TCL ELECTRONICS HOLDINGS LIMITED
TCL 電 子 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "Board") of directors ("Directors" and each a "Director") of TCL Electronics Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023 with comparative figures for the corresponding period in 2022.

FINANCIAL HIGHLIGHTS

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

BUSINESS REVIEW AND OUTLOOK

1. Overview

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

In the first half of 2023, although the impact of the Covid-19 pandemic on global social activity and macro-economy gradually subsided, the global economic recovery remained plagued by uncertainties caused by factors such as persistently high inflation, the lingering effects of the energy crisis and geopolitical tensions. Consumer activities in the People's Republic of China ("PRC") improved in the second quarter of 2023, driven by frequent holidays and festivals, but was still on a downward trend year-on-year when compared to that of 2022, and the journey to recovery is still full of obstacles. Looking at the industry as a whole, the trillion-yuan market for home appliances has stabilised, among others, the television ("TV") has shown a generally flat trend with varying performance in different markets; global TV shipment increased slightly by 0.1% year-on-year in the first half of 2023, and shipment continued to shrink in a number of regions including the PRC, Japan, Europe, Asia-Pacific and Central and East Africa[1]. Meanwhile, new energy and other new business sectors grew rapidly, with newly installed capacity of the distributed photovoltaic industry in the PRC doubling year-on-year to 41.0 GW in the first half of 2023[2]. While the competition is fierce, the landscape is still taking shape and has yet to fully solidify.

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

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

2 Source: National Energy Administration of the PRC.

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

For the six months ended 30 June 2023, the Group's revenue amounted to HK$34,916 million, representing a 3.7% year-on-year increase. Driven by an improved product mix of TCL smart screens[3] and the increasing contribution of mid-to-high-end and large-screen products, the Group's gross profit increased by 12.4% year-on-year to HK$6,500 million, and the overall gross profit margin increased by 1.4 percentage points year-on-year to 18.6%. In terms of expenses, the Group continued to reduce costs and increase efficiency, with the administrative expense ratio decreasing by 0.5 percentage points year-on-year. At the same time, given the importance of strong brand power towards the long-term development of its business, the Group strategically increased its investment in marketing in the first half of 2023, driving a 0.9 percentage points year-on-year increase in the selling and distribution expense ratio during the reporting period and leading the Group's overall expense ratio to increase by 0.4 percentage points year-on-year to 15.7%. The Group is confident that these marketing investments will drive the business scale and create further premium brand value for its long-term growth.

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

During the reporting period, the Group's overall financial position remained healthy. As of 30 June 2023, the Group's gearing ratio[4] was 36.7%, representing a decrease of 8.0 percentage points year-on-year. The Group's operational efficiency continued to improve, the inventory turnover days in the first half of 2023 amounted to 70 days, representing a year-on-year acceleration of 16 days. The cash conversion cycle was 38 days, representing a year-on-year acceleration of 15 days.

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[3] Smart screens mainly refer to smart TVs with large display sizes, and over 90% of the Group's TVs are smart screens in terms of shipment.

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

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

In the first half of 2023, the Group made considerable investments in marketing and promotion for its long-term development, significantly enhancing the awareness and reputation of the Group's brand and products. The global brand index of TCL smart screens increased by 5.9% year-on-year to 82[5] in the first half of 2023. At the same time, the Group tapped into the mid-to-high-end market, driving a breakthrough by maintaining a leading business scale and delivering significant year-on-year growth. In the first half of 2023, TCL smart screens bucked the market trend by recording a 12.9% year-on-year increase in shipment to 11.46 million sets. TCL smart screen's global market share in terms of shipment and sales revenue increased by 1.3 percentage points and 1.5 percentage points to 12.4% and 10.2%, respectively, ranking among the top two and three[6] in the world, respectively. Shipment of TCL smart screens of 65 inches and above increased by 67.8% year-on-year, and accounted for 22.5% of total smart screen shipment, representing an increase of 7.4 percentage points year-on-year. The average size of TCL smart screens increased by 3.6 inches year-on-year to 49.9 inches.

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

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

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

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

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

During the reporting period, the Group launched various new smart products including Mini LED smart screens, smart tablets and intelligent door locks. These products received international recognition on a number of occasions, fully demonstrating the Group's industry-leading technological capabilities and long-term planning. In the display business, the TCL X11G QD-Mini LED smart screen won the "2023 AWE Award" and "Innovation Award for Mini LED Display of the Year", the TCL 4K Mini LED smart screen C845 won the "Gold Award for New Generation Display Technology", and the TCL NXTPAPER 12 Pro Tablet won the "Eye Protection Technology Innovation Award". In the innovative business, the TCL Dual Wash Washing Machine G160Q10-HDY and the TCL Fresh Air III Series Air Conditioner won the "AWE Excellent Product Award". The TCL Ultra Thin Refrigerator R461P12-UQ was awarded the title of "Pioneer of Freezing and Fresh Storage" by the National Household Appliances Industry Information Centre of the PRC, while the TCL Fresh Air III Series Air Conditioner was honoured with the title of "Pioneer of Fresh and Healthy Air". In terms of AR/XR smart glasses, the NXTWEAR X2 won the "China Information Technology Expo Innovation Award" and the TCL NXTWEAR S won the "Global Mobile Award" (GLOMO). In the photovoltaic business, TCL Photovoltaic Technology (Shenzhen) Co., Ltd.* (TCL光伏科技(深圳)有限公司) (a subsidiary of the Company) won the "2023 Industrial and Commercial Photovoltaic Excellence EPC[7] Award".

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

2. Display Business

2.1 Large-Sized Display

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

According to statistics from Omdia, global TV shipment in the first half of 2023 amounted to 92.71 million sets, representing a slight year-on-year increase of 0.1%, although some markets such as North America and Latin America have shown signs of recovery, shipment continued to shrink in a number of regions, including the PRC, Japan, Europe, Asia-Pacific and Central and East Africa. Benefitting from the increased mid-to-high-end demand and the 618 (18 June) Shopping Festival in the PRC, in the first half of 2023, global shipment of TCL smart screens increased by 12.9% year-on-year to 11.46 million sets, generating HK$21,042 million in revenue, representing a 7.0% year-on-year increase, with both growth rates outperforming the industry average. TCL smart screens continued to lead the market. In terms of shipment, TCL smart screen's market share increased steadily from 5.6% in 2015 to 12.4% in the first half of 2023, up by 1.3 percentage point year-on-year, continuing to rank among top two globally; in terms of sales revenue, TCL smart screen's market share was 10.2% in the first half of 2023, up by 1.5 percentage points year-on-year, ranking among the top three globally[8].

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

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

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

The PRC Market

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

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

According to the latest omni-channel data from CMM[9], in the first half of 2023, TCL smart screen's market share in terms of retail sales revenue increased by 4.2 percentage points year-on-year to 17.5%, retaining its top-two ranking in the PRC market, while its brand index in the PRC market increased by 12.8% year-on-year to 132[10], ranking the first among Chinese brands. During the 618 Shopping Festival in 2023, the Group adhered to its mid-to-high-end strategy, stepped up its marketing investments on e-commerce platforms, and leveraged live streams, short videos and other channels to achieve effective sales conversion. TCL Mini LED smart screens, QLED smart screens, 75-inch and above smart screens, and 98-inch and above mega-size smart screens all ranked No.1 in their respective categories in terms of both online sales revenue and online sales volume. Falcon smart screens, a sub-brand, also won the top spot in terms of online sales volume growth[11], with a 98% year-on-year increase in online sales revenue of gaming TVs with a high refresh rate and an 86% year-on-year increase in online sales revenue of 75-inch and above smart screens.

International Markets

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

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

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

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

Demand for certain consumer technology products has bounced back amidst the gradual recovery of the global economy. According to the latest reports from GfK[12] and NPD[13], the market share in terms of shipment of TCL smart screens of the Group ranked among the top five in nearly 30 countries in the first half of 2023, including:

- North American Markets: in the first half of 2023, demand for TVs in North American markets reversed its downward trajectory during the Covid-19 pandemic and resumed positive growth, with shipment of TV industry recording year-on-year growth of 13.2%[14]. By comparison, the Group's TCL smart screens performed quite well in North American markets, with shipment growing by 18.6% year-on-year, outperforming the industry average. In terms of market share of retail sales volume, TCL smart screens ranked the third in the United States of America (U.S.) and Canada, and the fifth in Mexico (Source: NPD[15]);

- Emerging Markets: in the first half of 2023, the Group continued to focus on key channels in emerging markets, driving a particularly strong year-on-year growth of TCL smart screen shipment, reaching 17.6%, significantly outperformed the industry average. TCL smart screens secured the top spot for market share by shipment in the Philippines, Australia, Myanmar and Pakistan; ranked the second in Saudi Arabia; the third in Brazil, Argentina and Kazakhstan; the fourth in Thailand, Vietnam and Chile; and the fifth in Japan, the United Arab Emirates, Ecuador and India (Source: GfK[16]); and

- European Markets: in the first half of 2023, high inflation and overall economic headwinds led to a 9.7%[17] year-on-year decline in the shipment of TV industry in Europe, with shipment of TCL smart screens down by 10.0% year-on-year, but TCL smart screens retained a leading market share in several countries. In terms of market share by shipment, TCL smart screens maintained the second place in France, ranked the third in the Czech Republic and Sweden, rose to the fourth place in Italy, Spain, Greece and Poland, and ranked the fifth in Hungary and the Netherlands (Source: GfK[18]).

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12 GfK refers to Gesellschaft für Konsumforschung, a consumer goods market research company and global market research organisation headquartered in Nuremberg, Germany.
13 NPD refers to the NPD Group, a market research firm that provides global data, industry expertise and perspective analysis.
14 Source: TV brand shipment data of the first half of 2023 in North American markets from Omdia.
15 Source: U.S./Canada/Mexico retail market survey report of NPD, based on TV retail sales volume from January 2023 to June 2023.
16 Source: Global market report of GfK, based on TV shipment from January 2023 to June 2023.
17 Source: TV brand shipment data of the first half of 2023 in European markets from Omdia.
18 Source: Global market report of GfK, based on TV shipment from January 2023 to June 2023.

2.2 *Small-and-Medium-Sized Display*

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

In the first half of 2023, demand for mobile communication devices and tablets remained sluggish, global shipment of mobile phone and tablet dropped by 11.3% and 24.9% year-on-year[19], respectively. The Group achieved significant progress on its "product-driven, focused on breakthroughs and quality-improved development" strategy. Notably, during the reporting period, the Group successfully launched several new intelligent products in the small-and-medium-sized display segment, including the TCL 40 R 5G smartphone and the TCL TAB 10 Gen 2 tablet. Additionally, the Group continued to enhance its market presence by further shoring up its network of partnerships with prominent mobile carriers in Europe and America, effectively expanding its outreach across all channels. In the first half of 2023, due to the challenging market environment and strategic contracting of business undertaken by the Group, the total shipment and revenue of small-and-medium-sized display business reached 5.24 million sets and HK$3,396 million respectively, both of which represented a significant year-on-year decrease of approximately 50%, exerting considerable pressure on the overall business of the Group. However, benefitting from the streamlining of the product line and enhanced operational efficiency, the segment recorded an impressive surge in gross profit margin to 16.3%, up by 4.8 percentage points year-on-year. The tablet business saw a particularly significant enhancement in profitability, and the small-and-medium-sized display business is expected to improve further in the second half of 2023.

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

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

2.3 Smart Commercial Display

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

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

3. Internet Business

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

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

3.1 Internet Business in the PRC Market

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

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

3.2 Internet Business in International Markets

During the reporting period, the Group maintained close cooperation with prominent internet giants such as Google, Roku and Netflix to continuously enhance user experience. At the same time, Falcon Network Technology Group increased its monetisation capability by reaching out to the vast number of TCL smart screen users through partnerships with OTT[20] platforms. As of the end of June 2023, TCL Channel, the Group's integrated content application, is available in 60 countries in North America, Europe, Central and South America, and Asia Pacific, with a total user base of over 21 million. In the first half of 2023, the Group's internet business revenue from international market reached HK$226 million, representing a substantial increase of 77.1% year-on-year.

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

4. Innovative Business

4.1 Photovoltaic Business

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

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

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

4.2 All-Category Marketing

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

Leveraging its robust global brand power and advantages of comprehensive channel layout, the Group has promoted the continuous growth of global all-category distribution business of smart appliances, including air conditioners, refrigerators and washing machines of TCL brand. In the first half of 2023, revenue from the all-category marketing segment increased by 43.0% year-on-year to HK$6,073 million. Gross profit increased by 57.4% year-on-year to HK$922 million, and the gross profit margin increased by 1.4 percentage points year-on-year to 15.2%. According to the ChinaIOL[21] data on global shipment in the first half of 2023, TCL air conditioners ranked the fourth in the global market. Furthermore, various new products have garnered prestigious industry accolades such as the "AWE Excellent Product Award", "AWE Innovation Award", "iF Design Award" and "Red Dot Design Award", further enhancing brand's reputation of the Group.

4.3 Smart Connection and Smart Home

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

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

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

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

In addition, the Group maintained its leading position in the AR industries during the first half of 2023. In the PRC, the Group successfully launched upgraded XR smart glasses Air Plus, which is equipped with RayNeo Pocket (雷鳥魔盒), a multifunctional audio-visual entertainment system. Air Plus offers an impressive display with a distance of 6 meters and an equivalent size of 215 inches. Powered by Micro OLED display technology, it supports 1080P resolution and a smooth 120Hz refresh rate, and is able to connect to Display Port ("DP")-enabled devices including mobile phones, tablets and notebooks, making it perfect for a wide range of scenarios, including movie viewing, gaming and office. The integrated mainstream video platform offers an extensive collection of ultra-high-definition video content, delivering an immersive giant-screen viewing experience. Falcon Innovations Technology (Shenzhen) Co., Ltd.* (雷鳥創新技術(深圳)有限公司)[22] ("Falcon Innovations") operates the leading[23] domestic online platform for AR glasses. During the 618 Shopping Festival, TCL NXTWEAR smart glasses achieved remarkable success on both JD.com and Tmall, securing top positions in both sales volume and sales revenue in the AR category[24].

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

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

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

5. Outlook

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

As panel production capacity continues shifting to Chinese players and concentration further intensifies, the upstream competitive landscape is expected to be reshaped, leading to a stable trend in panel prices. Since the third quarter of 2022, global panel prices have been slowly trending upward, and are expected to stabilise in a manner conducive to simultaneous upstream and downstream TV industry development. The global TV competitive landscape has been improving in recent years, with the top five brands' concentration steadily rising from 51.4% in 2018 to 59.7% in 2022[25]. Additionally, as per a report from Sigmaintell[26], global shipment of large-screen 75-inch and above TVs is forecasted to achieve a rapid 26.0% compound annual growth rate between 2021 and 2025.

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

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[25] Source: Omdia's Global Branded TV shipment Data from 2018 to 2022.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Revenue

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

	Six months ended 30 June			
	2023		2022	
	HK$ Million	**Proportion of the total revenue**	HK$ Million *(restated)*	Proportion of the total revenue
Display Business[27]	**24,851**	**71.2%**	27,190	80.7%
– Large-Sized Display	**21,042**	**60.3%**	19,660	58.4%
– The PRC Market	**6,898**	**19.8%**	6,319	18.8%
– International Markets	**14,144**	**40.5%**	13,341	39.6%
– Small-and-Medium-Sized Display	**3,396**	**9.7%**	7,281	21.6%
– Smart Commercial Display	**413**	**1.2%**	249	0.7%
Internet Business[28]	**1,113**	**3.1%**	942	2.8%
– The PRC Market	**887**	**2.5%**	814	2.4%
– International Markets	**226**	**0.6%**	128	0.4%
Innovative Business[29]	**8,688**	**24.9%**	5,259	15.6%
– Photovoltaic Business	**1,685**	**4.8%**	172	0.5%
– All-Category Marketing	**6,073**	**17.4%**	4,248	12.6%
– Smart Connection and Smart Home	**930**	**2.7%**	839	2.5%
Others	**264**	**0.8%**	288	0.9%
Total revenue	**34,916**	**100.0%**	33,679	100.0%

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

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

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

Display Business

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

Internet Business

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

Innovative Business

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

Gross Profit and Gross Profit Margin

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

Display Business

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

Internet Business

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

Innovative Business

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

R&D Costs

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

Impairment Losses on Financial Assets, Net

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

Finance Costs

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

Share of Profits and Losses – Joint Ventures and Associates

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

Profit before Tax

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

Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

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

Liquidity and Financial Resources

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

The cash and cash equivalents of the Group as at 30 June 2023 amounted to approximately HK$6,694,898,000, decreasing by 28.7% compared with 31 December 2022, of which 0.4% was in Hong Kong dollars, 26.5% was in U.S. dollars, 48.6% was in RMB, 5.4% was in Euros and 19.1% was in other currencies for overseas operations.

For the purpose of day-to-day liquidity management and future expansion, the Group has access to bank and other borrowings. The bank borrowings of the Group as at 30 June 2023 were approximately HK$5,440,512,000 which were interest-bearing at fixed rates ranging from 2.40% to 6.77% and denominated in U.S. dollars, RMB, Euros and Mexican Peso. The maturity profile of borrowings was on demand to within three years. It is the intention of the Group to maintain a mix of equity and debt to ensure an efficient capital structure and in view of the reasonable interest rate. There was no material change in available credit facilities when compared with the year ended 31 December 2022 and there was no asset held under finance lease as at 30 June 2023.

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

Pledge of Assets

As at 30 June 2023, the Group had restricted cash and pledged deposits balance of approximately HK$62,793,000 (31 December 2022: HK$119,555,000) pledged as the balance of performance and quality guarantees, financial assets and banking facilities for the Group.

Capital Commitments and Contingent Liabilities

As at 30 June 2023, the Group had capital commitments which were contracted but not provided for of approximately HK$619,072,000 (31 December 2022: HK$673,618,000) and no capital commitments which were authorised but not contracted for (31 December 2022: HK$116,590,000).

As at 30 June 2023, the Group had the following contingent liabilities which have not been provided for in the financial statements:

SEMP TCL Mobilidade Ltda. ("SEMP Mobilidade", a subsidiary of the Company) is currently a respondent in a tax assessment dispute in Brazil with Brazil tax authority for alleged improper application of tax credits for the financial years of 2012 and 2013. As at 30 June 2023, the tax assessment dispute was still ongoing. The information usually required by Hong Kong Accounting Standard ("HKAS") 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that such disclosure can be expected to prejudice seriously the outcome. Based on the response from the independent attorney in charge, it is expected that the dispute will last for 3 to 5 years. The Group has not made any provision as the Group, based on the advice from its legal counsel, believes that SEMP Mobilidade has a valid defence against the allegation.

Pending Litigation

Saved as disclosed above, the Group was not involved in any material litigation as at 30 June 2023.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

As at 30 June 2023, the Group had a total of 24,119 dynamic and talented employees. During the six months ended 30 June 2023, the total staff costs amounted to approximately HK$2,579,607,000, which were all dedicated to advancing the quality and reliability of our operations. The Group promotes individuals based on their performance in the positions held and development potential. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. In addition, training and development programmes are provided on an on-going basis throughout the Group. The remuneration policy of the Group is reviewed regularly, making reference to current legislation, market condition and both the performance of individual employees and the Group. In order to align the interests of staff with those of shareholders of the Company, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme adopted on 18 May 2016 ("2016 Scheme"). Share options carrying rights to subscribe for a total number of 35,177,319 shares of the Company remained outstanding as at 30 June 2023.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and amended from time to time. Pursuant to the Award Scheme, existing shares of the Company may be purchased from the market or new shares may be subscribed for by the designated trustee out of cash contributed by the Company, and would be held on trust by the designated trustee for the relevant selected persons until such shares are vested with the relevant selected persons in accordance with the rules of the Award Scheme. The Award Scheme expired on 5 February 2023. Awarded shares granted and subsisting under the Award Scheme prior to such expiry shall continue to be in full force and effect in accordance with the Award Scheme and their terms of grant. There remained a total of 37,001,744 awarded shares granted but remained outstanding as at 30 June 2023.

FINANCIAL INFORMATION

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Notes:

1. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new and revised HKFRSs effective as of 1 January 2023.

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

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

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

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

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

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

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

Impact on the interim consolidated statement of financial position:

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

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

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

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

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

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

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non current*[1,3,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1,5]

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

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the amendments to HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

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

4. OPERATING SEGMENT INFORMATION

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

(a) Smart screen segment - manufacture and sale of smart screen in:

– TCL smart screen - the PRC market; and

– TCL smart screen - the international markets;

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

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

(d) All-category marketing segment – distribution of TCL branded air conditioners, refrigerators, washing machines and other household appliances; and

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

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

The presentation of reportable operating segments has been revised as detailed in page 39 of this announcement, and accordingly the comparative figures of such reportable operating segments have been restated, as the management believes that the information regarding such restated segments would be useful to the users of these financial statements.

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

	Six months ended 30 June													
	Smart screen				**Internet business**		**Smart mobile, connective devices and services**		**All-category marketing**		**Smart commercial display, smart home, photovoltaic and other businesses**		**Consolidated**	
	TCL smart screen – the PRC market		**TCL smart screen – international markets**											
	2023 (unaudited) HK$'000	2022 (unaudited) HK$'000	**2023 (unaudited) HK$'000**	2022 (unaudited) HK$'000	**2023 (unaudited) HK$'000**	2022 (unaudited) HK$'000	**2023 (unaudited) HK$'000**	2022 (unaudited) HK$'000 *(restated)*	**2023 (unaudited) HK$'000**	2022 (unaudited) HK$'000	**2023 (unaudited) HK$'000**	2022 (unaudited) HK$'000 *(restated)*	**2023 (unaudited) HK$'000**	2022 (unaudited) HK$'000
Sales to external customers	**6,897,535**	6,318,720	**14,144,334**	13,341,230	**1,112,871**	942,110	**4,011,634**	7,833,030	**6,072,908**	4,247,585	**2,677,160**	996,581	**34,916,442**	33,679,256
Gross profit	**1,533,400**	1,402,823	**2,516,799**	2,267,406	**601,829**	491,909	**678,871**	912,238	**922,042**	585,720	**247,104**	121,466	**6,500,045**	5,781,562

5. **REVENUE**

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

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

For the six months ended 30 June 2022

Segments	Smart screen and other products (unaudited) HK$'000 *(restated)*	Internet business (unaudited) HK$'000	Total (unaudited) HK$'000
Types of goods or services			
Sale of goods	32,737,146	73,423	32,810,569
Video-on-demand services	–	262,869	262,869
Advertising, vertical application and other new businesses	–	605,818	605,818
Total revenue from contracts with customers	32,737,146	942,110	33,679,256
Geographical markets			
Mainland China	9,640,822	814,374	10,455,196
Europe	4,044,340	–	4,044,340
North America	9,040,098	6,201	9,046,299
Emerging markets	10,011,886	121,535	10,133,421
Total revenue from contracts with customers	32,737,146	942,110	33,679,256
Timing of revenue recognition			
Goods transferred at a point in time	32,737,146	73,423	32,810,569
Services transferred over time	–	262,869	262,869
Services transferred at a point in time	–	605,818	605,818
Total revenue from contracts with customers	32,737,146	942,110	33,679,256

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

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

8. INCOME TAX

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

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

9. ASSETS CLASSIFIED AS HELD FOR SALE

On 20 May 2021, the Group decided to dispose of a piece of its land located in the Mainland China. The disposal is expected to be completed in 2023. As at 30 June 2023, final negotiations for the sale were in progress and the land and the buildings were classified as current assets held for sale.

10. DIVIDENDS

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

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

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

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK$'000	HK$'000
		(restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:	**263,709**	249,509

	Number of shares Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the period used in the basic earnings per share calculation	**2,415,861,008**	2,406,385,683
Effect of dilution – weighted average number of ordinary shares:		
Share options	**19,657**	339,745
Awarded shares	**66,241,889**	106,721,621
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**2,482,122,554**	2,513,447,049

12. TRADE RECEIVABLES

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

Save for those amounts due from related parties, in view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group holds a commercial property from a group of customers as collaterals for trade receivables of HK$348,563,000 (31 December 2022: HK$359,746,000) due by them with interest bearing at 3% (31 December 2022: 3%) per annum. The Group does not hold any collaterals or other credit enhancements over its remaining trade receivables. The remaining trade receivables are non-interest bearing.

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

	30 June 2023 (unaudited) HK$'000	31 December 2022 (audited) HK$'000
Current to 90 days	**9,297,116**	8,349,202
91 to 180 days	**2,561,248**	1,672,728
181 to 365 days	**868,712**	324,001
Over 365 days	**809,494**	831,093
	13,536,570	11,177,024
Impairment allowance	**(284,331)**	(241,943)
	13,252,239	10,935,081

Included in the Group's trade receivables are (i) receivables to be factored of HK$581,772,000 (31 December 2022: HK$315,207,000), as well as (ii) the assets and the associated liabilities representing the extent of the Group's continuing involvement in the factored trade receivables of which the Group neither retained nor transferred substantially all of the risks and rewards, amounted to HK$16,326,000 (31 December 2022: HK$25,106,000). The above receivables are classified as financial assets at fair value through profit or loss. The remaining trade receivables with a gross carrying amount of HK$12,938,472,000 (31 December 2022: HK$10,836,711,000) are measured at amortised cost.

13. TRADE PAYABLES

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

	30 June 2023 (unaudited) HK$'000	31 December 2022 (audited) HK$'000
Current to 90 days	**14,998,557**	11,589,314
91 to 180 days	**2,253,288**	1,920,841
181 to 365 days	**163,060**	382,203
Over 365 days	**223,414**	194,587
	17,638,319	14,086,945

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

Notes:

(a) As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Technology has individually guaranteed certain of the Group's bank loans up to HK$103,382,000 (31 December 2022: HK$123,114,000) and TCL Holdings has individually guaranteed certain of the Group's bank loans up to HK$4,007,359,000 (31 December 2022: HK$3,374,453,000) as at the end of the reporting period.

15. SHARE CAPITAL

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

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

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

16. COMPARATIVE AMOUNTS

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

PURCHASES, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the six months ended 30 June 2023.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. LAU Siu Ki (chairperson), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, all being independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules ("Model Code"). Specific enquiries have been made with all Directors, and all of them have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 June 2023.

COMPLIANCE WITH DEED OF NON-COMPETITION

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

The Company has received a written confirmation from TCL Technology confirming that for the period from 1 January 2023 to 30 June 2023 (both dates inclusive), it had fully complied with the deed of termination executed by and among TCL Technology, T.C.L. Industries (H.K.) and the Company dated 29 June 2020 ("Deed of Termination (2020)").

The independent non-executive Directors have reviewed the relevant confirmations on the Deed of Non-Competition (2020) and the Deed of Termination (2020), and all of them are satisfied that the non-competition undertakings under the Deed of Non-Competition (2020) and the Deed of Termination (2020) have been complied with during the period from 1 January 2023 to 30 June 2023 (both dates inclusive).

On behalf of the Board
DU Juan
Chairperson

Hong Kong, 25 August 2023

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

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