATION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONFIDENTIALITY

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

REVIEW

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

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

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

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

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

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

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

Board Diversity Policy

The Company has adopted the Board Diversity Policy on 13 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board, which was subsequently revised and updated on 20 December 2018.

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

The Board has set measurable objectives (in terms of gender, skills and professional experience, etc. as aforementioned) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional experience or skills.

Remuneration Committee

The Remuneration Committee currently comprises four members, namely Mr. HU Dien Chien, Dr. TSENG Shieng-chang Carter, Professor WANG Yijiang and Mr. LAU Siu Ki, the majority being independent non-executive Directors. Dr. TSENG Shieng-chang Carter is the chairperson of the Remuneration Committee. The Remuneration Committee held four meetings during the year of 2021.

The Remuneration Committee is governed by its terms of reference, which were revised by the Board on 24 February 2012. The terms of reference are made available on the Company's website http://electronics.tcl.com and the Hong Kong Stock Exchange's website http://www.hkex.com.hk.

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

During 2021, the Remuneration Committee accomplished the following:

- determining and approving the remuneration of Ms. DU Juan, the then newly appointed executive Director;

- determining and approving the remuneration of Mr. WU Jiyu and Mr. ZHANG Shaoyong, the then newly appointed Co-CEOs;

- making recommendation to the Board on the remuneration of Mr. WANG Cheng, following his re-designation as a non-executive Director;

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

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

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

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

Emolument Policy and Long-Term Incentive Plans

To attract and retain talent, the Company provides a competitive remuneration package to its executive Directors and senior management. This comprises base monthly salary, guaranteed cash benefits and allowances, special allowances, variable pay, and long-term incentive plans which include Share Option Schemes and Award Scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid half-yearly or yearly depending on performance delivered through plans and objectives which have pre-determined criteria and standards. Long-term incentive plans primarily consist of share options to subscribe for the Shares and Shares under the Award Scheme respectively. Please refer to pages 256 to 259 of this annual report for details of the Award Scheme. The emoluments payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

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

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

- directors' fee, which is usually paid annually; and
- share options and/or restricted shares of the Company which are awarded subject to the discretion of the Board.

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

DIVIDEND POLICY

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

Purpose

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

Factor(s) to be considered for declaration of dividends

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

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

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

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

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

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

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

   2.7. any other factors that the Board deems appropriate.

Principles in relation to declaration of dividends

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

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

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

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

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

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

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

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

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

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

Audit Committee

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

The Audit Committee usually meets to review the Company's interim and annual results and the integrity of the Group's financial statements. In addition, to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditor before the annual audit commences to discuss the nature and scope of the audit and reporting obligations of the Company. The Audit Committee held three meetings during the year of 2021.

The Audit Committee is governed by its terms of reference. The terms of reference are made available on the Company's website http://electronics.tcl.com and Hong Kong Stock Exchange's website http://www.hkex.com.hk.

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

The work performed by the Audit Committee during 2021 included consideration of the following matters:

- the completeness and accuracy of the 2020 annual and 2021 interim financial statements and reports;
- review of the Company's compliance with statutory and regulatory requirements, developments in accounting standards and the effect on the Company;
- review of the effectiveness of the systems of financial controls, internal audit function, internal control and risk management of the Group;
- review of the financial reporting system of the Group;
- review of the internal control reports submitted by the internal audit department of the Company;
- review of the financial and accounting policies and practices of the Group;
- review of the management letter prepared by the external auditor;

- review of the audit fees payable to external auditor, the scope and timetable of the audit for year 2021;

- review of the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards; and

- recommendations to the Board, for the approval by Shareholders, the reappointment of Messrs. Ernst & Young as the external auditor, which the Board agreed and accepted.

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

The Audit Committee recommended to the Board, which the Board agreed and accepted, that subject to Shareholders' approval at the forthcoming AGM, Messrs. Ernst & Young be re-appointed as the Company's external auditor for 2022.

Strategy Committee

The Board established the Strategy Executive Committee on 23 October 2014 with specific written terms of reference, which was subsequently dissolved on 22 September 2017, whereas the Strategy Committee was established on the same date.

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

As at the date of this annual report, the Strategy Committee comprises three executive Directors, namely, Ms. DU Juan (chairperson), Mr. YAN Xiaolin and Mr. HU Dien Chien.

For details of the Strategy Executive Committee and the Strategy Committee, please refer to the section "Delegation by the Board - Operation" of this Corporate Governance Report on page 61.

The work completed by the Strategy Committee during 2021 included consideration of the following matters:

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

- formulating for the Board's review the Group's overall corporate governance policy and investor relation policy;

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

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

Corporate Governance Function

The work completed by the Board during 2021 as part of its corporate governance function included the following:

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

- reviewed and monitored the training and continuous professional development of Directors and senior management;

- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

- reviewed and monitored the code of conduct applicable to employees and Directors; and

- reviewed the Company's compliance with the code and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 120 to 125.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 126 to 304 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 16 to 33 in this annual report.

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

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

Risk Management and Internal Controls

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

The Company has adopted a set of risk management and internal control policies and procedures to identify, evaluate and properly manage significant risks, safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations by regularly reviewing the Group's internal operations and investigating into complaints made internally following guidelines developed internally and implementing disciplinary actions for non-compliance incidents accordingly.

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

Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided and reviewed.

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

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

For the year of 2021, no significant control failings, weaknesses, risk or critical internal control issues have been identified.

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

The Company has procedures and internal controls for the handling and dissemination of inside information. The Group strictly prohibits unauthorised use of inside information. The Group strives to identify inside information and any information which may potentially constitute inside information at the earliest practicable opportunity, which is then assessed and handed to the Board for decision on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules and the SFO will be disclosed in accordance with all applicable requirements in due course. Inside information would be kept strictly confidential until such disclosure.

Connected Transactions

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to identify and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent Shareholders in accordance with the Listing Rules. The relevant connected persons to which the respective connected transactions relate will be required to abstain from voting in the relevant general meetings. Details of the connected transactions of the Company during the year ended 31 December 2021 are set out in the Report of the Directors in this annual report.

Senior Management's Remuneration

For the year ended 31 December 2021, senior management of the Company comprises four individuals. The senior management's remuneration during the year ended 31 December 2021 falls within the following bands:

Remuneration (per annum) (Note)	**Number of Individuals**
HK$1 to HK$1,000,000	1
HK$4,000,001 to HK$5,000,000	2
HK$18,000,001 to HK$19,000,000	1

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

Auditor's Remuneration

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

Statutory audit services	HK$11,649,000
Non-audit services (which mainly include taxation compliance, agreed upon procedures and advisory services)	HK$9,837,000
Non-audit service in respect of reviewing continuing connected transactions	HK$800,000

COMPANY SECRETARY

The position of joint company secretaries of the Company is held by Mr. HU Dien Chien (an executive Director and the CFO of the Company) and Ms. CHOY Fung Yee (a practising solicitor of Hong Kong who is not an employee of the Company). The joint company secretaries are responsible to the Board and report to the chairperson of the Board from time to time. All Directors have access to the advice and services of the joint company secretaries to ensure that Board procedures, and all applicable laws, rules and regulations are followed.

Mr. HU Dien Chien and Ms. CHOY Fung Yee are required to take no less than 15 hours of relevant professional training during the year 2021 respectively. Each of them has fulfiled the requirement during the year under review.

INVESTOR RELATIONS PROGRAMS

Key Investor Relations Events in 2021

Date	Event	Location
January	Participated in online investor conference (organised by Nomura Securities)	N/A
	Participated in investor conference (organised by Northeast Securities)	Shenzhen
	Participated in investor conference (organised by Haitong Securities)	Shenzhen
	Participated in online investor conference (organised by China Galaxy International)	N/A
February	Participated in online investor conference (organised by CGI-CIMB)	N/A
March	Participated in online investor conference (organised by SIG)	N/A
	2020 annual results announcement (press conference and analyst/investor briefing)	Shenzhen
	Hosted a non-deal road show (organised by CICC)	Shenzhen
	Participated in online investor conference (organised by China Galaxy International)	N/A
	Hosted an online non-deal road show (organised by CITIC Securities)	N/A
	Hosted an online non-deal road show (organised by Essence International)	N/A
April	Participated in online investor conference (organised by SWS)	N/A
	Participated in online investor conference (organised by Industrial Securities)	Xiamen
	Participated in online investor conference (organised by Cathay Securities)	N/A
	Participated in investor conference (organised by Haitong Securities)	Hangzhou
	Hosted a non-deal road show (organised by Industrial Securities)	Shanghai
	Hosted a non-deal road show (organised by Guosheng Securities)	Shanghai
	Participated in investor conference (organised by China Securities)	Shenzhen
	Participated in online investor conference (organised by Citi)	N/A
May	Hosted company visit for investors (organised by CICC)	Shenzhen
	Participated in online investor conference (organised by Citi)	N/A

Date	Event	Location
June	Participated in investor conference (organised by CITIC Securities)	Nanjing
	Participated in online investor conference (organised by Citi)	N/A
	Participated in investor conference (organised by Everbright Securities)	Shenzhen
	Participated in online investor conference (organised by LightShed)	N/A
	Participated in investor conference (organised by CICC)	Shanghai
July	Participated in online investor conference (organised by Essence International)	N/A
August	2021 interim results announcement (analyst/investor/press briefing)	Shenzhen
	Hosted a non-deal road show (organised by CICC)	Shenzhen
	Hosted an online non-deal road show (organised by Guotai Junan Securities)	N/A
	Hosted an online non-deal road show (organised by CICC)	N/A
	Hosted an online non-deal road show (organised by Essence International)	N/A
	Hosted an online non-deal road show (organised by CITIC Securities)	N/A
	Hosted an online non-deal road show (organised by SWS)	N/A
	Participated in online investor conference (organised by Cathay Securities)	N/A
September	Participated in online investor conference (organised by Western Securities)	N/A
	Participated in investor conference (organised by Guotai Junan Securities)	Shanghai
	Participated in online investor conference (organised by Okasan Securities)	N/A
	Participated in online investor conference (organised by CITIC Securities)	N/A
	Hosted company visit for investors (organised by Guoyuan International)	Shenzhen
November	Participated in online investor conference (organised by Citi)	N/A
	Hosted company visit for investors (organised by CICC)	Shenzhen
	Participated in investor conference (organised by Northeast Securities)	Shenzhen
	Participated in investor conference (organised by Kaiyuan Securities)	Shenzhen
	Participated in investor conference (organised by CICC)	Shanghai
	Participated in investor conference (organised by CITIC Securities)	Shenhzen
	Participated in investor conference (organised by Huachuang Securities)	Shenzhen
	Participated in online investor conference (organised by Guotai Junan Securities)	N/A
December	Participated in online investor conference (organised by BOC International)	N/A
	Participated in investor conference (organised by Essence International)	Shenzhen
	Participated in online investor conference (organised by Guohai Securities)	N/A
	Participated in online investor conference (organised by Capital Securities)	N/A

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

The Company has formulated and adopted a shareholders communication policy (as amended from time to time) to ensure the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with Shareholders.

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

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

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

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

Voting by Poll

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

Shareholders' Rights to Convene an EGM

Under article 72 of the Articles, Shareholders at the date of deposit of the requisition holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Constitutional Documents

In 2021, there was no amendment to the Company's constitutional documents.

Conclusion

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

HUMAN RESOURCES

In 2021, the Group focused on the theme of "focusing on smart display and creating an all-scenario AI x IoT smart and healthy life to drive the global development of all business categories" and carried out a series of human resource management initiatives to provide direct and effective support for the Group's strategy, enhancement of organisational performance and employees' growth.

1. Basic Profile of Human Resources

As at 31 December 2021, the total number of employees was 31,238. The distribution is as follows:

Employees by Geographic Region as of 31 December 2021:

Mainland China	25,932
Regions other than Mainland China (including Hong Kong)	5,306

Employees by Age as of 31 December 2021:

Employees aged below 30	13,461
Employees aged between 30 to 49	16,596
Employees aged 50 or above	1,181

The male-to-female ratio was 1.5:1. The overall turnover rate was approximately 33%.

2. Major Accomplishments in Human Resources

In order to support the development strategy of the Group, the Group endeavored to optimise its talent structure and increase the efficiency of its talents continuously. A series of proactive measures in strengthening areas such as appraisals and incentives, recruitment of talents, talent nurturing and development were adopted as follows:

In the area of performance appraisals and incentives, the Group continued to optimise the comprehensive performance management and remuneration and incentives systems in 2021, by adhering to the linkage between the Group's overall performance and employees' incentives at various levels to facilitate the achievement of business objectives and promote the continuous growth and development of employees through a fair, unbiased and open appraisal system. Through implementing bonus schemes based on business lines, the integration of incentives of more rewards for more work for both frontline and back office support were further strengthened. The Group also focused its resources on motivating key projects including corporate strategy, sales breakthrough, technological innovation and management reform, to improve retail capabilities, product competitiveness and technological innovation capabilities in order to support the long-term sustainable development of the Group. In terms of long-term incentives, the Group developed and implemented a long-term profit-sharing scheme for senior management and key employees which helped achieve the incentive orientation of responsibility-sharing and profit-sharing and strengthened the retention and motivation of outstanding talents.

Human Resources and Social Responsibility

In 2021, the Group continued to promote and improve the performance management system and process, and adhered to the approach of performance orientation with a view to improving the Company's results and helping achieve the operating objectives with concerted efforts of all employees.

In terms of talents recruitment, closely following its strategic development plan and consistently centralizing on business development, the Group formulated a talents recruitment strategy and integrated global talents through a diversified, scientific and efficient talents recruitment pipeline, realising the targeted recruitment of medium to high end and foreign talents and other talents in new sectors for key areas. In 2021, a total of more than 3,000 talents were recruited, of whom about 18% were from universities, and about 82% from the society. In 2021, more than 500 talents were recruited for key sectors, covering user brand, product technology, cost efficiency, risk bottom line, corporate culture, strategic management, innovation and transformation, AIoT (Artificial Internet of Things), GTM (Go to market), digitalisation and etc..

In respect of talent nurturing and development, the Group actively carried out reviews on talents, strengthened the application of talents review results and took the measures such as talents structure optimisation and promotion of younger staff as managers, to implement high-potential talent rotation. It also formulated a plan on the appointment accreditation and development of key personnel, endeavouring to help match the new personnel structure with the Group's strategy and contribute to the better and faster development of the Group.

Meanwhile, based on the needs of business and requirements of the talent pool, the Group constantly launched the "Eagle Program" for high-potential talents and development programs for incumbent talents and professional talents. According to business changes, special breakthrough programs for the development of overseas marketing talents, product, R&D and technological talents and new retail talents were launched, with an objective to enhance the employees' international perspectives, business philosophy, management skills, customer-oriented thinking and innovation ideas. While meeting the current business needs, the Group also focused on development in the long run.

SOCIAL RESPONSIBILITY

In the past year, the Group continued to attach great importance to social responsibility as previous and contributed to the society with actions including proactively organising and participating in educational support, public charity activities and school-enterprise cooperation.

Charitable Fund

Shenzhen TCL Foundation

As an entrepreneur with a strong sense of social responsibility, Mr. LI Dongsheng, the founder of the Group, under the vigorous support from the Shenzhen Civil Affairs Bureau, founded the Shenzhen TCL Foundation in June 2012. Shenzhen TCL Foundation is the first private foundation established by an enterprise in the industry of consumer electronics in the PRC. It upholds the values of "Seeking Public Interest and Promoting Social Progress", with an objective of "Creating Educational and Growth Opportunities for the Disadvantaged, Seeking Community Welfare and Environmental Sustainable Development". It has been dedicated to three public welfare undertakings, including poverty alleviation, education assistance and disaster relief.

The "TCL Hope Project Candlelight Award Program" jointly organised by the Shenzhen TCL Foundation and China Youth Development Foundation has already been launched for seven years. As of 2021, an aggregate amount of over RMB38,000,000 was invested in the Program, and 2,600 eminent teachers from over 2,000 village schools had won the award. In 2021, the "Home A.I." program was further upgraded, with the "Eagle Listening" mini program developed. The "Eagle Listening" is a WeChat mini program that integrates the functions of customizing parental voices with AI technology, storytelling and music playing. It has built-in industry-leading automatic speech recognition technology (ASR) and voiceprint recognition technology, which enable users to synthesize an AI simulated sound using the recording function, and listen to the stories in the mini program told by the synthesized sound. So far, more than 150 people have used the mini program for recording, with the total number of users up to 1,000. In 2021, the "Eagle Story Club" program has been constantly launched and put under trial in 14 village schools in 9 provinces across the country and a total of 50 "Eagle" story boxes were distributed, benefiting more than 2,000 people. In 2021, the "Little Musician+" program visually displayed the famous Chinese and foreign songs and appreciative remarks in the "Xiaoxue" music player, by designing and creating musical story picture books to help rural children understand the connotation of music and enhance their imagination. The "Xiaoxue Music Classes" pilot program was launched in 13 schools from 10 provinces, and a total of 50 Xiaoxue music boxes were distributed, covering more than 3,000 students. The Candlelight Micro Loan aims to improve the life quality of village educators at the front line by innovatively combining public welfare and finance, so as to ensure the development of education in rural areas. In 2021, there were nearly 20 village teachers who filed an application under the "Candlelight Micro Loan", six of whom were granted nearly RMB300,000 of loans in total.

Human Resources and Social Responsibility

In 2021, the expenditure on public welfare undertakings of Shenzhen TCL Foundation amounted to approximately RMB49,546,000 for the launch of charity projects. Shenzhen TCL Foundation hopes to collaborate with more organisations in the future and work together to promote the development of public welfare industry and social progress.

Huameng Foundation (華萌基金)

Huameng Foundation takes the meaning of "Love for China's children". Established by Mr. LI Dongsheng with his wife Ms. ICHIKAWA Yuki (WEI Xue) in 2007, it is a dedicated fund founded under China Youth Development Foundation, and has always been committed to the support of the Chinese educational development with an aim to give fair educational opportunities. From scholarship funding to the establishment of a comprehensive quality development system represented by "Huameng Star Classroom", "Huameng Summer Camp", "Graduate Farewell Party" and "Huameng Alumni Association", and to the addition of professional music courses, Huameng Foundation has closely followed the national policies for supporting education to gradually enhance and focus on the development of quality education. In 2021, Huameng Foundation sponsored approximately RMB2,199,000.

In order to keep abreast of and facilitate the growth of Huameng Foundation's students, and provide them with a platform for exchange, learning and resource sharing, the Huameng Alumni Association was established in January 2021, which has five branches by geographical region, with more than 500 members up to now. So far, the Alumni Association has carried out four events by a combination of online and offline forms. In October 2021 when the Huameng Star Classroom event was launched, Liu Biling, the sixth-generation inheritor of the intangible cultural heritage, cloisonné enamel painting, taught and interacted with students on-site, and guided them to make the cloisonné enamel painting and appreciate the charm of traditional culture.

TCL Electronics Mutual Aid Fund

The Group is dedicated to building a mutual aid platform internally for caring for employees, poverty alleviation and relieving the distress of employees. To boost the team spirit of "Assistance for Those with Adversities, Mutual Help and Dedication with Love", the sense of humanity and the corporate culture of people-orientation among the employees, the TCL Electronics Mutual Aid Fund, advocated and supported with donation by Dr. TSENG Shieng-chang Carter (an independent non-executive Director) and others, was set up. Established in August 2012, the TCL Electronics Mutual Aid Fund is a self-managed organisation formed by employees under the Group's Union Association and is dedicated to assisting employees or families suffering from serious illness or major disasters. Since its establishment, the TCL Electronics Mutual Aid Fund has been rendering assistance to employees who suffered hardship with a total donation amount of approximately RMB50,000 in 2021.

The TCL Electronics Mutual Aid Fund also fulfilled corporate social responsibility externally by sponsoring the student financial support program "Caring For Tomorrow" for eight consecutive years, with the cumulative donation amount of approximately RMB1,220,000 as of 31 December 2021. A number of volunteers would have been designated to participate in the sponsorship activities of "Caring For Tomorrow" in poverty-stricken mountain areas and former revolutionary base regions in Jingxi and Lingyun (of Guangxi Province) and Chengdu (of Sichuan Province), which had to be suspended due to the Covid-19, while the TCL-TV laboratory jointly planned and designed by the Group and Shenzhen Shekou Yucai Education Group ("Yucai Group") was put into use in 2020, with the sponsoring amount of approximately RMB100,000 in the sports facilities and activities of Yucai Group in 2021. These activities will continue on an on-going basis, and more new charitable projects will also be included. To support more children receiving quality education, the committee of TCL Electronics Mutual Aid Fund jointly participated in the Care Package Project with the Foundation for Poverty Alleviation with other offline activities implemented depending on the development of the pandemic. In 2021, in order to expand the assistance coverage of TCL Electronics Mutual Aid Fund, it donated approximately RMB60,000 in cash to drawing studios for more than 300 exceptional children in Shenzhen, and launched a seven-day offline exhibition and an online charity sale for the paintings of those children when it was the TCL's 40th anniversary, exhibiting nearly 100 paintings from 35 those children. A total amount of approximately RMB260,000 was donated in 2021.

School-enterprise Cooperation

Campus recruitment, which undertakes the important mission of introducing outstanding young talents all over the world, not only is an important program in achieving younger talent structure, but also a strategic program in cultivating next-generation TCL personnel. In 2021, the Group continued to strengthen its strategic cooperation with key universities, by reaching strategic cooperation with 15 leading universities across the country and donating TCL smart educational machines amounting to nearly RMB1 million in aggregate. The Group, together with its parent company TCL Holdings, established TCL training bases for university talents with South China University of Technology, Nanjing University, Sichuan University, Hunan University, Central South University, Huazhong University of Science and Technology, Chongqing University and Xidian University, for arranging TCL's experts to enter the campus to jointly explore the industry-university-research cooperation in order to promote business development. TCL also established a talent training base for major colleges and universities to further advance the healthy development of school-enterprise relations.

Campus recruitment is held twice annually in spring and autumn and the summer intern program, which has recruited approximately 1,500 talents, provides professional development and career platform to all eminent graduates. The Group continues to operate the "Super-A Special Trainee program" (超A特訓生) in domestic and overseas top universities to orientate towards a future leader reserve program, and select outstanding talents with business minds, development potentials, determination to succeed and leadership aptitudes from the universities, providing a driving force to the organisational development.

Environmental Protection

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

The Group continuously implements a fine-tuned strategy to shoulder its corporate environmental, social and ethical responsibility and improve corporate governance, in order to create greater value for all of the Group's stakeholders including Shareholders, customers and employees as well as the communities where it operates. Further, the Group continues to adhere to a highly responsible attitude toward employees, customers and the environment, in the product manufacturing process from raw materials to finished goods, by strictly regulating and controlling toxic and hazardous substances. Toxic and hazardous substances are prohibited to enter all aspects of production, packaging, distribution, marketing, etc., and any matter that is harmful to the health of employees and consumer safety and damages natural environment or any matter that has other serious consequences are also prohibited.

The Environmental, Social and Governance Report of the Company for the year ended 31 December 2021 prepared in accordance with Appendix 27 to the Listing Rules will be published separately pursuant to the requirements under Appendix 27 to the Listing Rules.

The Directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 126 to 304.

The Board has proposed a final dividend for the year ended 31 December 2021 of HK16.70 cents in cash per share (31 December 2020: HK11.50 cents) out of the share premium account of the Company.

Subject to (i) Shareholders' approval at the forthcoming AGM to be held on 17 June 2022, Friday, and (ii) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, and immediately after the final dividends are paid, will be unable to pay its liabilities as they become due in the ordinary course of business, the said final dividend will be payable on or about 5 August 2022, Friday to Shareholders whose names appear on the register of members of the Company on 8 July 2022, Friday.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 305. This summary does not form part of the audited financial statements.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlements to attend and vote at the forthcoming AGM, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not 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 forthcoming AGM.

The record date for determining the entitlements of the Shareholders to the proposed final dividend is 8 July 2022, Friday. 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, 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.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the section headed "Management Discussion and Analysis" on pages 16 to 33 of this annual report. Discussions on non-financial performance including human resources management initiatives, the key relationships with its employees and the Group's environmental policies and performance are disclosed in the section headed "Human Resources and Social Responsibility" of this annual report. Those discussions form part of this Report of the Directors. Key relationships with customers and suppliers are disclosed in the section headed "Major Customers and Suppliers" in this Report of the Directors. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong), including a review of the business of the Group, discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, particulars of important events affecting the Group that have occurred since 31 December 2021 and up to the date of this annual report, and an indication of the outlook and future development of the business of the Group, are set out under sections headed "Chairperson's Statement" and "Management Discussion and Analysis" of this annual report. Those discussions also form part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has complied with regulations related to occupational safety, including but not limited to the Fire Prevention Law of the PRC, the Production Safety Law of the PRC and the Law of the PRC on the Prevention and Control of Occupation Diseases.

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

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

As at 31 December 2021 and up to the date of this annual report, the Board was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on the Company.

SIGNIFICANT RISKS AND UNCERTAINTIES

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

Market Environment

With great challenges brought about to the industry and consumer needs by the Covid-19 pandemic in 2021, complicated by profound changes in the global landscape, drastic fluctuations in the international logistical prices and mounting pressure from supply chain, international companies were faced with growing uncertainties. Moreover, the market competition in the industry where the Group operates gets more intensified with emergence of peers from Internet and technology companies, resulting more pressure on our operation.

By virtue of years of accumulation in the international markets, the Group has flexibly adjusted its operating strategies to respond to the challenges from the international environment and reduced the impact from supply chain and logistics. Following the strategic path of “Value Led by Brand with Relative Cost Advantage”, the Group has focused on mid-to-high end products to enhance product mix and continued to cut costs and improve efficiency. At the same time, the Group has proactively seized opportunities from upgrade of the ecosystem and pattern of the display and value-added service industry, persisted in product innovation, focused on overseas markets and explored innovative businesses to enhance the core competitiveness and growth potential of the Group.

Raw Materials

Panel is an important raw material to the Group's TV products and hence the Group's business is dependent on the availability and price of panel.

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

Financial Risks

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND AWARD SCHEME

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 50 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had an aggregate of HK$4,906,432,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents a premium arising on the issue of Shares, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the Articles and Cayman Law. Subject to compliance with the applicable requirements under Cayman Law, the share premium may be applied for payment of dividend by the Company. After the transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company out of its share premium account would be HK$5,645,368,000.

CHARITABLE DONATIONS

During the year ended 31 December 2021, the Group made charitable donations totaling approximately HK$372,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	21%
– the five largest suppliers combined	37%

Sales

– the largest customer	9%
– the five largest customers combined	25%

Those suppliers have been cooperating with the Group for a long-term. The Group recognises that maintaining good and stable relationship with suppliers, customers and business partners is key for the sustainable development of the Group. Therefore, the Group maintains good business relationships with its major suppliers and customers which have been cooperating with the Group for a long time.

Major customers

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

Further discussion in this aspect has been set out in the section headed "Management Discussion and Analysis" of this annual report.

The Group's credit terms with its customers including credit period are disclosed in note 24 to the financial statements. Each customer has a credit limit depending on the size and credibility of the customers. The Group also maintains credit insurance for trade receivables from customers.

Major Suppliers

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

One of the five largest customers and one of the five largest suppliers of the Group are both subsidiaries of TCL Holdings. Notwithstanding the respective interests and/or roles of certain Directors in TCL Holdings, in particular, as at 31 December 2021, (i) Ms. DU Juan was also a director and the CEO of TCL Holdings; (ii) Mr. WANG Cheng was also a director of TCL Holdings; (iii) Mr. HU Dien Chien was also the CFO of TCL Holdings; and (iv) Mr. SUN Li was also the chief technology officer of TCL Holdings, as their respective direct or indirect interests in TCL Holdings were insignificant, none of them was considered as having a material interest in that subsidiary of TCL Holdings.

One of the five largest suppliers of the Group is a subsidiary of TCL Technology, in which Ms. DU Juan is a non-executive director, Mr. WANG Cheng is the chief operating officer and Mr. YAN Xiaolin is the chief technology officer.

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

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors:

Ms. DU Juan (appointed as an executive Director and chairperson of the Board with effect from 9 August 2021)

Mr. LI Dongsheng (resigned as an executive Director and chairperson of the Board with effect from 9 August 2021)

Mr. YAN Xiaolin

Mr. HU Dien Chien

Non-executive Directors:

Mr. WANG Cheng (re-designated from an executive Director to a non-executive Director and resigned as the CEO of the Company with effect from 9 August 2021)

Mr. Albert Thomas DA ROSA, Junior

Mr. SUN Li

Mr. LI Yuhao

Independent Non-executive Directors:

Mr. Robert Maarten WESTERHOF

Dr. TSENG Shieng-chang Carter

Professor WANG Yijiang

Mr. LAU Siu Ki

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

In accordance with Article 116 of the Articles, at each AGM, not less than one-third of the Directors for the time being shall retire from office by rotation and, under the corporate governance code adopted by the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. All retiring Directors shall be eligible for re-election. Accordingly, Mr. Albert Thomas DA ROSA, Junior, Mr. SUN Li, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter shall retire from office by rotation at the conclusion of the forthcoming AGM. Mr. SUN Li and Dr. TSENG Shieng-chang Carter, being eligible, will offer themselves for re-election at the forthcoming AGM. Mr. Albert Thomas DA ROSA, Junior and Mr. Robert Maarten WESTERHOF shall retire from office as a non-executive Director and an independent non-executive Director respectively with effect from the conclusion of the forthcoming AGM and will not offer themselves for re-election to focus on their other personal commitments which require more of their dedication and time commitment.

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

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

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 48 to 82 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the Directors.

PENSION SCHEMES

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 34 to 47 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, none of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this Report of the Directors, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year ended 31 December 2021.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this Report of the Directors, no contract of significance was entered into among the Company or any of its subsidiaries and the controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries during the year ended 31 December 2021.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company – Long Positions

		Number of ordinary Shares interested or deemed to be interested		Number of underlying Shares interest or deemed to be interested under equity derivatives (Note 3)		
Name of Directors and chief executive	Capacity	Personal interests	Other interests (Note 1)	Personal interests	Total	Approximate percentage of the number of issued Shares (Note 2)
Directors						
DU Juan	Beneficial owner	264,075	–	–	264,075	0.01%
YAN Xiaolin	Beneficial owner	13,414	3,395,637	808,312	4,217,363	0.17%
WANG Cheng	Beneficial owner	3,697,954	7,625,290	5,142,206	16,465,450	0.66%
Albert Thomas DA ROSA, Junior	Beneficial owner	7,463	7,463	116,442	131,368	0.01%
SUN Li	Beneficial owner	–	2,428,562	–	2,428,562	0.10%
LI Yuhao	Beneficial owner	24,000	–	–	24,000	0.001%
Robert Maarten WESTERHOF	Beneficial owner	37,315	7,463	116,442	161,220	0.01%
WANG Yijiang	Beneficial owner	36,849	7,463	242,260	286,572	0.01%
LAU Siu Ki	Beneficial owner	37,315	7,463	236,301	281,079	0.01%
Chief executive						
ZHANG Shaoyong	Beneficial owner	201,000	4,973,256	381,747	5,556,003	0.22%

Notes:

1. These interests are restricted shares that have been granted to the relevant Directors and/or chief executive under the Award Scheme and were not vested as at 31 December 2021.

2. The percentages are calculated based on the number of issued Shares as at 31 December 2021, i.e. 2,479,959,408 Shares.

3. These equity derivatives were outstanding share options granted to the relevant Directors and/or chief executive of the Company under the Share Option Scheme as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors and/or chief executive of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in Shares

Shareholders	Capacity	Number of Shares held	Percentage of the number of issued Shares (Note 1)
TCL Holdings (Note 2)	Interest of controlled corporation	1,260,358,288 (Note 3)	50.82%
WANG Jingbo	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
ZENG Edward Qiang	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
Noah Holdings Limited	Interest of controlled corporation	348,850,000 (Note 5)	14.07%

Shareholders	Capacity	Number of Shares held	Percentage of the number of issued Shares (Note 1)
Shanghai Noah Investment Management Co., Ltd* (上海諾亞投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
諾亞正行基金銷售有限公司	Interest of controlled corporation	348,850,000 (Note 5)	14.07%
China Bridge Capital Management Co., Ltd* (北京鑫根投資管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
歌斐創世鑫根併購一號投資基金	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
歌斐創世鑫根併購基金F投資基金	Interest of controlled corporation	348,850,000 (Note 6)	14.07%
Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司)	Interest of controlled corporation	348,850,000 (Note 7)	14.07%
Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
Leshi Internet Information and Technology Corp., Beijing* (樂視網信息技術(北京)股份有限公司)	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
深圳市樂視鑫根併購基金投資管理企業(有限合夥)	Interest of controlled corporation	348,850,000 (Note 4)	14.07%
深圳市樂視鑫根併購基金投資管理有限公司	Interest of controlled corporation	348,850,000 (Note 4)	14.07%

Notes:

1. The percentage in respect of the interest of the relevant substantial Shareholder was calculated based on the number of Shares and underlying Shares in which such substantial Shareholder was interested as notified to the Company and disclosed on the website of the Hong Kong Stock Exchange against the number of issued Shares as at 31 December 2021, being 2,479,959,408 Shares in issue.

2. As at 31 December 2021, the following Directors were directors/employees of a company who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

   (b) Mr. HU Dien Chien was also the CFO of TCL Holdings;

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

   (d) Mr. SUN Li was also the chief technology officer of TCL Holdings.

3. As at 31 December 2021, TCL Holdings was deemed to be interested in 1,260,358,288 Shares held by T.C.L. Industries (H.K.).

4. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the 348,850,000 Shares were held by Zeal Limited, a wholly-owned subsidiary of 深圳市樂視鑫根併購基金投資管理企業(有限合夥), which was in turn indirectly held as to (i) 0.1% by Mr. ZENG Edward Qiang through China Bridge Capital Management Co., Ltd.* (北京鑫根投資管理有限公司); (ii) 20.81% by Leshi Internet Information and Technology Corp., Beijing (樂視網信息技術(北京)股份有限公司) through 深圳市樂視鑫根併購基金投資管理有限公司; (iii) 63.14% by Mr. WANG Jingbo through Shanghai Noah Investment Management Co., Ltd.* (上海諾亞投資管理有限公司), Wuhu Gopher Asset Management Co., Ltd* (蕪湖歌斐資產管理有限公司) and 歌斐創世鑫根併購一號投資基金.

5. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the 348,850,000 Shares were held on trust for 諾亞正行基金銷售有限公司 as one of the beneficiaries, and Noah Holdings Limited was deemed to be interested in the Shares through its indirect 100% interest in 諾亞正行基金銷售有限公司.

6. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), 歌斐創世鑫根併購基金F投資基金 was deemed to be interested in 348,850,000 Shares through its 65.4% indirect interest in 歌斐創世鑫根併購一號投資基金.

7. Based on the information set out in the relevant disclosures made by the said substantial Shareholder(s), the 348,850,000 Shares were held on trust for Aeon Life Insurance Co. Ltd* (百年人壽保險股份有限公司) as one of the beneficiaries.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors and chief executive(s) of the Company whose interests or short positions are set out in the section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had notified the Company of an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections under the headings "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SHARE OPTION SCHEMES" and "AWARD SCHEME" in this Report of the Directors and the information set out in note 37 to the financial statements of this annual report, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company adopted the 2007 Scheme on 15 February 2007 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. By a Shareholders' resolution passed in the AGM held on 18 May 2016, the 2016 Scheme was adopted and the 2007 Scheme was terminated. As a result, the Company can no longer grant any further options under the 2007 Scheme but all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. Eligible participants of the 2007 Scheme include the Directors, including independent non-executive Directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The 2016 Scheme mainly refined the definition of "any other person" in the eligible participants of the 2007 Scheme to employees and officers of TCL Technology (as the then ultimate beneficial owner of the Company) and its affiliated companies. The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of Shares which may be issued upon exercise of all share options to be granted under the 2016 Scheme of the Company must not in aggregate exceed 10% of the number of Shares in issue on the date of approval of the 2016 Scheme by the Shareholders. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2016 Scheme of the Company must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares issued or to be issued upon exercise of share options granted to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantial Shareholder, independent non-executive Director or their respective associates) of the issued Shares, unless otherwise approved by the Shareholders in a general meeting of the Company.

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

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

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

Share options do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

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

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

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

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

As at 31 December 2021, the number of Shares that could be issued upon exercise of (i) all outstanding share options; and (ii) all share options that could be granted under the then available scheme mandate limit were 48,575,801 and 233,261,356, respectively, which represented approximately 1.96% and 9.41% of the total number of issued Shares as at 31 December 2021, respectively. Assuming all said 48,575,801 outstanding share options were exercised as at 31 December 2021, the total number of Shares as at 31 December 2021 would be 2,528,535,209, and the shareholding of T.C.L. Industries (H.K.) and Zeal Limited will drop to approximately 49.85% and 13.80% respectively.

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

Name or category of participants	Number of share options							Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates HK$
	At 1 January 2021	Reclassification	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021					
Directors												
Executive Directors												
LI Dongsheng*	205,337	(205,337)	-	-	-	-	-	02-Jun-16	4.3860	Note 3	4.49	N/A
	2,150,700	(2,150,700)	-	-	-	-	-	23-Jan-18	4.1520	Note 5	3.91	N/A
	1,599,903	(1,599,903)	-	-	-	-	-	25-Apr-18	3.5700	Note 6	3.55	N/A
	3,955,940	(3,955,940)	-	-	-	-	-					
DU Juan**	-	150,066	-	(150,066)	-	-	-	31-Aug-15	3.3918	Note 2	3.54	4.96
	-	150,066	-	(150,066)	-	-						
WANG Cheng***	670,261	-	-	(670,261)	-	-	-	09-Mar-15	4.4834	Note 1	4.40	6.66
	1,449,817	(1,214,817)	-	(235,000)	-	-	-	31-Aug-15	3.3918	Note 2	3.54	4.96
	158,282	(158,282)	-	-	-	-	-	02-Jun-16	4.3860	Note 3	4.49	N/A
	291,063	(291,063)	-	-	-	-	-	12-May-17	3.7329	Note 4	3.70	N/A
	4,301,397	(4,301,397)	-	-	-	-	-	23-Jan-18	4.1520	Note 5	3.91	N/A
	391,464	(391,464)	-	-	-	-	-	25-Apr-18	3.5700	Note 6	3.55	N/A
	7,262,284	(6,357,023)	-	(905,261)	-	-	-					
YAN Xiaolin	391	-	-	-	-	(391)	-	09-Mar-15	4.4834	Note 1	4.40	N/A
	156,398	-	-	(156,000)	-	(398)	-	31-Aug-15	3.3918	Note 2	3.54	4.96
	153,478	-	-	-	-	-	153,478	02-Jun-16	4.3860	Note 3	4.49	N/A
	116,442	-	-	-	-	-	116,442	23-Jan-18	4.1520	Note 5	3.91	N/A
	538,392	-	-	-	-	-	538,392	25-Apr-18	3.5700	Note 6	3.55	N/A
	965,101	-	-	(156,000)	-	(789)	808,312					
	12,183,325	**(10,162,897)**	**-**	**(1,211,327)**	**-**	**(789)**	**808,312**					

Report of the Directors

Name or category of participants	Number of share options: At 1 January 2021	Reclassification	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates HK$
Non-executive Directors												
Albert Thomas DA ROSA, Junior	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 5	3.91	N/A
	116,442	–	–	–	–	–	116,442					
WANG Cheng***	–	1,214,817	–	(1,214,817)	–	–	–	31-Aug-15	3.3918	Note 2	3.54	4.96
	–	158,282	–	–	–	–	158,282	02-Jun-16	4.3860	Note 3	4.49	N/A
	–	291,063	–	–	–	–	291,063	12-May-17	3.7329	Note 4	3.70	N/A
	–	4,301,397	–	–	–	–	4,301,397	23-Jan-18	4.1520	Note 5	3.91	N/A
	–	391,464	–	–	–	–	391,464	25-Apr-18	3.5700	Note 6	3.55	N/A
	–	6,357,023	–	(1,214,817)	–	–	5,142,206					
Independent Non-executive Directors												
Robert Maarten WESTERHOF	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 5	3.91	N/A
	116,442	–	–	–	–	–	116,442					
WANG Yijiang	125,818	–	–	–	–	–	125,818	02-Jun-16	4.3860	Note 3	4.49	N/A
	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 5	3.91	N/A
	242,260	–	–	–	–	–	242,260					
LAU Siu Ki	116,442	–	–	–	–	–	116,442	23-Jan-18	4.1520	Note 5	3.91	N/A
	119,859	–	–	–	–	–	119,859	25-Apr-18	3.5700	Note 6	3.55	N/A
	236,301	–	–	–	–	–	236,301					
	711,445	**6,357,023**	**-**	**(1,214,817)**	**-**	**-**	**5,853,651**					
Chief executive												
ZHANG Shaoyong****	–	381,747	–	–	–	–	381,747	23-Jan-18	4.1520	Note 5	3.91	N/A
	–	381,747	–	–	–	–	381,747					
Associate(s) of Director(s)												
ICHIKAWA Yuki (WEI Xue)*	127,329	(127,329)	–	–	–	–	–	02-Jun-16	4.3860	Note 3	4.49	N/A
(Spouse of Mr. LI Dongsheng)	272,468	(272,468)	–	–	–	–	–	25-Apr-18	3.5700	Note 6	3.55	N/A
	399,797	**(399,797)**	**-**	**-**	**-**	**-**	**-**					
Other employees of the Group ^	1,951,035	–	–	(1,937,613)	–	(13,422)	–	09-Mar-15	4.4834	Note 1	4.40	6.73
	8,742,789	–	–	(9,066,929)	–	324,140	–	31-Aug-15	3.3918	Note 2	3.54	5.04
	1,032,418	–	–	(572,993)	–	(50,598)	408,827	02-Jun-16	4.3860	Note 3	4.49	6.51
	4,885,322	–	–	(1,416,399)	–	(14,640)	3,454,283	12-May-17	3.7329	Note 4	3.70	5.72
	42,894,971	(381,747)	–	(7,422,836)	–	(6,695,796)	28,394,592	23-Jan-18	4.1520	Note 5	3.91	6.58
	59,506,535	**(381,747)**	**-**	**(20,416,770)**	**-**	**(6,450,316)**	**32,257,702**					

Name or category of participants	Number of share options: At 1 January 2021	Reclassification	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Share closing price immediately before the date of grant of share options HK$	Weighted average share closing price immediately before the exercise dates HK$
Those who have contributed or may contribute to the Group#	2,181,402	-	-	(2,181,402)	-	-	-	09-Mar-15	4.4834	Note 1	4.40	6.73
	2,112,106	(150,066)	-	(1,321,209)	-	(640,831)	-	31-Aug-15	3.3918	Note 2	3.54	5.04
	1,815,734	332,666	-	(175,006)	-	-	1,973,394	02-Jun-16	4.3860	Note 3	4.49	6.51
	4,274,865	1,872,371	-	(957,186)	-	(39,755)	5,150,295	25-Apr-18	3.5700	Note 6	3.55	5.98
	-	2,150,700	-	-	-	-	2,150,700	23-Jan-18	4.1520	Note 5	3.91	N/A
	10,384,107	**4,205,671**	**-**	**(4,634,803)**	**-**	**(680,586)**	**9,274,389**					
	83,185,209	**-**	**-**	**(27,477,717)**	**-**	**(7,131,691)**	**48,575,801**					

Note 1 One-third of such share options are exercisable commencing from 9 January 2017, a further one-third are exercisable commencing from 9 January 2018, and the remaining one-third are exercisable commencing from 9 January 2019, up to 8 March 2021.

Note 2 For share options granted to grantees in their capacity as employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017, a further approximately one-third are exercisable commencing from 9 January 2018, and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

For share options granted to grantees in their capacity as employees of TCL Technology Group (excluding the Group), approximately one-third of such share options are exercisable commencing from 31 December 2015, a further approximately one-third are exercisable commencing from 31 December 2016, and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.

Note 3 For share options granted to grantees in their capacity as employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017, a further approximately 43% are exercisable commencing from 9 January 2018, and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

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

Note 4 Approximately 21% of such share options are exercisable commencing from 9 January 2018, and the remaining approximately 79% are exercisable commencing from 9 January 2019, up to 11 May 2023.

Note 5 Approximately one-sixth of such share options are exercisable commencing from 18 May 2019, approximately one-sixth from 9 January 2020, approximately one-sixth from 18 May 2020, approximately one-sixth from 9 January 2021, a further approximately one-sixth are exercisable commencing from 18 May 2021, and the remaining approximately one-sixth are exercisable commencing from 9 January 2022, up to 22 January 2024.

Note 6 For share options granted to grantees in their capacity as employees of the Group, all of such share options are exercisable commencing from 9 January 2019, up to 24 April 2024.

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

* Mr. LI Dongsheng resigned as an executive Director with effect from 9 August 2021.

** Ms. DU Juan was appointed as an executive Director with effect from 9 August 2021. Those share options were granted to her in her capacity as employee and officer of TCL Technology and/or its affiliated companies prior to her appointment as an executive Director.

*** Mr. WANG Cheng was re-designated from an executive Director to a non-executive Director with effect from 9 August 2021.

**** Mr. ZHANG Shaoyong was appointed as a Co-CEO with effect from 9 August 2021 and a CEO with effect from 20 August 2021. Those share options were granted to him in his capacity as an employee of the Group prior to his appointment as a CEO.

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

^ This category of participants includes, among others, Mr. WU Jiyu, who was appointed as a Co-CEO of the Company on 9 August 2021 and resigned as a Co-CEO of the Company on 20 August 2021. For the avoidance of doubt, no share options were granted to or exercised by him or cancelled or lapsed during his tenure as a Co-CEO of the Company.

During the year ended 31 December 2021, a total of 27,477,717 Shares were issued, all of which were issued to option holders who exercised their share options granted under the Share Option Scheme.

AWARD SCHEME

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

On 4 May 2018, the Board further resolved to, among others, introduce a refreshment mechanism that allowed for refreshment of the scheme limit subject to fulfilment of certain conditions, as well as an annual specific mandate be granted to the Directors, subject to Shareholders' approval, to allot and issue new Shares under the Award Scheme for not exceeding 3% of the number of Shares in issue as at the date on which the resolution was passed, and make other consequential amendments to the Award Scheme (collectively "2018 Amendments"). For further details of the 2017 Amendments and the 2018 Amendments, please refer to the circular of the Company dated 7 May 2018. On 23 May 2018, ordinary resolutions were passed by the Shareholders to approve, among others, the amended Award Scheme with the 2018 Amendments incorporated. On 18 May 2021, the Company granted (i) a total of 42,054,488 awarded shares being new shares under the specific mandate approved by the Shareholders at the AGM of the Company held on 2 June 2020 for issuance and allotment of new shares pursuant to the Award Scheme; and (ii) a total of 72,417,732 awarded shares being existing shares pursuant to the terms of the Award Scheme. For details, please refer to the announcement of the Company dated 19 May 2021.

The current Specific Mandate for the issuance and allotment of new Shares pursuant to the Award Scheme was passed by the Shareholders at the AGM held on 21 May 2021. As at 21 May 2021, the total number of issued Shares was 2,470,066,763 and the maximum number of new Shares which could be issued as approved under the said specific mandate was therefore 74,102,002 Shares. No Shares had been awarded under the said Specific Mandate up to 31 December 2021. Accordingly, as at 31 December 2021, an aggregate of 74,102,002 Shares can be issued under the Award Scheme. The said Specific Mandate would expire at the forthcoming AGM and the Company would seek its Shareholders' approval for a new Specific Mandate at the forthcoming AGM of the Company.

The Company has appointed the Trustee for the administration of the Award Scheme. To the knowledge and belief of the Company, the Trustee is an independent third party to the Company. No one, including the Trustee, may exercise any voting rights in respect of the awarded shares held by the Trustee. During the year ended 31 December 2021, the Trustee acquired 200,000,000 Shares from market for future vesting purpose.

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

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of connected transactions and continuing connected transactions with its connected persons including (i) TCL Holdings (being the ultimate controlling shareholder of the Company), its subsidiaries and its associates (as defined in the Listing Rules) and (ii) Tencent Holdings Limited (a connected person of the Company at the subsidiary level as one of Tencent Holdings Limited's wholly-owned subsidiaries held approximately 21.43% of Falcon Network Technology as at 31 December 2021) and its subsidiaries (collectively "Tencent Group").

The Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2021:

(a) On 18 May 2021 (after trading hours), the Company granted an aggregate of 64,712,694 awarded Share(s) with an approximate market value of HK$337,153,000 to 32 participant(s) of the Award Scheme who contributed to the Falcon Network Technology Group and who were connected persons of the Company by virtue of being a director, chief executive or substantial shareholder of member(s) of the Group, subject to their acceptance. The awarded Shares granted would be vested in tranches over three years according to the respective vesting schedule. For details, please refer to the announcement of the Company dated 19 May 2021.

(b) On 17 December 2021 (after trading hours), the Investment Cooperation Framework Agreement was entered into between the Company and TCL Holdings in respect of, among others, the establishment of the Investment Fund in the form of limited partnership, the subscription of interests therein and the entering into of the limited partnership agreement in relation thereto. The Investment Fund would be principally engaged in the business of equity investment in the fields of core emerging and frontier technology which would provide synergistic effect to the respective businesses of the Group and TCL Holdings Group. Pursuant to the Investment Cooperation Framework Agreement, the total capital commitment to the Investment Fund was RMB1,000.00 million (equivalent to approximately HK$1,222.50 million), of which RMB199.90 million in cash would 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 in cash would be contributed by one or more subsidiary(ies) of TCL Holdings to be nominated by TCL Holdings as general partner(s). The transaction has been completed as at the date of this annual report. For details, please refer to the announcement of the Company dated 17 December 2021.

(c) On 17 December 2021 (after trading hours), TCL King (Huizhou), an indirect subsidiary of the Company, entered into the equity transfer agreement with TCL Holdings, pursuant to which TCL King (Huizhou) agreed to sell, and TCL Holdings agreed to purchase, 100% equity interest in TCL Hengshi Tianrui Investment (Ningbo) Co., Ltd.* ("TCL Hengshi Tianrui") (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$12.72 million) in cash. After completion of the disposal, TCL Hengshi Tianrui would cease to be a subsidiary of the Company. The transaction was completed on 28 December 2021. For details, please refer to the announcement of the Company dated 17 December 2021.

(d) On 20 December 2021 (after trading hours), the Strategic Co-operation Agreement was entered into between the Company and TCL Holdings in respect of, among others, the formation of the JV Company, the subscription of interests therein and the entering into of the Shareholders' Agreement and articles of associations in relation thereto. Pursuant to the Strategic Co-operation Agreement, the registered capital of the JV Company was RMB100.00 million (equivalent to approximately HK$122.25 million), of which RMB19.99 million would be contributed by TCL Electronics Nominee Company(ies) and RMB80.01 million in cash would be contributed by TCL Holdings Nominee Company(ies) pursuant to the Strategic Co-operation Agreement. Upon completion, the JV Company would be owned as to 19.99% by TCL Electronics Nominee Company(ies) and 80.01% by TCL Holdings Nominee Company(ies).

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. As TCL Electronics Nominee Company(ies) would hold only 19.99% equity interest of the JV Company upon formation of the JV Company, the JV Company would 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 would constitute a disposal of the Intellectual Property Rights by the Group. The transaction has been completed as at the date of this annual report. For details, please refer to the announcement of the Company dated 20 December 2021.

Report of the Directors

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2021:

(a) Pursuant to the Master Sale and Purchase (2019-2021) Agreement dated 14 June 2019 entered into between the Company and TCL Holdings, the Group (i) purchased goods from TCL Holdings and its various associates amounting to HK$5,695,622,000; and (ii) sold goods to TCL Holdings and its various associates amounting to HK$6,175,710,000 during the year. Further details of the Master Sale and Purchase (2019-2021) Agreement are set out in the announcement of the Company dated 14 June 2019 and the circular of the Company dated 19 June 2019.

(b) Pursuant to the Master Services (2019-2021) Agreement dated 14 June 2019 entered into between the Company and TCL Holdings, the Group (i) paid service fees to TCL Holdings and its various associates amounting to HK$955,712,000 during the year; and (ii) received services income from TCL Holdings and its various associates amounting to HK$176,852,000 during the year. Further details of the Master Services (2019-2021) Agreement are set out in the announcement of the Company dated 14 June 2019 and the circular of the Company dated 19 June 2019.

(c) Pursuant to the Master Brand Promotion (2019-2021) Agreement dated 14 June 2019 entered into between the Company and TCL Holdings, the Group would be entitled to share the rights of use of certain registered trademarks of TCL Technology. During the year, the Group paid brand promotion fee to TCL Holdings and its various associates amounting to HK$89,644,000. Further details of the Master Brand Promotion (2019-2021) Agreement are set out in the announcement of the Company dated 14 June 2019 and the circular of the Company dated 19 June 2019.

(d) Pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022) dated 25 March 2020 entered into among the Company, TCL Holdings and Finance Company (HK) (a subsidiary of TCL Holdings), the maximum outstanding daily balances of deposits placed by the Group with Finance Company (HK) and/or TCL Holdings Financial Services Associates (as defined in the announcement of the Company dated 25 March 2020) amounted to HK$1,765,634,000 and the maximum daily balances of outstanding loans provided by the Group to the Qualified Holdings Group (as defined in the announcement of the Company dated 25 March 2020) amounted to HK$3,240,425,000 during the year. Further details of the Master Financial Agreement (TCL Holdings) (2020-2022) are set out in the announcement dated 25 March 2020 and the circular of the Company dated 1 April 2020.

(e) Pursuant to the Internet TV Cooperation Agreement dated 7 March 2017 (as supplemented and/or amended from time to time) entered into between the Company and Tencent Computer, the Group (i) paid service fees to Tencent Computer for video-on-demand online services provided to the Group amounting to HK$274,148,000; (ii) the Group procured resources on Tencent platform from Tencent Computer amounting to HK$15,121,000; (iii) received television commercials income from Tencent Computer amounting to HK$173,509,000; (iv) received online membership income from Tencent Computer amounting to HK$22,884,000; and (v) received value-added services income from Tencent Computer amounting to HK$20,587,000 during the year. Further details of the Internet TV Cooperation Agreement are set out in the announcement of the Company dated 22 June 2020.

(f) Pursuant to the Master Rental (2020-2021) Agreement dated 25 August 2020 entered into between the Company and TCL Holdings, the Group (i) received rental/license income from TCL Holdings and its associates amounting to HK$27,647,000; (ii) paid rental/license cost to TCL Holdings and its associates amounting to HK$34,736,000 during the year; and (iii) the maximum balance of the right-of-use assets for TCL Holdings and its associates to be leased by the Group amounted to HK$111,753,000. Further details of the Master Rental (2020-2021) Agreement are set out in the announcement of the Company dated 25 August 2020.

(g) Pursuant to the Master Financing Services (2021-2022) Agreement dated 9 June 2021 entered into between the Company and TCL Holdings, (i) the facility limit provided by TCL Holdings Financial Services Associates (as defined in the announcement of the Company dated 9 June 2021) to TCL Electronics Qualified Members (as defined in the announcement dated 9 June 2021) amounted to HK$147,214,000; (ii) TCL Electronics Qualified Members paid interest and handling fees to TCL Holdings Financial Services Associates amounting to HK$1,035,000; and (iii) the maximum daily balance of value of security provided by TCL Electronics Qualified Members to TCL Holdings Financial Services Associates for Financing Services (as defined in the announcement dated 9 June 2021) amounted to HK$147,214,000. Further details of the Master Financing Services (2021-2022) Agreement are set out in the announcement of the Company dated 9 June 2021.

(h) Pursuant to the Exclusive Business Co-operation Agreement dated 23 July 2019 entered into between Falcon Network Technology and OPCO, the OPCO shall engage Falcon Network Technology on an exclusive basis to provide business support, technical services, consulting services and other services, including but not limited to technical services, network support, business consultation, intellectual property licensing, leasing of equipment, market consultation, system integration, product research and development, system maintenance and other related services from time to time in accordance with the PRC Laws. The OPCO shall pay, on a quarterly basis, to Falcon Network Technology a service fee that is set by Falcon Network Technology and stated in the invoice issued by Falcon Network Technology to the OPCO having taking into account the workload and commercial value of the services provided by Falcon Network Technology to the OPCO, and the service fee shall be equivalent to all profits generated by the OPCO, after deducting relevant costs, expenses and taxes. Falcon Network Technology received service fee from the OPCO amounting to HK$23,905,000 during the year. Further details of the Exclusive Business Co-operation Agreement are set out in the VIE Announcement and the section "VIE Structure" below.

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

All the related parties transactions set out in note 46 to the financial statements (except for the transactions with joint ventures and associates of the Group and transactions with affiliates of and companies controlled by TCL Technology included in note 46 to the financial statements) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Messrs. Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Messrs. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange. Messrs. Ernst & Young has confirmed in the letter to the Board that, with respect to the aforesaid continuing connected transactions carried out during the year ended 31 December 2021, (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) nothing has come to their attention that causes them to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

VIE Structure

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

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

Particulars of the OPCO and major terms of the VIE Agreements

For the particulars of the OPCO, as well as a summary of the major terms of the VIE Agreements, please refer to the VIE Announcement. For the year ended 31 December 2021, there was no material change in the particulars of the OPCO, the VIE Structure and/or the circumstances under which they were adopted, and none of the VIE Agreements has been terminated or unwound as none of the restrictions that led to the adoption of the VIE Structure has been removed.

Financial information, business activities of the OPCO and their significance to the Group

For the year ended 31 December 2021, the major business activities of the OPCO were to conduct valued-added telecommunications business and Internet cultural business in the PRC (i.e. the Subject Business). As at 31 December 2021, the registered owners of the OPCO were Mr. WANG Hao and Ms. ZHU Xiaojiang, and each of them respectively owned 50% equity interests of the OPCO. The OPCO's significance to the Group is that it holds relevant licences to provide valued-added telecommunications business and Internet cultural business in the PRC. The revenue of the OPCO amounted to approximately HK$619,297,000 for the year ended 31 December 2021, whilst the net asset value of the OPCO was approximately HK$49,976,000 as at 31 December 2021.

Reasons for adopting the VIE Structure

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

Risk factors and mitigation actions in relation to the VIE Structure

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

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

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

Further, certain terms of the VIE Agreements may not be enforceable under the PRC laws. The PRC government may determine that the VIE Agreements do not comply with the applicable regulations. The VIE Agreements may also be subject to scrutiny of the PRC tax authorities and additional tax may be imposed. Up to 31 December 2021, The Group did not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder.

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

In addition, as internal control measures, the seals, chops, incorporation documents of the OPCO are kept at the office of Falcon Network Technology to the extent permitted by the PRC laws. Falcon Network Technology is involved in assessing material financial matters, as well as making corporate strategy, business plan and budgets of the OPCO. Terms of appointment of senior management of the OPCO are also subject to review by Falcon Network Technology.

The independent non-executive Directors has reviewed the VIE Agreements and confirmed for the year ended 31 December 2021 that: (i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the VIE Agreements, and have been operated so that the profit generated by the OPCO has been substantially retained by the Group; (ii) no dividends or other distributions have been made by the OPCO to the PRC Equity Owners which are not otherwise subsequently assigned or transferred to the Group; and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO during the relevant financial period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole. To this extent, no new VIE agreements or contractual arrangements were entered into between the Group and the OPCO during the year ended 31 December 2021.

The Company's auditors has carried out review procedures for the year ended 31 December 2021 on the transactions carried out pursuant to the VIE Agreements and has confirmed that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant VIE Agreements and that no dividends or other distributions have been made by the OPCO to the PRC Equity Owners which are not otherwise subsequently assigned or transferred to the Group.

The adoption of the VIE Structure was not related to any requirements other than the foreign ownership restriction in the PRC. As at 31 December 2021, as advised by the PRC legal advisers to the Company, the VIE Structure did not contravene the prevailing laws and regulations in the PRC, and the VIE Agreements were binding on each of the contracting party save as disclosed in the VIE Announcement. The Company will monitor the relevant PRC laws and regulations relevant to the VIE Structure and will take all necessary actions to protect the Company's interest in the OPCO.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 48 to 82 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all Directors 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 Dongsheng (then executive Director) disposed of 124,000 Shares (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 Rules A.3(a)(i) and B.8 of the Model Code due to inadvertent omission, notwithstanding that Mr. LI Dongsheng 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 remedial 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 Dongsheng that he had already taken remedial measures to prevent similar incidents from happening again.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at 12 April 2022, the latest practicable date prior to the issue of this annual report.

AUDIT COMMITTEE

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

AUDITOR

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

EQUITY-LINKED AGREEMENTS

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

USE OF RIGHTS ISSUE PROCEEDS AND CHANGE IN USE OF RIGHTS ISSUE PROCEEDS

Reference is made to (i) the prospectus published by the Company dated 28 December 2017 (the "Prospectus"); (ii) the 2020 Annual Report; and (iii) the announcement of the Company dated 6 August 2021 regarding, among others, the change in use of rights issue proceeds (the "Announcement"). Unless otherwise specified, capitalised terms used in this section shall have the same meanings as those defined in the Prospectus, the 2020 Annual Report and the Announcement.

On 28 November 2017, the Company announced the Rights Issue on the basis of one Rights Share for every three then existing Shares at a subscription price of HK$3.46 per Rights Share. The net proceeds from the Rights Issue after deduction of expenses and professional fees amounted to approximately HK$2,000 million (the "Rights Issue Proceeds").

As disclosed in the 2020 Annual Report, as at 31 December 2020, the Company has utilised an aggregate of approximately HK$1,873 million of the Rights Issue Proceeds in accordance with the proposed uses as disclosed in the Prospectus, leaving a balance of then unutilised Rights Issue Proceeds in the sum of approximately HK$127 million, which was allocated for Phase I of the Tonghu Project, and was expected to be fully utilised by the end of 2021.

As disclosed in the Announcement, the Group has completed Phase I of the Tonghu Project as at the date of the Announcement. Out of the approximately HK$350 million of Rights Issue Proceeds originally allocated to Phase I of the Tonghu Project as disclosed in the Prospectus, only approximately HK$280 million had been used for such purpose attributable to efficient administration of the project and cost control of the construction work. Accordingly, the remaining balance of unutilised Rights Issue Proceeds as at the date of the Announcement was approximately HK$70 million ("Remaining Rights Issue Proceeds"). The Board resolved on 6 August 2021 that the entire balance of the Remaining Rights Issue Proceeds would be reallocated to the general working capital of the Group. For details, please refer to the Announcement.

Report of the Directors

The breakdown of the Company's proposed use of the Rights Issue Proceeds as disclosed in the Prospectus, its actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue up to the date of the Announcement and 31 December 2021, and the proposed change in use of Remaining Rights Issue Proceeds as disclosed in the Announcement are summarised as follows:

Intended use	Proposed use of the Rights Issue Proceeds as disclosed in the Prospectus HK$ million (approximately)	Actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue up to the date of the Announcement HK$ million (approximately)	Balance of unutilised Rights Issue Proceeds as at the date of Announcement HK$ million (approximately)	Revised use of Remaining Rights Issue Proceeds HK$ million (approximately)	Actual use of the Rights Issue Proceeds from the date of the Announcement to 31 December 2021 HK$ million (approximately)	Balance of unutilised Rights Issue Proceeds as at 31 December 2021 HK$ million (approximately)
Future joint ventures and M&A opportunities	750	750	–	–	–	–
Phase I of the Tonghu Project	350	280	70	–	–	–
R&D	350	350	–	–	–	–
General working capital	550	550	–	70	70	–
Total	**2,000**	**1,930**	**70**	**70**	**70**	**–**

The entire balance of the Remaining Rights Issue Proceeds had been fully utilised as at 31 December 2021.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF RIGHTS ISSUE PROCEEDS

In order to strengthen the efficiency and effectiveness of the capital use and to strengthen the business liquidity of the Group, the Board has resolved to reallocate the entire balance of the Remaining Rights Issue Proceeds to the general working capital of the Group. Furthermore, in light of the challenges brought by the Covid-19 pandemic and fierce competition in the industry, boosting the Group's working capital will enhance the flexibility in the Group's capital utilisation and reduce additional finance costs. A stable and healthy liquidity position is also conducive to the Group's business development, thereby enabling the Group to grasp business opportunity and increase its market share. Based on the aforementioned reasons, the Board considers that the reallocation of the entire balance of the Remaining Rights Issue Proceeds as general working capital is beneficial to the future development of the Group.

The Directors confirm that the aforementioned change in use of Rights Issue Proceeds does not have material effect on the Group's business strategies and visions as disclosed in the Prospectus, and consider that the change in use of Rights Issue Proceeds is in the best interest of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

PERMITTED INDEMNITY PROVISION

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

The Company has taken out and maintained Directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

ON BEHALF OF THE BOARD
DU Juan
Chairperson

Hong Kong
11 March 2022

EY 安永

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

Opinion

We have audited the consolidated financial statements of TCL Electronics Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 126 to 304, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at 31 December 2021, the Group had goodwill of HK$3,322,316,000, represented approximately 28% of the total non-current assets of the Group. The determination of the recoverable amount, being the higher of fair value less costs of disposal and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant cash-generating unit ("CGU"). Recoverable amounts were based on management's estimates of variables such as budgeted revenue/gross margins, growth rates and the most appropriate discount rates. The accounting policies and disclosures in respect of goodwill are included in notes 2.4, 3 and 18 to the Group's consolidated financial statements.	Our audit procedures included the following: • we evaluated the methodologies, assumptions and parameters used by management, in particular those relating to the budgeted revenue/gross margins, growth rates and pre-tax discount rates, by comparing the cash flow forecast to historical trend analyses and referring to the industry discount rate; • we assessed the historical results of management's estimates and evaluation of business plans by referring to the market situation as at 31 December 2021; • we evaluated the sensitivity analysis performed by management in respect of the growth rates and pre-tax discount rates to assess the extent of impact on the calculations of the value-in-use; • we involved our internal valuation expert to assist us with our assessment of the methodology and the discount rate used to determine the recoverable amounts; and • we assessed the disclosures made in the Group's consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and other receivables	
As at 31 December 2021, the Group had trade receivables and other receivables of HK\$11,697,726,000 and HK\$4,285,007,000, respectively, represented approximately 24% and 9% of the current assets of the Group, respectively. Management develops expected credit loss models ("ECL") to assess the impairment allowance for trade and other receivables at the end of each reporting period. The ECL model of trade and other receivables involves judgement and subjective estimations such as the staging, groupings of the debtor segments and estimated loss rates. The accounting policies and disclosures in respect of trade and other receivables are included in notes 2.4, 3, 24, 26 and 48 to the Group's consolidated financial statements.	In evaluating management's impairment assessment, our audit procedures included the following: • we assessed the methodologies, assumptions and estimates used by management, checked historical repayment pattern and identified any events of default or disputes with the debtors; • we evaluated the data inputs by management which included the ageing of trade and other receivables as at 31 December 2021 and historical observed loss rates; and • we assessed the disclosures made in the Group's consolidated financial statements.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tjen, Michael.

Ernst & Young
Certified Public Accountants
Hong Kong
11 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	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	5	**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	12	**(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	10	**–**	1,752,216
PROFIT FOR THE YEAR		**1,279,290**	3,645,619

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedge:		
Effective portion of changes in fair value of the hedging instruments arising during the year	**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
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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
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 for the year 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 for the year 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	14		
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

Consolidated Statement of Financial Position

31 December 2021

	Notes	**2021 HK$'000**	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,061,005**	2,757,190
Investment properties	16	**569,177**	579,559
Right-of-use assets	17(a)	**1,079,530**	844,369
Goodwill	18	**3,322,316**	3,301,381
Other intangible assets	19	**1,311,484**	1,314,735
Investments in joint ventures	20	**80,852**	89,793
Investments in associates	21	**1,600,929**	1,343,495
Equity investments designated at fair value through other comprehensive income	22	**141,356**	101,670
Deferred tax assets	35	**336,792**	271,552
Other deferred assets		**179,210**	136,396
Restricted cash and pledged deposits	28	**–**	131
Total non-current assets		**11,682,651**	10,740,271
CURRENT ASSETS			
Inventories	23	**13,555,596**	10,026,153
Trade receivables	24	**11,697,726**	10,851,368
Bills receivable	25	**1,901,694**	2,829,150
Prepayments, other receivables and other assets	26	**6,901,965**	5,764,323
Tax recoverable		**122,154**	114,766
Financial assets at fair value through profit or loss	27	**1,342,088**	1,083,253
Derivative financial instruments	31	**240,587**	339,992
Restricted cash and pledged deposits	28	**576,758**	202,098
Cash and cash equivalents	28	**11,509,166**	10,384,885
		47,847,734	41,595,988
Assets classified as held for sale	11	**3,952**	–
Total current assets		**47,851,686**	41,595,988
CURRENT LIABILITIES			
Trade payables	29	**15,826,244**	14,417,138
Bills payable		**3,599,248**	3,051,721
Other payables and accruals	30	**12,743,589**	10,688,229
Interest-bearing bank and other borrowings	33	**6,387,292**	4,588,751
Lease liabilities	17(b)	**140,820**	95,469
Tax payable		**116,231**	142,874
Financial liability associated with put option	32	**121,370**	–
Derivative financial instruments	31	**34,782**	179,942
Provisions	34	**971,448**	800,412
Total current liabilities		**39,941,024**	33,964,536

Consolidated Statement of Financial Position

31 December 2021

	Notes	**2021 HK$'000**	2020 HK$'000
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	33	**492,825**	858,037
Lease liabilities	17(b)	**319,684**	250,563
Financial liability associated with put option	32	**–**	123,916
Deferred tax liabilities	35	**341,846**	355,190
Other long-term payables		**48,715**	34,313
Derivative financial instruments	31	**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	36	**2,479,959**	2,452,482
Reserves	38	**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

DU Juan
Director

HU Dien Chien
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent															
	Issued capital HK$'000 (Note 36)	Share premium account HK$'000 (Note 36)	Share option reserve HK$'000 (Note 38 (i))	Capital reserve HK$'000 (Note 38 (ii))	Reserve funds HK$'000 (Note 38 (iii))	Cash flow hedge reserve HK$'000 (Note 38 (v))	Exchange fluctuation reserve HK$'000	Put option reserve HK$'000	Other reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 37)	Awarded share reserve HK$'000 (Note 38 (iv))	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	2,452,482	5,062,656*	115,089*	88,283*	947,543*	(42,298)*	635,607*	(110,584)*	89,995*	(192,941)*	133,686*	2,403*	6,982,269*	16,164,190	570,687	16,734,877
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	1,183,999	1,183,999	95,291	1,279,290
Other comprehensive income/(loss) for the year:																
Cash flow hedge	-	-	-	-	-	43,715	-	-	-	-	-	-	-	43,715	(115)	43,600
Exchange differences related to translation of foreign operations	-	-	-	-	-	-	373,389	-	-	-	-	-	-	373,389	5,531	378,920
Reclassification of exchange differences for subsidiaries disposed of or liquidated	-	-	-	-	-	-	16,736	-	-	-	-	-	-	16,736	-	16,736
Reclassification of exchange differences for associates deemed partial disposal, partial disposed, disposed or liquidated	-	-	-	-	-	-	(7,769)	-	-	-	-	-	-	(7,769)	-	(7,769)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	5,677	-	5,677	-	5,677
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	10,953	-	10,953	-	10,953
Share of other comprehensive income of associates and a joint venture	-	-	-	-	-	-	-	-	12,122	-	-	-	-	12,122	-	12,122
Total comprehensive income for the year	-	-	-	-	-	43,715	382,356	-	12,122	-	-	16,630	1,183,999	1,638,822	100,707	1,739,529
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,565	15,565
Acquisition of non-controlling interests	-	-	-	256,467	-	-	-	-	-	-	-	-	-	256,467	(287,972)	(31,505)
Long-term incentive plans of a subsidiary	-	-	-	-	-	-	-	-	23,722	-	-	-	-	23,722	15,814	39,536
Equity - settled share option arrangements	-	-	1,912	-	-	-	-	-	-	-	-	-	-	1,912	-	1,912
Issue of shares upon exercise of share options (note 36)	27,477	121,010	(43,020)	-	-	-	-	-	-	-	-	-	-	105,467	-	105,467
Forfeiture of share options during the year	-	-	(5,997)	-	-	-	-	-	-	-	-	-	5,997	-	-	-
Employee share-based compensation benefits under the Award Scheme (note 37)	-	-	-	-	-	-	-	-	-	-	132,163	-	-	132,163	-	132,163
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	28,942	(33,622)	-	-	(4,680)	-	(4,680)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	-	(82,966)	-	-	-	(82,966)	-	(82,966)
Reclassification of gain previously in other reserve related to partial disposal of an associate	-	-	-	-	-	-	-	-	(5,177)	-	-	-	5,177	-	-	-
2020 final dividend paid	-	(277,234)	-	-	-	-	-	-	-	-	-	-	-	(277,234)	-	(277,234)
Transfer from retained profits	-	-	-	-	839	-	-	-	-	-	-	-	(839)	-	-	-
At 31 December 2021	2,479,959	4,906,432 *	67,984*	344,750*	948,382*	1,417*	1,017,963*	(110,584)*	120,662*	(246,965)*	232,227*	19,033*	8,176,603*	17,957,863	414,801	18,372,664

* These reserve accounts comprise the consolidated reserves of HK$15,477,904,000 (2020: HK$13,711,708,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent															
	Issued capital HK$'000 (Note 36)	Share premium account HK$'000 (Note 36)	Share option reserve HK$'000 (Note 38 (i))	Capital reserve HK$'000 (Note 38 (ii))	Reserve funds HK$'000 (Note 38 (iii))	Cash flow hedge reserve HK$'000 (Note 38 (v))	Exchange fluctuation reserve HK$'000	Put option reserve HK$'000	Other reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 37)	Awarded share reserve HK$'000 (Note 38 (iv))	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	2,363,225	5,142,127	249,916	84,141	944,152	(9,705)	(488,494)	-	11,793	(229,196)	165,035	(11,702)	3,362,830	11,584,122	356,776	11,940,898
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	3,599,442	3,599,442	46,177	3,645,619
Other comprehensive income/(loss) for the year:																
Cash flow hedge	-	-	-	-	-	(32,593)	-	-	-	-	-	-	-	(32,593)	(1,090)	(33,683)
Exchange differences related to translation of foreign operations	-	-	-	-	-	-	851,151	-	-	-	-	-	-	851,151	28,645	879,796
Reclassification of exchange and fair value differences for subsidiaries disposed of or liquidated	-	-	-	-	-	-	87,891	-	-	-	-	1,508	-	89,399	(799)	88,600
Reclassification of exchange differences for associates deemed partial disposal, partial disposed, disposed or liquidated	-	-	-	-	-	-	185,059	-	-	-	-	-	-	185,059	-	185,059
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	5,190	-	5,190	-	5,190
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	15,225	-	15,225	-	15,225
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	30,363	-	-	-	-	30,363	-	30,363
Total comprehensive income/(loss) for the year	-	-	-	-	-	(32,593)	1,124,101	-	30,363	-	-	21,923	3,599,442	4,743,236	72,933	4,816,169
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(1,115)	-	-	-	-	(1,115)	94,835	93,720
Disposal of partial interests in subsidiaries without losing control	-	-	-	4,142	-	-	-	-	-	-	-	-	-	4,142	10,022	14,164
Share award benefits of a subsidiary	-	-	-	-	-	-	-	-	55,166	-	-	-	-	55,166	36,777	91,943
Equity - settled share option arrangements	-	-	14,994	-	-	-	-	-	-	-	-	-	-	14,994	-	14,994
Issue of shares upon exercise of share options (note 36)	89,257	394,935	(140,463)	-	-	-	-	-	-	-	-	-	-	343,729	-	343,729
Forfeiture of share options during the year	-	-	(9,358)	-	-	-	-	-	-	-	-	-	9,358	-	-	-
Employee share-based compensation benefits under the Award Scheme (note 37)	-	-	-	-	-	-	-	-	-	-	8,376	-	-	8,376	-	8,376
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	-	36,255	(39,725)	-	-	(3,470)	-	(3,470)
Reclassification of gain previously in other reserve related to partial disposal of an associate	-	-	-	-	-	-	-	-	(6,212)	-	-	-	6,212	-	-	-
Reclassification of change in fair value of equity investments designated at fair value through other comprehensive income to retained profits upon an associate achieved in stage	-	-	-	-	-	-	-	-	-	-	-	(7,818)	7,818	-	-	-
Put option granted to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(110,584)	-	-	-	-	-	(110,584)	-	(110,584)
2020 interim dividend paid	-	(230,237)	-	-	-	-	-	-	-	-	-	-	-	(230,237)	-	(230,237)
2019 final dividend paid	-	(244,169)	-	-	-	-	-	-	-	-	-	-	-	(244,169)	-	(244,169)
Transfer from retained profits	-	-	-	-	3,391	-	-	-	-	-	-	-	(3,391)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(656)	(656)
At 31 December 2020	2,452,482	5,062,656*	115,089*	88,283*	947,543*	(42,298)*	635,607*	(110,584)*	89,995*	(192,941)*	133,686*	2,403*	6,982,269*	16,164,190	570,687	16,734,877

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		1,447,766	2,079,338
From discontinued operations		–	1,778,385
Adjustments for:			
Finance costs	6	400,860	250,095
Share of profits and losses of joint ventures and associates		(145,437)	61,103
Gain on liquidation of an associate	7	–	(227)
Gain on disposal of associates	7	–	(14,252)
Deemed gain on partial disposal of associates	7	(61,993)	(82)
Gain on partial disposal of an associate	7	(740,988)	(787,941)
Loss arising from remeasurement and deemed disposal of previously held interests in step acquisition of subsidiaries	7	–	23,688
Impairment loss on goodwill	18	12,049	–
(Gain)/loss on disposal of items of other intangible assets, net	7	(5,593)	185
Loss/(Gain) on disposal of subsidiaries	42	2	(1,643,548)
Gain on disposal of items of other deferred assets		(497)	–
Loss/(Gain) on liquidation of subsidiaries	7	16,750	(1,384)
Interest income		(404,475)	(299,954)
Fair value loss/(gains), net			
Derivative instruments – transactions not qualifying as hedges		38,456	(28,028)
Financial assets at fair value through profit or loss		(16,105)	–
Realised gain on settlement of financial assets at fair value through profit or loss	7	(86,986)	(77,997)
Gain on disposal of items of property, plant and equipment, net		(23,111)	(2,248)
Depreciation of property, plant and equipment	15	348,606	227,301
Impairment of items of property, plant and equipment	15	–	6,410
Impairment of items of other intangible assets	19	–	2,428
Depreciation of investment properties	16	14,922	6,868
Depreciation of right-of-use assets	17	166,251	117,467
Amortisation of other intangible assets	19	599,069	162,242
Amortisation of other deferred assets		1,043	1,489
Equity-settled share option expenses		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
Cash inflow before working capital changes		1,734,200	1,972,965

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Increase in inventories	(3,619,362)	(2,956,598)
Increase in trade receivables	(714,941)	(2,967,675)
Decrease in bills receivable	871,336	868,906
Increase in other deferred assets	(62,939)	–
Increase in pledged time deposit	(655,072)	–
Increase in prepayments, other receivables and other assets	(763,032)	(1,736,753)
Increase in trade payables	1,629,147	6,139,248
Increase in bills payable	638,519	739,714
Increase in other payables and accruals	2,134,256	927,067
Increase/(decrease) in provisions	154,735	(27,590)
Increase/(decrease) in other long-term payables	11,611	(6,757)
Cash generated from operations	1,358,458	2,952,527
Interest paid	(254,315)	(150,218)
Interest element of lease payments	(22,187)	(7,528)
Income taxes paid	(286,423)	(267,526)
Net cash flows from operating activities	795,533	2,527,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	396,304	296,401
Dividend received	20,130	12,039
Purchases of items of property, plant and equipment	(688,740)	(638,930)
Prepayment of right-of-use assets	(128,234)	(27,863)
Proceeds from disposal of items of property, plant and equipment	63,020	94,823
(Purchase)/proceeds from disposal of financial assets at fair value through profit or loss, net	(121,338)	21,383
Acquisition of subsidiaries	(56,438)	(1,003,896)
Investments in associates	(51,512)	(25,649)
Capital withdrawals from joint ventures	726	–
Distribution from associates	–	48
Disposal of subsidiaries	96,311	285,527
Proceeds from disposal of associates	94,853	286,927
Additions of other intangible assets	(554,830)	(237,761)
Disposal of other intangible assets	3,875	–
Increase in pledged time deposits	(15,437)	–
Advance receipts from expected disposal of non-current assets classified as held for sale	8,706	–
Receipt from partial disposal of an associate	837,217	950,678
Advances to related parties of TCL Holdings	(726,849)	(191,503)
Net cash flows used in investing activities	(822,236)	(177,776)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		**105,467**	343,729
Interest paid		**(121,240)**	(89,587)
Principal portion of lease payments		**(135,177)**	(118,761)
Purchase of shares for the Award Scheme		**(82,966)**	–
New bank and other loans		**16,065,555**	8,704,826
Acquisition of non-controlling interests		**(31,505)**	–
Repayment of bank and other loans		**(14,706,747)**	(9,268,963)
Capital injection from a non-controlling interest		**15,565**	13,954
Dividends paid		**(277,243)**	(474,580)
Dividends paid to non-controlling shareholders		**–**	(656)
Decrease in restricted cash		**293,590**	36,220
Net cash flows from/(used in) financing activities		**1,125,299**	(853,818)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,098,596**	1,495,661
Cash and cash equivalents at beginning of year		**10,384,885**	8,194,743
Effect of foreign exchange rate changes, net		**25,685**	694,481
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,509,166**	10,384,885
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**12,085,924**	10,587,114
Less: Restricted cash and pledged deposits	28	**(576,758)**	(202,229)
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**11,509,166**	10,384,885

1. CORPORATE AND GROUP INFORMATION

TCL Electronics Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 7th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

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

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

Information about subsidiaries

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

Name	Place of incorporation+/ registration and principal operation	Issued ordinary/ registered share capital	% of equity attributable to the Company 2021	2020	Principal activities
TCL Commercial Information Technology (Huizhou) Limited ("CI Tech")#	PRC/ Mainland China	RMB100,000,000	**100**	100	Trading of commercial display products
Guangzhou Kuyu Network Technology Co., Ltd.#	PRC/ Mainland China	RMB100,000,000	**100**	100	Trading of TV products
TCL Smart Home Technologies Co., Limited	Hong Kong	RMB135,670,000	**100**	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation+/ registration and principal operation	Issued ordinary/ registered share capital	% of equity attributable to the Company 2021	2020	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.*/#	PRC/ Mainland China	RMB120,000,000	70	70	Manufacture of TV products
Manufacturas Avanzadas, S.A. de C.V.	Mexico	USD15,866,637	100	100	Manufacture of TV products
TTE Corporation@	British Virgin Islands ("BVI")/ Hong Kong	USD10,001	100	100	Investment holding
Shenzhen TCL New Technology Company Limited*/#	PRC/ Mainland China	HK$10,000,000	100	100	Manufacture and sale of TV products
TCL Smart Device (Vietnam) Company Limited	Vietnam	VND256,080,000,000	100	100	Manufacture and sale of TV products
Huizhou TCL Electrical Appliances Sales Co., Ltd.#	PRC/ Mainland China	RMB2,430,000,000	100	100	Operation of a distribution network in the PRC
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	100	100	Trading of TV products and components
TCL Electronics (Thailand) Co., Limited	Thailand	THB255,000,000	100	100	Trading of TV products and components
TCL Holdings (BVI) Limited@	BVI/Hong Kong	USD25,000	100	100	Investment holding
TCL Belgium S.A.	Belgium	EUR66,928,368	100	100	Investment holding
TCL International Electronics (BVI) Limited@	BVI/Hong Kong	USD1	100	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation+/ registration and principal operation	Issued ordinary/ registered share capital	% of equity attributable to the Company 2021	2020	Principal activities
TTE (North America) Holdings Limited	BVI/Hong Kong	USD1	100	100	Investment holding
TCL Information Technology Industrial (Group) Co., Ltd.@	BVI/Hong Kong	USD4,500,000	100	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited */#	PRC/ Mainland China	HK$95,000,000	100	100	Manufacture of TV products
TCL King Electrical Appliances (Huizhou) Company Limited**/# ("TCL King (Huizhou)")	PRC/ Mainland China	HK$1,291,604,481	100	100	Manufacture and sale of TV products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited*/#	PRC/ Mainland China	HK$20,000,000	100	100	Manufacture of TV products
TCL Overseas Holdings Limited	BVI/Hong Kong	USD1	100	100	Investment holding
TCL Overseas Marketing Limited	BVI/Hong Kong	USD1	100	100	Trading of TV products and components
TTE Technology Inc.	USA	USD129,433,108	100	100	Trading of TV products and components
TCL Operations Polska SP Z O.O.	Poland	PLN126,716,500	100	100	Manufacture of TV products
TCL Optoelectronics Technology (Huizhou) Co., Ltd.**/@/#	PRC/ Mainland China	RMB576,000,000	100	100	Manufacture and sale of TV products and trading of components

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation+/ registration and principal operation	Issued ordinary/ registered share capital	% of equity attributable to the Company 2021	% of equity attributable to the Company 2020	Principal activities
Chengdu TCL Xinan Electrical Appliance Sales Co., Ltd.#	PRC/ Mainland China	RMB10,000,000	**100**	100	Operation of a distribution network in the PRC
TCL Intelligent Technology (Ningbo) Co., Ltd.*/#	PRC/ Mainland China	RMB62,500,000	**80**	80	Trading of TV products and components and white goods
Shenzhen Falcon Network Technology Co., Ltd.*/# ("Falcon Network Technology")	PRC/ Mainland China	RMB94,594,603	**77.14**	60	Research and development("R&D") of software on smart TV devices and internet platform operation
Shenzhen Falcon Network Media Company Limited#	PRC/ Mainland China	RMB15,000,000	**77.14**	60	R&D of software on smart TV devices and internet platform operation
SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A. ("SEMP TCL")	Brazil	BRL443,120,000	**80**	80	Manufacture and sale of TV products and other household products
Shenzhen Hawk Internet Company Limited#	PRC/ Mainland China	RMB338,889,344	**100**	100	R&D of software on smart TV devices and mobile devices and internet platform operation

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation+/ registration and principal operation	Issued ordinary/ registered share capital	% of equity attributable to the Company 2021	2020	Principal activities
TCL Communication Technology Holdings Limited@ ("TCL Communication")	Cayman Islands/ Hong Kong	HK$1,278,984,118	**100**	100	Investment holding
TCT Mobile International Limited	Hong Kong	HK$5,000,000	**100**	100	Development, distribution of mobile devices and other products and rendering of services
Huizhou TCL Mobile Communication Co., Ltd.*	PRC/ Mainland China	USD199,600,000	**100**	100	Manufacture, distribution of mobile devices and rendering of services
TCL Mobile Communication (HK) Company Limited	Hong Kong	HK$1,509,675,500	**100**	100	Distribution of mobile devices and related components

+ Each of the subsidiary of the Company established in the PRC is a limited liability company under this table

@ Direct subsidiaries of the Company

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

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

None of the above subsidiaries has debt securities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, materially contributed to the net income of the Group or formed a material portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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).

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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 the transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises (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.

2.2 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 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 provided that the "economically equivalent" criterion is met and no significant modification gain or loss arises as a result of applying the amendments to these changes. Additional information about the transition and the associated risks is disclosed in note 48 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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$451,000 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. There was no impact on the opening balance of equity as at 1 January 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these 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 Contract*[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 HKAS41[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, 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, 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

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 HKFRS 10 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 resulting from a downstream transaction 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, the 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

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. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

Business combinations and goodwill

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Construction in progress represents buildings under construction and plant and machinery in the process of installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and installation and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured and stated at cost, including transaction costs, less accumulated depreciation and any impairment losses.

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

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

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

Non-current assets and disposal groups held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and licences

Purchased patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 to 40 years.

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

Trademarks

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

Customer relationships

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

Computer software

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

Notes to Financial Statements

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Research and development costs

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

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

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

Leases

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

The Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessor

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

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

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

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other revenue in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial liability associated with put option over non-controlling interests

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

The put option liability is a current liability unless the put option first becomes exercisable 12 months after the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9 is recognised in profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain TV and other products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item except research and development cost item, it is deducted from the related expense on systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset except research and development cost item, the fair value is deducted from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by way of a reduced depreciation charge.

Where the grant relates to research and development asset or cost item, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset or on systematic basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of TV, mobile devices and other products

Revenue from the sale of TV, mobile devices and other products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the TV, mobile phones and other products.

Some contracts for the sale of TV, mobile devices and other products provide customers with volume rebates which give rise to variable consideration.

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Video-on-demand internet services

Video-on-demand internet services primarily offers customers to assess certain videos on the Internet platform. Revenue from video-on-demand services is recognised over the validity period on a straight-line basis.

(c) Advertising, vertical application and other services

Revenue from advertising, vertical application and other services is recognised at the point in time when the services are rendered.

(d) Processing and technical service income

Revenue from rendering of processing service and technical service income are recognised at the point in time upon the transfer of service outcome to customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or the payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company and a subsidiary of the Group operate a share option scheme and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding equity-settled award is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions by the Group and employees are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries in the PRC and overseas are required to participate in a central pension scheme operated by the local municipal government. Certain subsidiaries are required to contribute a certain percentage of their payroll costs to the pension schemes at the applicable rates based on the amounts stipulated by the local government organisations. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. The Group's contributions to the MPF Scheme and the pension schemes are expensed as incurred and as they become payable in accordance with the rules of the pension schemes, and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into HK$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the method to estimate variable consideration and assessing the constraint for the sale of TV, mobile devices and other products

Certain contracts for the sale of TV, mobile devices and other products include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

In estimating the variable consideration for the sale of TV, mobile devices and other products with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Property lease classification – the Group as lessor

The Group has entered into various commercial and industrial properties leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial or industrial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial or industrial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of TV and other products with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of volume rebates monthly and the rebate allowances are adjusted accordingly. Estimates of volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. As at 31 December 2021, the amount recognised as rebate allowance was HK$2,279,951,000 (2020: HK$2,011,210,000) for the expected rebates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was HK$3,322,316,000 (2020: HK$3,301,381,000). Further details are given in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for ECLs on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 24 and 26 to the financial statements, respectively.

Leases – Estimating the IBR

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of -use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 35 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 47 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was HK$124,552,000 (2020: HK$91,953,000). Further details are included in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of financial instruments determined using valuation techniques

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 47 to the financial statements.

Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and, therefore, depreciation in the future periods.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Warranty provisions

As further explained in note 34 to the financial statements, the Group makes provisions for the warranties it gives on the sale of its products, taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureaus, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical smart screen segments and other product types and has 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 10.

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	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 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'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

Geographical information

	PRC		Europe		North America		Others		Consolidated	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Revenue from external customers	19,518,365	16,646,387	11,158,321	6,160,206	22,373,453	14,806,545	21,796,749	13,339,789	74,846,888	50,952,927
Non-current assets	8,225,886	7,398,901	183,882	233,530	559,841	586,668	2,376,250	2,249,620	11,345,859	10,468,719

The revenue information of continuing operations above is based on the locations of the customers. The non-current asset information of continuing operations above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

For the years ended 31 December 2021 and 31 December 2020, no revenue from continuing operations with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

Revenue from contracts with customers

(i) Disaggregated revenue information from continuing operations

For the year ended 31 December 2021

Segments	**Smart screen and other products HK$'000**	**Internet business HK$'000**	**Total HK$'000**
Types 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**

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information from continuing operations (continued)

For the year ended 31 December 2020

Segments	Smart screen and other products HK$'000	Internet business HK$'000	Total HK$'000
Types 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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information from continuing operations (continued)

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

For the year ended 31 December 2021

Segments	**Smart screen and other products HK$'000**	**Internet business HK$'000**	**Total HK$'000**
Revenue from contracts with customers			
External customers	**72,997,723**	**1,849,165**	**74,846,888**
Intersegment sales	**3,190,346**	**18,153**	**3,208,499**
	76,188,069	**1,867,318**	**78,055,387**
Intersegment adjustments and eliminations	**(3,190,346)**	**(18,153)**	**(3,208,499)**
Total revenue from contracts with customers	**72,997,723**	**1,849,165**	**74,846,888**

For the year ended 31 December 2020

Segments	Smart screen and other products HK$'000	Internet business HK$'000	Total HK$'000
Revenue from contracts with customers			
External customers	49,719,563	1,233,364	50,952,927
Intersegment sales	3,512,895	37,627	3,550,522
	53,232,458	1,270,991	54,503,449
Intersegment adjustments and eliminations	(3,512,895)	(37,627)	(3,550,522)
Total revenue from contracts with customers	49,719,563	1,233,364	50,952,927

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of smart screens, mobile devices and other products

The performance obligation is satisfied upon delivery of the smart screens, mobile devices and other products and payment is generally due within 180 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Video-on-demand services

The performance obligation is satisfied over time as the services allow customers to play and watch certain videos on the internet platform within the validity period, where payment in advance is normally required. The validity period ranging from a few hours to one year depends on the respective terms of the service contracts.

Advertising, vertical application and other new businesses

The performance obligation is satisfied upon rendering of the services and payment is generally due within 30 to 90 days from rendering.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 **HK$'000**	2020 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**2,157,007**	1,098,059

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Other income and gains

	Note	2021 HK$'000	2020 HK$'000
Other income			
Interest income	7	**404,475**	276,878
Sales of scrap materials		**25,170**	12,766
Sales of raw materials		**58,461**	59,614
Government grants	7	**635,297**	515,325
Foreign exchange differences, net		**–**	171,236
Promotion income		**5,818**	5,929
Write-off of balances due to creditors		**31,097**	2,906
Software development income		**129,225**	125,519
Gross rental income from investment property operating lease:			
Other lease payments, including fixed payments	7	**19,356**	15,682
Others		**61,651**	46,646
		1,370,550	1,232,501
Gains			
Gain on disposal of other intangible assets, net	7	**5,593**	–
Gain on disposal of items of property, plant and equipment	7	**23,111**	2,034
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		**–**	29,334
Financial assets at fair value through profit or loss		**–**	314
Realised gain on settlement of derivative financial instruments	7	**703,723**	205,583
Realised gain on settlement of financial assets at fair value through profit or loss	7	**86,986**	77,997
Gain on liquidation of subsidiaries		**–**	1,384
Gain on disposal of associates	7	**–**	14,252
Gain on partial disposal of an associate	7	**740,988**	787,941
Deemed gain on partial disposal of associates	7	**61,993**	82
Gain on liquidation of an associate	7	**–**	227
Others		**36,084**	6,210
		1,658,478	1,125,358
		3,029,028	2,357,859

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on:		
Bank and other loans	331,038	212,299
Loans from a company controlled by TCL Technology	17,179	345
Loans from companies controlled by TCL Holdings	22,515	15,391
Discounting 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
	400,860	243,769

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2021 HK$'000	2020 HK$'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	16	**14,922**	6,868
Depreciation of right-of-use assets		**166,251**	116,671
Amortisation of 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 benefit expenses (including directors' remuneration):	8		
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, net:			
Impairment of trade receivables	24	**31,827**	15,636
Impairment of other receivables		**2,716**	20,410
		34,543	36,046

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (CONTINUED)

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

	Notes	2021 HK$'000	2020 HK$'000
Impairment of goodwill**	18	12,049	–
Impairment of property, plant and equipment**	15	–	6,410
Impairment of other intangible assets **	19	–	2,428
Write-down/(reversal) of inventories to net realisable value		381,395	(44,995)
Rental income, net	5	(19,356)	(15,682)
Interest income	5	(404,475)	(276,878)
Government grants*:			
Credited to other income and gains	5	(635,297)	(515,325)
Deducted from cost of sales and relevant expenses		(52,723)	(71,014)
		(688,020)	(586,339)
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	5	(703,723)	(205,583)
Realised gain on settlement of financial assets at fair value through profit or loss	5	(86,986)	(77,997)
Gain on disposal of items of property, plant and equipment, net	5	(23,111)	(2,034)
(Gain)/loss on disposal of other intangible assets, net	5	(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	5	–	(14,252)
Gain on partial disposal of an associate	5	(740,988)	(787,941)
Deemed gain on partial disposal of associates	5	(61,993)	(82)
Gain on liquidation of an associate	5	–	(227)
Restructuring costs 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 value-added tax ("VAT") refund and national patent subsidies are recorded in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income. 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. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$'000	2020 HK$'000
Fees	1,350	1,350
Other emoluments:		
Salaries, allowances and benefits in kind	3,536	4,011
Discretionary performance related bonuses	6,186	11,871
Equity-settled share option benefits	211	1,529
Employee share-based compensation benefits under the Award Scheme	30,299	742
Pension scheme contributions	146	163
Payments made in respect of termination of service	–	258
	40,378	18,574
	41,728	19,924

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	2021				2020			
	Fees HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Total remuneration HK$'000	Fees HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Total remuneration HK$'000
Mr. Robert Maarten WESTERHOF	300	4	13	317	300	25	12	337
Dr. TSENG Shieng-chang Carter (note (i))	-	-	-	-	-	-	-	-
Professor WANG Yijiang	300	4	13	317	300	25	12	337
Mr. LAU Siu Ki	300	4	13	317	300	25	12	337
	900	12	39	951	900	75	36	1,011

No other emoluments were payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executives

The remuneration paid to executive directors, non-executive directors and chief executives during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021							
Executive directors:							
Mr. LI Dongsheng (note (ii))	–	393	–	41	149	18	601
Ms. DU Juan (note (iii))	–	–	–	–	–	–	–
Mr. YAN Xiaolin	–	–	–	4	6,697	–	6,701
Mr. HU Dien Chien (note (iv))	–	1,665	2,641*	–	–	24	4,330
	–	2,058	2,641	45	6,846	42	11,632
Non-executive directors:							
Mr. WANG Cheng (note(v))	–	949	2,630	136	14,992	64	18,771
Mr. Albert Thomas DA ROSA, Junior	225	–	–	4	13	–	242
Mr. SUN Li (note (vi))	–	–	–	–	4,791	–	4,791
Mr. LI Yuhao	225	–	–	–	–	–	225
	450	949	2,630	140	19,796	64	24,029
Chief executives:							
Mr. ZHANG Shaoyong (note (vii))	–	487	860	13	3,382	37	4,779
Mr. WU Jiyu (note (viii))	–	42	55	1	236	3	337
	–	529	915	14	3,618	40	5,116
	450	3,536	6,186	199	30,260	146	40,777

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executives (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Employee share-based compensation benefits under the Award Scheme HK$'000	Pension scheme contributions HK$'000	Payments made in respect of termination of service HK$'000	Total remuneration HK$'000
2020								
Executive directors:								
Mr. LI Dongsheng (note (ii))	–	650	1,113	460	223	18	–	2,464
Mr. WANG Cheng (note (v))	–	1,526	5,067	919	447	59	–	8,018
Mr. YAN Xiaolin	–	–	375	25	12	–	–	412
Mr. WANG Yi (note (ix))	–	224	–	25	12	11	258#	530
Mr. HU Dien Chien (note (iv))	–	74	931*	–	–	2	–	1,007
Mr. HU Lihua (note (x))	–	641	1,897	–	–	33	–	2,571
	–	3,115	9,383	1,429	694	123	258	15,002
Non-executive directors:								
Mr. Albert Thomas DA ROSA, Junior	225	–	–	25	12	–	–	262
Mr. SUN Li (note (vi))	–	896	2,488	–	–	40	–	3,424
Mr. YANG Anming (note (xi))	–	–	–	–	–	–	–	–
Mr. LI Yuhao	225	–	–	–	–	–	–	225
	450	896	2,488	25	12	40	–	3,911
	450	4,011	11,871	1,454	706	163	258	18,913

The discretionary bonus is determined with reference to the financial performance of the Group and the performance of the individual director or chief executive.

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executives (continued)

Notes:

(i) Dr. TSENG Shieng-chang Carter agreed to waive his remuneration as a director for the year ended 31 December 2021 of HK$300,000 (2020: HK$300,000) and such remuneration will be donated by the Company for charity use.

(ii) Mr. LI Dongsheng resigned as an executive director of the Company with effect from 9 August 2021.

(iii) Ms. DU Juan was appointed as an executive director of the Company with effect from 9 August 2021, and her remuneration was paid by TCL Holdings.

(iv) Mr. HU Dien Chien was appointed as an executive director of the Company with effect from 23 December 2020.

(v) Mr. WANG Cheng was re-designated from an executive director to a non-executive director of the Company with effect from 9 August 2021. All his remuneration for 2021 was considered to be those of executive director.

(vi) Mr. SUN Li was appointed as a non-executive director of the Company with effect from 28 February 2020, and his remuneration, except for employee share-based compensation benefits under the Award Scheme, was paid by TCL Holdings in 2021.

(vii) Mr. ZHANG Shaoyong was appointed as a Co-CEO of the Company with effect from 9 August 2021 and re-designated as a CEO with effect from 20 August 2021.

(viii) Mr. Wu Jiyu was appointed as a Co-CEO of the Company with effect from 9 August 2021 and resigned as a Co-CEO of the Company with effect from 20 August 2021.

(ix) Mr. WANG Yi resigned as an executive director of the Company with effect from 28 February 2020.

(x) Mr. HU Lihua was appointed as an executive director of the Company with effect from 28 February 2020 and subsequently resigned as an executive director of the Company with effect from 23 December 2020.

(xi) Mr. YANG Anming resigned as a non-executive director of the Company with effect from 28 February 2020.

* Out of the approximately HK$2,641,000 (2020: HK$931,000) discretionary performance related bonus received by Mr. HU Dien Chien in 2021, approximately HK$775,000 (2020: HK$775,000) was received by Mr. HU Dien Chien as an inducement to join or upon joining the Company. The total bonus of approximately HK$2,325,000 will be paid in equal installments for 3 consecutive years.

\# Such payment made in respect of termination of service is in addition to the contractual entitlement of Mr. WANG Yi.

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and chief executives (continued)

Save as disclosed in note (i) above, there was no arrangement under which a director or chief executives of the Company returned, waived or agreed to waive any remuneration during the year.

Save as disclosed above, no emoluments were paid by the Group to any director or chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, there were (i) no loans, quasi-loans and other dealings in favour of directors of the Company and of a holding company of the Company. bodies corporate controlled by such directors or entities connected with such directors; and (ii) no consideration provided to or receivable by third parties for making available directors' services.

Save as disclosed in the section headed "Connected Transactions" under Report of the Directors in this annual report, none of the directors of the Company or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year ended 31 December 2021.

The executive directors' and chief executives' emoluments shown above were paid for their services in connection with the management of affairs of the Company and the Group; and the non-executive directors and independent non-executive directors' emoluments shown above were for their services as directors of the Company, except for certain employee share-based compensation benefits under the Award Scheme paid to Mr. WANG Cheng, Mr. YAN Xiaolin and Mr. SUN Li during the year ended 31 December 2021, which represented the restricted shares of the Company granted as replacement of the incentives granted under the incentive scheme adopted by Falcon Network Technology, a subsidiary of the Company. For details, please refer to the announcement of the Company dated 19 May 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2020: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2020: four) non-directors, highest paid employees for the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and benefits in kind	**3,662**	4,526
Discretionary performance related bonuses	**5,963**	15,024
Equity-settled share option benefits	**108**	484
Employee share-based compensation benefits under the Award Scheme	**21,158**	236
Pension scheme contributions	**295**	182
	31,186	20,452

During the year, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

The number of non-directors, highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2021	2020
HK$4,000,001 to HK$4,500,000	**–**	2
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	1
HK$11,000,001 to HK$11,500,000	**1**	–
HK$13,500,001 to HK$14,000,000	**1**	–
	3	4

10. DISCONTINUED OPERATIONS

Year ended 31 December 2020

On 29 June 2020, the Company and 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 (collectively, "Moka International Group") are principally engaged in the TV ODM business. The Moka International Disposal had been completed on 31 August 2020.

On 14 September 2020, CI Tech 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 a 100% equity interest in TCL New Technology (Huizhou) Co., Ltd. ("New Technology (Huizhou)") at the consideration of RMB80,092,000 ("New Technology (Huizhou) Disposal"). New Technology (Huizhou) is principally engaged in the inspection equipment business. The New Technology (Huizhou) Disposal had been completed on 23 September 2020.

The Moka International Disposal and the New Technology (Huizhou) Disposal constitute discontinued operations in the TV ODM business and the safety and inspection equipment business, respectively. Details and the aggregate net assets disposed of by discontinued operations are set out in note 42 to the financial statements.

10. DISCONTINUED OPERATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

The aggregate results and net gain on disposal of discontinued operations for the year ended 31 December 2020 are 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 of 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

10. DISCONTINUED OPERATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

The aggregate net cash flows incurred by discontinued operations are as follows:

	2020 HK$'000
Operating activities	432,650
Investing activities	291,294
Financing activities	(2,155)
Net cash inflow	721,789
Earnings per share from discontinued operations:	
Basic	HK$75.18 cents
Diluted	HK$74.12 cents

The calculations of basic and diluted earnings per share from discontinued operations are 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 14)	2,330,839,467
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation (note 14)	2,364,105,060

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 20 May 2021, the Group decided to dispose of 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.

12. 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 is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary was taxed at 8.25% and the remaining assessable profits were 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 HK$'000	2020 HK$'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
Total tax charge for the year from discontinued operations	**–**	26,169
	168,476	212,104

12. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021 **HK$'000**	2020 HK$'000 (restated)
Profit before tax from continuing operations	**1,447,766**	2,079,338
Profit before tax from discontinued operations	**–**	1,778,385
	1,447,766	3,857,723
Tax at the statutory/applicable tax rates of different countries/jurisdictions	**820,559**	1,054,688
Lower tax rates for specific provinces or enacted by local authority	**(95,469)**	(70,382)
Effect on opening deferred tax of change in tax rates	**–**	(984)
Effect on shares transfer within the Group	**(234,125)**	(160,469)
Adjustments in respect of current tax of previous periods	**(10,707)**	8,148
Profits and losses attributable to joint ventures and associates	**(13,380)**	(9,380)
Income not subject to tax	**(139,514)**	(765,696)
Super deduction of R&D expenditures	**(71,584)**	(126,398)
Expenses not deductible for tax	**43,149**	317,896
Tax losses utilised from previous periods	**(239,837)**	(116,148)
Tax losses not recognised	**109,384**	80,829
Tax charge at the Group's effective rate	**168,476**	212,104
Tax charge from continuing operations at the Group's effective rate	**168,476**	185,935
Tax charge from discontinued operations at the Group's effective rate	**–**	26,169

12. INCOME TAX (CONTINUED)

The share of tax attributable to joint ventures and associates amounting to tax credit of HK$1,770,000 (2020: tax credit of HK$8,810,000) and tax credit of HK$11,610,000 (2020: tax credit of HK$570,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Group's subsidiaries in the PRC enjoy a preferential corporate income tax rate of 15%. Also, certain subsidiaries of the Group in Mainland China enjoy a total exemption of corporate income tax for the first two years and a half reduction of corporate income tax for the following three years.

13. DIVIDENDS

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

(a) The Board resolved not to declare any interim 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).

(b) 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. These consolidated financial statements do not reflect this dividend payable.

14. 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 the Company of 2,403,808,710 (2020: 2,330,839,467) in issue during the year.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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 of the Company in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	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 the 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

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021							
At 1 January 2021							
Cost	2,389,405	429,237	1,955,945	734,652	21,054	180,437	5,710,730
Accumulated depreciation and impairment	(789,025)	(327,703)	(1,330,300)	(493,924)	(12,588)	–	(2,953,540)
Net carrying amount	1,600,380	101,534	625,645	240,728	8,466	180,437	2,757,190
At 1 January 2021, net of accumulated depreciation and impairment	1,600,380	101,534	625,645	240,728	8,466	180,437	2,757,190
Additions	4,936	20,508	94,713	107,733	855	459,995	688,740
Transfer to investment properties (note 16)	(2,034)	–	–	–	–	–	(2,034)
Disposals	(1,319)	(874)	(13,257)	(9,539)	(10)	(14,910)	(39,909)
Transfer to other intangible assets (note 19)	–	–	–	–	–	(47,691)	(47,691)
Transfer to assets held for sale (note 11)	(1,948)	–	–	–	–	–	(1,948)
Transfers	–	70,561	215,489	61,909	–	(347,959)	–
Depreciation provided during the year	(98,909)	(39,960)	(120,496)	(88,090)	(1,151)	–	(348,606)
Exchange realignment	27,150	2,232	15,157	4,982	188	5,554	55,263
At 31 December 2021, net of accumulated depreciation and impairment	1,528,256	154,001	817,251	317,723	8,348	235,426	3,061,005
At 31 December 2021:							
Cost	2,430,229	514,000	2,244,894	913,068	21,922	235,426	6,359,539
Accumulated depreciation and impairment	(901,973)	(359,999)	(1,427,643)	(595,345)	(13,574)	–	(3,298,534)
Net carrying amount	1,528,256	154,001	817,251	317,723	8,348	235,426	3,061,005

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020							
At 1 January 2020							
Cost	1,312,571	200,208	1,023,947	507,674	15,575	164,794	3,224,769
Accumulated depreciation and impairment	(444,249)	(171,654)	(651,905)	(411,390)	(14,111)	–	(1,693,309)
Net carrying amount	868,322	28,554	372,042	96,284	1,464	164,794	1,531,460
At 1 January 2020, net of accumulated depreciation and impairment	868,322	28,554	372,042	96,284	1,464	164,794	1,531,460
Additions	75,030	57,467	155,019	113,544	2,109	235,761	638,930
Acquisition of subsidiaries (note 41)	745,006	6,978	202,149	32,570	340	905	987,948
Disposal of subsidiaries (note 42)	(45,184)	(4,993)	(51,738)	(23,851)	(1,201)	(7,299)	(134,266)
Transfer to investment properties (note 16)	–	–	–	–	–	(179)	(179)
Disposals	(23,549)	(397)	(50,400)	(26,197)	(379)	(34,419)	(135,341)
Transfers	2,170	31,084	45,959	101,848	7,289	(188,350)	–
Depreciation provided during the year	(72,295)	(20,789)	(70,273)	(62,534)	(1,410)	–	(227,301)
Impairment loss	–	–	(5,632)	(778)	–	–	(6,410)
Exchange realignment	50,880	3,630	28,519	9,842	254	9,224	102,349
At 31 December 2020, net of accumulated depreciation and impairment	1,600,380	101,534	625,645	240,728	8,466	180,437	2,757,190
At 31 December 2020:							
Cost	2,389,405	429,237	1,955,945	734,652	21,054	180,437	5,710,730
Accumulated depreciation and impairment	(789,025)	(327,703)	(1,330,300)	(493,924)	(12,588)	–	(2,953,540)
Net carrying amount	1,600,380	101,534	625,645	240,728	8,466	180,437	2,757,190

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

As at 31 December 2021, certain buildings of the Group situated in Hohhot, Mainland China, with an aggregate carrying amount of HK$99,137,000 (2020: HK$104,638,000), did not have the building ownership certificates registered under the names of the respective subsidiaries of the Group. Moreover, the land transfer procedures of the land on which the relevant buildings were constructed have been completed and the related land premium has been finalised with the Ministry of Land and Resources of Mainland China.

In the opinion of the directors, the risk of the Group not being able to obtain the legal titles for the relevant buildings is low and the Group will continue to pursue and discuss with the Ministry of Land and Resources of Mainland China for the final settlement and complete the ownership registration of the buildings.

16. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	HK$'000
Carrying amount at 1 January	**579,559**	127,908
Addition from acquisition of subsidiaries (note 41)	**–**	456,098
Transfer from property, plant and equipment (note 15)	**2,034**	179
Depreciation provided during the year (note 7)	**(14,922)**	(6,868)
Exchange realignment	**2,506**	2,242
Carrying amount at 31 December	**569,177**	579,559

The Group's investment properties mainly consist of commercial and industrial properties located in Hong Kong, the PRC and North America with the carrying amounts of HK$12,345,000 (2020: HK$10,729,000), HK$456,097,000 (2020: HK$463,168,000) and HK$100,735,000 (2020: HK$105,662,000), respectively, and are held under operating lease arrangements.

According to the valuation results provided by independent third parties, the fair values of the investment properties located in Hong Kong, the PRC and North America approximate to HK$114,500,000 (2020: HK$99,100,000), HK$479,461,000 (2020: HK$481,881,000) and HK$267,938,000 (2020: HK$227,733,000), respectively.

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms between 1 and 10 years, while motor vehicles generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Plant and properties HK$'000	Motor vehicles HK$'000	Other equipment HK$'000	Total HK$'000
As at 1 January 2020	151,061	132,471	1,900	137	285,569
Additions	20,719	219,954	882	–	241,555
Additions as a result of acquisition of subsidiaries (note 41)	340,677	186,707	792	–	528,176
Depreciation charge	(6,732)	(109,413)	(1,274)	(48)	(117,467)
Deductions as a result of disposal of subsidiaries (note 42)	–	(811)	–	–	(811)
Lease modification	–	(110,312)	–	–	(110,312)
Exchange realignment	8,876	8,692	91	–	17,659
As at 31 December 2020 and 1 January 2021	**514,601**	**327,288**	**2,391**	**89**	**844,369**
Additions	**142,151**	**214,059**	**1,088**	**–**	**357,298**
Transfer to assets held for sale	**(1,976)**	**–**	**–**	**–**	**(1,976)**
Depreciation charge	**(12,092)**	**(152,575)**	**(1,537)**	**(47)**	**(166,251)**
Lease modification	**–**	**39,085**	**(30)**	**–**	**39,055**
Exchange realignment	**7,177**	**(4)**	**(126)**	**(12)**	**7,035**
As at 31 December 2021	**649,861**	**427,853**	**1,786**	**30**	**1,079,530**

17. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	346,032	140,429
New leases	211,075	277,148
Additions as a result of acquisition of subsidiaries (note 41)	–	207,527
Deductions as a result of disposal of subsidiaries (note 42)	–	(739)
Lease modification	38,656	(173,768)
Accretion of interest recognised during the year	22,187	7,528
Payments	(157,364)	(126,289)
Exchange realignment	(82)	14,196
As at 31 December	460,504	346,032
Analysed into:		
Current portion	140,820	95,469
Non-current portion	319,684	250,563

The maturity analysis of lease liabilities is disclosed in note 48 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

17. LEASES (CONTINUED)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest expenses on lease liabilities	**22,187**	7,528
Depreciation charge of right-of-use assets	**166,251**	117,467
Expense relating to short-term leases and leases of low-value assets	**138,075**	113,605
Covid-19-related rent concessions from lessors	**(451)**	(15,703)
Total amount recognised in profit or loss	**326,062**	222,897

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 43(c) and 44(b), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 16) consisting of various commercial and industrial properties in Hong Kong, the PRC and North America under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income from continuing operations recognised by the Group during the year was HK$19,356,000 (2020: HK$15,682,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**20,218**	35,517
After one year but within two years	**10,602**	15,981
After two years but within three years	**564**	8,252
After three years but within four years	**193**	35
After four years but within five years	**313**	32
	31,890	59,817

18. GOODWILL

	HK$'000
At 1 January 2020:	
Cost	1,892,596
Accumulated impairment	(50,983)
Net carrying amount	1,841,613
Cost at 1 January 2020, net of accumulated impairment	1,841,613
Acquisition of subsidiaries (note 41)	1,512,177
Disposal of subsidiaries (note 42)	(167,445)
Exchange realignment	115,036
Cost and net carrying amount at 31 December 2020	3,301,381
At 31 December 2020:	
Cost	3,352,364
Accumulated impairment	(50,983)
Net carrying amount	3,301,381
Cost at 1 January 2021, net of accumulated impairment	3,301,381
Impairment during the year (note 7)	(12,049)
Exchange realignment	32,984
Cost and net carrying amount at 31 December 2021	3,322,316
At 31 December 2021:	
Cost	3,385,348
Accumulated impairment	(63,032)
Net carrying amount	3,322,316

18. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- PRC TV products with the TCL brand ("PRC TCL TV CGU")
- Commercial display products ("Commercial Display Products CGU")
- Falcon internet business ("Falcon Internet Business CGU")
- Smart mobile, connective devices and services ("Smart Mobile, Connective Devices and Service CGU")
- Brazil TV products with the TCL brand and other household products ("Brazil TCL TV and Other Household Products CGU")
- Others*

* The others represented certain CGUs which individually form an insignificant portion of the goodwill amount of the Group.

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections and the growth rate used to extrapolate the cash flows beyond the five-year period of each CGU are as follows:

		2021	2020
PRC TCL TV CGU	discount rates	16%	15%
	growth rates	3%	3%
Commercial Display Products CGU	discount rates	13%	15%
	growth rates	3%	3%
Falcon Internet Business CGU	discount rates	14%	14%
	growth rates	3%	3%
Smart Mobile, Connective Devices and Service CGU	discount rates	15%	15%
	growth rates	3%	3%
Brazil TCL TV and Other Household Products CGU	discount rates	16%	15%
	growth rates	2%	3%
Others	discount rates	20%	19%
	growth rates	3%	3%

18. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

The impairment of goodwill of HK$12,049,000 in 2021 was related to the CGU of others. The impairment was made with reference to the estimated recoverable amount which was determined based on value in use calculation using cash flow projection approved by senior management. The discount rate applied to the cash flow projection was 16%. Management was of the view that such impairment was mainly caused by the decrease in budgeted profit in business of smart home products for apartments and hotels in 2021.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	PRC TCL TV CGU	Commercial Display Products CGU	Falcon Internet Business CGU	Smart Mobile, Connective Devices and Service CGU	Brazil TCL TV and Other Household Products CGU	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020	119,638	501,273	1,142,990	1,260,399	252,398	24,683	3,301,381
As at 31 December 2021	**360,992***	**274,728***	**1,176,758**	**1,260,399**	**236,459**	**12,980**	**3,322,316**

* During the year ended 31 December 2021, the Group reorganised the structure of its operations in a way that changed the composition of PRC TCL TV CGU and Commercial Display Products CGU. Goodwill with a carrying amount of HK$241,354,000 has been reallocated from Commercial Display Products CGU to PRC TCL TV CGU.

Assumptions were used in the value-in-use calculation of all CGUs for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

19. OTHER INTANGIBLE ASSETS

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Computer software HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2021						
Cost at 1 January 2021, net of accumulated amortisation and impairment	353,897	172,507	346,551	149,848	291,932	1,314,735
Additions	9,903	–	31,049	9,259	504,619	554,830
Amortisation provided during the year	(33,907)	(27,889)	(53,582)	(43,385)	(440,306)	(599,069)
Disposals	(22,388)	–	–	–	–	(22,388)
Transfer from construction in progress	–	–	–	47,691	–	47,691
Exchange realignment	884	(157)	2,584	2,827	9,547	15,685
At 31 December 2021	308,389	144,461	326,602	166,240	365,792	1,311,484
At 31 December 2021:						
Cost	444,920	406,996	428,746	678,443	799,783	2,758,888
Accumulated amortisation and impairment	(136,531)	(262,535)	(102,144)	(512,203)	(433,991)	(1,447,404)
Net carrying amount	308,389	144,461	326,602	166,240	365,792	1,311,484

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Computer software HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2020						
Cost at 1 January 2020, net of accumulated amortisation and impairment	17,148	–	139,018	–	–	156,166
Additions	40,817	–	–	62,794	133,585	237,196
Acquisition of subsidiaries (note 41)	306,149	182,918	263,385	108,523	223,322	1,084,297
Amortisation provided during the year	(11,867)	(11,697)	(29,895)	(22,926)	(85,857)	(162,242)
Disposals	–	–	–	(185)	–	(185)
Disposal of a subsidiary (note 42)	–	–	(32,478)	(1,529)	–	(34,007)
Impairment during the year (note 7)	–	–	–	(2,428)	–	(2,428)
Exchange realignment	1,650	1,286	6,521	5,599	20,882	35,938
At 31 December 2020	353,897	172,507	346,551	149,848	291,932	1,314,735
At 31 December 2020:						
Cost	368,899	185,858	393,700	168,317	397,516	1,514,290
Accumulated amortisation and impairment	(15,002)	(13,351)	(47,149)	(18,469)	(105,584)	(199,555)
Net carrying amount	353,897	172,507	346,551	149,848	291,932	1,314,735

20. INVESTMENTS IN JOINT VENTURES

	2021	2020
	HK$'000	HK$'000
Share of net assets	**66,757**	75,698
Goodwill on acquisition	**21,807**	21,807
	88,564	97,505
Provision for impairment	**(7,712)**	(7,712)
	80,852	89,793

The following table illustrates the aggregate summarised financial information of the Group's joint ventures that are not individually material:

	2021	2020
	HK$'000	HK$'000
Share of the joint ventures' profit for the year	**610**	23,236
Share of the joint ventures' total comprehensive income for the year	**1,508**	23,236
Aggregate carrying amount of the Group's investments in these joint ventures	**80,852**	89,793

The Group has discontinued the recognition of its share of losses of a joint venture, TCL-IMAX Entertainment Co., Ltd. since 2017 because the share of losses of the joint venture exceeded the Group's interest in the relevant joint venture and the Group has no obligation to take up further losses.

21. INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	**902,653**	617,355
Goodwill on acquisition	**698,276**	726,140
	1,600,929	1,343,495

Particulars of the Group's material associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Amlogic (Shanghai) Co., Ltd.* ("Amlogic")#	RMB411,120,000	PRC/ Mainland China	5.00	Note(a)
Huan Technology Co., Ltd.* ("Huan Technology")	RMB42,976,472	PRC/ Mainland China	35.19	Note(b)

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

Up to the date of approval of these financial statements, Amlogic has not yet disclosed its annual financial statements for the year ended 31 December 2021. The figures presented in the table below are extracted from financial information which was released publicly disclosed by Amlogic, with some information not being disclosed.

All the associates have been accounted for using the equity method in these financial statements.

Notes:

(a) Amlogic

Amlogic, which is considered as a material associate of the Group, is a strategic partner of the Group engaged in the manufacture and trading of integrated circuits and other semiconductor services.

Although the Group holds less than 20% of the voting power of Amlogic, in the opinion of the directors, the Group is in a position to exercise significant influence over Amlogic through its representation in the board of directors and its participation in policy-making processes of Amlogic.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

(a) Amlogic (continued)

The following table illustrates the summarised financial information of Amlogic, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Net assets	**4,836,109**	3,588,247
Net assets, excluding goodwill	**4,818,060**	3,562,554
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**5.00%**	7.16%
Group's share of net assets of the associate, excluding goodwill	**240,903**	255,079
Goodwill on acquisition	**18,049**	25,693
Carrying amount of the investment	**258,952**	280,772
Revenue	**5,762,113**	3,083,289
Profit for the year	**943,676**	94,747

(b) Huan Technology

Huan Technology, which is considered a material associate of the Group, is a strategic partner of the Group engaged in internet platform operation. Huan Technology has become an associate of the Group since 1 November 2019.

The following table illustrates the summarised financial information of Huan Technology, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Net assets	**956,040**	526,281
Net assets, excluding goodwill	**833,958**	378,862
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**35.19%**	43.75%
Group's share of net assets of the associate, excluding goodwill	**293,470**	165,752
Goodwill on acquisition	**122,082**	147,419
Carrying amount of the investment	**415,552**	313,171
Revenue	**808,754**	635,065
Profit for the year	**71,011**	81,954
Total comprehensive income for the year	**71,011**	81,954

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Share of the associates' profit/(loss) for the year	**70,428**	(127,189)
Share of the associates' other comprehensive income for the year	**5,495**	1,369
Share of the associates' total comprehensive income/(loss) for the year	**75,923**	(125,820)
Aggregate carrying amount of the Group's investments in these associates	**926,425**	749,552

22. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
Listed equity investments, at fair value		
Beijing Digital Telecom Co., Ltd.	**16,804**	9,565
Shenzhen Wintone Culture Co., Ltd.	**–**	152
	16,804	9,717
Unlisted equity investments, at fair value		
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.*	**9,174**	8,296
Shanghai Digital TV National Engineering Research Center Co., Ltd.*	**3,329**	3,006
Shenzhen Zhongcailian Technology Co., Ltd.*	**4,779**	3,644
Henan Meile Warner Electronics Co., Ltd.*	**101**	98
Shanghai Guanmu Investment Management Partnership (Limited Partnership)*	**82,588**	76,625
Huizhou Kaifengda Intelligent Manufacturing Technology Development Co., Ltd.*	**129**	284
Falcon Innovations Technology (Shenzhen) Co., Ltd.*	**24,452**	–
	124,552	91,953
	141,356	101,670

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

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers that these investments are strategic in nature.

23. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	5,100,633	4,033,343
Work in progress	1,043,177	421,500
Finished goods	7,411,786	5,571,310
	13,555,596	10,026,153

24. 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		–	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.

24. TRADE RECEIVABLES (CONTINUED)

The majority of the Group's sales in Mainland China 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 (i) receivables to be factored of HK$955,454,000 (2020: HK$549,631,000), as well as (ii) the assets and the associated liabilities representing the extent of the Group's continuing involvement in the factored trade receivables of which the Group neither retained nor transferred substantially all of the risks and rewards, amounting 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.

24. TRADE RECEIVABLES (CONTINUED)

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

	2021 **HK$'000**	2020 HK$'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

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**158,240**	190,974
Impairment losses, net	**31,827**	13,717
Disposal of subsidiaries	**–**	(40,098)
Amount written off as uncollectible	**(189)**	(3,231)
Exchange realignment	**(1,837)**	(3,122)
At end of year	**188,041**	158,240

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

24. TRADE RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables measured at amortised cost using a provision matrix:

As at 31 December 2021

		Past due				
	Current	Less than 180 days	181 days to 1 year	1 year to 2 years	Over 2 years	Total
ECL rate	**0.14%**	**2.11%**	**5.07%**	**26.54%**	**38.40%**	**1.72%**
Gross carrying amount (HK$'000)	**7,223,734**	**3,201,284**	**235,904**	**14,791**	**245,584**	**10,921,297**
ECLs (HK$'000)	**10,203**	**67,643**	**11,971**	**3,926**	**94,298**	**188,041**

As at 31 December 2020

		Past due				
	Current	Less than 180 days	181 days to 1 year	1 year to 2 years	Over 2 years	Total
ECL rate	0.09%	3.30%	1.97%	11.30%	35.88%	1.51%
Gross carrying amount (HK$'000)	8,413,798	1,656,567	71,827	68,040	242,937	10,453,169
ECLs (HK$'000)	7,287	54,695	1,414	7,686	87,158	158,240

25. BILLS RECEIVABLE

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through other comprehensive income	**1,901,694**	2,828,462
Financial assets at fair value through profit or loss	**–**	688
	1,901,694	2,829,150

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2021 HK$'000	2020 HK$'000
Prepayments and deposits		**543,140**	859,605
Other receivables		**3,258,825**	2,609,456
VAT receivables		**2,056,270**	1,802,368
Dividend receivable		**10,457**	12,028
Interest receivable		**7,091**	4,184
Due from companies controlled by TCL Holdings	(a), (c)	**1,209,533**	681,038
Due from affiliates of TCL Holdings	(b), (c)	**12,173**	552
Due from companies controlled by TCL Technology	(b)	**14,721**	16,888
Due from affiliates of TCL Technology	(b)	**4,513**	–
Due from associates	(b)	**1,798**	1,946
		7,118,521	5,988,065
Impairment allowance		**(216,556)**	(223,742)
		6,901,965	5,764,323

Notes:

(a) As at 31 December 2021 and 2020, the amount due from companies controlled by TCL Holdings of HK$ 1,179,034,000 (2020: HK$ 417,311,000) was interest bearing at 0.01% to 8.00% (2020: 0.04% to 2.00%) per annum. The remaining amounts were interest-free, unsecured and repayable within one year.

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

(c) The relevant balance of advance to TCL Holdings under the meaning of Chapter 13 of the Listing Rules amounted to approximately HK$1,221,706,000, out of which: (i) approximately HK$101,637,000 was deposits placed with TCL Finance (Hong Kong) Co., Limited and/or TCL Holdings Financial Services Associates pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022) dated 25 March 2020 entered into among the Company, TCL Holdings and TCL Finance (Hong Kong) Co., Limited with interest rates ranging from 0.01% to 1.70% per annum and repayable within one year and without collateral; (ii) approximately HK$1,077,397,000 was loans provided by the Group to Qualified Holdings Group (as defined in the announcement of the Company dated 25 March 2020) pursuant to the Master Financial Agreement (TCL Holdings) (2020-2022) dated 25 March 2020 entered into among the Company, TCL Holdings and TCL Finance (Hong Kong) Co., Limited with interest rates ranging from 4.05% to 8.00% per annum and repayable within one year and without collateral; and (iii) approximately HK$42,672,000 was other receivables from TCL Holdings Group arising from non-trading nature transactions which were interest-free, unsecured and repayable within one year. For details of the Master Financial Agreement (TCL Holdings) (2020-2022), please refer to the circular of the Company dated 1 April 2020.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The Group has classified certain other receivables amounting to HK$89,999,000 (2020: HK$90,176,000) as financial assets measured at fair value through profit or loss as these items are held for trading. The remaining amounts are measured at amortised cost.

ECLs are estimated for other receivables and amounts due from related companies by applying a loss rate approach with reference to the historical loss records of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The credit quality of the financial assets included in the line items of prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful". Set out below is the information about the credit risk exposure on the Group's other receivables and amounts due from related companies:

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

As at 31 December 2021

	Normal	**Doubtful**	**Total**
ECL rate	**0.09%**	**10.45%**	**4.81%**
Gross carrying amount (HK$'000)	**2,449,005**	**2,052,558**	**4,501,563**
ECLs (HK$'000)	**2,134**	**214,422**	**216,556**

As at 31 December 2020

	Normal	Doubtful	Total
ECL rate	0.09%	15.85%	6.95%
Gross carrying amount (HK$'000)	1,817,669	1,402,035	3,219,704
ECLs (HK$'000)	1,584	222,158	223,742

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**223,742**	227,689
Impairment losses, net (note 7)	**2,716**	20,410
Amount written off as uncollectible	**(15,969)**	(35,957)
Exchange realignment	**6,067**	11,600
At end of year	**216,556**	223,742

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Trust products and financial products issued by commercial banks	**1,342,088**	1,083,253

28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2021 **HK$'000**	2020 HK$'000
Cash and bank balances	**11,509,166**	10,384,885
Restricted cash and pledged deposits	**576,758**	202,229
	12,085,924	10,587,114
Less: Restricted cash and pledged deposits:		
– for factored trade receivables	**508,491**	1,804
– for banking facilities and other financial instruments	**41,119**	166,657
– for insurance guarantee	**–**	3,069
– others restricted cash and pledged deposits	**27,148**	30,699
Cash and cash equivalents	**11,509,166**	10,384,885

As at 31 December 2021, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$5,099,007,000 (2020: HK$6,365,298,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances, restricted cash and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, included in the Group's cash and bank balances were deposits of nil (2020: HK$2,376,603,000), placed with TCL Technology Finance Co., Ltd. a subsidiary of TCL Technology and a financial institution approved by the People's Bank of China.

29. TRADE PAYABLES

	Note	2021 HK$'000	2020 HK$'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 HK$'000	2020 HK$'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.

30. OTHER PAYABLES AND ACCRUALS

	Notes	**2021 HK$'000**	2020 HK$'000
Other payables	(a)	**7,853,002**	7,000,066
Advanced receipts		**8,449**	–
Accruals		**2,046,580**	1,907,852
Dividend payable		**12**	21
Contract liabilities	(b)	**2,157,007**	1,098,059
Due to companies controlled by TCL Holdings	(c)	**477,809**	623,334
Due to affiliates of TCL Holdings	(c)	**74,142**	58,467
Due to companies controlled by TCL Technology	(c)	**63,681**	420
Due to an associate	(c)	**62,907**	10
		12,743,589	10,688,229

Notes:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

(b) Details of contract liabilities are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Short-term advances received from customers			
Sale of goods	**2,078,712**	1,042,688	427,701
Video-on-demand services	**78,295**	55,371	44,815
Total contract liabilities	**2,157,007**	1,098,059	472,516

Contract liabilities include short-term advances received to deliver goods and video-on-demand services.

(c) As at 31 December 2021, amounts due to companies controlled by TCL Holdings of HK$101,971,000 (2020: HK$5,680,000) were interest bearing at 0.3% to 1.7% (2020: 0.5% to 2%) per annum. The remaining amounts were interest-free, unsecured and repayable within one year.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK$'000	2020 HK$'000
Current assets		
Forward currency contracts	**52,612**	177,447
Call options and put options	**187,975**	162,545
	240,587	339,992
Current liabilities		
Forward currency contracts	**34,782**	179,942
Non-current liabilities		
Call options and put options	**17,579**	14,827

Cash flow hedge – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in BRL/EUR/GBP/MXN/CAD/KRW/RUB/RMB and forecast purchases in the USD, These forecast transactions are highly probable, and they comprise about 100% of the Group's total expected sales in BRL/EUR/GBP/MXN/CAD/KRW/RUB/RMB and purchases in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward match the terms of the expected highly probable forecast transactions and the secured bank loan (i.e., notional amount and expected payment date). To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge – Foreign currency risk (continued)

The Group holds the following foreign exchange forward contracts:

	Maturity		
	Less than 3 months	3 to 6 months	Total
As at 31 December 2021			
Foreign currency forward contracts (highly probable forecast sales)			
Notional amount (in HK$'000)	1,225,351	867,534	2,092,885
Foreign currency forward contracts (highly probable forecast purchases)			
Notional amount (in HK$'000)	1,070,245	–	1,070,245

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount HK$'000	Carrying amount HK$'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000
As at 31 December 2021				
Foreign currency forward contracts (highly probable forecast sales)	1,880,330	7,893	Derivative financial instruments (assets)	93,599
Foreign currency forward contracts (highly probable forecast sales)	212,555	(1,332)	Derivative financial instruments (liabilities)	(102)
Foreign currency forward contracts (highly probable forecast purchases)	–	–	Derivative financial instruments (assets)	(63,773)
Foreign currency forward contracts (highly probable forecast purchases)	1,070,245	(8,508)	Derivative financial instruments (liabilities)	115,060

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge – Foreign currency risk (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year HK$'000	Cash flow hedge reserve HK$'000
Year ended 31 December 2021		
Highly probable forecast sales	93,458	4,672
Highly probable forecast purchases	51,287	(4,461)

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount HK$'000	Tax effect HK$'000	Total HK$'000	Gross amount HK$'000	Tax effect HK$'000	Total HK$'000	
Year ended 31 December 2021							
Highly probable forecast sales	93,458	(14,145)	79,313	(86,130)	16,425	(69,705)	Revenue/ Other income and gains
Highly probable forecast purchases	51,287	–	51,287	(17,296)	–	(17,296)	N/A

Non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures. They are not designated for hedge purposes and are measured at fair value through profit or loss. Net loss of HK$3,409,000 (2020: net gains of HK$29,334,000) as a result of the changes in the fair value of these non-hedging derivative financial contracts were recognised in profit or loss for the year ended 31 December 2021.

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Call options and put options

(1) TCL Call Options, TCL Put Options and RV Holdcos Call Options

On 28 May 2018, the Group entered into equity transfer agreements with Radio Victoria Argentina S.A. ("RVF"), Sontec Argentina S.A. ("Sontec") and the sellers (the "Sellers") of RVF and Sontec, pursuant to which the Group was granted with:

Call options ("TCL Call Options") whereby the Group has the discretion to acquire additional equity interest in RVF and/or Sontec, subject to the total shareholding of the Group not exceeding 49% shareholding of RVF and/or Sontec at any time, at a consideration based on the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise, which is exercisable at any time within 8 years after the closing date of acquisition of RVF and Sontec (the "RVF and Sontec Acquisition").

Put options ("TCL Put Options") whereby the Group has the discretion to dispose of all equity interest in RVF and/or Sontec at a consideration based on the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise, which is exercisable at any time after 2 years and within 8 years of the RVF and Sontec Acquisition.

Pursuant to the equity transfer agreements, the Group also granted call options ("RV Holdcos Call Options") to the Sellers whereby the Sellers have the discretion to acquire all equity interest in RVF and/or Sontec at a consideration based on:

the higher of (i) the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise and (ii) the investment cost of the Group plus a compounded annual rate of return as stipulated, which is exercisable within 180 days starting from 4 years after the RVF and Sontec Acquisition; or

the higher of (i) the net book value with reference to audited financial statements of RVF and Sontec respectively for the fiscal year immediately preceding the date of the exercise and (ii) the fair market value of the equity interests of RVF and Sontec, which exercisable within 60 days starting from the date on which the percentage of shareholding of the Group in RVF and Sontec falls below 5%.

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Call options and put options (continued)

(1) TCL Call Options, TCL Put Options and RV Holdcos Call Options (continued)

As at 31 December 2021 and 2020, the fair values of options were determined by Asset Appraisal Limited based on the Black-Scholes Options Pricing Model. The key inputs into the model for the values of the options are as follows:

	TCL Call Options and TCL Put Options		RV Holdcos Call Options	
	2021	2020	**2021**	2020
Maturity (year)	**4.5**	5.5	**1.0**	2.0
RFR (%)	**1.3**	0.5	**0.7**	0.2
Volatility (%)	**45.0**	37.5	**32.3**	42.4

(2) SEMP TCL Call Option

On 3 June 2020, the Group entered into a sale and purchase agreement with SEMP Amazonas S.A. ("STA"), pursuant to which the Group was granted a call option by STA ("SEMP TCL Call Option"), whereby the Group has the right to purchase all, but not less than all, of the remaining 20% equity interest of SEMP TCL held by STA at the exercise price based on the adjusted net book value of SEMP TCL on the date of exercise, which is exercisable within 3 years since the date of acquisition of SEMP TCL.

As at 31 December 2021, the fair value of the call option was determined by Labeo Finance (31 December 2020: Mazars) based on the Monte Carlo simulation model. The key inputs into the model for the value of the call option are as follows:

	SEMP TCL Call Option	
	2021	2020
Maturity (year)	**1.5**	2.5
RFR (%)	**8.2**	2.4–4.4
Volatility (%)	**36.2**	39.3

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32. FINANCIAL LIABILITY ASSOCIATED WITH PUT OPTION

	2021 HK$'000	2020 HK$'000
Measured at amortised cost:		
Redemption liability arising from a put option (current)	121,370	–
Redemption liability arising from a put option (non-current)	–	123,916
	121,370	123,916

The amount represented a financial liability associated with a put option granted to the non-controlling shareholder of SEMP TCL.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	0.20 to 4.75	2022	6,356,258	0.60 to 4.75	2021	4,522,538
Other loans – unsecured	1.10	2022	22,018	1.10 to 8.00	2021	59,405
Advances from banks as consideration for factored trade receivables	0.43 to 1.41	2022	9,016	0.70 to 1.65	2021	6,808
			6,387,292			4,588,751
Non-current						
Bank loans – unsecured	1.46 to 4.75	2023-2028	492,825	2.92 to 4.75	2022-2024	836,651
Other loans – unsecured	–	–	–	1.10	2022	21,386
			492,825			858,037
			6,880,117			5,446,788

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2021 **HK$'000**	2020 HK$'000
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, inclusive	**253,448**	100,526
After five 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
In the third to fifth years, inclusive	**–**	–
After five years	**–**	–
	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 approximated to their fair values.

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

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Included in bank and other loans are the following amounts denominated in currencies other than the functional currencies of the entities to which they relate:

	2021 HK$'000	2020 HK$'000
USD	5,537,217	3,879,147
RMB	1,340,202	1,564,055
EUR	468	675
MXN	2,230	2,911
	6,880,117	5,446,788

34. PROVISIONS

	Warranties HK$'000	Restructuring costs HK$'000	Pending litigation HK$'000	Total HK$'000
At 1 January 2021	794,397	1,456	4,559	800,412
Additional provision	772,885	–	1,906	774,791
Amount utilised during the year	(582,343)	–	–	(582,343)
Exchange realignment	(21,280)	(44)	(88)	(21,412)
At 31 December 2021	963,659	1,412	6,377	971,448

Warranties

The Group provides warranties ranging from one to three years to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Restructuring costs

The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

Pending litigation

Provision has been provided based on the best estimate of the litigation compensation.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Changes in fair value HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Right-of-use assets HK$'000	Deferred income HK$'000	Total HK$'000
At 1 January 2020	1,022	6,733	44,422	47	–	52,224
Acquisition of subsidiaries (note 41)	1,155	–	312,909	–	4,648	318,712
Disposal of subsidiaries (note 42)	–	–	(12,172)	–	–	(12,172)
Deferred tax (credited)/charged to profit or loss during the year	(919)	1,820	(8,117)	–	1,700	(5,516)
Deferred tax (credited)/charged to other comprehensive income during the year	–	(3,243)	2,849	–	–	(394)
Exchange realignment	1	415	1,919	–	1	2,336
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	**1,259**	**5,725**	**341,810**	**47**	**6,349**	**355,190**
Deferred tax (credited)/charged to profit or loss during the year	**(127)**	**(4,479)**	**(13,860)**	**2,644**	**327**	**(15,495)**
Deferred tax charged to other comprehensive income during the year	**–**	**1,419**	**–**	**–**	**–**	**1,419**
Exchange realignment	**–**	**406**	**320**	**6**	**–**	**732**
Gross deferred tax liabilities at 31 December 2021	**1,132**	**3,071**	**328,270**	**2,697**	**6,676**	**341,846**

35. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and other provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Changes in fair value HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2020	12,000	59,247	8,745	–	5,592	85,584
Acquisition of subsidiaries (note 41)	31,547	127,122	28,424	(29,125)	2,981	160,949
Disposal of subsidiaries (note 42)	–	(10,750)	–	–	(4,088)	(14,838)
Deferred tax credited/(charged) to profit or loss during the year	22,026	(12,989)	(2,722)	23,308	(956)	28,667
Deferred tax credited/(charged) to other comprehensive income during the year	–	(5,525)	–	5,819	–	294
Exchange realignment	–	9,419	1,952	–	(475)	10,896
Gross deferred tax assets at 31 December 2020 and 1 January 2021	**65,573**	**166,524**	**36,399**	**2**	**3,054**	**271,552**
Deferred tax credited/(charged) to profit or loss during the year	**18,604**	**51,736**	**(5,385)**	**(2)**	**(1,394)**	**63,559**
Deferred tax credited to other comprehensive income during the year	**–**	**2,981**	**–**	**–**	**–**	**2,981**
Exchange realignment	**1**	**(941)**	**310**	**–**	**(670)**	**(1,300)**
Gross deferred tax assets at 31 December 2021	**84,178**	**220,300**	**31,324**	**–**	**990**	**336,792**

35. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

The Group has tax losses of HK$9,911,965,000 (2020: HK$9,343,095,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries/jurisdictions in which the Group operates. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2021 **HK$'000**	2020 HK$'000
Tax losses	**9,897,318**	9,343,095
Deductible temporary differences	**3,617,085**	1,887,543
	13,514,403	11,230,638

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries/jurisdictions in which the Group operates. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$8,104,245,000 as at 31 December 2021 (2020: HK$5,956,257,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'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

A summary of movements in the Company's issued share capital and share premium account is as follows:

	Note	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2020		2,363,224,646	2,363,225	5,142,127	7,505,352
Dividend paid to shareholders		–	–	(474,406)	(474,406)
Issue of shares upon exercise of share options	(a)	89,257,045	89,257	394,935	484,192
At 31 December 2020 and 1 January 2021		2,452,481,691	2,452,482	5,062,656	7,515,138
Dividend paid to shareholders		–	–	(277,234)	(277,234)
Issue of shares upon exercise of share options	(a)	27,477,717	27,477	121,010	148,487
At 31 December 2021		2,479,959,408	2,479,959	4,906,432	7,386,391

36. SHARE CAPITAL (CONTINUED)

Shares (continued)

Note:

(a) During the year ended 31 December 2021, the subscription rights attached to 12,144,021, 1,416,399, 957,186, 7,422,836, 747,999 and 4,789,276 share options were exercised at the subscription prices of HK$3.3918, HK$3.7329, HK$3.5700, HK$4.1520, HK$4.3860 and HK$4.4834 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. An amount of HK$43,020,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

During the year ended 31 December 2020, the subscription rights attached to 40,973,475, 4,974,819, 2,342,024, 16,177,305, 4,986,707 and 19,802,715 share options were exercised at the subscription prices of HK$3.3918, HK$3.7329, HK$3.5700, HK$4.1520, HK$4.3860 and HK$4.4834 per share, respectively, resulting in the issue of an aggregate of 89,257,045 shares of HK$1.00 each for a total cash consideration of HK$343,729,000, before expenses. An amount of HK$140,463,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

37. SHARE-BASED PAYMENTS

Share option scheme of the Company

The Company adopted the share option scheme on 15 February 2007 ("2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. By a shareholders' resolution passed in the annual general meeting held on 18 May 2016, the new share option scheme ("2016 Scheme") was adopted and the 2007 Scheme was terminated. As a result, the Company can no longer grant any further options under the 2007 Scheme, but all options granted prior to the termination of the 2007 Scheme will remain in full force and effect. Eligible participants of the 2007 Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board of the Company at its sole discretion considers may contribute or have contributed to the Group. The 2016 Scheme mainly refined the definition of "any other person" in the eligible participants of the 2007 Scheme to employees and officers of TCL Technology and its affiliated companies. The 2016 Scheme became effective on 18 May 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme of the Company (continued)

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of each of the Share Option Schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issued or to be issued upon exercise of share options granted to any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantive shareholder, independent non-executive director or other associates, see the paragraph below) of the issued shares of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme of the Company (continued)

Share options do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

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

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

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

	2021		2020	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**3.9910**	**83,185**	3.9293	184,452
Forfeited during the year	**4.1164**	**(7,132)**	4.0846	(12,010)
Exercised during the year	**3.8383**	**(27,477)**	3.8510	(89,257)
At 31 December	**4.0590**	**48,576**	3.9910	83,185

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2021 was HK$5.8103 per share (2020: HK$5.6413 per share).

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme of the Company (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021

Number of options '000	Exercise price per share* HK$	Exercise period
–	**4.4834**	**Note 1**
–	**3.3918**	**Note 2**
2,820	**4.3860**	**Note 3**
3,745	**3.7329**	**Note 4**
35,811	**4.1520**	**Note 5**
6,200	**3.5700**	**Note 6**
48,576		

2020

Number of options '000	Exercise price per share* HK$	Exercise period
4,803	4.4834	Note 1
12,461	3.3918	Note 2
3,618	4.3860	Note 3
5,177	3.7329	Note 4
49,929	4.1520	Note 5
7,197	3.5700	Note 6
83,185		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme of the Company (continued)

Note 1: One-third of such share options were exercisable commencing from 9 January 2017; a further one-third were exercisable commencing from 9 January 2018; and the remaining one-third were exercisable commencing from 9 January 2019, up to 8 March 2021.

Note 2: For share options granted to the employees of the Group, approximately one-third of such share options are exercisable commencing from 9 January 2017; a further approximately one-third are exercisable commencing from 9 January 2018; and the remaining approximately one-third are exercisable commencing from 9 January 2019, up to 30 August 2021.

For share options granted to the employees of TCL Technology (excluding the Group) on its behalf, approximately one-third of such share options are exercisable commencing from 31 December 2015; a further approximately one-third are exercisable commencing from 31 December 2016; and the remaining approximately one-third are exercisable commencing from 31 December 2017, up to 30 August 2021.

Note 3: For share options granted to the employees of the Group, approximately 13% of such share options are exercisable commencing from 9 January 2017; a further approximately 43% are exercisable commencing from 9 January 2018; and the remaining approximately 44% are exercisable commencing from 9 January 2019, up to 1 June 2022.

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

Note 4: Subject to fulfilment of the performance targets for the year ended 31 December 2016; approximately 21% of the share options are exercisable commencing from 9 January 2018 to 11 May 2023; and subject to fulfilment of the performance targets for the year ended 31 December 2017; approximately 79% of the share options are exercisable commencing from 9 January 2019 to 11 May 2023.

Note 5: Subject to fulfilment of the performance targets for the year ended 31 December 2018, up to about one-sixth of the share options are exercisable commencing from 18 May 2019 to 22 January 2024 and up to another about one-sixth of share options are exercisable commencing from 9 January 2020 to 22 January 2024; and subject to fulfilment of the performance targets for the year ended 31 December 2019, up to about one-sixth of the share options are exercisable commencing from 18 May 2020 to 22 January 2024 and up to another about one-sixth of share options are exercisable commencing from 9 January 2021 to 22 January 2024; and subject to fulfilment of the performance targets for the year ended 31 December 2020, up to about one-sixth of the share options are exercisable commencing from 18 May 2021 to 22 January 2024 and up to another about one-sixth of share options are exercisable commencing from 9 January 2022 to 22 January 2024.

Note 6: Subject to fulfilment of the conditions for exercise of share options that the relevant option grantee (i) has paid the costs incurred or to be incurred by the Company for the relevant part of the share options and (ii) remains to be an employee of TCL Technology or TCL Holdings on 15 June 2018, 15 June 2019 and 15 June 2020 (as the case may be) respectively, approximately one-third of the share options are exercisable commencing from 15 June 2018 to 24 April 2024; another approximately one-third of the share options are exercisable commencing from 15 June 2019 to 24 April 2024; and the remaining approximately one-third of the share options are exercisable commencing from 15 June 2020 to 24 April 2024.

37. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme of the Company (continued)

There was no share option granted during 2021.

The 27,477,717 share options exercised during the year resulted in the issue of 27,477,717 ordinary shares of the Company and additional share capital of HK$27,477,000 and share premium of HK$121,010,000.

At the end of the reporting period, the Company had 48,576,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 48,576,000 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$48,576,000 and HK$148,592,000, respectively.

Restricted share award scheme of the Company

A restricted share award scheme was adopted by the Company on 6 February 2008 (the "Adoption Date") (as amended on 11 August 2015, 13 June 2016, 24 November 2017 and 4 May 2018) (the "Award Scheme") to recognise and motivate the contribution of certain participants and to provide incentives and help the Group in retaining its existing employees and recruiting suitable personnel as additional employees to further extend the operation and development of the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

As at 31 December 2021, the Award Scheme comprises (i) the trust for management for the benefit of selected persons including, among others, connected persons of the Company and the senior management of the Group and (ii) the trust for employees and others for the benefit of selected persons who are not connected persons of the Company. The Company has appointed BOCI-Prudential Trustee Limited (the "Trustee") for administration of each of the trusts under the Award Scheme.

Since 25 June 2015 (the date on which the Board conditionally resolved to amend the Award Scheme to include grant of Awarded shares in the form of new Shares) up to 31 December 2021, a total of 209,588,089 Restricted Shares has been granted, out of which 85,727,922 were granted in the form of new Shares and 123,860,167 were granted in the form of existing Shares. As at 31 December 2021, the maximum number of Awarded Shares available for grant under the Award Scheme is 118,757,710.

37. SHARE-BASED PAYMENTS (CONTINUED)

Restricted share award scheme of the Company (continued)

Pursuant to the terms of the Award Scheme:

1. The Board may, from time to time, at its sole and absolute discretion, designate any award to be made to any selected participant. Participants cover (i) employees, advisers, consultants, agents, contractors, clients or suppliers of any member of the Group; and (ii) employees or officers of the affiliated companies whom the Board in its sole discretion considers may contribute or have contributed to the Group (collectively the "Selected Persons" and each a "Selected Person").

2. An award may be satisfied by existing shares to be acquired by the Trustee from the market or new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares") to be held on trust by the Trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting condition(s). The Board has the discretion to decide whether the Awarded Shares are the existing shares or new shares.

3. The Selected Persons shall also be entitled to the related distribution derived from the relevant Awarded Shares, which mainly covers a dividend paid by the Company in respect of the Awarded Shares concerned distributed during the period from the grant date to the vesting date of the Awarded Shares. The Awarded Shares shall however only be vested on the relevant Selected Persons on the vesting date subject to fulfilment of the vesting conditions.

4. The Company may be obliged to pay the taxes and levies on behalf of the Selected Persons at the time when the liabilities arise and has the discretion to deduct from such number of Awarded Shares entitled by the relevant Selected Persons a certain number of the Awarded Shares which is sufficient to cover the relevant liabilities of such taxes and levies as reimbursement. The Awarded Shares so deducted will become returned shares, which will be held by the Trustee and may be awarded as Awarded Shares pursuant to the Award Scheme.

5. The maximum aggregate number of shares awarded by the Board under the Award Scheme is ten percent (10%) of the number of issued shares of the Company as at 11 August 2015 (the "Amendment Date"), excluding all the shares awarded under the rules of the pre-amended Award Scheme up to the Amendment Date.

6. The duration of the Award Scheme is 15 years from the Adoption Date, i.e., continue in force until 2023.

7. The Board may, at its sole and absolute discretion, accelerate the vesting of awarded shares add/or waive and/or alter any or all of the vesting conditions attached to the Awarded Shares.

37. SHARE-BASED PAYMENTS (CONTINUED)

Restricted share award scheme of the Company (continued)

The following Awarded Shares were outstanding during the year:

	2021 Number of Awarded Shares '000	2020 Number of Awarded Shares '000 (restated)
At 1 January		
– Number of Awarded Shares held by the Trustee	**66,680**	75,612
– Number of Awarded Shares granted but not vested	**14,537**	29,008
– Number of Awarded Shares available for grant	**233,230**	233,230
At 31 December		
– Number of Awarded Shares held by the Trustee	**79,550**	66,680
– Number of Awarded Shares granted but not vested	**117,386**	14,537
– Number of Awarded Shares available for grant	**118,758**	233,230
Granted during the year (note a)	**114,472**	–
– Grant using existing shares	**72,418**	–
– Grant using new shares	**42,054**	–
Lapsed during the year	**3,627**	4,550
Vested during the year	**7,996**	9,921
Purchased during the year (note b)	**20,000**	–
Allotted and issued during the year (note c)	**–**	–
Individual income tax paid on behalf of the Selected Persons during the year (note d)	**866**	989

37. SHARE-BASED PAYMENTS (CONTINUED)

Restricted share award scheme of the Company (continued)

Notes:

(a) For the year ended 31 December 2021, 114,742,220 (2020: Nil) Awarded Shares were granted to the Selected Employees. The fair values of the Awarded Shares on the date of grant were HK$596,400,000 (HK$5.21 per share) (2020: Nil), of which the Group recognised employee share-based compensation benefits under the Award Scheme of HK$132,163,000 (2020: HK$89,629,000) in respect of the Awarded Shares granted to the Selected Employees.

(b) For the year ended 31 December 2021, the Trustee purchased 20,000,000 Awarded shares at a total cost (including transaction costs) of HK$82,966,000. For the year ended 31 December 2020, no Awarded Shares were purchased by the Trustee.

(c) No Awarded Shares were allotted and issued to the Trustee at par value for the years ended 31 December 2021 and 2020.

(d) For the year ended 31 December 2021, tax has been paid by the Group on behalf of certain Selected Persons whose rights were vested in the Awarded Shares and 866,110 (2020: 988,853) Awarded Shares were deducted from the total number of Awarded Shares entitled to be vested to those Selected Persons as the settlement for the Individual Income Tax paid by the Group on their behalf.

Equity settled share-based payment of a subsidiary of the Group

Falcon Network Technology was co-founded by the Group, as a then associate of the Company, and various joint ventures partners in 2017 to engage in Internet smart TV platform operation business. Falcon Network Technology adopted the Falcon Incentive Scheme for the benefit of the Falcon Incentive Scheme Participants.

During the year ended 31 December 2020, Falcon Network Technology granted 5,906,268 restrictive share units ("Falcon RSUs") under the Falcon Incentive Scheme to eligible Falcon Incentive Scheme Participants with vesting period from 0 to 2 years. The fair value of Falcon RSUs granted was HK$175,150,000 and the Group recognised share award benefits of HK$39,539,000 (2020: HK$89,629,000) during the year ended 31 December 2021. For the avoidance of doubt, such award scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and a discretionary of such subsidiaries.

37. SHARE-BASED PAYMENTS (CONTINUED)

Equity settled share-based payment of a subsidiary of the Group (continued)

Falcon Network Technology became a subsidiary of the Company in 2019 after the Group completed the acquisition of additional 15.56% of equity interest in Falcon Network Technology. As Falcon Network Technology has become a subsidiary of the Company since March 2019, in order to further enhance the incentive effect of the existing incentive arrangement under the Falcon Incentive Scheme, as well as to strengthen the alignment of interests of the Falcon Incentive Scheme Participants with those of the Group, the Board has resolved to terminate the Falcon Incentive Scheme and to replace the Falcon RSUs already granted with restricted shares to be granted under the Award Scheme in 2021, pursuant to which (i) the Falcon RSU holders ("Falcon RSU Holders") are disenfranchised of their rights under the Falcon RSUs granted to them under the Falcon Incentive Scheme; and (ii) at the same time, the Falcon RSU Holders (each being an eligible Participant under the Award Scheme) are granted Restricted Shares under the Award Scheme with reference to the amount of Falcon RSUs already granted to such Falcon RSU Holders and the contribution made and to be made by such Falcon RSU Holders, subject to their acceptance. For details, please refer to the announcement of the Company dated 19 May 2021.

In May 2021, against the foregoing background, the Group accounted for the granting of the Awarded Shares as replacement instruments for the cancelled Falcon RSUs. The number of replaced cumulative Falcon RSUs is 6,940,884 with the net fair value of HK$237,693,000. The Group granted an aggregate of 114,472,220 Restricted Shares, of which 72,417,732 were existing Shares and 42,054,488 were new Shares, and the net fair value of the Restricted Shares is HK$596,400,000.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 131 and 132.

(i) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

(ii) Capital reserve

The Group's capital reserve represented the excess of the nominal value of the shares of the subsidiaries acquired prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor as well as the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(iii) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

(iv) Awarded share reserve

The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

(v) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of Falcon Network Technology Group, the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Falcon Network Technology Group	22.86%	40%

	2021 HK$'000	2020 HK$'000
Profit for the year allocated to non-controlling interests	109,907	83,104
Dividends paid to non-controlling interests	–	–
Accumulated balances of non-controlling interests at the reporting date	370,532	517,476

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2021 (Consolidated) HK$'000	2020 (Consolidated) HK$'000
Revenue	1,515,177	952,010
Total expenses	(1,210,155)	(744,250)
Profit for the year	305,022	207,760
Total comprehensive income for the year	305,022	207,760
Current assets	2,005,756	1,455,416
Non-current assets	100,339	92,164
Current liabilities	(406,158)	(244,236)
Non-current liabilities	(12,456)	(9,654)
Net cash flows from operating activities	554,110	387,738
Net cash flows used in investing activities	(77,472)	(28,602)
Net cash flows used in financing activities	(4,284)	(4,357)
Net increase in cash and cash equivalents	472,354	354,779

40. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

Factoring trade receivables

At 31 December 2021, the Group has entered into certain receivables purchase agreements with financial institutions for the factoring of trade receivables due from certain specified customers with an aggregate carrying amount of HK$3,244,692,000 (2020: HK$2,348,421,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the factored trade receivables. Accordingly, it has derecognised the full carrying amounts of the factored trade receivables. The maximum exposure to loss from the Group's continuing involvement in the factored trade receivables and the undiscounted cash flows to repurchase these factored trade receivables is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the factored trade receivables are not significant.

During the years ended 31 December 2021 and 2020, no gains or losses were recognised on the date of transfer of the factored trade receivables. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

Bills discounted

At 31 December 2021, certain bills receivable were discounted by banks in the PRC and banks in Hong Kong with a carrying amount of HK$952,523,000 (2020: HK$1,038,569,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the discounted bills. Accordingly, it has derecognised the full carrying amounts of the discounted bills. The maximum exposure to loss from the Group's continuing involvement in the discounted bills and the undiscounted cash flows to repurchase these discounted bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the discounted bills are not significant.

During the years ended 31 December 2021 and 2020, no gains or losses was recognised on the date of transfer of the discounted bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

40. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Financial assets that are derecognised in their entirety (continued)

Endorsed bills

At 31 December 2021, certain subsidiaries of the Group endorsed certain bills receivable accepted by banks and an associate in the PRC (the "derecognised bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$326,269,000 (2020: HK$1,051,885,000). The derecognised bills had a maturity of one to six months (2020: one to ten months) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the derecognised bills are not significant.

During the years ended 31 December 2021 and 2020, no gains or losses were recognised on the date of transfer of the derecognised bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

Financial assets that are not derecognised in their entirety

Factoring trade receivables

During the year ended 31 December 2021, the Group entered into trade receivable factoring arrangements and transferred certain trade receivables to banks. Under the arrangements, the Group was required to pay interest to banks during the payment term of trade debtors or a certain period, using the less. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The carrying amount of the assets that the Group continued to recognise and that of the associated liabilities as at 31 December 2021 amounted to HK$9,016,000 (2020: HK$6,808,000).

41. BUSINESS COMBINATIONS

Year ended 31 December 2020

Acquisition of equity interest in TCL Communication Group

On 29 June 2020, the Group entered into a sale and purchase agreement with Zhengjia Investment Limited ("Zhengjia Investment") and T.C.L. Industries (H.K.), pursuant to which the Group agreed to acquire 100% equity interest in TCL Communication Group, at the consideration of RMB 1,500,000,000 (equivalent to approximately HK$ 1,664,414,000). TCL Communication Group is principally engaged in the R&D, manufacture and sale of smart mobile, connective devices and rendering of related services. The transaction was completed on 31 August 2020 and TCL Communication has become a wholly-owned subsidiary of the Group since then.

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in TCL Communication Group (continued)

The fair values of the identifiable assets and liabilities of TCL Communication Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	956,507
Investment properties	16	456,098
Right-of-use assets	17(a)	429,290
Other intangible assets	19	1,053,874
Investments in joint ventures		36,983
Investments in associates		555,938
Equity investments designated at fair value through other comprehensive income		8,012
Deferred tax assets	35	106,044
Other deferred assets		86,380
Inventories		2,002,389
Trade receivables		1,484,239
Bills receivable		2,033
Prepayments, other receivables and other assets		2,111,505
Tax recoverable		34,780
Derivative financial instruments		127,633
Restricted cash and pledged deposits		232,475
Cash and bank balances		840,071
Trade payables		(2,586,053)
Other payables and accruals		(3,228,030)
Interest-bearing bank and other borrowings		(3,597,528)
Lease liabilities	17(b)	(103,543)
Tax payable		(10,316)
Derivative financial instruments		(29,875)
Provision		(247,404)
Deferred tax liabilities	35	(312,425)
Other long-term payables		(5,062)
Total identifiable net assets at fair value		404,015
Goodwill on acquisition	18	1,260,399
Satisfied by cash		1,664,414

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in TCL Communication Group (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$1,484,239,000 and HK$1,392,860,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$1,484,239,000 and HK$1,392,860,000, respectively.

Included in the goodwill of HK$1,260,399,000 recognised above is mainly expected synergies which are not recognised separately. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

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

	HK$'000
Cash consideration	(1,664,414)
Cash and bank balances acquired	840,071
Net outflow of cash and cash equivalents included in cash flows from investing activities	(824,343)

Since the completion of the acquisition, TCL Communication Group contributed HK$5,200,629,000 to the Group's revenue and HK$79,921,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place on 1 January 2020, the revenue from continuing operations of the Group and the consolidated profit of the Group for the year ended 31 December 2020 would have been HK$58,019,340,000 and HK$3,534,398,000, respectively.

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in SEMP TCL Group

On 3 June 2020, the Group entered into a sale and purchase agreement with STA, an independent third party, pursuant to which the Group agreed to acquire an additional 40% equity interest in SEMP TCL, a former 40% owned associate of the Group, at the consideration of BRL216,722,010 (equivalent to approximately HK$337,407,000). SEMP TCL Group is principally engaged in the manufacture and sale of TV products and other household products in Brazil. The transaction was completed on 21 July 2020 and SEMP TCL has become an 80% owned subsidiary of the Group since then.

Pursuant to the sale and purchase agreement, the Group was granted a call option in which the Group has the right to purchase all, and not less than all, of the remaining 20% shares of SEMP TCL held by STA at the exercise price based on the adjusted net book value of SEMP TCL on the date of exercise which is exercisable within 3 years since the date of the above acquisition. The put option granted by the Group to STA in which STA has the right to sell all, and not less than all, of its remaining 20% equity interest in SEMP TCL at the exercise price based on the adjusted net book value of SEMP TCL on the date of exercise, is exercisable within 1 year after a 2-year period from the date of the above acquisition.

The call option written to the Group was initially recognised at its fair value of HK$34,135,000 and included in "Derivative financial instruments". Any changes in fair value in subsequent period will be recognised in profit or loss. The put option written to STA was initially recognised as a financial liability of HK$123,916,000 at the present value of the estimated future cash outflows under the put option. For more details, please refer to notes 31(2) and 32 to the financial statements.

The equity transfer was considered as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in SEMP TCL Group at the step acquisition and recognised a loss of HK$23,688,000 in profit or loss for the year ended 31 December 2020.

The Group has elected to measure the non-controlling interests in SEMP TCL Group at the non-controlling interests' proportionate share of SEMP TCL Group's identifiable net assets.

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in SEMP TCL Group (continued)

The fair values of the identifiable assets and liabilities of SEMP TCL Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	30,391
Right-of-use assets	17(a)	98,886
Other intangible assets	19	30,277
Deferred tax assets	35	40,075
Inventories		487,832
Trade receivables		1,012,825
Prepayments, other receivables and other assets		331,160
Cash and bank balances		110,119
Trade payables		(606,442)
Other payables and accruals		(283,460)
Interest-bearing bank and other borrowings		(575,613)
Lease liabilities	17(b)	(103,984)
Derivative financial instruments		(14,157)
Provisions		(86,506)
Deferred tax liabilities	35	(6,287)
Total identifiable net assets at fair value		465,116
Non-controlling interests		(93,024)
		372,092
Fair value of a 40% equity interest held immediately before the step acquisition		(309,814)
A call option written to the Group to acquire the remaining 20% interest		34,135
Goodwill on acquisition	18	240,994
		337,407
Satisfied by:		
Cash		284,346
Other payables		53,061
		337,407

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in SEMP TCL Group (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$1,012,825,000 and HK$109,013,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$1,012,825,000 and HK$109,013,000, respectively.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

Included in the goodwill of HK$240,994,000 recognised above are mainly expected synergies which are not recognised separately. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(284,346)
Cash and bank balances acquired	110,119
Net outflow of cash and cash equivalents included in cash flows from investing activities	(174,227)

Since the completion of the acquisition, SEMP TCL Group contributed HK$2,554,716,000 to the Group's revenue and HK$18,358,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place on 1 January 2020, the revenue from continuing operations of the Group and the consolidated profit of the Group for the year ended 31 December 2020 would have been HK$51,340,536,000 and HK$3,372,903,000, respectively.

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in Shenzhen Danbay Technology Co., Limited ("Danbay")

On 1 July 2020, the Group entered into an equity transfer agreement with all former shareholders of Danbay who are independent third parties, pursuant to which the Group agreed to acquire a 75.6835% equity interest in Danbay, at the consideration of RMB15,000,000 (equivalent to approximately HK$16,422,000). Danbay is principally engaged in trading of smart home products for apartments and hotels. The transaction was completed on 3 July 2020 and Danbay has become a 75.6835% owned subsidiary of the Group since then.

The Group has elected to measure the non-controlling interests in Danbay at the non-controlling interests' proportionate share of Danbay's identifiable net assets.

The fair values of the identifiable assets and liabilities of Danbay as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	15	1,050
Other intangible assets	19	146
Deferred tax assets	35	14,830
Inventories		4,486
Trade receivables		6,848
Prepayments and other receivables		249
Cash and bank balances		148
Trade payables		(8,529)
Other payables and accruals		(6,417)
Interest-bearing other borrowings		(5,362)
Total identifiable net assets at fair value		7,449
Non-controlling interests		(1,811)
		5,638
Goodwill on acquisition	18	10,784
		16,422
Satisfied by:		
Cash		5,474
Other payables		5,474
Other receivables		5,474
		16,422

41. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

Acquisition of equity interest in Shenzhen Danbay Technology Co., Limited ("Danbay") (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$6,848,000 and HK$191,000 respectively. The gross contractual amounts of trade receivables and other receivables were HK$6,848,000 and HK$191,000, respectively.

Included in the goodwill of HK$10,784,000 recognised above is mainly expected synergies which are not recognised separately. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK$'000
Cash consideration	(5,474)
Cash and bank balances acquired	148
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,326)

Since the completion of the acquisition, Danbay contributed HK$14,261,000 to the Group's revenue and caused a loss of HK$8,236,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place on 1 January 2020, the revenue from continuing operations of the Group and the consolidated profit of the Group for the year would have been HK$50,960,137,000 and HK$3,641,927,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

Year ended 31 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 Hengshi Tianrui", TCL恒時天瑞投資(寧波)有限公司, a subsidiary of TCL King (Huizhou)) at the consideration of approximately RMB10,400,000 (equivalent to approximately HK$12,723,000). The transaction was completed on 28 December 2021.

The total net assets disposed of in respect of the disposal of a subsidiary during the year ended 31 December 2021 are as follows:

	Note	2021 HK$'000
Net assets disposed of:		
Prepayments, other receivables and other assets		**67**
Cash and cash equivalents		**12,675**
Other payables and accruals		**(1)**
Tax payable		**(1)**
		12,740
Release of exchange fluctuation reserve		**(15)**
		12,725
Loss on disposal of a subsidiary	7	**(2)**
		12,723
Satisfied by:		
Cash		**12,723**

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2021 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2021 HK$'000
Cash consideration received	12,723
Cash and bank balances disposed of	(12,675)
Net inflow of cash and cash equivalents included in cash flows from investing activities	48

Year ended 31 December 2020

On 29 June 2020, the Group entered into an equity transfer agreement with T.C.L Industries (H.K.), pursuant to which the Group agreed to sell and T.C.L Industries (H.K.) agreed to acquire 100% equity interest in Moka International Group at the consideration of RMB2,500,000,000 (equivalent to approximately HK$2,774,024,000). The transaction was completed on 31 August 2020.

On 14 September 2020, the Group entered into an equity transfer agreement with an independent third party, pursuant to which the Group agreed to sell and the independent third party agreed to acquire 100% equity interest in New Technology (Huizhou) at the consideration of RMB80,092,000 (equivalent to approximately HK$91,144,000). The transaction was completed on 23 September 2020.

Upon completion of the above disposals, the Group discontinued its operations in the TV ODM business and the safety and inspection equipment business. For more details, please refer to note 10 to the financial statements.

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2020 (continued)

The total net assets disposed of in respect of the disposal of subsidiaries during the year ended 31 December 2020 were as follows:

	Notes	2020 HK$'000
Net assets disposed of:		
Property, plant and equipment	15	134,266
Right-of-use assets	17(a)	811
Goodwill	18	167,445
Other intangible assets	19	34,007
Deferred tax assets	35	14,838
Inventories		1,045,383
Trade receivables		1,888,930
Bills receivable		705,641
Prepayments and other receivables		488,403
Tax recoverable		1,556
Restricted cash		228
Cash and cash equivalents		2,488,497
Trade payables		(3,947,284)
Bills payable		(576,215)
Other payables and accruals		(1,057,928)
Lease liabilities	17(b)	(739)
Tax payable		(25,505)
Provisions		(218,526)
Deferred tax liabilities	35	(12,172)
		1,131,636
Release of exchange fluctuation reserve and fair value reserve		89,984
		1,221,620
Gain on disposal of the subsidiaries	10	1,643,548
		2,865,168
Satisfied by:		
Cash		2,774,024
Consideration receivable included in other receivables		91,144
		2,865,168

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Year ended 31 December 2020 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2020 HK$'000
Cash consideration	2,774,024
Cash and bank balances disposed of	(2,488,497)
Net inflow of cash and cash equivalents included in cash flows from investing activities	285,527

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$357,298,000 (2020: HK$241,555,000) and HK$211,075,000 (2020: HK$277,148,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	Bank loans and other borrowings HK$'000	Lease liabilities HK$'000	Dividend payable included in other payables HK$'000	Total HK$'000
At 1 January 2021	**5,446,788**	**346,032**	**21**	**5,792,841**
Changes from financing cash flows	**1,358,808**	**(135,177)**	**(277,243)**	**946,388**
New leases	**–**	**211,075**	**–**	**211,075**
Lease modification	**–**	**38,656**	**–**	**38,656**
Foreign exchange movement	**74,521**	**(82)**	**–**	**74,439**
Interest expense	**–**	**22,187**	**–**	**22,187**
Interest paid classified as operating cash flows	**–**	**(22,187)**	**–**	**(22,187)**
Dividends payable	**–**	**–**	**277,234**	**277,234**
At 31 December 2021	**6,880,117**	**460,504**	**12**	**7,340,633**

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Bank loans and other borrowings HK$'000	Lease liabilities HK$'000	Dividend payable included in other payables HK$'000	Total HK$'000
At 1 January 2020	1,737,898	140,429	195	1,878,522
Changes from financing cash flows	(564,137)	(118,761)	(474,580)	(1,157,478)
New leases	–	277,148	–	277,148
Lease modification	–	(173,768)	–	(173,768)
Foreign exchange movement	94,524	14,196	–	108,720
Interest expense	–	7,528	–	7,528
Interest paid classified as operating cash flows	–	(7,528)	–	(7,528)
Increase arising from acquisition of subsidiaries (note 41)	4,178,503	207,527	–	4,386,030
Decrease due to disposal of subsidiaries (note 42)	–	(739)	–	(739)
Dividends payable	–	–	474,406	474,406
At 31 December 2020	5,446,788	346,032	21	5,792,841

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	**160,262**	113,605
Within financing activities	**135,177**	118,761
	295,439	232,366

44. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Capital contribution payable to joint ventures	**16,183**	15,718
Capital contribution payable to associates	**383,906**	100,528
Capital contribution payable to a subsidiary	**–**	62,017
Acquisition of a subsidiary	**–**	52,833
	400,089	231,096
Authorised, but not contracted for:		
Land and buildings	**663,529**	256,002
	1,063,618	487,098

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2021. Thefuture lease payments for these non-cancellable lease contracts are HK$11,907,000 due within one year and HK$2,066,000 due in the second to fifth years, inclusive.

(c) The Group has various short-term leases and lease of low-value assets contracts that have not yet completed as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are HK$6,150,000 due within one year and HK$427,000 due in the second to fifth years, inclusive.

45. CONTINGENT LIABILITIES

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 report, the lawsuit is still ongoing. The information usually required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigations. Based on the response from the independent attorney in charge, it is expected that the litigation will last for 3 to 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.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2021 HK$'000**	2020 HK$'000
Joint ventures:			
Sales of finished goods	(i)	**976,381**	489,633
After-sales service income	(ii)	**4,326**	2,232
Sales of raw materials	(vii)	**5,471**	–
Purchase of raw materials	(vi)	**56,195**	–
Associates:			
Interest income	(iii)	**864**	723
Sales of finished goods	(i)	**6,050,321**	2,295,936
Rental expense and licence fee	(xi)	**203**	–
After-sale service fee	(xiv)	**391,339**	106,093
After-sale service income	(ii)	**1,399**	373
Sales of raw materials	(vii)	**41,543**	14,128
IT and other service fee	(viii)	**–**	4,844
Logistics service fee expense	(xvii)	**–**	20
Purchases of finished goods	(vi)	**–**	9,360
Platform service fee	(viii)	**37,424**	1,400
Rental, maintenance income and facilities usage income	(x)	**5,222**	2,810
Other service income	(xvi)	**112,861**	87,172

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	**2021 HK$'000**	2020 HK$'000
Companies controlled by TCL Technology*:			
Sales of raw materials	(vii)	**39,027**	8
Sales of finished goods	(i)	**660,347**	5,609
Purchases of raw materials	(vi)	**14,899,971**	11,299,451
Purchases of finished goods	(vi)	**1,879,176**	104,124
Subcontracting income	(ix)	**–**	13
Rental, maintenance income and facilities usage income	(x)	**52,615**	680
Rental expense and licence fee	(xi)	**12,824**	34,017
Reimbursement of R&D and rental expenses	(xiii)	**104,387**	95,613
After-sales service income	(ii)	**8,653**	10,663
After-sales service fee	(xiv)	**–**	13
Promotion fee income	(xv)	**4,864**	7,631
Platform service fee	(viii)	**4,027**	–
Subcontracting fee expense	(xviii)	**4,294**	–
IT and other service fees	(viii)	**5,804**	–
Addition of right-of-use assets	(xix)	**1,794**	4,261
Depreciation of right-of-use assets		**19,801**	8,352
Interest expense on lease liabilities		**2,179**	645
Other service income	(xvi)	**11,394**	–
Other finance service fees	(v)	**–**	1
Interest expense	(iv)	**19,660**	477
Interest income	(iii)	**4,116**	2,299
Affiliates of TCL Technology:			
Purchases of raw materials	(vi)	**–**	251,179
Sales of raw materials	(vii)	**–**	40,789
After-sales service fee	(xiv)	**–**	137

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2021 HK$'000	2020 HK$'000
Companies controlled by TCL Holdings*:			
Interest income	(iii)	**13,920**	55,005
Interest expense	(iv)	**22,515**	15,391
Sales of raw materials	(vii)	**18,967**	99,577
Sales of finished goods	(i)	**498,128**	4,924,862
Purchases of raw materials	(vi)	**122,901**	241,982
Purchases of finished goods	(vi)	**5,577,081**	4,275,556
Rental, maintenance income and facilities usage income	(x)	**19,941**	32,334
Rental expense and licence fee	(xi)	**29,165**	848
Brand promotion fee	(xii)	**89,644**	244,910
After-sale service income	(ii)	**1,986**	11,977
After-sale service fee	(xiv)	**38,531**	233,321
Platform service fee	(viii)	**–**	5,330
Promotion fee income	(xv)	**954**	–
Other service income	(xvi)	**149,238**	151,502
Addition of right-of-use assets	(xix)	**12,288**	68,653
IT and other service fees	(viii)	**83,009**	29,800
Depreciation of right-of-use assets		**16,352**	52,160
Interest expense on lease liabilities		**2,204**	3,723
Other finance service fees	(v)	**2,018**	646
Subcontracting fee expense	(xviii)	**–**	4,475
Affiliates of TCL Holdings:			
Purchases of raw materials	(vi)	**2,207,174**	1,484,353
Purchase of finished goods	(vi)	**42,352**	397,565
Sales of finished goods	(i)	**494,566**	478,411
Sales of raw materials	(vii)	**2,491**	2,804
After-sale service income	(ii)	**836**	–
Subcontracting fee expense	(xviii)	**310,030**	28,835
Logistics service fee expense	(xvii)	**441,558**	339,486
Addition of right-of-use assets	(xix)	**43,612**	–
Depreciation of right-of-use assets		**10,286**	8,784
Interest expense on lease liabilities		**2,009**	233
Rental income	(x)	**2,606**	2,211
Other related parties:			
Sales of finished goods	(i)	**405,288**	685,830

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes:

(i) The sales of finished goods were made by reference to the prevailing market prices.

(ii) The after-sales service income was determined with reference to the rates of other similar services and the amount of general after-sales service expenses of the Group in the past.

(iii) The interest was charged at rates ranging from 1.70% to 3.30% (2020: from 0.53% to 2.25%) per annum, which were determined with reference to the savings rates quoted by the People's Bank of China.

(iv) The interest was charged at rates ranging from 0.95% to 3.25% (2020: 2.40% to 3.85%) per annum.

(v) The other finance service fees were determined with reference to the rates of other similar services provided by third party companies.

(vi) For the years ended 31 December 2021 and 2020, the purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers or the acquisition price plus mark-ups.

(vii) The sales of raw materials were made at the cost plus a certain mark-up which is mutually agreed.

(viii) The platform and IT and other services fee were determined with reference to service expenses charged by third party companies offering similar services.

(ix) The subcontracting income was determined with reference to the rates of similar services provided to other third party companies.

(x) The rental, maintenance income and facilities usage income were determined with reference to the rates of other similar premises.

(xi) The rental expense was charged at rates ranging from RMB12 to RMB131 (2020: RMB8 to RMB300) per square metre. The licence fee was charged at a rate of HK$29 per square metre for the year ended 31 December 2020.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(xii) Brand promotion fee incurred by TCL Holdings was made based on 0.73% (2020: 1.27%) of the annual sales of products using TCL brand within the PRC, 0.04% (2020: 0.44%) of the annual sales of products using TCL brand outside the PRC and 0.25% (2020: 0.25%) of the annual sales of products of ODM and OEM brands, as defined in the Master Brand Promotion (2019-2021) Agreement.

(xiii) The R&D expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Technology. The rental expenses were determined with reference to the rates of other similar premises.

(xiv) The after-sales service fee was calculated and charged at a percentage of the sales revenue (capped at 2%) of certain TV products in the PRC market.

(xv) The promotion fee income was determined with reference to the percentage charged by other active market participants in providing similar promotion services.

(xvi) The platform and other service income was determined with reference to the rates of similar services provided to other third party companies.

(xvii) The logistics service fee was determined with reference to the rates of other similar services provided by other third party companies.

(xviii) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(xix) The price of addition of right-of-use assets was determined with reference to prices charged by third party companies.

* On 23 April 2021, T.C.L. Industries (H.K.) has completed the disposal of Moka International Group to TCL Technology Investment (H.K.) Limited ("TCL Technology Investment", a company incorporated in Hong Kong, is a subsidiary of the TCL Technology) at a consideration of RMB2,800,000,000 (equivalent to approximately HK$3,326,680,000).

(b) Other material transactions with related parties:

(i) 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, a subsidiary of TCL King (Huizhou), at the consideration of approximately RMB10,400,000 (equivalent to approximately HK$12,723,000). The transaction was completed on 28 December 2021. For more details, please refer to note 42 to the financial statements.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other material transactions with related parties: (continued)

(ii) In December 2021 , TCL Technology entered into the equity transfer agreement with TCL King (Huizhou), pursuant to which TCL Technology had agreed to sell, and TCL King (Huizhou) had agreed to purchase, 19.23% equity interest in Shanlian Information Technology Engineering Center Co., Ltd.* (閃聯信息技術工程中心有限公司, an associate of TCL Technology) at the consideration of approximately RMB4,500,000 (equivalent to approximately HK$5,504,000).

(iii) On 17 December 2021 (after trading hours), the Investment Cooperation Framework Agreement was entered into between the Company and TCL Holdings in respect of, among others, the establishment of the Investment Fund in the form of limited partnership, the subscription of interests therein and the entering into of the limited partnership agreement in relation thereto. The Investment Fund would be principally engaged in the business of equity investment in the fields of core emerging and frontier technology which would provide synergistic effect to the respective businesses of the Group and TCL Holdings Group. Pursuant to the Investment Cooperation Framework Agreement, the total capital commitment to the Investment Fund was RMB1,000.00 million (equivalent to approximately HK$1,222.50 million), of which RMB199.90 million in cash would 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 in cash would be contributed by one or more subsidiary(ies) of TCL Holdings to be nominated by TCL Holdings as general partner(s). The transaction has been completed as at the date of this annual report. For more details, please refer to the announcement of the Company dated 17 December 2021.

(iv) On 20 December 2021 (after trading hours), the Strategic Co-operation Agreement was entered into between the Company and TCL Holdings in respect of, among others, the formation of the JV Company, the subscription of interests therein and the entering into of the Shareholders’ Agreement and articles of associations in relation thereto. Pursuant to the Strategic Co-operation Agreement, the registered capital of the JV Company was RMB100.00 million (equivalent to approximately HK$122.25 million), of which RMB19.99 million would be contributed by TCL Electronics Nominee Company(ies) and RMB80.01 million in cash would be contributed by TCL Holdings Nominee Company(ies) pursuant to the Strategic Co-operation Agreement. Upon completion, the JV Company would be owned as to 19.99% by TCL Electronics Nominee Company(ies) and 80.01% by TCL Holdings Nominee Company(ies).

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other material transactions with related parties: (continued)

(iv) (continued)

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. As TCL Electronics Nominee Company(ies) would hold only 19.99% equity interest of the JV Company upon formation of the JV Company, the JV Company would 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 would constitute a disposal of the Intellectual Property Rights by the Group. The transaction has been completed as at the date of this annual report. For more details, please refer to the announcement of the Company dated 20 December 2021.

(v) On 29 June 2020, the Group entered into a sale and purchase agreement with Zhengjia Investment and T.C.L. Industries (H.K.), pursuant to which the Group agreed to acquire 100% equity interest in TCL Communication, at the consideration of RMB1,500,000,000 (equivalent to approximately HK$1,664,414,000), which was to be satisfied in cash. The transaction was completed on 31 August 2020. For more details, please refer to note 41 to the financial statements.

(vi) On 29 June 2020, the Company and 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, at a consideration of RMB2,500,000,000 (equivalent to approximately HK$2,774,024,000), which was to be satisfied in cash. The transaction was completed on 31 August 2020. For more details, please refer to note 42 to the financial statements.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with joint ventures, associates of the Group, addition of right-of-use assets, deprecation of right-of-use assets, interest expense on lease liabilities and transactions from January 2020 to December 2021 with TCL Technology and its subsidiaries included in note 46(a), all the above transactions disclosed in note 46 also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**141,356**	101,670	**141,356**	101,670
Restricted cash and pledged deposits, non-current portion	**–**	131	**–**	122
Trade receivables classified as financial assets at fair value through profit or loss	**964,470**	556,439	**964,470**	556,439
Bills receivable	**1,901,694**	2,829,150	**1,901,694**	2,829,150
Other receivables classified as financial assets at fair value through profit or loss	**89,999**	90,176	**89,999**	90,176
Financial assets at fair value through profit or loss	**1,342,088**	1,083,253	**1,342,088**	1,083,253
Derivative financial instruments	**240,587**	339,992	**240,587**	339,992
	4,680,194	5,000,811	**4,680,194**	5,000,802
Financial liabilities				
Interest-bearing bank and other borrowings	**6,880,117**	5,446,788	**6,830,798**	5,396,111
Derivative financial instruments	**52,361**	194,769	**52,361**	194,769
Financial liability associated with put option	**121,370**	123,916	**121,370**	123,916
Other long-term payables	**48,715**	34,313	**48,715**	33,011
	7,102,563	5,799,786	**7,053,244**	5,747,807

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, the current portion of restricted cash and pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of restricted cash and pledged deposits, interest-bearing bank and other borrowings and other long-term payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 was assessed to be insignificant.

The fair value of the financial liability associated with put option is measured by discounted cash flow model using significant unobservable market inputs.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to sales ("EV/S") multiple, price to sales ("P/S") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the PRC. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Derivative financial instruments, including forward currency contracts, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The Group enters into these kinds of derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including call options and put options, are measured using valuation techniques of Black-Scholes Options Pricing Model. The models incorporate various market observable inputs including RFR and volatility. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps, call options and put options are the same as their fair values.

As at 31 December 2021, the mark-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/S multiple of peers	2021: 3.9x to 8.8x (2020: 0.8x to 6.3x)	5% (2020: 5%) increase in multiple would result in increase in fair value by HK$4,219,000 (2020: HK$2,292,000)
		Average P/S multiple of peers	2021: 15.4x (2020: 0.8x to 7.3x)	5% (2020: 5%) increase in multiple would result in increase in fair value by HK$664,000 (2020: HK$112,000)
		Average P/E multiple of peers	2021: 17.7x (2020: 14.0x to 21.8x)	5% (2020: 5%) increase in multiple would result in increase in fair value by HK$1,558,000 (2020: HK$769,000)
Unlisted equity investments	Back Solve Method	RFR	2021: 0.9% (2020: Nil)	1% (2020: Nil) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	2021: 50.4% (2020: Nil)	1% (2020: Nil) increase (decrease) in volatility would have no material impact on the fair value
Call option	Black-Scholes Options Pricing Model and Monte Carlo Simulations Model	RFR	2021: 0.7% to 8.2% (2020: 0.5% to 4.4%)	1% (2020: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	2021: 32.3% to 45.0% (2020: 31.0% to 48.6%)	1% (2020: 1%) increase (decrease) in volatility would have no material impact on the fair value
Put option	Black-Scholes Options Pricing Model	RFR	2021: 1.3% to 8.2% (2020: 0.2%)	1% (2020: 1%) increase (decrease) in RFR would have no material impact on the fair value
		Volatility	2021: 36.2% to 45.0% (2020: 37.6% to 51.7%)	1% (2020: 1%) increase (decrease) in volatility would have no material impact on the fair value

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Assets measured at fair value:

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

As at 31 December 2021

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

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	9,717	–	91,953	101,670
Trade receivables classified as financial assets at fair value through profit or loss	–	556,439	–	556,439
Bills receivable	–	2,829,150	–	2,829,150
Other receivables classified as financial assets at fair value through profit or loss	–	90,176	–	90,176
Financial assets at fair value through profit or loss	–	1,083,253	–	1,083,253
Derivative financial instruments	–	177,447	162,545	339,992
	9,717	4,736,465	254,498	5,000,680

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

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

	2021 **HK$'000**	2020 HK$'000
Equity investments at fair value through other comprehensive income:		
At 1 January	**91,953**	169,172
Additions	**24,452**	–
Total gains recognised in other comprehensive income	**4,297**	13,332
Income tax effect	**1,074**	2,867
Acquisition of subsidiaries	**–**	290
Transfer to investments in associates	**–**	(97,799)
Exchange realignment	**2,776**	4,091
	124,552	91,953

	2021 **HK$'000**	2020 HK$'000
Derivative financial instruments:		
At 1 January	**162,545**	101,144
Acquisition of subsidiaries (note 41)	**–**	34,135
Total gains recognised in profit or loss	**27,445**	26,125
Exchange realignment	**(2,016)**	1,141
	187,974	162,545

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2021

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

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	179,942	14,827	194,769

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

	2021 HK$'000	2020 HK$'000
Derivative financial instruments:		
At 1 January	**14,827**	6,899
Total losses recognised in profit or loss	**2,655**	7,963
Exchange realignment	**97**	(35)
	17,579	14,827

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair value is disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Restricted cash and pledged deposits, non-current portion	–	–	–	–

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Restricted cash and pledged deposits, non-current portion	–	122	–	122

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2021

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

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	5,396,111	–	5,396,111
Financial liability associated with put option	–	–	123,916	123,916
Other long-term payables	–	33,011	–	33,011
	–	5,429,122	123,916	5,553,038

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet the borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At the subsidiary level, financing is generally done on a short-term floating rate basis. Long term financing is normally done at Group level.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2021		
USD	**(25)**	**2,392**
USD	**25**	**(2,392)**
2020		
USD	(25)	2,714
USD	25	(2,714)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group takes rolling forecasts on the foreign currency revenue and expenses and matches the currency and the amount incurred, so as to alleviate the impact on business due to exchange rate fluctuations. The Group uses foreign currency forward contracts to reduce the foreign currency exposures.

It is the Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2021		
If the HK$ weakens against the USD	**5**	**(388,613)**
If the HK$ weakens against the EUR	**5**	**286**
If the HK$ weakens against the RMB	**5**	**(48,545)**
If the HK$ weakens against the MXN	**5**	**(1,285)**
If the RMB weakens against the USD	**5**	**(65,126)**
If the RMB weakens against the HKD	**5**	**(3)**
If the RMB weakens against the EUR	**5**	**(13)**
If the MXN weakens against the USD	**5**	**(2,261)**
If the EUR weakens against the USD	**5**	**5,093**
If the EUR dollar weakens against the PLN	**5**	**55,896**
If the USD weakens against the PLN	**5**	**(4,473)**
If the HK$ strengthens against the USD	**(5)**	**388,613**
If the HK$ strengthens against the EUR	**(5)**	**(286)**
If the HK$ strengthens against the RMB	**(5)**	**48,545**
If the HK$ strengthens against the MXN	**(5)**	**1,285**
If the RMB strengthens against the USD	**(5)**	**65,126**
If the RMB strengthens against the HKD	**(5)**	**3**
If the RMB strengthens against the EUR	**(5)**	**13**
If the MXN strengthens against the USD	**(5)**	**2,261**
If the EUR strengthens against the USD	**(5)**	**(5,093)**
If the EUR strengthens against the PLN	**(5)**	**(55,896)**
If the USD strengthens against the PLN	**(5)**	**4,473**
2020		
If the HK$ weakens against the USD	5	(243,842)
If the HK$ weakens against the EUR	5	(60)
If the HK$ weakens against the RMB	5	86,063
If the RMB weakens against the USD	5	(14,435)
If the RMB weakens against the HKD	5	(8,335)
If the MXN weakens against the USD	5	2
If the EUR weakens against the USD	5	24
If the EUR weakens against the PLN	5	149
If the USD weakens against the PLN	5	69
If the HK$ strengthens against the USD	(5)	243,842
If the HK$ strengthens against the EUR	(5)	60
If the HK$ strengthens against the RMB	(5)	(86,063)
If the RMB strengthens against the USD	(5)	14,435
If the RMB strengthens against the HKD	(5)	8,335
If the MXN strengthens against the USD	(5)	(2)
If the EUR strengthens against the USD	(5)	(24)
If the EUR strengthens against the PLN	(5)	(149)
If the USD strengthens against the PLN	(5)	(69)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. There is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables measured at amortised cost*	–	–	–	10,921,297	10,921,297
Financial assets included in prepayments other receivables, and other assets**					
–Normal	2,466,537	–	–	–	2,466,537
–Doubtful	–	–	2,052,558	–	2,052,558
Cash and cash equivalents					
–Not yet past due	11,509,166	–	–	–	11,509,166
Restricted cash and pledged deposits					
–Not yet past due	576,758	–	–	–	576,758
	14,552,461	–	2,052,558	10,921,297	27,526,316

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables measured at amortised cost*	–	–	–	10,453,169	10,453,169
Financial assets included in prepayments other receivables, and other assets**					
–Normal	1,833,881	–	–	–	1,833,881
–Doubtful	–	–	1,402,035	–	1,402,035
Cash and cash equivalents					
–Not yet past due	10,384,885	–	–	–	10,384,885
Restricted cash and pledged deposits					
–Not yet past due	202,229	–	–	–	202,229
	12,420,995	–	1,402,035	10,453,169	24,276,199

* For trade receivables and financial assets included in prepayments, other receivables and other assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2021				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	8,226,208	125,130	294,990	142,766	8,789,094
Lease liabilities	159,219	127,565	176,562	75,202	538,548
Trade payables	15,826,244	–	–	–	15,826,244
Bills payable	3,599,248	–	–	–	3,599,248
Derivative financial instruments	34,782	17,579	–	–	52,361
Financial liability associated with put option	122,919	–	–	–	122,919
Financial liabilities included in other payables	8,523,656	–	–	–	8,523,656
	36,492,276	270,274	471,552	217,968	37,452,070

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	2020				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank and other borrowings	4,641,279	768,078	105,048	–	5,514,405
Lease liabilities	107,447	111,623	136,063	54,166	409,299
Trade payables	14,417,138	–	–	–	14,417,138
Bills payable	3,051,721	–	–	–	3,051,721
Derivative financial instruments	179,942	14,827	–	–	194,769
Financial liability associated with put option	–	129,929	–	–	129,929
Financial liabilities included in other payables	7,674,062	–	–	–	7,674,062
	30,071,589	1,024,457	241,111	54,166	31,391,323

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of lease liabilities, interest-bearing bank and other borrowings, less cash and cash equivalents and restricted cash and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2021 HK$'000**	2020 HK$'000
Lease liabilities	17(b)	**460,504**	346,032
Interest-bearing bank and other borrowings	33	**6,880,117**	5,446,788
Less: Cash and cash equivalents	28	**(11,509,166)**	(10,384,885)
Restricted cash and pledged deposits	28	**(576,758)**	(202,229)
Net debt		**(4,745,303)**	(4,794,294)
Equity attributable to owners of the parent		**17,957,863**	16,164,190
Gearing ratio		**N/A**	N/A

49. COMPARATIVE AMOUNTS

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

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,372,408**	5,003,208
Right-of-use assets	**–**	6,052
	5,372,408	5,009,260
CURRENT ASSETS		
Due from related parties	**4,846,734**	5,259,084
Other receivables	**38,235**	65,120
Cash and cash equivalents	**361**	806
Total current assets	**4,885,330**	5,325,010
CURRENT LIABILITIES		
Due to related parties	**304,545**	102,050
Other payables and accruals	**7,802**	10,135
Lease liabilities	**–**	5,988
Total current liabilities	**312,347**	118,173
NET CURRENT ASSETS	**4,572,983**	5,206,837
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,945,391**	10,216,097
Net assets	**9,945,391**	10,216,097
EQUITY		
Issued capital	**2,479,959**	2,452,482
Reserves	**7,465,432**	7,763,615
Total equity	**9,945,391**	10,216,097

DU Juan
Director

HU Dien Chien
Director

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium account HK$'000 (note 36)	Share option reserve[Δ] HK$'000	Capital reserve[#] HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve* HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2020	5,142,127	292,651	738,936	(229,196)	165,035	(800,817)	5,308,736
Total comprehensive income for the year	–	–	–	–	–	2,654,913	2,654,913
Equity-settled share option arrangements	–	14,994	–	–	–	–	14,994
Issue of shares upon exercise of share options	394,935	(140,463)	–	–	–	–	254,472
Employee share-based compensation benefits under the Award Scheme (note 37)	–	–	–	–	8,376	–	8,376
Vesting of shares under the Award Scheme	–	–	–	36,255	(39,725)	–	(3,470)
Profit distribution to owners	(474,406)	–	–	–	–	–	(474,406)
At 31 December 2020 and 1 January 2021	5,062,656	167,182	738,936	(192,941)	133,686	1,854,096	7,763,615
Total comprehensive loss for the year	–	–	–	–	–	(145,368)	(145,368)
Issue of shares upon exercise of share options	121,010	(41,108)	–	–	–	–	79,902
Employee share-based compensation benefits under the Award Scheme (note 37)	–	–	–	–	132,163	–	132,163
Purchase of shares for the Award Scheme (note 37)	–	–	–	(82,966)	–	–	(82,966)
Vesting of shares under the Award Scheme	–	–	–	28,942	(33,622)	–	(4,680)
Profit distribution to owners	(277,234)	–	–	–	–	–	(277,234)
At 31 December 2021	4,906,432	126,074	738,936	(246,965)	232,227	1,708,728	7,465,432

Δ The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

\# The capital reserve arose as a result of the Group reorganisation in 1999 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Persons at the date of award.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 11 March 2022.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**74,846,888**	50,952,927	36,335,232	35,406,919	31,322,730
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**1,447,766**	2,079,338	1,999,484	892,178	771,371
Income tax	**(168,476)**	(185,935)	(128,237)	(178,444)	(111,988)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**1,279,290**	1,893,403	1,871,247	713,734	659,383
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**–**	1,752,216	457,836	317,700	137,478
PROFIT FOR THE YEAR	**1,279,290**	3,645,619	2,329,083	1,031,434	796,861
Attributable to:					
Owners of the parent	**1,183,999**	3,599,442	2,283,416	1,040,819	814,639
Non-controlling interests	**95,291**	46,177	45,667	(9,385)	(17,778)
	1,279,290	3,645,619	2,329,083	1,031,434	796,861

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**59,534,337**	52,336,259	33,332,087	28,302,910	26,063,346
TOTAL LIABILITIES	**(41,161,673)**	(35,601,382)	(21,391,189)	(18,426,974)	(18,366,829)
NON-CONTROLLING INTERESTS	**(414,801)**	(570,687)	(356,776)	(244)	(67,793)
	17,957,863	16,164,190	11,584,122	9,875,692	7,628,724

Glossary

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"2007 Scheme"	the share option scheme adopted by the Company on 15 February 2007;
"2016 Scheme"	the share option scheme adopted by the Company on 18 May 2016;
"2017 Amendments"	the amendments of the Award Scheme on 24 November 2017, which has the meaning ascribed to it under the section "Award Scheme" of the "Report of the Directors" in this annual report;
"2018 Amendments"	the amendments of the Award Scheme on 4 May 2018, which has the meaning ascribed to it under the section "Award Scheme" of the "Report of the Directors" in this annual report;
"2021 AGM"	the AGM held on 21 May 2021;
"ACCA"	Association of Chartered Certified Accountants;
"AGM"	the annual general meeting of the Company;
"AI"	artificial intelligence;
"Amended CG Code"	the amended corporate governance code as set out in Appendix 14 to the Listing Rules which has taken effect from 1 January 2022;
"Amlogic"	Amlogic (Shanghai) Co., Ltd.* (晶晨半導體(上海)股份有限公司), 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);
"Amlogic Shares"	the share(s) of Amlogic;
"ARPU"	the average revenue per user;
"Articles"	the articles of association of the Company as amended from time to time;
"ASP"	average selling price;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of the Company;

Glossary

"Award Scheme"	the restricted share award scheme adopted by the Company on 6 February 2008 (as amended or revised from time to time);
"Board"	the board of Directors;
"Board Committee(s)"	the committee(s) under the Board, namely the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee;
"Board Diversity Policy"	the board diversity policy of the Company adopted on 13 August 2013;
"Cayman Law"	the laws of the Cayman Islands;
"CEO"	the chief executive officer;
"CES"	International Consumer Electronics Show;
"CFO"	the chief financial officer;
"CG Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules;
"CMM"	China Market Monitor Co., Ltd., a Chinese institution that focuses on retail market research of consumer goods and home appliance in the PRC;
"Code Provision(s)"	the code provision(s) of the CG Code or the Amended CG Code (as the case may be);
"Company" or "TCL Electronics"	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 01070.HK);
"connected person(s)"	has the meanings ascribed to it under the Listing Rules;
"Covid-19"	Coronavirus disease 2019;
"CPE"	customer premise equipment, which converts broadband signals or mobile network data into WiFi signal directly;
"CSOT"	TCL China Star Optoelectronics Technology Co., Ltd.* (TCL華星光電技術有限公司), formerly known as Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司), a company established under the laws of the PRC with limited liability, a subsidiary of TCL Technology;

Glossary

"Deed of Non-Competition (1999)"	the deed executed by TCL Technology, TCL Electronics Corporation (deregistered on 29 January 2002) and T.C.L. Industries (H.K.) on 15 November 1999 in favour of the Company whereby each of TCL Technology, TCL Electronics Corporation and T.C.L. Industries (H.K.) has undertaken not to, directly or indirectly, carry on or be engaged or interested in certain restricted activities, which were disclosed in the Company's prospectus dated 17 November 1999;
"Deed of Non-Competition (2020)"	the deed executed by TCL Holdings, T.C.L. Industries (H.K.) and the Company on 29 June 2020 in favour of the Company whereby each of TCL Holdings and T.C.L. Industries (H.K.) has undertaken not to (save for the exception as defined on page 39 of the announcement of the Company dated 29 June 2020), directly or indirectly, carry on or be engaged or interested in the manufacture and assembly of TCL brand TVs and smart phones;
"Deed of Termination (2020)"	the deed executed by TCL Technology, T.C.L. Industries (H.K.) and the Company on 29 June 2020 pursuant to which the parties agreed to terminate the Deed of Non-Competition (1999) as amended from time to time;
"Director(s)"	the director(s) of the Company;
"Dividend Policy"	the dividend policy of the Company which was confirmed and consolidated on 20 December 2018 and took effect from 1 January 2019;
"EGM"	the extraordinary general meeting of the Company;
"Falcon Network Technology"	Shenzhen Falcon Network Technology Co., Ltd.* (formerly literally translated and known as Shenzhen Thunderbird Network Technology Company Limited) (深圳市雷鳥網絡科技有限公司), a limited liability company established and subsisting under the laws of the PRC, a subsidiary of the Company;
"Falcon Network Technology Group"	Falcon Network Technology and its subsidiaries;
"Finance Company (HK)"	TCL Finance (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and a direct subsidiary of T.C.L. Industries (H.K.);
"GfK"	Gesellschaft für Konsumforschung (Corporation of Marketing Research for Consumer Product in English), headquartered in Nuremberg, Germany, a global market research group;
"Group"	the Company and its subsidiaries;

Glossary

"Guangdong Homa"	Guangdong Homa Group Co., Ltd.* (廣東奧馬電器股份有限公司), a joint stock limited company established under the Laws of the PRC, the shares of which are listed on Shenzhen Stock Exchange (stock code: 002668.SZ), a subsidiary of TCL Holdings;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKICPA"	Hong Kong Institute of Certified Public Accountants;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"IDC"	International Data Corporation, a global provider of market intelligence and advisory services for the information technology, telecommunications, and consumer technology markets;
"IHS"	IHS Markit, a source of information and insight in various critical business areas;
"IoT"	Internet of things;
"LCD"	liquid crystal display;
"MiFi"	Mobile WiFi, a portable broadband wireless device;
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules;
"Nomination Committee"	the nomination committee of the Company;
"Nomination Policy"	the nomination policy of the Company, which was adopted on 20 December 2018 and took effect from 1 January 2019;
"NPD"	the NPD Group, Inc., a market research company that offers data, industry expertise, and prescriptive analytics globally;
"Omdia"	a global technology research organisation formed by unifying research brands (Ovum, Heave Reading and Tractica) and IHS Markit International;
"OPCO"	Ningbo Falcon Digital Entertainment Co., Ltd.* (寧波雷鳥數字娛樂有限公司), formerly known as Hawk Digital Entertainment Technology (Shenzhen) Co. Limited* (豪客數字娛樂科技(深圳)有限公司);

Glossary

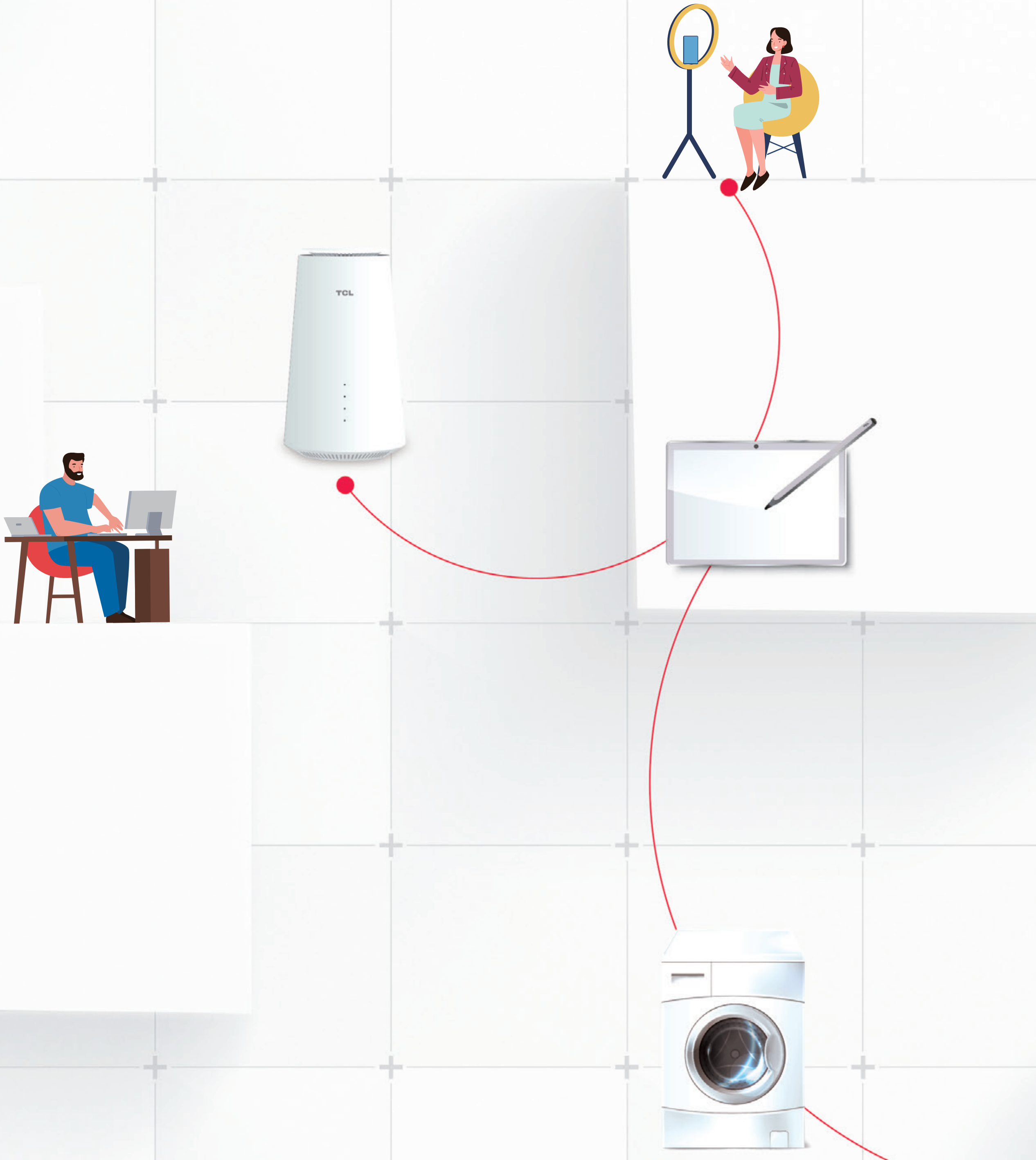
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this annual report;
“PRC Equity Owners”	Mr. WANG Hao and Ms. ZHU Xiaojiang;
“QLED”	Quantum Dot Light Emitting Diodes;
“R&D”	research and development;
“Remuneration Committee”	the remuneration committee of the Company;
“Rights Issue”	the rights issue in the proportion of one rights share for every three then existing shares of the Company held by the qualifying shareholders of the Company on the record date of 27 December 2017. For details, please refer to the prospectus of the Company dated 28 December 2017;
“Rights Issue Proceed(s)”	has the meaning ascribed to it under the section “Use of Rights Issue Proceeds and Change in Use of Rights Issue Proceeds” of the “Report of the Directors” in this annual report;
“RMB”	Renminbi, the lawful currency of the PRC;
"SEMP Mobilidade"	SEMP TCL Mobilidade Ltda., formerly known as TCT Mobile - Telefones Ltda. (a former subsidiary of TCL Communication, disposed to SEMP TCL in March 2018);
"SEMP TCL"	SEMP TCL Indústria e Comércio de Eletroeletrônicos S.A., a company incorporated under the laws of Brazil with limited liability;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Share Option Scheme(s)”	the share option scheme(s) of the Company adopted by the Company from time to time;
“smart screen”	mainly refers to smart TV related products. By shipment over 90% of the Group’s TV products are smart screen products;

"Specific Mandate"	the specific mandate, Shareholders' approval of which is to be obtained at a general meeting of the Company, for the issuance and allotment of new Shares pursuant to the Award Scheme (subject to adjustment in case of any Share consolidation or subdivision after such mandate has been approved, provided that the maximum number of new Shares that may be allotted and issued as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same);
"Strategy Committee"	the strategy committee of the Company;
"Strategy Executive Committee"	the strategy executive committee of the Company;
"subsidiary(ies)"	any entity within the meaning of the term "subsidiary" as defined in the Listing Rules and the term "subsidiaries" shall be construed accordingly;
"TCL Communication"	TCL Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares were listed on the Hong Kong Stock Exchange from September 2004 to September 2016 (then stock code: 02618.HK), became a subsidiary of the Company on 1 September 2020;
"TCL Communication Group"	TCL Communication and its subsidiaries;
"TCL Finance"	TCL Technology Finance Co., Ltd.* (TCL科技集團財務有限公司, formerly known as TCL Finance Co., Ltd.* (TCL集團財務有限公司)), a company established in the PRC with limited liability and a subsidiary of TCL Technology;
"TCL Holdings"	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), formerly known as TCL Industries Holdings (Guangdong) Inc.* (TCL實業控股(廣東)股份有限公司), a joint stock limited company established under the laws of the PRC, the ultimate controlling shareholder of the Company;
"TCL Holdings Group"	TCL Holdings and its subsidiaries;
"T.C.L. Industries (H.K.)"	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the immediate controlling shareholder of the Company and a wholly-owned subsidiary of TCL Holdings;

Glossary

"TCL King (Huizhou)"	TCL King Electrical Appliances (Huizhou) Company Limited* (TCL王牌電器(惠州)有限公司), a subsidiary of the Company;
"TCL Research"	Shenzhen TCL Research Co., Limited* (深圳TCL工業研究院有限公司), a subsidiary of TCL Technology;
"TCL Technology"	TCL Technology Group Corporation (TCL科技集團股份有限公司), formerly known as TCL Corporation (TCL集團股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000100.SZ);
"TCL Technology Group"	TCL Technology and its subsidiaries;
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Tencent Holdings Limited (an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Hong Kong Stock Exchange (stock code 00700.HK));
"Trustee"	BOCI Prudential Trustee Limited, the trustee appointed by the Board for the administration of the Award Scheme;
"TSR"	TOKYO SHOKO RESEARCH, LTD.;
"TV(s)"	television(s);
"USA" or "U.S."	United States of America;
"VIE Agreements"	collectively the exclusive business cooperation agreement, the exclusive purchase right agreement, the equity pledge agreement, the authorisation letters, the confirmation letters and the spousal consent letters entered into between Falcon Network Technology, OPCO and/or the PRC Equity Owners and/or their spouses on 23 July 2019;
"VIE Announcement"	the announcement of the Company dated 23 July 2019; and
"%"	percent.

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



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