THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your Shares in **TCL ELECTRONICS HOLDINGS LIMITED** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY WITH TCL AIR CONDITIONER BUSINESS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) CONTINUING CONNECTED TRANSACTIONS FOLLOWING COMPLETION;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisers to the Company

CICC 中金公司

申萬宏源香港 SWHYHK

ADMIRALTY HARBOUR 钟港

Independent Financial Adviser for the Acquisition to the Independent Board Committee and Independent Shareholders

SOMERLEY CAPITAL LIMITED

Independent Financial Adviser for the CCT to the Independent Board Committee and Independent Shareholders

PELICAN FINANCIAL 百利勤金融

A letter from the Board is set out on pages 9 to 45 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 46 to 47 of this circular. A letter from the Independent Financial Adviser for the Acquisition, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 97 of this circular. A letter from the Independent Financial Adviser for the CCT, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 98 to 119 of this circular.

A notice convening the EGM to be held at 8/F, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong at 2:00 p.m. on Friday, 9 October 2026, is set out on pages EGM-1 to EGM-3 of this circular.

If the EGM is seriously affected by bad weather conditions or otherwise, the Company will publish an announcement on the website of the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time, place and/or mode of the rescheduled meeting. Otherwise, the EGM may still be held as scheduled during bad weather conditions. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment or postponement thereof should you so wish.

24 August 2026

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	the acquisition of the Target Shares as contemplated under the Sale and Purchase Agreement;
"AI"	artificial intelligence;
"Announcement"	the Company's announcement dated 15 July 2026 in respect of, among others, the Acquisition;
"Articles"	the articles of association of the Company as amended from time to time;
"associate(s)"	has the meaning as defined under the Listing Rules;
"Board"	board of Directors;
"CCT"	continuing connected transaction as contemplated under the Supply Framework Agreement;
"Company"	TCL Electronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01070);
"Completion"	the completion of the sale and purchase of Target Shares pursuant to the Sale and Purchase Agreement;
"Completion Date"	the date on which Completion occurs in accordance with the Sale and Purchase Agreement;
"connected person(s)"	has the meaning ascribed to it in the Listing Rules;
"Consideration"	the consideration for the sale and purchase of the Target Shares under the Sale and Purchase Agreement;
"Consideration Shares"	an aggregate of 362,863,775 new Shares to be allotted and issued by the Company to the Vendors at the Issue Price for partial settlement of the Consideration;
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules;

"Core Elite"	Core Elite Holdings Limited, a limited company incorporated in the British Virgin Islands, which is wholly owned by Ningbo Yunjing, one of the Vendors;
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會);
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement, including the Specific Mandate, the Supply Framework Agreement and the respective transactions thereunder;
"Enlarged Group"	the Group together with the Target Group upon the Completion;
"Group"	the Company and its subsidiaries, and for the purpose of the Supply Framework Agreement, the Group shall be construed to mean the Company and its subsidiaries and any entity(ies) that may become subsidiary(ies) of the Group from time to time during the term of the said agreement but shall not include TCL Air Conditioner Group, and a "member of the Group" and "members of the Group" shall be construed accordingly;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"HVAC"	Heating, Ventilation and Air Conditioning;
"Independent Board Committee"	an independent committee of the Board which comprises all the independent non-executive Directors in compliance with the Listing Rules to advise the Independent Shareholders on the Sale and Purchase Agreement, including the Specific Mandate, the Supply Framework Agreement and the respective transactions thereunder;

"Independent Financial Adviser for the Acquisition"	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser for the Acquisition appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Specific Mandate and the transactions contemplated thereunder;
"Independent Financial Adviser for the CCT"	Pelican Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply Framework Agreement and transactions contemplated thereunder including the proposed annual caps for the purchase of TCL Air Conditioner Products;
"Independent Shareholders"	the Shareholder(s) who are not involved or interested in (other than solely as a Shareholder) the Sale and Purchase Agreement, the Specific Mandate, the Supply Framework Agreement and the respective transactions contemplated thereunder and therefore permitted to vote in respect of the resolution(s) to approve the Sale and Purchase Agreement, the Specific Mandate, the Supply Framework Agreement and the respective transactions contemplated thereunder;
"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries and their respective associates;
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong;
"Issue Price"	HK$15.00 per Consideration Share;
"Latest Practicable Date"	21 August 2026, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information for inclusion in this circular;

"Lida Zhihui"	Ningbo Lida Zhihui Enterprise Management Partnership (Limited Partnership)*（寧波礪達致輝企業管理合夥企業(有限合夥)）, a limited partnership established in the PRC and a shareholder of TCL Industries Holdings;
"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 January 2027 or such other date as may be agreed between the parties to the Sale and Purchase Agreement;
"Master Sale and Purchase (2022-2024) CCT Agreement"	the master sale and purchase (2022-2024) agreement dated 11 November 2021 entered into between the Company and TCL Industries Holdings in relation to the sale and purchase of products between the Group on the one part and TCL Industries Holdings Group on the other part, relevant details of which are disclosed in the announcement dated 11 November 2021 and the circular dated 22 November 2021 of the Company;
"Master Sale and Purchase (2025-2027) CCT Agreement"	the master sale and purchase (2025-2027) agreement dated 26 September 2024 entered into between the Company and TCL Industries Holdings in relation to the sale and purchase of products between the Group on the one part and TCL Industries Holdings Group on the other part, relevant details of which are disclosed in the announcement dated 26 September 2024 and the circular dated 6 November 2024 of the Company;
"Ningbo Yunjing"	Ningbo Yunjing Enterprise Management Consulting Partnership (Limited Partnership)*（寧波蘊菁企業管理諮詢合夥企業(有限合夥)）, a limited partnership established in the PRC;
"NXTHome"	TCL NXTHome Global Limited, a limited company incorporated in the British Virgin Islands and indirectly wholly owned by TCL Industries Holdings, one of the Vendors;

"PRC" or "China"	the People's Republic of China and for the purpose of this circular, and for geographical reference only and except where the context requires, references in this circular to the "PRC" and "China" do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan, China;
"Reach Glory"	Reach Glory Link Holdings Limited, a limited company incorporated in the British Virgin Islands, which is wholly owned by Lida Zhihui and is one of the Vendors;
"R$"	Brazilian Real, the lawful currency of Brazil;
"R&D"	research and development;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 15 July 2026 entered into between the Company and the Vendors in relation to the Acquisition;
"SFC"	The Securities and Futures Commission of Hong Kong;
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary shares in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders for the allotment and issuance of the Consideration Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules;

"Supply Framework Agreement"	the TCL air conditioner supply (2026-2027) framework agreement dated 15 July 2026 entered into between the Company and TCL Air Conditioner in respect of the sale of TCL Air Conditioner Products by members of TCL Air Conditioner Group on the one hand to members of the Group (which does not include TCL Air Conditioner Group for this purpose) on the other hand following the Completion;
"Target Company"	TCL AeroWell (Cayman) Holdings Limited, a limited liability company incorporated in the Cayman Islands, which is wholly owned by the Vendors;
"Target Group"	the Target Company and its subsidiaries;
"Target Shares"	the entire equity interest in the Target Company;
"TCL Air Conditioner"	TCL Air Conditioner (Zhongshan) Co., Ltd.* (TCL空調器(中山)有限公司), a limited liability company established in the PRC;
"TCL Air Conditioner Group"	collectively, TCL Air Conditioner and its subsidiary(ies) and associate(s) and any entity(ies) that may become subsidiary(ies) or associate(s) of TCL Air Conditioner from time to time during the term of the Supply Framework Agreement and for the purpose of the Supply Framework Agreement shall not include (i) the Group and (ii) TCL Industries Holdings and its subsidiaries; and a "member of TCL Air Conditioner Group" and "members of TCL Air Conditioner Group" shall be construed accordingly;
"TCL Air Conditioner Products"	(i) any goods or appliances (including but not limited to air conditioners and their components) designed, developed, manufactured, produced or otherwise sold, marketed or supplied by any member of TCL Air Conditioner Group; (ii) the articles, things, components or materials required for manufacturing or production of any products of the Group; and (iii) waste products arising from manufacturing or production process of TCL Air Conditioner Group;

"TCL Industries Holdings"	TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司), a joint stock limited company established under the laws of the PRC;
"TCL Industries Holdings Group"	for the purpose of the Master Sale and Purchase (2022-2024) CCT Agreement and the Master Sale and Purchase (2025-2027) CCT Agreement, means, collectively, TCL Industries Holdings and its subsidiary(ies) and associate(s) and any entity(ies) that may become subsidiary(ies) or associate(s) of TCL Industries Holdings from time to time during the term of the said agreement but excluding the Group;
"T.C.L. Industries (H.K.)"	T.C.L. Industries Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, an immediate Controlling Shareholder, and a wholly owned subsidiary of TCL Industries Holdings;
"TCL SEMP"	TCL SEMP Indústria e Comércio de Eletroeletrônicos S.A., a company incorporated under the laws of Brazil with limited liability, an indirect non-wholly-owned subsidiary of the Company;
"TCL SEMP AC"	TCL SEMP Indústria e Comércio de Condicionadores de ar S.A., a company incorporated under the laws of Brazil with limited liability, and a former direct wholly-owned subsidiary of TCL SEMP;
"TCL SEMP Eletroeletronicos"	TCL SEMP ELETROELETRONICOS LTDA, a company incorporated under the laws of Brazil with limited liability, an indirect subsidiary of the Company;
"Union Vast"	Union Vast Holdings Limited, a limited company incorporated in the British Virgin Islands, which is wholly owned by Xuli Ceyu and is one of the Vendors. The Consideration Shares attributable to Union Vast will be payable to Union Vast, or to its designated related party(ies) in accordance with the Sale and Purchase Agreement;
"US$"	United States dollars, the lawful currency of the United States of America;

"Valuation Date"	31 March 2026;
"Valuation Report"	the valuation report issued by the Independent Valuer in respect of the market value of the Target Company as at 31 March 2026;
"Vendors"	collectively, NXTHome, YF Rongye, Core Elite, Union Vast and Reach Glory;
"Xuli Ceyu"	Ningbo Xuli Ceyu Self-Funded Investment Co., Ltd.*(寧波旭力策宇自有資金投資有限公司), a limited liability company established in the PRC and a shareholder of TCL Industries Holdings;
"YF Rongye"	YF Rongye Global Holdings Limited, a limited liability company incorporated in the British Virgin Islands and one of the Vendors; and
"%"	per cent.

The English translation of Chinese names or words in this circular, 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. If there is any inconsistency, the Chinese names shall prevail.*

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

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

Executive Directors:
DU Juan *(Chairperson)*
ZHANG Shaoyong
PENG Pan
SUN Li

Independent Non-executive Directors:
WANG Yijiang
LAU Siu Ki
HUI Chi Kin Max

Registered Office :
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong:
5th Floor, Building 22E
22 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories
Hong Kong

24 August 2026

To the Shareholders

Dear Sir and Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY WITH TCL AIR CONDITIONER BUSINESS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) CONTINUING CONNECTED TRANSACTIONS FOLLOWING COMPLETION; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Sale and Purchase Agreement, the Acquisition, and the Specific Mandate. On 15 July 2026 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors agreed to sell and the Company agreed to purchase the Target Shares for a total consideration of HK$5,610 million, which shall be satisfied by a combination of cash and the Consideration Shares.

On 15 July 2026 (after trading hours), the Company entered into (among others) the Supply Framework Agreement with TCL Air Conditioner to govern the sale of TCL Air Conditioner Products by members of TCL Air Conditioner Group on the one hand to members of the Group (which does not include TCL Air Conditioner Group for this purpose) on the other hand following the Completion.

The purpose of this circular is to provide you with, among other things: (i) further details of the Sale and Purchase Agreement, the Acquisition, and the issue of the Consideration Shares pursuant to the Specific Mandate; (ii) further details of the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps; (iii) the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration the advice of the Independent Financial Adviser for the Acquisition in relation to the terms of the Sale and Purchase Agreement, and the issue of the Consideration Shares under the Specific Mandate and the advice of the Independent Financial Adviser for the CCT in relation to the terms of the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps; (iv) the letter of advice from the Independent Financial Adviser for the Acquisition to the Independent Board Committee and the Independent Shareholders on the matters set out in (i) above; (v) the letter of advice from the Independent Financial Adviser for the CCT to the Independent Board Committee and the Independent Shareholders on the matters set out in (ii) above; (vi) the financial information of the Group and the Target Group; (vii) the Valuation Report; and (viii) the notice of the EGM.

2. THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date: 15 July 2026

Parties: (i) The Company as the purchaser; and

(ii) NXTHome, YF Rongye, Core Elite, Union Vast and Reach Glory as the Vendors.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Target Shares, representing the entire issued shares of the Target Company.

Consideration

The total Consideration is HK$5,610 million to be paid to the Vendors. The Consideration was determined after arm's length negotiations among the Company and the Vendors, having taken into account (i) the valuation of the market value of the entire equity interest in the Target Company of approximately HK$5,803 million as of 31 March 2026 as set out in the Valuation Report prepared by the Independent Valuer adopting the market approach; (ii) the historical financial conditions and performance as well as future prospects of the Target Group; (iii) the competitive landscape and economic outlook of the HVAC industry; and (iv) the reasons for and benefits of the Acquisition as described in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below. Due to changes in the comparable companies, the valuation of the market value of the entire equity interest in the Target Company has been adjusted to approximately HK$5,803 million, as compared with the disclosure in the Announcement. The Consideration will be paid in full upon Completion.

The breakdowns of the cash and Share Consideration payments under the Sale and Purchase Agreement are as follows:

Vendor	Cash Consideration	Share Consideration	Total Consideration
NXTHome	HK$103,300,034	110,446,666 Shares (equivalent to HK$1,656,699,990)	HK$1,760,000,024
YF Rongye	Nil	104,720,000 Shares (equivalent to HK$1,570,800,000)	HK$1,570,800,000
Core Elite	Nil	65,120,000 Shares (equivalent to HK$976,800,000)	HK$976,800,000
Union Vast	HK$63,743,341	56,543,777 Shares (equivalent to HK$848,156,655)	HK$911,899,996
Reach Glory	Nil	26,033,332 Shares (equivalent to HK$390,499,980)	HK$390,499,980
Total:	**HK$167,043,375**	**362,863,775 Shares (equivalent to HK$5,442,956,625)**	**HK$5,610,000,000**

Valuation

In preparation of the Valuation Report, the Independent Valuer has considered the cost approach, the income approach and the market approach. In selecting the most appropriate approach, the Independent Valuer has taken into account the purpose of the valuation, the basis of value, and the availability and reliability of the information provided, as well as the relative advantages and limitations of each valuation methodology in light of the business nature and circumstances of the Target Group. The Independent Valuer is of the view that the income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained. The cost approach, on the other hand, does not adequately account for the economic benefits generated by the Target Group's business operations, as it primarily focuses on the replacement or reproduction cost of the underlying assets without reflecting the Target Group's earning potential. Considering these limitations, the Independent Valuer adopted the guideline public company method under the market approach, which considers prices recently paid for similar assets, with adjustments made to reflect the condition and utility of the appraised assets relative to market comparables. In particular, given that the Target Company's sole activity is the holding of a 51% equity interest in TCL Air Conditioner and that it has minimal other assets and liabilities, the Independent Valuer primarily derived the market value based on the valuation of TCL Air Conditioner by reference to a set of comparable listed companies with similar industry characteristics. The resulting value was subsequently adjusted to reflect the net value of other assets and liabilities held by the Target Company. In addition, appropriate valuation adjustments, including a control premium to reflect the value attributable to a controlling interest, as well as a discount for lack of marketability to account for the illiquidity of the equity interest being valued, have been considered in arriving at the final valuation conclusion.

The Board notes that the Independent Valuer has considered different valuation methodologies and has adopted the market approach given the Target Group's business characteristics and growth stage, and that the market approach introduces objectivity in the application as publicly available inputs are used. The Board acknowledges that the market value of the entire equity interest in the Target Group is appraised through the application of the market approach technique known as the guideline public company method, which requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Target Group. In this regard, the Independent Valuer has considered various valuation multiples such as price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value-to-sales ("**EV/S**"), enterprise value-to-earnings before interests, taxes ("**EV/EBIT**") and enterprise value-to-earnings before interests, taxes, depreciation and amortisation ("**EV/EBITDA**"). The Independent Valuer considered that P/E, P/B, P/S, EV/S and EV/EBIT multiples were not appropriate for the purpose of the valuation for the following reasons. The P/E multiple was not adopted as it does not adequately reflect differences in financial leverage and the associated risk profiles among comparable companies. The P/B multiple was also not selected, as it does not appropriately capture the contribution of intangible assets. The P/S multiple was considered unsuitable as it does not take into account differences in capital structure between the comparable companies and the Target Group. Likewise, the EV/S multiple was not adopted because it does not reflect the profitability of a company that has a mature record of earnings. Although EV/EBIT facilitates comparison across companies irrespective of capital structure, it does not adjust for depreciation and amortisation expenses, which are important for asset-heavy manufacturing businesses.

Accordingly, the Independent Valuer has adopted the EV/EBITDA multiple, as it is generally suitable for profitable companies and allows for more meaningful comparison by neutralising differences in capital structure and accounting policies. It is also widely used for capital-intensive businesses where depreciation and amortisation form a significant portion of total expenses.

Considering TCL Air Conditioner is mainly engaged in developing and manufacturing residential and light commercial air conditioning systems and headquartered in China, the selection criteria are set out below:

- The shares of the comparable companies have been listed in the East Asia stock market, i.e. the Shenzhen Stock Exchange (SZSE), the Shanghai Stock Exchange (SHSE), The Stock Exchange of Hong Kong Limited (SEHK), The Tokyo Stock Exchange (TSE), Taiwan Stock Exchange (TWSE) and Korea Stock Exchange (KSE) for no less than six months;

- The comparable companies primarily engage in household appliances businesses, with revenue from such businesses exceeding 60% of their total revenue in the latest financial year. Household appliances mainly include major white goods such as air conditioners, refrigerators, washing machines and other household appliances. In addition, for each comparable company, the air conditioner-related product or service category represented the largest source of revenue, based on the most recent annual report available within the last three years that provides the relevant segmental revenue disclosure. Each comparable company has significant air-conditioning operations, which generally share similar customer bases, sales and distribution channels, manufacturing infrastructure, supply chains, research and development capabilities and after-sales service networks with other major white goods. Accordingly, the comparable companies are exposed to industry demand, competitive dynamics, input cost movements and other economic and operational characteristics similar to those of the Target Group. This criterion was adopted to ensure that the comparable companies are predominantly engaged in household appliances, including major white goods and related businesses, rather than unrelated business segments;

- The comparable companies are headquartered in East Asia according to Capital IQ. While air conditioner manufacturers may participate in both domestic and international markets, a company's headquarters location and principal operating base generally influence the regulatory and economic environment in which it operates, as well as its management practices, cost structure, supply chain dynamics, industry relationships, and exposure to country-specific risks. Although companies headquartered in China may exhibit the highest degree of comparability to the Target Group, the screening universe was expanded to include companies headquartered in other East Asian regions in order to increase the pool of relevant comparable companies. Any differences arising from country-specific operating environments, regulatory frameworks, market conditions or risk profiles have been assessed and addressed through adjustments as discussed in the relevant sections below; and

- Sufficient operational and financial data, including the positive EV/EBITDA multiple and positive net operating profit after tax (NOPAT) on the comparable companies are available as at the Valuation Date.

The Independent Valuer considers the selection to be fair and reasonable because: (i) each of the comparable companies maintains significant operations in the manufacture and sale of air conditioners and related products, being the same business as that of the Target Group, and derives the largest proportion of its revenue from the air conditioner-related product or service category, based on the most recent annual report available within the last three years that provides the relevant segmental revenue disclosure; (ii) all of the comparable companies are headquartered in East Asia and are among the leading household appliances and air conditioner manufacturers in their respective markets, sharing broadly similar operating characteristics, supply chain structures, customer bases and industry dynamics with the Target Group; and (iii) there are limited listed companies in China whose businesses are predominantly engaged in the residential and light commercial air conditioning sector and for which sufficiently detailed public financial and operational information is available. Accordingly, the screening universe was expanded to include relevant companies headquartered in other East Asian regions in order to establish a more sufficient and representative comparable company set. While differences in regulatory environments, market conditions and country-specific risk factors may exist, such differences have been assessed and, where appropriate, addressed through adjustments as discussed in the relevant sections below. As a result, the selected comparable companies represent the most relevant and reliable listed comparables available for the purpose of this analysis.

Details of the comparable companies with the adjusted factors and key financial information about the comparable companies are shown as below:

Stock code	Company Name	EV/EBITDA Before Adjustment	Adjusted EV/ EBITDA	% of Revenue from Household Appliances and Related Businesses	% of Revenue from Air Conditioners**
SZSE:000921	Hisense Home Appliances Group Co., Ltd.	1.15	1.13	95	45
SZSE:000651	Gree Electric Appliances, Inc. of Zhuhai	4.52	4.24	78	74
SZSE:000333	Midea Group Co., Ltd.	10.38	8.96	66	43
SEHK:2580	Aux Electric Co., Ltd.	2.23	2.23	100	100
TSE:6367	Daikin Industries, Ltd.	7.94	6.37	92	92
	Median	**4.52**	**4.24**		
	Average	**5.24**	**4.59**		
	Standard Deviation	**3.47**	**2.83**		
	Average excluding outlier*	**4.90**	**4.28**		

* *If an EV/EBITDA multiple deviates from the mean by 1 standard deviation, it is defined as an outlier. For EV/EBITDA Before Adjustment, a multiple is an outlier if it is higher than 8.71 or lower than 1.78. For Adjusted EV/EBITDA, a multiple is an outlier if it is higher than 7.41 or lower than 1.76. One standard deviation was adopted because, given the sample size of five comparable companies and the relatively wide dispersion of their EV/EBITDA multiples, a wider benchmark would not exclude any multiple and would therefore not achieve the purpose of removing atypical extreme values, whereas the one-standard-deviation benchmark removes the most extreme high and low multiples and results in a more representative central range of multiples.*

** *The proportions for Gree Electric Appliances, Inc. of Zhuhai and Midea Group Co., Ltd. are based on their financial years ended 31 December 2023, being the latest full-year financial statements in which the relevant product revenue was separately disclosed, while those of the other comparable companies are based on their financial years ended 31 December 2025.*

The proportions represent revenue generated specifically from air conditioners. Gree's air-conditioning revenue represented approximately 74.1% of its total revenue and non-air-conditioning consumer appliances accounted for only approximately 2.0% of Gree's total revenue in 2023, while its broader consumer appliances business represented approximately 76.1% and 78.1% in 2023 and 2025, respectively. Given that the consumer appliances segment's contribution to total revenue remained relatively stable, it is reasonable to assume that the proportion of revenue generated from air conditioners also remained broadly stable from 2023 to 2025.

Midea's HVAC revenue represented approximately 43.3% of its total revenue in 2023, while its Smart Home Business represented approximately 66% of its total revenue in 2025. In addition, the 2024 interim reports disclosed air-conditioner related product revenue contributions of approximately 78.0% for Gree and 46.7% for Midea, which are consistent with their 2023 proportions. The Independent Valuer has not identified any disclosure indicating a material change in the nature of their respective principal air-conditioning and household appliance businesses from 2023 to 2025. In addition, a comparison of Midea's 2023 and 2025 annual reports shows that air-conditioning products continue to be listed first in the description of its principal operating activities, suggesting that air-conditioning remains a core component of its Smart Home Business. Similarly, Gree's 2023 and 2025 annual reports consistently describe its consumer business segment primarily by reference to household air conditioners and HVAC-related products before other household appliances, indicating that air-conditioning-related products continue to constitute a core part of its consumer appliances business.

Based on the product revenue analysis chart in a research report on China's home appliance and/or white goods industry issued by J.P. Morgan Asia Pacific Equity Research on 9 June 2026, air conditioners and related products appear to have represented around 45% of Midea's total revenue and around 75% of Gree's total revenue in their financial years ended 31 December 2025. According to Euromonitor's global air-conditioner retail volume data, Midea ranked No. 1 and Gree ranked No. 2 globally from 2023 to 2025, with their respective rankings remaining unchanged over the period. These findings support the conclusion that air conditioners and related products remained the single largest product revenue source for both Midea and Gree in their financial years ended 31 December 2025.

Note:

The adjusted EV/EBITDA multiples were calculated using the following formula:

Adjusted EV/EBITDA multiple = $1/((1/M) + \alpha * \varepsilon * \theta)$

where:

M = The Base EV/EBITDA multiple

α = The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies

ε = The ratio of the equity value to the enterprise value of the comparable company

θ = Required adjustment in the equity discount rate for difference in size and regions

The revenue generated by the household appliances industry among the selected comparable companies mainly comprises sales of major white goods, including air conditioners, refrigerators, and washing machines. These product categories are considered comparable from an investor's perspective due to their similar key characteristics and economic drivers. In particular, they are all durable consumer goods with relatively high unit values compared to other household appliances, and their demand is closely correlated with trends in the property market and household income levels. Additionally, these products typically share similar supply chains, manufacturing processes, and distribution networks, supporting their comparability for economic and valuation analyses.

Notwithstanding that the proportion of revenue attributable to air conditioners of Hisense Home Appliances Group Co., Ltd., and Midea Group Co., Ltd. was less than 50%, their air conditioning businesses constituted significant parts of their respective principal businesses, having regard to their relative importance among their respective product categories.

The HVAC business of Hisense Home Appliances Group Co., Ltd. was the largest product category by revenue. It maintained a leading position in the domestic market, with market share exceeding 23% across multiple product lines (source: 2025 annual report of Hisense Home Appliances Group Co., Ltd.). Accordingly, it is considered to have substantial business focus on air-conditioning industry.

The HVAC businesses of Midea Group Co., Ltd. constituted significant parts of its principal businesses. Midea expressly identified white goods and HVAC as its core businesses and the primary sources of its cash flow and profitability. It also maintained leading positions across the residential, central and commercial air conditioning markets (Source: 2025 Annual Report of Midea Group Co., Ltd.). Accordingly, Midea Group is considered to have substantial business focus on the HVAC industry.

The outliers excluded from the adjusted EV/EBITDA multiples were (i) Hisense Home Appliances Group Co., Ltd. (adjusted EV/EBITDA of 1.13, being lower than the lower threshold of 1.76); and (ii) Midea Group Co., Ltd. (adjusted EV/EBITDA of 8.96, being higher than the upper threshold of 7.41). The average excluding outliers for adjusted EV/EBITDA multiple at 4.28 is adopted in the Valuation Report.

The list of the five comparable companies represents the exhaustive list of companies satisfying all of the selection criteria as sourced from S&P Capital IQ as at the Valuation Date per the Independent Valuer's knowledge. After excluding the two outliers, the remaining three comparable companies are all East Asia-headquartered leading air conditioner/household appliances manufacturers, and the list is therefore considered fair and representative of the industry in which the Target Group operates.

After discussing with the Independent Valuer the selection criteria for the comparable companies, the products offered by the comparable companies, the suitability and rationale for using the EV/EBITDA multiple as a valuation method, as described above, the Company agrees with the Independent Valuer's view that the EV/EBITDA multiple is the most suitable valuation methodology, and that the valuation and the consideration determined primarily based on the Valuation Report is fair and reasonable.

The Board agrees with the selection of the market approach and the multiples in the valuation by the Independent Valuer since (i) the Independent Valuer is a qualified independent valuer with extensive experience in the valuation of equity interests in the PRC, Hong Kong and the Asia-Pacific region; and (ii) the Board noted the overall analyses of different valuation approaches and multiples, including their corresponding limitations, which are further elaborated by the Independent Valuer in the Valuation Report as set out in Appendix V to this circular.

In respect of the assumptions adopted by the Independent Valuer in forming its opinion, the Board understands that the Independent Valuer relied on, among other things, the consolidated financial statements of the Target Group for the years ended 31 December 2023, 2024 and 2025 and for the three months ended 31 March 2026. Key assumptions including stable macroeconomic conditions, the accuracy of financial information provided, and the continued validity of legal and operational licenses, are commonly adopted in valuation of similar nature. After reviewing the Valuation Report, it was concluded that no material factors have been identified which cause the Board to doubt the fairness and reasonableness of the principal bases and assumptions adopted for information used in the valuation of market value of the Target Group. The Board believes that the Valuation Report provides an objective and impartial assessment of the value of the Target Group. Considering (i) the historical financial performance and conditions of the business of the Target Group; (ii) the business prospect of the Target Group; (iii) the Valuation Report; and (iv) the reasons for and benefits of the Acquisition as described under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below, the Directors consider that the total Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares represent (i) approximately 14.39% of the existing issued shares of the Company as of the Latest Practicable Date; and (ii) approximately 12.58% of the issued shares of the Company as enlarged by the allotment and issue of the Consideration Shares immediately following Completion (assuming that there will be no change in the Company's issued share capital from the Latest Practicable Date to the Completion Date, save for the issue of the Consideration Shares). The Consideration Shares will be allotted and issued under the Specific Mandate to be sought for approval by the Independent Shareholders at the EGM.

Once allotted and issued, the Consideration Shares will rank *pari passu* in all respects with all other Shares in issue as of the date of allotment and issue of the Consideration Shares, including the right to receive dividends, distributions and other payments made or to be made as per the record date on or after such date of allotment and issue.

Further details regarding the effect of the Acquisition on the shareholding structure of the Company are set out in the section headed "EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY DUE TO THE ACQUISITION" below.

The Company will apply to the Listing Committee for approval for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK$15.00 per Consideration Share represents:

(i) a discount of approximately 1.96% to the closing price of HK$15.30 per Share as quoted on the Stock Exchange on 15 July 2026, being the date of the Sale and Purchase Agreement;

(ii) a premium of approximately 1.69% to the average closing price of approximately HK$14.75 per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to the date of the Sale and Purchase Agreement;

(iii) a premium of approximately 7.88% to the average closing price of approximately HK$13.90 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to the date of the Sale and Purchase Agreement;

(iv) a premium of approximately 4.20% to the average closing price of approximately HK$14.40 per Share as quoted on the Stock Exchange for the last 60 trading days immediately prior to the date of the Sale and Purchase Agreement;

(v) a premium of approximately 9.54% to the average closing price of approximately HK$13.69 per Share as quoted on the Stock Exchange for the last 90 trading days immediately prior to the date of the Sale and Purchase Agreement;

(vi) a premium of approximately 22.52% to the average closing price of approximately HK$12.24 per Share as quoted on the Stock Exchange for the last 180 trading days immediately prior to the date of the Sale and Purchase Agreement;

(vii) a discount of approximately 6.19% to the closing price of HK$15.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(viii) a premium of approximately 96.97% to the net asset value per share of approximately HK$7.62 based on the latest published audited consolidated equity attributable to owners of the Company of approximately HK$19,198 million as at 31 December 2025 as set out in the annual report of the Company for the year ended 31 December 2025 and the total number of issued Shares of 2,520,935,155 Shares as at the Latest Practicable Date.

The Issue Price, as determined by the Company and the Vendors after arm's length negotiations, shall be the higher of (i) HK$15.00 per Share; and (ii) the average closing price of approximately HK$14.75 per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to the date of the Board meeting of the Company to approve the Sale and Purchase Agreement and the transactions thereunder. The Board considers that the Issue Price of HK$15.00 per Consideration Share is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

Completion is subject to the fulfillment (or waiver (if applicable)) of the following conditions precedent:

(i) the Company has completed its due diligence on the Target Group and is satisfied with the due diligence results;

(ii) the Company has obtained the necessary approvals from the Independent Shareholders and other required internal approvals (including Board approval) under the Listing Rules for the Sale and Purchase Agreement and the transactions thereunder, including the Acquisition and the Specific Mandate;

(iii) the Vendors have obtained consents and approvals of their respective boards of directors and shareholders for the Sale and Purchase Agreement and the transactions thereunder;

(iv) the Company and the Vendors have obtained all necessary approvals, consents, filings or waivers (if applicable) from governments or regulatory bodies (including but not limited to the Stock Exchange and the SFC), in relation to the Sale and Purchase Agreement and the transactions thereunder;

(v) all representations and warranties made by the Vendors are true, accurate and not misleading as of the date of the Sale and Purchase Agreement and the date of Completion;

(vi) the Vendors have fulfilled and complied with all their undertakings, obligations and agreements under the Sale and Purchase Agreement that they should have fulfilled or complied with on or before the Completion Date; and

(vii) the Listing Committee has granted approval for the listing of, and permission to deal in, the Consideration Shares.

The conditions precedent set out in paragraphs (i), (v) and (vi) above may be waived by the Company by serving a written notice to the Vendors. Save for the aforementioned, none of the other conditions precedent set out above may be waived by any party. The waiver of the conditions precedent in paragraphs (i), (v) and (vi) is customary in transaction documents in order to preserve commercial flexibility and avoid undue delays in Completion. For condition precedent (i), the Company may, in the course of the due diligence process, identify certain matters which do not materially affect the commercial merits, valuation basis, assets, liabilities, business operations or prospects of the Target Group, or matters which can be adequately addressed by way of rectification undertakings, specific indemnities, supplemental representations and warranties, post-Completion covenants, retention arrangement or other protections under the Sale and Purchase Agreement. For condition precedent (v), the Company considers that the waiver right in respect of this condition is intended to apply only where any inaccuracy, if identified, is not material to the Acquisition as a whole, does not affect the basis on which the Company agreed to enter into the Acquisition, and is either readily curable or sufficiently covered by other contractual protections available to the Company, including the Vendors' indemnity obligations. Any such waiver would only be considered after taking into account, among others, the nature and materiality of the relevant due diligence findings or warranty inaccuracy, the impact on the Target Group and the Acquisition, the availability and adequacy of alternative protections, the advice of the Company's professional advisers and the interests of the Company and the Shareholders as a whole. The Company will exercise such waiver only when it is considered fair and reasonable and in the interests of the Company and its Shareholders.

As at the Latest Practicable Date, the Company's due diligence review on the Target Group is ongoing. Based on the due diligence work conducted up to the Latest Practicable Date, the Company has not identified any material issue which would, in its view, materially and adversely affect the commercial rationale of the Acquisition or the interests of the Company and the Shareholders.

With respect to the conditions precedent set out in paragraph (iv), as of the Latest Practicable Date, there are no approvals, consents, filings or waivers from governments or regulatory bodies (including relevant authorities in the PRC and Hong Kong), which are required for the execution and performance of the Sale and Purchase Agreement or the Completion. The proposed transaction is subject to the filing requirements under the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》and related guidelines issued by the CSRC. The filing with the CSRC will be effected within three business days after Completion.

As of the Latest Practicable Date, none of the above conditions have been satisfied and the Company is not aware of any event that would prevent the satisfaction of any above conditions. As of the Latest Practicable Date, the Company has no intention of waiving any conditions.

If any of the conditions precedent set out above has not been fulfilled (or, if applicable, waived by the Company in writing) on or before the Long Stop Date, the Sale and Purchase Agreement will terminate with immediate effect and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

Completion

Completion will take place on the Completion Date following the satisfaction or waiver (if applicable) of all the foregoing conditions precedent, or such other date as may be agreed upon by the Company and the Vendors. The Completion is expected to take place in the fourth quarter of 2026.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

3. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY DUE TO THE ACQUISITION

The shareholding structure of the Company (i) as of the Latest Practicable Date; and (ii) immediately following Completion (assuming no other Shares will be allotted or issued after the Latest Practicable Date and before Completion) is as follows:

Shareholder	**As of the Latest Practicable Date**		**Immediately upon Completion and allotment and issue of Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
T.C.L. Industries (H.K.)	1,374,938,618	54.54	1,374,938,618	47.68
NXTHome	–	–	110,446,666	3.83
YF Rongye	–	–	104,720,000	3.63
Core Elite	–	–	65,120,000	2.26
Union Vast	–	–	56,543,777	1.96
Reach Glory	–	–	26,033,332	0.90
Other Shareholders	1,145,996,537	45.46	1,145,996,537	39.74
Total	**2,520,935,155**	**100.00**	**2,883,798,930**	**100.00**

Upon Completion, (i) TCL Industries Holdings, through its wholly owned subsidiaries T.C.L. Industries (H.K.) and NXTHome, will hold approximately 51.51% of the enlarged issued Shares, and will continue to be the Controlling Shareholder and there will not be any change of control of the Company; and (ii) based on publicly available information of the Company and to the best of the Directors' knowledge, the Directors believe that the Company will continue to comply with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the Acquisition represents a strategic step in the Company's evolution into a leading global smart home and smart appliances platform. By integrating a profitable and fast-growing air conditioning business, the Company will diversify its earnings base, and strengthen its exposure to attractive long-term industry growth trends, which is in the best interests of the Company and its Shareholders as a whole. The Company considers this acquisition a valuable and timely opportunity given the maturity of the Target Group's "Smart and Green" technology and the Group's current capacity to leverage its global distribution network to scale these assets effectively. The principal reasons for, and the benefits expected to be derived from, the Acquisition are set out in the following:

(i). Focus on the global development of smart home appliances, establish a new landscape of all-category smart home ecosystem and consolidate TCL brand value to secure the Group's long-term global competitive edge

The Target Group is a large comprehensive air conditioning enterprise integrating the research, development, manufacturing and sales of residential air conditioners, commercial air conditioners, portable air conditioners and other related products. Its aggregate sales volume of air conditioning products exceeded 22 million units, ranking top-two position among Chinese brands in terms of export shipment volume in 2025. The Group has seized industry development opportunities by leveraging the dual-drive strategy of "Globalisation" and "Premiumisation", whilst vigorously advancing synergistic development across all categories to build a more competitive product matrix.

While the Group has maintained a world-leading position in the smart display sector, the Acquisition represents a decisive milestone in executing the Company's overarching "all-category smart device layout" corporate strategy, establishing air conditioning as an important pillar of its expanded portfolio. The smart home appliance products currently sold by the Group can be divided into the following two categories: (i) products manufactured by or for the Group, namely TV products and smart home products such as routers, smart door locks and security cameras; and (ii) products sold by the Group as a distributor, namely the all-category marketing products such as air conditioners, refrigerators and washing machines. Among the all-category marketing products sold by the Group, all air conditioner products are manufactured by the Target Group and/or its associate company. Through the Acquisition, the Group is able to deeply integrate the full value chain of the air conditioning business of the Target Group and realise significant synergies with the existing business of the Group, covering global production capacity, supply chain, R&D, sales channel, etc., which represents an upgrade from the current specialized distribution model of air conditioning products and contributes to establishing a new landscape of all-category smart home ecosystem.

Crucially, the Acquisition will unlock significant business scaling around the world and elevate the relationship between the Group and the Target Group from distribution cooperation to full value-chain integration; the Enlarged Group intends to facilitate the seamless replication and leveraging of its deeply entrenched global sales networks, localised operational capabilities, and retail channels spanning over the world to rapidly accelerate the international expansion and global market penetration of the acquired air conditioning assets. This strategic synergy will enhance the TCL brand equity, and reinforce the Group's long-term global competitive edge.

(ii). Tap into broad growth prospects of global HVAC industry and the long-term business growth of the Target Group driven by extreme weather, low carbon, ESG, energy efficiency upgrade and intelligent transformation

The market scale of global HVAC industry was estimated at US$524.9 billion in 2025 and is expected to grow from US$564.8 billion in 2026 to US$1.2 trillion in 2035, at a compound annual growth rate of 8.1%, as it is undergoing a profound transformation driven by multiple structural tailwinds. The acceleration of green and low-carbon transition is reshaping the industry landscape. Against the backdrop of ESG principles becoming an increasing consensus in global capital markets, the HVAC industry, as a sector closely linked to energy conservation, emission reduction and green buildings, possesses inherent sustainable development attributes and long-term investment value.

In particular, the growing frequency and severity of extreme heat events worldwide are creating acute demand catalysts. Recent news of record-breaking heatwaves sweeping Europe – with temperatures exceeding 43°C in some regions, triggering a surge in consumer demand and underscoring a structural shift: as climate change turns temperate zones into high-heat-risk areas, air conditioning products are rapidly evolving from a comfort product into a health-and-safety essential. This climate-driven imperative, combined with similar trends across Europe and other warming regions, reinforces the long-term growth trajectory of the global HVAC market.

Beyond climate-driven demand, significant untapped market potential exists across multiple regions. The penetration rates of air conditioners in emerging markets, including Southeast Asia, Latin America and Africa, remain at relatively low levels, while penetration in lower-tier cities in China also has considerable room for improvement. At the same time, evolving consumer preferences are driving demand upgrades – healthy air management, smart interaction and whole-home smart solutions are gaining increasing attention, and the aging population trend is creating new demand for age-friendly air conditioning products.

Besides, the AI revolution is driving the evolution of smart home ecosystems from "passive intelligence" to "active intelligence" – air conditioning products leverage AI algorithms to sense indoor environments in real time, autonomously adjust operating modes and provide users with personalised healthy air management solutions, representing the frontier of intelligent home appliances. Furthermore, China's substantial installed base of air conditioners is subject to a potential replacement cycle, driving the substitution of aging, high-energy-consuming products with AI-enabled, high-efficiency alternatives, delivering both economic and environmental benefits.

(iii). Strengthen the Group's comprehensive competitiveness by leveraging the well-established operations, global production layout, leading sales scale and advanced patents of the Target Group

The Target Group has developed into a well-established air conditioning enterprise with a solid track record of operational excellence over the past years. It holds a sound market share in the PRC with accolades in its product quality, and has been expanding its overseas footprint. In 2025, the total sales volume of air conditioning products of the Target Group reached over 22 million units. According to ChinaIOL's report, TCL air conditioners ranked fourth globally in terms of sales volume in 2025. Specifically, in the Asia-Pacific region, the Target Group has upgraded sensory marketing centered on "FRESHIN (fresh air technology), VOXIN (smart voice control technology), T-AI (energy-saving technology)". TCL air conditioning products have achieved brand index scores of 95 and 98 in Brazil and Argentina respectively, reflecting steadily improving brand reputation overseas.

In terms of intelligent and green manufacturing, the Target Group has been implementing its smart manufacturing strategy of "Intelligent, Digitalised, and Green" over the past five years, boasting a global footprint of more than 10 production bases, with annual capacity exceeding 38 million units and production efficiency increased by 59%. Focusing on the goal of achieving carbon peaking by 2030 and carbon neutrality by 2050, a green supply chain has been built jointly with suppliers and, through initiatives such as intensive land use, paperless manufacturing processes, and integrated PV-storage applications, the Target Group has developed green smart manufacturing factories to support high-quality development.

In 2025, two of the Target Group's technologies, AI Voice Free-Talk and AI Energy Saving for Multi-split Systems, were certified as "Internationally Leading" in technical appraisals, bringing the cumulative number of such achievements to 11. As of the end of 2025, the Target Group had applied for a total of approximately 6,300 patents, including approximately 1,500 invention patents, and led or participated in the formulation of more than 80 national and industry standards. The R&D team collaborated with top universities such as Huazhong University of Science and Technology and with technology enterprises such as HiSilicon to achieve continuous breakthroughs in various fields including AI Sleep, AI Comfort, and AI Fresh Air. The FreshIN series has won the title of "Fresh Air Leading Brand" for five consecutive years and received multiple honours such as the Red Dot Design Award and the Guangdong Provincial Science and Technology Progress Award, consolidating the brand foundation with solid product strength.

The Directors believe that the Target Group's sophisticated operational capabilities provide high visibility and strong operational continuity. Thus, the Acquisition will enable the Group to further expand its business, enhance its industry influence, and strengthen its brand power, thereby solidifying the Enlarged Group's overall industry standing and strategic resilience across economic cycles.

(iv). Enhance the Group's revenue and profit with stable profitability from the Target Group and consolidate the foundation for stable sustainable Shareholder returns

The air conditioning business has exhibited a relatively strong demand profile, underpinned by steady replacement need, increasing global temperatures, ongoing capacity expansion among large-scale data centers which fuels demand for industrial cooling solutions, policy-driven energy-efficiency upgrades and growing penetration in emerging markets and thus presenting significant growth potential.

As a key player in the air conditioning industry, the Target Group has been profitable for the past few years, evidenced in the "INFORMATION ON THE TARGET GROUP" section of this circular. In 2025, its operating revenue was approximately HK$33.8 billion, increasing by approximately 16% year-on-year and its net profit for the year was more than HK$1.9 billion, increasing by approximately 40% year-on-year.

The Acquisition is expected to be accretive to the Group's revenue scale and profitability level after the Completion. The Enlarged Group is estimated to enhance the resilience of the Group's financial performance and operational stability across economic and industry cycles, thereby supporting more stable and higher Shareholder returns.

(v). Unleash deeper synergy value by upgrading from "distributor cooperation" to "full value chain integration"

The Acquisition is expected to unlock material synergies across the value chain, and the Directors believe that these synergies will result in both revenue uplift and cost savings, progressively expanding the Group's consolidated margins. The Group can integrate the Target Group's business with its existing businesses to establish an all-category smart home ecosystem through the following key dimensions:

- Sales, distribution and after-sales service: The Group possesses an extensive global sales network, well-established distributor relationships, and a globally recognised brand, which is built primarily through its television business. The Target Group's air conditioning products can be more efficiently distributed through these existing channels, especially in overseas markets. All products under the Enlarged Group can fully leverage the global recognition of the TCL brand and marketing resources, presenting a unified brand image to global consumers and enhancing brand premium.

- R&D: The Group and the Target Group share complementary technologies in smart connectivity, AI applications and energy efficiency. Combined R&D efforts will accelerate product innovation, reduce duplicated expenditure and enable the rapid rollout of differentiated, high value-added products. Following the Completion, the Enlarged Group is well positioned to build a unified AI technology platform to replicate AI capabilities across all product categories, such as achieving cross-category interconnectivity by enabling linkage between the television as a central control screen and whole-house temperature control devices. Through the smart ecosystem accessible via TV or mobile phone, a unified AIoT smart ecosystem can be established, facilitating cross-category interconnected product innovation.

- Procurement, supply chain and manufacturing: The Enlarged Group will command greater scale in the procurement of some key components, leading to lower unit costs. Shared logistics and warehousing infrastructure will further enhance efficiency. Manufacturing know-how and production facilities can be rationalised and optimised. Cross deployment of best practices in lean manufacturing and quality management will drive productivity improvements.

(vi). Preserve cash resources for long-term development through the issue of Consideration Shares, demonstrating the Vendors' confidence in the Enlarged Group's prospects

The consideration of the Acquisition will be primarily satisfied by the issue of new Shares to the Vendors, thereby avoiding substantial cash outflow, preserving cash resources for working capital and other growth initiatives and maintaining the Group's balance-sheet strength.

Specifically, to deepen local market penetration and expand business footprint, the Group has shifted its original FOB (free on board) agency distribution model to overseas subsidiary operation, which substantially raises capital requirements. Meanwhile, the Group is rolling out its Globalisation 3.0 strategy, entailing sustained capital expenditure for overseas capacity expansion, channel development and R&D investment.

Faced with multifaceted external headwinds such as exchange rate volatility, tariffs and geopolitical tensions alongside ongoing and planned investments, ample cash flow delivers robust operational resilience and strategic agility. It enables the Group to navigate the increasingly complex global landscape with greater ease while seizing prospective investment opportunities, supporting its core mission of "building a sustainable and connected future with advanced technology".

Besides, under such arrangement, the interests of all parties are closely aligned, ensuring the Target Group will continue to receive ongoing resource support. Furthermore, both the Group and the Vendors may benefit from the long-term growth in valuation and profitability of the Enlarged Group with greater value appreciation potential, demonstrating the Vendors' confidence in the Enlarged Group's prospects and their commitment to shared value creation.

After the integration of Target Group's business, a complete smart home solution for an immersive living space will be built by integrating TV, air conditioner, fresh air system, and other smart home products, covering major scenarios. Empowered by unified decision-making under the Enlarged Group's management, the combined entity achieves superior strategic agility, delivering material competitive advantages particularly for capturing time-sensitive overseas market opportunities. This enables the Enlarged Group to promote its "one-platform, multi-category distribution" business model, driving accelerated expansion of global market share and advancing internationalisation across its full product portfolio, which is in the best interests of the Company and its Shareholders as a whole.

5. INFORMATION ON THE TARGET GROUP

The Target Company is a company with limited liability incorporated in the Cayman Islands. The Target Group is primarily engaged in air conditioning systems business. As of the Latest Practicable Date, the Target Company is owned by NXTHome, YF Rongye, Core Elite, Union Vast and Reach Glory, as to approximately 31.3725%, 28.0000%, 17.4118%, 16.2549% and 6.9608%, respectively. The Target Company indirectly holds the entire equity interest in Guangdong TCL Air Conditioner Holding Co., Ltd.*（廣東TCL空調器控股有限公司）, which holds 51% equity interest in TCL Air Conditioner, whereas the remaining 49% is held by TCL Home Appliances Group Limited* (TCL家電集團有限公司), a limited liability company established in the PRC which in turn is a wholly-owned subsidiary of TCL Industries Holdings.

Based on the information provided by the Vendors, as the Target Company was established by the Vendors and not acquired by the Vendors from a third party, there is no original acquisition cost for the Target Shares. The original acquisition costs of the 51% equity interest in TCL Air Conditioner by the Target Company were approximately RMB1.8 billion.

Pursuant to Rules 14.58(6) and 14.58(7) of the Listing Rules, an extract of the audited consolidated financial information of the Target Group for the two years ended 31 December 2025 and the three months ended 31 March 2026, prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), is summarised below:

	For the year ended 31 December		**For the three months ended 31 March**
	2024	**2025**	**2026**
	(audited)	**(audited)**	**(audited)**
	(HK$ '000)	*(HK$ '000)*	*(HK$ '000)*
Net profit before tax	1,569,876	2,285,445	354,113
Net profit after tax	1,365,408	1,913,781	300,494

	As of 31 December		**As of 31 March**
	2024	**2025**	**2026**
	(audited)	**(audited)**	**(audited)**
	(HK$ '000)	*(HK$ '000)*	*(HK$ '000)*
Net Asset Value	4,287,118	5,185,240	5,602,002

6. INFORMATION ON THE COMPANY AND THE VENDORS

The Company

The Group is principally engaged in display business, innovative business and internet business. The Group actively transforms and innovates under the strategy of "Lead with Brand Value, Deepen Global Operation, Drive with Technology, Thrive on Vitality". Focusing on the mid-to-high-end markets around the world, the Group strives to consolidate the "intelligent IoT ecosystem" strategy with all-category layout and is committed to providing users with an all scenario smart and healthy life while developing into a world-leading smart technology company. For more information on the Group, please visit its official website at http://electronics.tcl.com (the information that appears on this website does not form part of this circular).

Vendors

NXTHome is a limited company incorporated in the British Virgin Islands and indirectly wholly owned by TCL Industries Holdings. The investments of TCL Industries Holdings are principally in the business of development, manufacturing and distribution of audio/video products, electronic products, communication equipment and home appliances, provision of cloud video conferencing services, intelligent manufacturing solutions, waste dismantling and disposal, development and leasing of building and industrial park, supply chain finance, etc. As at the Latest Practicable Date, TCL Industries Holdings, through its wholly owned subsidiary T.C.L. Industries (H.K.), held approximately 54.54% of the issued Shares and is the ultimate controlling shareholder of the Company.

As at the Latest Practicable Date, the shareholding structure of TCL Industries Holdings is as follows:

Shareholders	Approximate Shareholding
Lida Zhihui	32.34%
Xuli Ceyu	24.25%
Xinyin Zhizao (Shenzhen) Investment Partnership (L.P.)* (信銀智造(深圳)投資合夥企業(有限合夥))	11.87%
Huizhou State-Owned Asset Management Co., Ltd.* (惠州市國有資產管理有限公司)	9.30%
Ningbo Heqing Zhenrui Self-Funded Investment Partnership (Limited Partnership)* (寧波合擎臻鋭自有資金投資合夥企業(有限合夥))	9.30%

Shareholders	Approximate Shareholding
Yunnan International Trust Co., Ltd (on behalf of its No.158 Single Fund Trust of Yunsheng)*(雲南國際信託有限公司(代雲南信託-雲昇158號單一資金信託))	6.65%
SPDB Wealth Management Co., Ltd (on behalf of its No.2429 Qiming Series Wealth Management Products)*(浦銀理財有限責任公司(代浦銀理財啟銘系列理財產品2429期))	2.65%
SPDB Wealth Management Co., Ltd (on behalf of its No. 1 Yizhen Series Value Selection (Puying Zhizao) Wealth Management Products) *(浦銀理財有限責任公司(代浦銀理財益臻系列價值甄選(浦贏智造)1號理財產品))	1.83%
SPDB Wealth Management Co., Ltd (on behalf of its No.2433 Qiming Series Wealth Management Products) *(浦銀理財有限責任公司(代浦銀理財啟銘系列理財產品2433期))	0.26%
Shenzhen Qifu Guolong Small and Medium Micro-Enterprise Equity Investment Fund Partnership (L.P.)*(深圳市啟賦國隆中小微企業股權投資基金合夥企業(有限合夥))	1.55%
Total *(Note)*	**100.00%**

Note: The figures shown in the above table were subject to rounding adjustment, accordingly the total figure may not be an arithmetic aggregation of the figures preceding it.

Lida Zhihui is the sole shareholder of Reach Glory. For details, please refer to the paragraph below about the beneficial owner(s) of Reach Glory.

Xuli Ceyu is the sole shareholder of Union Vast. For details, please refer to the paragraph below about the beneficial owner(s) of Union Vast.

Xinyin Zhizao (Shenzhen) Investment Partnership (L.P.)*(信銀智造(深圳)投資合夥企業(有限合夥))(“**Xinyin Zhizao**”) is a limited partnership established in the PRC, whose general partner is Xinyin (Shenzhen) Equity Investment Fund Management Co. Ltd.*(信銀(深圳)股權投資基金管理有限公司), which is a wholly owned subsidiary of CNCB (Hong Kong) Investment Co., Ltd.(信銀(香港)投資有限公司). CNCB (Hong Kong) Investment Co., Ltd.(信銀(香港)投資有限公司) is a wholly owned subsidiary of China CITIC Bank Corporation Limited(中信銀行股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601998) and on the Stock Exchange (stock code:

00998). To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Xinyin Zhizao, its general partner and limited partner is an Independent Third Party.

To the best knowledge, information and belief of the Directors, save for Lida Zhihui, which is controlled by Mr. LI Dongsheng, none of the ultimate beneficial owners of TCL Industries Holdings directly or indirectly owns 30% or more equity interest in TCL Industries Holdings.

YF Rongye is a limited company incorporated in the British Virgin Islands and is wholly owned by Guangzhou Yuanfeng Rongye Enterprise Management Partnership (Limited Partnership)*(廣州源峰鎔曄企業管理合夥企業(有限合夥)). The general partner of Guangzhou Yuanfeng Rongye Enterprise Management Partnership (Limited Partnership)* (廣州源峰鎔曄企業管理合夥企業(有限合夥)) is Xiamen Yuanfeng Investment Co., Ltd.* (廈門源峰投資有限公司), which is directly or indirectly wholly owned by Beijing Panmao Investment Management Co., Ltd.*(北京磐茂投資管理有限公司). Each of Mr. NIE Lei and Mr. TIAN Yu holds 35% of the equity interest in Beijing Panmao Investment Management Co., Ltd.*(北京磐茂投資管理有限公司). To the best knowledge of the Company, none of the limited partners of Guangzhou Yuanfeng Rongye Enterprise Management Partnership (Limited Partnership)*(廣州源峰鎔曄企業管理合夥企業(有限合夥)) holds 30% or more of its equity interest. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of YF Rongye and its ultimate beneficial owner(s) is an Independent Third Party.

Core Elite is a limited company incorporated in the British Virgin Islands and wholly owned by Ningbo Yunjing, serving as the employee stock holding platform of the Target Group. No less than 100 employees of Target Group hold direct or indirect interests as limited partners of such platform. The general partner of Ningbo Yunjing is Ms. LU Shuhong (who is not a connected person of the Company) and none of the limited partners holds 30% or more of the economic interest therein. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Core Elite and its ultimate beneficial owner(s) is an Independent Third Party.

Union Vast is a limited company incorporated in the British Virgin Islands and wholly owned by Xuli Ceyu. Xuli Ceyu, a limited liability company, is held as to 99.9988% by a limited partnership as an employee shareholding platform of TCL Industries Holdings. No less than 100 employees of TCL Industries Holdings hold direct or indirect interests as limited partners of such platform. The general partner of the limited partnership is Hengshi Minghui (Ningbo) Enterprise Management Co., Ltd. *(恒時明輝(寧波)企業管理有限公司) and Mr. FU Chaohui (who is not a connected person of the Company) acts as the legal representative of such general partner. None of the limited partners owns 30% or more of the economic interests therein. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Xuli Ceyu and its ultimate beneficial owner(s) is an Independent Third Party.

Reach Glory is a limited company incorporated in the British Virgin Islands and wholly owned by Lida Zhihui. Mr. LI Dongsheng (who is not a connected person of the Company) (i) holds more than 50% of the economic interest in Lida Zhihui as a limited partner; and (ii) holds more than 50% of the equity interest in the general partner of Lida Zhihui. Save for Mr. LI Dongsheng, no other limited partner holds 30% or more of the economic interest in Lida Zhihui.

7. FINANCIAL EFFECTS OF THE ACQUISITION

Immediately upon Completion, the Target Company will become a wholly owned subsidiary of the Company, and the financial results of the Target Group will be fully consolidated into the consolidated financial statements of the Group. The unaudited pro forma financial information of the Group upon Completion has been prepared to illustrate the effect of the acquisition of the entire issued share capital of the Target Group, as if the Acquisition had taken place on 31 December 2025, is set out in Appendix IV to this circular.

Earning

According to the Company's annual report for the year ended 31 December 2025, the Group recorded a net profit of approximately HK$2,526.98 million for the year ended 31 December 2025. Assuming the Acquisition had been completed on 1 January 2025, the net profit of the Enlarged Group for the year ended 31 December 2025 would have increased to approximately HK$4,274 million.

The calculation of the net profit of the Enlarged Group is as below:

	For the year ended 31 December 2025 *HK$' billion*
Net profit of the Group (A)	2.53
Net profit of the Target Group (B)	1.91
Unrealised profits from intercompany transactions (C)	0.05
Incremental depreciation and amortisation arising from fair value adjustments on identifiable assets of the Target Group (D)	0.12
Net profit of the Enlarged Group (E=A+B-C-D)	**4.27**

Assets and Liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, assuming the Acquisition was completed on 31 December 2025, the consolidated assets of the Enlarged Group as at 31 December 2025 would have increased from approximately HK$91,734.0 million to approximately HK$121,853.6 million, whereas the consolidated total liabilities of the Enlarged Group as at 31 December 2025 would have increased from approximately HK$71,839.2 million to approximately HK$92,679.7 million. The consolidated equity of the Enlarged Group as at 31 December 2025 would have increased from approximately HK$19,894.8 million to approximately HK$29,173.9 million.

8. CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE SUPPLY FRAMEWORK AGREEMENT

The Group has been purchasing TCL Air Conditioner Products from TCL Air Conditioner Group (being subsidiaries of TCL Industries Holdings Group prior to the Completion), which constitutes continuing connected transactions of the Group, and as at the Latest Practicable Date, is governed by the Master Sale and Purchase (2025-2027) CCT Agreement.

Immediately upon the Completion, the Target Company and its subsidiaries including TCL Air Conditioner will become subsidiaries of the Company. Any of the aforesaid transactions between the Group and TCL Air Conditioner Group will become intra-group transactions and no longer be governed by the Master Sale and Purchase (2025-2027) CCT Agreement. However, TCL Air Conditioner will upon the Completion remain to be indirectly held as to 49% by TCL Industries Holdings (the indirect Controlling Shareholder of the Company), and hence immediately upon the Completion, TCL Air Conditioner will be a connected subsidiary of the Company and any transactions between the Group (which does not include TCL Air Conditioner Group for this purpose) on the one part and TCL Air Conditioner Group on the other part will constitute continuing connected transactions of the Company following the Completion. On the other hand, the Target Group has been selling and purchasing goods to and from TCL Industries Holdings Group. Following the Completion, any sale or purchase by the Enlarged Group (including the Target Group which in turn includes TCL Air Conditioner Group) on the one part to and from TCL Industries Holdings Group on the other part will continue to be governed by and conducted under the Master Sale and Purchase (2025-2027) CCT Agreement.

As disclosed in the announcement of the Company dated 15 July 2026, the Company has on 15 July 2026 (after trading hours) entered into (among others) the Supply Framework Agreement with TCL Air Conditioner to govern the sale of TCL Air Conditioner Products by members of TCL Air Conditioner Group on the one hand to members of the Group (which does not include TCL Air Conditioner Group for this purpose) on the other hand following the Completion.

Principal terms of the Supply Framework Agreement

The material terms of the Supply Framework Agreement are summarised below:

Date:	15 July 2026 (after trading hours)
Parties:	(i) The Company (for itself and on behalf of the Group); and (ii) TCL Air Conditioner (for itself and on behalf of TCL Air Conditioner Group).
Duration:	From the day both conditions precedent below are satisfied to 31 December 2027 (both days inclusive).
Condition precedent:	The Supply Framework Agreement is conditional on and subject to (i) the compliance by the Company with relevant Listing Rules requirements in respect of the Supply Framework Agreement, including but not limited to obtaining Shareholders' approval at the EGM; and (ii) the Completion.
Major terms:	**Purchase of TCL Air Conditioner Products** Each member of the Group may, at its absolute discretion, request to purchase its required TCL Air Conditioner Products from members of TCL Air Conditioner Group. Upon receiving purchase request from members of the Group, TCL Air Conditioner may, at its absolute discretion, procure the relevant member of TCL Air Conditioner Group to sell to the relevant member of the Group the required TCL Air Conditioner Products. **General terms** The terms and conditions (including price and payment terms) of any sale and purchase conducted pursuant to the Supply Framework Agreement shall be agreed between relevant member(s) of the Group and relevant member(s) of TCL Air Conditioner Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Supply Framework Agreement save and except for the clauses regarding applicable law and dispute resolution.

Subject to mutual agreement, the relevant member of the Group has the right to sell, resell or otherwise distribute TCL Air Conditioner Products which it has acquired from the relevant member of TCL Air Conditioner Group to any person at such price as such member of the Group may in its absolute discretion determine.

Pricing policy and basis of price determination:	The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of TCL Air Conditioner Group to the relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each individual agreement shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors including the fair market price ranges and pricing terms of products of identical, or (if that is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

General Information on TCL Air Conditioner

As of the Latest Practicable Date, TCL Air Conditioner is a limited liability company established in the PRC, and 51% of its equity interest is indirectly and beneficially held by the Target Company whereas the remaining 49% is held by TCL Home Appliances Group Limited*（TCL家電集團有限公司）, a limited liability company established in the PRC which in turn is a wholly-owned subsidiary of TCL Industries Holdings. TCL Air Conditioner Group is principally engaged in the manufacturing and sale of HVAC including residential and commercial air conditioning systems and thermal management.

Internal Control Procedures and Pricing Policies

In order to safeguard the interests of the Company and the Shareholders, and to ensure that the Supply Framework Agreement is and the transactions contemplated thereunder will be conducted on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, in addition to those disclosed above, the Company has also adopted the following internal control procedures and pricing policies:

(i). The Group will periodically collect market information from connected persons and Independent Third Parties and enter such information into its internal database. Before each continuing connected transaction is to be carried out, the Group will compare the terms offered by the relevant connected person with the market data in its internal database to ensure the overall terms offered by such connected person are on normal commercial terms and no less favourable to the Group than those offered by Independent Third Parties.

(ii). The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the aggregate transaction amounts which will be submitted to the finance director of the Group for review.

(iii). Before conducting any transactions with connected persons, the finance department would confirm the utilisation status of the annual caps to ensure that the Group still has sufficient room under the annual caps for carrying out the relevant continuing connected transactions. The finance department would on a monthly basis review the continuing connected transactions carried out during the period under review. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, the Company would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules, including but not limited to revising the relevant annual caps before entering into the proposed transactions.

(iv). Every time before conducting any continuing connected transactions, the relevant department of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the internal control unit and legal department of the Group for review and approval. The transactions could only be carried out after the internal control unit and the legal department have separately given their approval therefor.

Historical Figures and Proposed Annual Caps

The following table sets out the respective historical figures of the purchase of TCL Air Conditioner Products for the two years ended 31 December 2024 and 31 December 2025 and the five months ended 31 May 2026, and the respective proposed annual caps for the three months ending 31 December 2026 and the year ending 31 December 2027:

Continuing Connected Transactions	**For the year ended 31 Dec 2024**	**For the year ended 31 Dec 2025**	**For the five months ended 31 May 2026**	**For the three months ending 31 Dec 2026**	**For the year ending 31 Dec 2027**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Purchase of TCL Air Conditioner Products					
– Historical transaction amounts *(note)*	8,199,287	7,499,452	4,172,149	–	–
– Proposed annual cap				3,000,000	18,000,000

Note:

Prior to the Completion, as each member of TCL Air Conditioner Group is an associate of TCL Industries Holdings and hence within the definition of TCL Industries Holdings Group under the Master Sale and Purchase (2022-2024) CCT Agreement and the Master Sale and Purchase (2025-2027) CCT Agreement, any sale of TCL Air Conditioner Products by TCL Air Conditioner Group to the Group is covered under the relevant annual caps for the Master Sale and Purchase (2022-2024) CCT Agreement and the Master Sale and Purchase (2025-2027) CCT Agreement.

As stated in the paragraph headed "Completion" under the section "2. THE SALE AND PURCHASE AGREEMENT" above, the Completion is expected to take place in the fourth quarter of 2026. In order to allow the sale of TCL Air Conditioner Products by TCL Air Conditioner Group to the Group in the event that the Completion occurs in the beginning of the fourth quarter of 2026, the proposed annual caps are set to cover the three-month period ending 31 December 2026.

Basis for Determination of the Proposed Annual Caps

The proposed annual caps for the transactions under the Supply Framework Agreement are determined by reference to, among other things, the following factors:

(i) The historical transaction amount for the purchase of TCL Air Conditioner Products: Although the historical transaction amount for the year of 2025 recorded a slight year-on-year decline due to the phase-out of government subsidy programmes in China, the historical transaction amount for the five months ended 31 May 2026, when annualised, suggests that the full-year transaction amount for 2026 is estimated to reach approximately HK$10.0 billion, representing a year-on-year increase of approximately 34% over the 2025 full-year figure. Looking ahead, the Group expects the transaction value to maintain a robust growth trajectory in 2027;

(ii) Global climate warming accelerates air conditioning demand growth: The increasing frequency of extreme heat events is driving air conditioners to transition from a "comfort product" to a "health and safety necessity". The scale of global HVAC industry was estimated at US$524.9 billion in 2025 and the market scale is expected to grow from approximately US$564.8 billion in 2026 to approximately US$1.2 trillion in 2035, at a compound annual growth rate of approximately 8.1%. Against this backdrop, the transaction volume between the Group and TCL Air Conditioner Group has a solid foundation for sustained growth;

(iii) All-category synergies and new business expansion unlock incremental volumes: After the Completion, TCL Air Conditioner Products can be fully distributed through these existing channels, especially in overseas markets. In addition, TCL Air Conditioner Group plans to further expand business, including heat pump systems, commercial air conditioning systems, with related incremental transactions contributing meaningfully to the overall cap increase;

(iv) Mid-to-high-end positioning coupled with product mix upgrades: The Target Group focuses on mid-to-high-end products featuring high energy efficiency and smart functionalities. Industry data indicates that growing consumer demand for upgraded features such as inverter technology, smart connectivity, and healthy air management is driving the product mix toward higher value-added segments;

(v) Rising raw material costs push up product value: TCL Air Conditioner Products costs are heavily influenced by raw material prices, with copper accounting for approximately 20%-30% of material costs and serving as a key cost driver. Constrained by global copper supply shortages and driven by emerging industries such as new energy and AI, spot copper prices rose 34.3% throughout 2025 and further broke through the RMB100,000/tonne mark in early 2026. The surge in copper prices, alongside increases in other raw materials such as aluminium and steel, has already prompted major air conditioner brands to raise product prices by 3%-10%, resulting in higher transaction values for the same volume of sales; and

(vi) The estimated fluctuation in exchange rate between RMB and HK$ during the term of the Supply Framework Agreement: A buffer of 10% for exchange rate fluctuation is applied in determining the proposed annual caps, which is projected with reference to the exchange rates between RMB and HK$ during the period from 1 January 2025 to 31 May 2026, during which the highest and lowest exchange rate recorded was 1.15 and 1.08 respectively, representing a difference of approximately 7%, and the PRC's economy is projected to grow by 4.4% in 2026 and 4.0% in 2027 according to the International Monetary Fund.

Reasons for and Benefits of the Continuing Connected Transactions under the Supply Framework Agreement

The Directors (other than the independent non-executive Directors whose view will be set out in the Letter from the Independent Board Committee) consider that the terms of the Supply Framework Agreement and the transactions thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and it is in the interests of the Company and the Shareholders as a whole to enter the aforesaid continuing connected transactions for the following reasons:

The Group has been actively advancing its all-category smart device layout, where air conditioning products play an indispensable part. Under the all-category marketing segment, the Group has seen growth from selling TCL Air Conditioner Products during the past few years across the world, contributing to increased revenue and profitability of the Group. After the Completion, the Group will continue to carry out the abovementioned business to achieve quality growth in global business and continuously strengthened overall profitability.

TCL Air Conditioner Products possess strong innovative, energy-efficient and AI-empowered features, catering to customers' needs and receiving worldwide recognition. In 2025, TCL Air Conditioner Products adhered to the core value of "Smart Health", defined the next generation of air conditioners with AI technology, and launched various flagship products including the AI Sleep Series and AI Comfort Series under the TCL FreshIN AI Health concept, which were well received by consumers. During last year, the full range of air conditioning products was showcased at global HVAC industry events including the MCE Exhibition in Milan, the Interclima Exhibition in France and the IFA Exhibition in Germany, with TCL FreshIN 3.0 Air Conditioner winning the "AI Energy-Saving Technology Gold Award" at IFA. In view of the robust product competitiveness of TCL Air Conditioner Products, the continuation of the aforesaid continuing connected transactions will enable the Group to optimise the product mix, and provide new momentum for the Group's long-term steady growth in revenue and profit.

Currently such transactions, being transactions between the Group on the one part and TCL Air Conditioner Group (associates of TCL Industries Holdings) on the other part are carried out under and governed by the Master Sale and Purchase (2025-2027) CCT Agreement.

Although TCL Air Conditioner Group will become part of the Enlarged Group following the Completion, any intra-group transactions between TCL Air Conditioner Group on the one part and the remainder of the Enlarged Group on the other part will remain connected transactions of the Group, given that TCL Industries Holdings remains to hold 49% equity interest in TCL Air Conditioner upon the Completion.

However, as the definition of TCL Industries Holdings Group under the Master Sale and Purchase (2025-2027) CCT Agreement has excluded members of the Group, following the Completion, the Master Sale and Purchase (2025-2027) CCT Agreement will no longer govern the transactions between the Group on the one part and TCL Air Conditioner Group (by that time being subsidiaries of the Group) on the other part. The Supply Framework Agreement therefore enables the Group to continue its purchase of TCL Air Conditioner Products from TCL Air Conditioner Group and thereby to fully give effect to the synergies expected to be brought by the Acquisition.

9. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, 1,374,938,618 Shares, representing approximately 54.54% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Industries Holdings. Accordingly, T.C.L. Industries (H.K.) is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Industries Holdings is the holding company of T.C.L. Industries (H.K.), it is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules.

As of the Latest Practicable Date, NXTHome is a British Virgin Islands company indirectly wholly owned by TCL Industries Holdings, which is a connected person of the Company. Therefore, NXTHome is an associate of TCL Industries Holdings and a connected person of the Company. Accordingly, the Acquisition under the Sale and Purchase Agreement (including the issue of the Consideration Shares) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5%, the Acquisition is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Following the Completion, TCL Air Conditioner will be indirectly held as to 51% by the Company and 49% by TCL Industries Holdings, and as TCL Industries Holdings (being a connected person of the Company at the issuer level) remains entitled to exercise or control the exercise of 10% or more of the voting power at TCL Air Conditioner's general meeting (which excludes any indirect interest in TCL Air Conditioner held by TCL Industries Holdings through the Company) following the Completion, TCL Air Conditioner will be a connected subsidiary of the Company and the transactions contemplated under the Supply Framework Agreement will therefore constitute continuing connected transactions of the Company upon the Completion.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the purchase of TCL Air Conditioner Products under the Supply Framework Agreement exceed 5%, the relevant continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISERS

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products, after taking into account the respective advice of the Independent Financial Adviser for the Acquisition and the Independent Financial Adviser for the CCT, respectively.

Somerley Capital Limited has been appointed as the Independent Financial Adviser for the Acquisition to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Pelican Financial Limited has been appointed as the Independent Financial Adviser for the CCT to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products.

11. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is disseminated together with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://electronics.tcl.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or any adjourned or postponed meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned or postponed meeting should you so wish.

In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Sale and Purchase Agreement and the Supply Framework Agreement and its associate(s) must abstain from voting on the relevant resolution(s) at the EGM. Accordingly, TCL Industries Holdings and its associates will abstain from voting on the respective resolutions in respect of the Sale and Purchase Agreement and the Supply Framework Agreement to be put forward at the EGM.

As at the Latest Practicable Date, T.C.L. Industries (H.K.), a wholly owned subsidiary of TCL Industries Holdings, held 1,374,938,618 Shares, representing 54.54% of the issued share capital of the Company, shall abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder as well as the resolution approving the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products at the EGM. Save as aforementioned, to the best knowledge, information and belief of the Company having made all reasonable enquiries, no other Shareholder has any material interest in the transactions contemplated under the Sale and Purchase Agreement or the Supply Framework Agreement and would be required to abstain from voting at the EGM.

Ms. DU Juan is also a director and the chief executive officer of TCL Industries Holdings and Mr. ZHANG Shaoyong is also a director and senior vice president of TCL Industries Holdings and Ms. DU Juan holds positions as directors or senior management in certain subsidiaries and/or associates of TCL Industries Holdings. Further, (i) Mr. PENG Pan is also the chief financial officer of TCL Industries Holdings, (ii) Mr. SUN Li is also the chief technology officer of TCL Industries Holdings, and (iii) each of Mr. PENG Pan and Mr. SUN Li also holds positions as directors or senior management in certain subsidiaries and/or associates of TCL Industries Holdings.

Notwithstanding the respective interest and/or roles of the Directors in TCL Industries Holdings Group, as their respective direct or indirect interests in TCL Industries Holdings Group are insignificant and that none of the associates of TCL Industries Holdings are associates of any of the Directors, none of them is considered as having a material interest in the Sale and Purchase Agreement and the Supply Framework Agreement and the respective transactions contemplated thereunder. Nevertheless, for good corporate governance, Ms. DU Juan and Mr. ZHANG Shaoyong have abstained from voting on the Board resolutions for considering and approving the Sale and Purchase Agreement and the Supply Framework Agreement and the transactions contemplated thereunder. Save for abovementioned, all other Directors are entitled to vote on the Board resolutions for considering and approving the Sale and Purchase Agreement and the Supply Framework Agreement and the respective transactions contemplated thereunder pursuant to the Articles.

The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM will be on 5 October 2026, Monday. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 5 October 2026, Monday.

Pursuant to Rule 13.39(4) of the Listing Rules and article 80 of the Articles, any vote of Shareholders at a general meeting must be taken by poll, except where the chairperson of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions set out in the notice of the EGM will be taken by way of poll. The Company will announce the results of the poll after the EGM in the manner prescribed in Rule 13.39(5) of the Listing Rules.

12. RECOMMENDATIONS

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement, including the Specific Mandate, the Supply Framework Agreement and the respective transactions thereunder on pages 46 to 47 of this circular; (ii) the letter of advice from the Independent Financial Adviser for the Acquisition to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions thereunder, including the grant of the Specific Mandate, on pages 48 to 97 of this circular; and (iii) the letter of advice from the Independent Financial Adviser for the CCT to the Independent Board Committee and the Independent Shareholders in relation to the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products on pages 98 to 119 of this circular.

The Board considers that the terms and conditions of the Sale and Purchase Agreement, including the Specific Mandate, the Supply Framework Agreement (including the proposed annual caps for the CCT) and the respective transactions thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, the Supply Framework Agreement and the respective transactions thereunder.

13. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully,
On behalf of the Board
TCL Electronics Holdings Limited
DU Juan
Chairperson

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

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

24 August 2026

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY WITH TCL AIR CONDITIONER BUSINESS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) CONTINUING CONNECTED TRANSACTIONS FOLLOWING COMPLETION

We have been appointed to form Independent Board Committee to consider and advise you on (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, and (ii) the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products, details of which are set out in the circular issued by the Company to the Shareholders dated 24 August 2026 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board, the letter of advice from the Independent Financial Adviser for the Acquisition and the letter of advice from the Independent Financial Adviser for the CCT set out on pages 9 to 45, pages 48 to 97 and pages 98 to 119 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Sale and Purchase Agreement, and the principal factors and reasons considered by the Independent Financial Adviser for the Acquisition, we concur with the view of the Independent Financial Adviser for the Acquisition and consider that although the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Company, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, are fair and reasonable and has been entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Having taken into account the terms of the Supply Framework Agreement, and the principal factors and reasons considered by the Independent Financial Adviser for the CCT, we concur with the view of the Independent Financial Adviser for the CCT and consider that, the Supply Framework Agreement and the transactions contemplated thereunder, including the proposed annual caps of the purchase of TCL Air Conditioner Products, are fair and reasonable and on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend you to vote in favour of all the resolutions to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

TCL Electronics Holdings Limited

Professor WANG Yijiang	**Mr. LAU Siu Ki**	**Mr. HUI Chi Kin Max**
Independent Non-Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*

The following is the letter of advice from the Independent Financial Adviser for the Acquisition, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor, China Building
29 Queen's Road Central
Hong Kong

24 August 2026

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY WITH TCL AIR CONDITIONER BUSINESS INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser for the Acquisition to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition pursuant to the Sale and Purchase Agreement. Details of the Acquisition are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 24 August 2026 (the "**Circular**"), of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 15 July 2026 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors agreed to sell and the Company agreed to purchase the Target Shares for a total Consideration of HK$5,610 million, which shall be satisfied by a combination of cash and Consideration Shares.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. As of the Latest Practicable Date, NXTHome (one of the Vendors) was indirectly wholly owned by TCL Industries Holdings, which is the Controlling Shareholder and connected person of the Company. NXTHome is an associate of TCL Industries Holdings and therefore a connected person of the Company. Therefore, the Acquisition under the Sale and Purchase Agreement (including the issue of the Consideration Shares) also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Professor WANG Yijiang, Mr. LAU Siu Ki and Mr. HUI Chi Kin Max, has been established to consider whether (a) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (b) the Sale and Purchase Agreement was entered into in the ordinary and usual course of business of the Group; and (c) the Acquisition is in the interests of the Company and the Shareholders as a whole, and to make recommendation to the Independent Shareholders on how to vote at the EGM. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard (the "**Engagement**").

During the past two years immediately preceding the Latest Practicable Date, there have been no other engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited; and (b) the Group and the Vendors that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser for the Acquisition to the Independent Board Committee and the Independent Shareholders in respect of the Engagement. During the past two years preceding the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with the Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Vendors and the Target Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

(i) Business

The Group currently organises its core operations into six reportable business segments. The Group's core business is the manufacture and sale of televisions ("**TV(s)**"), which is split between the international market and the PRC market. Beyond the TV segment, the Group also operates its photovoltaic business segment, which sells photovoltaic power generation equipment and systems, provides construction, operation and maintenance services and operates other new energy technology businesses. The all-category marketing segment handles the distribution of TCL-branded air conditioners, refrigerators, washing machines and other household appliances. Additionally, the Group also includes a smart mobile, connective devices and services segment dedicated to manufacturing and selling of mobile phones, smart connective products and smart mobile display and service, and also a segment dedicated to smart commercial displays, smart homes and other business segments. Finally, the Group operates an internet business segment that covers membership cards, video-on-demand, advertising, vertical applications and other new businesses.

The smart home appliances products currently sold by the Group can be divided into the following two categories: (i) products manufactured by or for the Group, namely TV products and smart home products such as routers, smart door locks and security cameras; and (ii) products sold by the Group as a distributor, namely the all-category marketing products such as air conditioners, refrigerators and washing machines.

(ii) Financial information

(A) Financial performance

The following table sets out a summary of the consolidated statements of profit or loss of the Group for the two years ended 31 December 2024 and 2025, and for the three months ended 31 March 2025 and 2026, as extracted and summarised from the 2025 annual report and 2026 first quarterly results announcement of the Company:

	For the three months ended 31 March		**For the year ended 31 December**	
	2026	**2025**	**2025**	**2024**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Revenue	29,225	25,351	114,583	99,322
Gross profit	4,719	3,699	17,900	15,554
Profit after tax	392	117	2,527	1,849
Profit attributable to owners of the parent	359	161	2,495	1,759

(a) Revenue

The following table shows the Group's revenue by business segment for the two years ended 31 December 2024 and 2025, and for the three months ended 31 March 2025 and 2026, as extracted from the 2025 annual report and 2026 first quarterly results announcement of the Company:

	For the three months ended 31 March		**For the year ended 31 December**	
	2026	**2025**	**2025**	**2024**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Display Business	19,523	16,402	75,797	69,440
Large-Sized Display	16,715	14,264	64,708	60,108
– International Market	*12,108*	*9,831*	*47,504*	*41,062*
– The PRC Market	*4,607*	*4,433*	*17,204*	*19,046*
Small-and-Medium-Sized Display	2,529	2,002	9,968	8,459
Smart Commercial Display	279	136	1,121	873
Innovative Business	8,956	8,282	35,628	27,009
Photovoltaic Business	4,809	4,266	21,063	12,874
All-Category Marketing	3,653	3,603	12,645	12,446
Smart Connection and Smart Home	494	413	1,920	1,689
Internet Business	740	654	3,109	2,627
Others	6	13	49	246
Total	**29,225**	**25,351**	**114,583**	**99,322**

The Group's total revenue increased by approximately 15.4% year-on-year to approximately HK$114.6 billion in 2025. The increase was mainly contributed by increase in revenue from the display business and photovoltaic business.

The display business remains the core business of the Group, accounting for approximately 66.2% of the total revenue of the Group and generating revenue of approximately HK$75.8 billion in 2025, representing an increase of approximately 9.2% year-on-year. Within this segment, large-sized displays continued to be the primary driver, accounting for approximately HK$64.7 billion or 56.5% of total revenue in 2025, while small-and-medium-sized displays and smart commercial displays maintained relatively stable proportions at around 8.7% and 1.0%, respectively.

In 2025, global TV market share of the Group by shipment and sales revenue increased to 14.7% and 13.1%, ranking among the top two and top three in the global market, respectively. In particular, mid-to-high-end and large-screen products delivered outstanding performance, with global shipments of TCL Mini LED TVs doubling year-on-year and market share maintaining the number one position globally, contributing to a 7.7% year-on-year increase in revenue from the large-sized display business to approximately HK$64.7 billion.

In 2025, the photovoltaic business emerged as one of the key growth engines for the Group, with its revenue increasing by approximately 63.6% year-on-year to approximately HK$21.1 billion, accounting for approximately 18.4% of the total revenue of the Group. During 2025, the newly installed capacity of domestic residential distributed photovoltaics reached new highs, market share significantly increased and operational efficiency and competitive advantages further consolidated.

Under the all-category marketing business, the Group has distributed the TCL-branded smart products globally, including air conditioners, refrigerators and washing machines. The abovementioned TCL-branded smart products are manufactured by the subsidiaries and associates of TCL Industries Holdings. Sourcing such products from the subsidiaries and associates of TCL Industries Holdings pursuant to the Master Sale and Purchase (2025-2027) CCT Agreement constitute continuing connected transactions of the Company, which has been duly approved by its independent shareholders on 28 November 2024 pursuant to the Listing Rules. This segment accounted for approximately 11.0% of total revenue in 2025, making it the third-largest business segment across the entire Group. In 2025, this segment generated approximately HK$12.6 billion in revenue, representing a steady year-over-year growth of approximately 1.6% from the HK$12.4 billion recorded in 2024.

For the first quarter of 2026, the Group recorded total revenue of approximately HK$29.2 billion, representing a year-on-year increase of approximately 15.3% compared with the corresponding period in 2025. The Group's display business revenue increased by approximately 19.0% year-on-year to approximately HK$19.5 billion, with large-sized display business revenue increased by approximately 17.2% year-on-year to approximately HK$16.7 billion, benefitting from the continued increase in the proportion of mid-to-high-end and large-screen TVs. The photovoltaic business maintained a steady growth momentum during the first quarter of 2026 with revenue increasing by approximately 12.7% year-on-year to approximately HK$4.8 billion. Revenue from the all-category marketing business remained stable at approximately HK$3.7 billion for the period.

(b) Gross profit and profit after tax

The following table shows the Group's gross profit and profit after tax for the two years ended 31 December 2024 and 2025, and for the three months ended 31 March 2025 and 2026, as extracted from the 2025 annual report and 2026 first quarterly results announcement of the Company:

	For the three months ended 31 March		**For the year ended 31 December**	
	2026	**2025**	**2025**	**2024**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Gross profit	4,719	3,699	17,900	15,554
Gross profit margin	16.1%	14.6%	15.6%	15.7%
Profit after tax	392	117	2,527	1,849
Profit attributable to owners of the parent	359	161	2,495	1,759

The Group's overall gross profit increased by approximately 15.1% year-on-year to approximately HK$17.9 billion in 2025. The year-on-year growth in gross profit was primarily driven by the Group's commitment to advancing its mid-to-high-end business strategy, improvements in TV product mix, and growth in photovoltaic business scale coupled with effective cost control measures. The gross profit margin for 2025 was 15.6%, representing a slight decrease of 0.1 percentage points year-on-year, primarily due to the increased revenue contribution from the innovative business, which has a relatively lower gross profit margin, whilst the product mix of the large-sized display business continued to be optimised with an increased sales proportion of mid-to-high-end products, and the revenue expansion of the internet business with a relatively higher gross profit margin, resulting in a combined effect. Profit after tax for 2025 increased by approximately 36.7% year-on-year to approximately HK$2.5 billion.

For the first quarter of 2026, benefitting from the continuous improvement in its TV's product mix and the accelerated scale expansion of the high-margin overseas internet business, the Group's gross profit increased by approximately 27.6% year-on-year to approximately HK$4.7 billion, with gross profit margin improving by around 1.5 percentage points year-on-year to approximately 16.1%. In the first quarter of 2026, the Group's profit after tax increased by approximately 236.0% year-on-year to approximately HK$392 million.

(B) Financial position

The following table sets out a summary of the consolidated statements of financial position of the Group as at 31 December 2024 and 2025, as extracted and summarised from the 2025 annual report of the Company:

	As at 31 December	
	2025	**2024**
	(audited)	*(audited)*
	HK$' million	*HK$' million*
ASSETS	**91,734**	**76,367**
Trade receivables	23,958	22,333
Inventories	23,088	15,289
Cash and cash equivalents	13,522	8,772
Prepayments, other receivables and other assets	10,491	9,451
LIABILITIES	**71,839**	**58,691**
Trade payables	32,467	26,646
Other payables and accruals	17,001	18,521
Bills payable	12,449	5,839
Interest-bearing bank and other borrowings	6,074	4,610
NET ASSETS	**19,895**	**17,676**
Net assets attributable to owners of the parent	19,198	17,204

The Group had total assets of approximately HK$91.7 billion as at 31 December 2025, in which (a) approximately 26.1% or HK$24.0 billion was trade receivables; (b) approximately 25.2% or HK$23.1 billion was inventories; (c) approximately 14.7% or HK$13.5 billion was cash and cash equivalents; and (d) approximately 11.4% or HK$10.5 billion was prepayments, other receivables and other assets.

Total liabilities of the Group amounted to approximately HK$71.8 billion as at 31 December 2025, in which (a) approximately 45.2% or HK$32.5 billion was trade payables; (b) approximately 23.7% or HK$17.0 billion was other payables and accruals; (c) approximately 17.3% or HK$12.4 billion was bills payable; and (d) approximately 8.5% or HK$6.1 billion was interest-bearing bank and other borrowings.

As at 31 December 2025, the net asset value of the Group was approximately HK$19.9 billion. As the Group had a net cash position as at 31 December 2025, the gearing ratio was zero.

(iii) Prospects

The Group has seized industry development opportunities by leveraging the dual-drive strategy of "Globalisation" and "Premiumisation", and adhering to technological innovation as the core driving force. Moving forward, as stated in the section headed "5. Financial and trading prospects" in Appendix I contained in the Circular, the Group will continue to uphold the business philosophy of "Strategy Guidance, Innovation Driven, Advanced Manufacturing and Global Operation", centre around two core directions of enhancing profitability in the core business and expanding global scale in new business segments, with AI innovation and digital intelligence empowerment as key drivers, and synergistically advance Globalisation 3.0, brand upgrade and ESG strategy. The Group will adhere to these long-term operational objectives and pursue quality growth to achieve high-quality sustainable development.

Advance the "all-category smart device layout" and accelerate the dual-drive strategy of "Globalisation" and "Premiumisation"

At the core business level, the Group will leverage high-end display technologies in large-sized display to consolidate its industry-leading position, expand high-end market share, and actively explore AI innovative applications. The small-and-medium-sized display business will focus on core markets, strengthen operational efficiency through resource synergy and enhance profitability. The internet business will drive steady growth in domestic business through AI innovation, and expand overseas markets through model innovation. These dual engines of display and internet businesses are expected to drive overall profit enhancement.

In March 2026, the Company announced that its wholly-owned subsidiary entered into a transaction framework agreement with Sony Corporation ("**Sony**") to form a joint venture, with the Group holding 51% and Sony holding 49% of the shares. Under this arrangement, the Group will assume Sony's home entertainment business from product development and design to manufacturing, sales, logistics and customer service for products including TVs and home audio equipment globally. This milestone joint venture with Sony is projected to further integrate top-tier technology and channel strengths, accelerating the Group's brand premiumisation and average selling price growth.

Upon the Completion of the Acquisition, the Enlarged Group will centre its efforts on the globalised development of smart home appliances and evolve into a fully integrated, multi-category global smart home platform, fully aligning with and accelerating the Group's dual-drive strategy of "Globalisation" and "Premiumisation". Leveraging its robust global sales networks, local operational strengths and extensive worldwide retail footprint, the Enlarged Group will seamlessly replicate its mature global resources to expedite overseas market rollout and elevate global market penetration for the newly acquired air conditioning division, fueling high-quality global growth underpinned by cross-category synergies and high-end product upgrading.

Expand global scale in non-display business segments

In 2025, the Group's all-category marketing business achieved revenue of approximately HK$12.6 billion, contributing for approximately 11.0% of the Group's total revenue. The Group has been sourcing all of the TCL-branded air conditioners from the Target Group and/or its associate company. Then by leveraging its mature globalised channel resources, localised operating systems and strong brand influence, the Group has distributed its branded smart products, such as TCL-branded air conditioners, refrigerators and washing machines, globally. In 2025, the Group launched multiple flagship air-conditioning products including the AI Sleep Series and AI Comfort Series under the TCL FreshIN AI Health concept. The full range of air-conditioning products was showcased at global HVAC industry events including the MCE Exhibition in Milan, the Interclima Exhibition in France and the IFA Exhibition in Germany, with TCL FreshIN 3.0 Air Conditioner winning the "AI Energy-Saving Technology Gold Award" at IFA Exhibition in Germany.

According to the Company's 2025 annual report, for its all-category marketing business, the Group will continue to optimise its product portfolio, and leverage brand, supply chain and channel synergy advantages to support high-quality growth in global business and enhance market share.

The photovoltaic business of the Group grew its top-line contribution to approximately 18.4% of the Group's total revenue in 2025 at approximately HK$21.1 billion. According to the Company's 2025 annual report, while further expanding its presence in the China market, the Group will focus on accelerating scale expansion in the European market, and is committed to becoming a globally leading integrated solution provider of renewable energy. The Group will build competitive advantages through ecosystem partnerships, energy operation services and system products, and deliver development synergic effect through digital intelligence, financial capabilities, organisational support and risk management to drive sustained business growth.

As stated in the Letter from the Board, the Company is considering a potential spin-off and separate listing of its photovoltaic business segment and further announcements in compliance with the Listing Rules will be made by the Company as and when appropriate.

Driven by AI innovation and digital intelligence, the Group advances Globalisation 3.0, brand upgrading and ESG strategies for long-term quality and sustainable growth

The Group will adhere to long-term operational objectives and pursue quality growth to achieve high-quality sustainable development, with AI innovation and digital intelligence empowerment as key drivers, and synergistically advance Globalisation 3.0, brand upgrade and ESG strategy.

In terms of AI deployment, the Group will increase investment in smart robots, AR/XR and other fields, deliver upgraded user experience through technological innovation, and optimise decision-making efficiency through digital intelligence to drive the Group's long-term development.

In terms of the Globalisation 3.0 strategy, the Group will continue to strengthen the resilience of global resource allocation and enhance localised operational capabilities in key overseas regions.

In terms of brand building, the Group will leverage the Olympic Games and regional sports marketing to drive simultaneous enhancement of brand value and global influence. In February 2025, the Group officially became an Olympic Worldwide Partner, providing technology, product and service support for the Olympic Games in the smart device field with industry-leading multi-category products such as TVs, air conditioners, refrigerators and washing machines.

In terms of ESG strategy, the Group will focus on R&D and application of eco-friendly technologies, be committed to energy conservation and emission reduction and energy transition targets.

The Group achieved financial growth in 2025 by focusing on global expansion and premium products, securing a top-two global position in TV shipments and launching a major joint venture with Sony. Moving forward, the Company plans to drive high-quality, sustainable growth by using AI and digital innovation to boost core profits, expanding its renewable energy and smart appliance segments globally, and leveraging its Olympic partnership to elevate its brand worldwide.

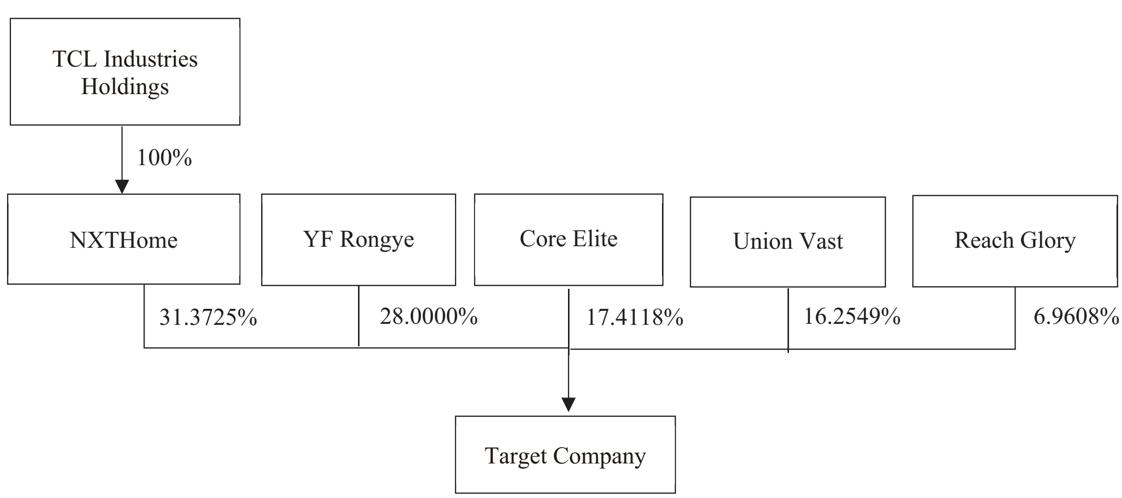
2. Information on the Target Group

(i) Principal activities and shareholding structure

The Target Company is an investment holding company. The Target Group is a leading global HVAC manufacturer, specialising in residential, commercial, and specialised air conditioning systems, with annual production capacity exceeding 38 million units exported worldwide.

The following diagrams illustrate the shareholding structure of the Target Company as of the Latest Practicable Date:

As of the Latest Practicable Date



(ii) Financial information

The consolidated financial statements of the Target Group for the three years ended 31 December 2023, 2024 and 2025, and for the three months ended 31 March 2025 and 2026, prepared in accordance with Hong Kong Financial Reporting Standards, are contained in Appendix II to the Circular. Set out below is a discussion of the financial information of the Target Group.

(A) Financial performance

The following is a summary of the financial results of the Target Group for the three years ended 31 December 2023, 2024 and 2025, and for the three months ended 31 March 2025 and 2026:

	For the three months ended 31 March		For the year ended 31 December		
	2026	2025	2025	2024	2023
	(audited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	11,097,105	11,193,773	33,757,539	29,209,359	25,093,656
Cost of sales	(10,076,225)	(10,017,841)	(29,693,621)	(26,258,319)	(22,310,966)
Gross profit	1,020,880	1,175,932	4,063,918	2,951,040	2,782,690
Other income and gains	90,284	191,655	563,697	646,572	590,967
Selling and marketing expenses	(277,607)	(263,074)	(912,747)	(748,184)	(638,083)
Administrative expenses	(138,703)	(149,394)	(540,793)	(466,925)	(340,525)
Research and development costs	(193,525)	(163,375)	(711,456)	(670,661)	(613,940)
Impairment losses on financial assets, net	(53,152)	(74,913)	(54,965)	35,404	(252,814)
Other expenses	(85,123)	(41,142)	(75,740)	(121,129)	(177,748)
Finance costs	(15,796)	(22,010)	(70,493)	(79,342)	(80,622)
Share of profits and losses of:					
A joint venture	126	483	1,249	1,561	960
Associates	6,729	10,581	22,775	21,540	1,225
Profit before tax	354,113	664,743	2,285,445	1,569,876	1,272,110
Income tax expense	(53,619)	(124,778)	(371,664)	(204,468)	(179,134)
Profit after tax for the period/ year	300,494	539,965	1,913,781	1,365,408	1,092,976
Profit after tax attributable to:					
Owners of the parent	153,931	264,741	949,683	688,989	593,077

(a) Revenue

Revenue increased by approximately 16.4% or HK$4,116 million from the year ended 31 December 2023 to 2024 and increased by approximately 15.6% or HK$4,548 million from the year ended 31 December 2024 to 2025.

Revenue was mainly contributed from sales in other regions outside Chinese Mainland, representing approximately 74.0% of total sales for the year ended 31 December 2025. The increase in revenue from the year ended 31 December 2024 to 2025 was primarily attributable to the significant growth in sales orders from other regions outside of Chinese Mainland by approximately 20.5% or HK$4,245 million. Steady order growth was also noted in the Chinese Mainland region by approximately 3.6% or HK$303 million. The increase was mainly driven by two key factors: first, consistent demand within the air conditioning business served as the main engine for revenue growth; second, the Target Group's strategic deepening and diversification efforts played a crucial role.

However, during the three months ended 31 March 2026, revenue decreased slightly by approximately 0.9% or HK$97 million when compared to the three months ended 31 March 2025. Revenue from other regions outside of Chinese Mainland decreased by approximately 3.2% or HK$277 million whereas sales from Chinese Mainland increased by approximately 6.9% or HK$181 million. During this period, approximately 74.9% or HK$8,310 million of the total revenue was generated from other regions outside of Chinese Mainland, while approximately 25.1% or HK$2,787 million of the total revenue was generated from Chinese Mainland. Decrease in revenue for the three months ended 31 March 2026 compared to the three months ended 31 March 2025 was mainly due to three factors. First, the air conditioning industry experienced an overall downward trend in the first quarter of 2026. Second, ongoing conflicts in the Middle East disrupted global shipping routes, negatively affecting the Target Group's export logistics. Lastly, the appreciation of the RMB led to a corresponding decrease in translated revenue when reported in local currency.

(b) Gross profit and gross profit margin

Gross profit increased by approximately 6.0% or HK$168 million from the year ended 31 December 2023 to 2024 and increased by approximately 37.7% or HK$1,113 million from the year ended 31 December 2024 to 2025. The growth in gross profit during the year ended 31 December 2025 was mainly due to optimising product mix, expanding into new markets, and improving operational efficiency by the Target Group. Hence, economies of scale achieved and stricter cost control measures significantly boosted overall profitability.

Conversely, gross profit decreased by approximately 13.2% or HK$155 million for the three months ended 31 March 2026 compared to the corresponding period in 2025. The decrease was primarily attributable to escalating raw material costs driven by rising copper prices.

For the years ended 31 December 2023, 2024 and 2025, the Target Group gross profit margin was approximately 11.1%, 10.1% and 12.0%, compared to approximately 10.5% and 9.2% for the three months ended 31 March 2025 and 2026, respectively.

(c) Other income and gains

Other income and gains increased by approximately 9.4% or HK$56 million from the year ended 31 December 2023 to 2024 and decreased by approximately 12.8% or HK$83 million from the year ended 31 December 2024 to 2025. Other income and gains mainly comprised of interest income and net foreign exchange gains. Other income and gains decreased by approximately 52.9% or HK$101 million for the three months ended 31 March 2026 compared with the corresponding period in 2025.

Interest income represented approximately 39.9%, 33.0% and 45.8% of the total of other income and gains for the years ended 31 December 2023, 2024 and 2025, and approximately 30.3% and 32.0% for the three months ended 31 March 2025 and 2026.

Net foreign exchange gains represented approximately 29.4%, 41.0% and 8.1% for the total of other income and gains for the years ended 31 December 2023, 2024 and 2025 and approximately 39.6% for the three months ended 31 March 2025.

The fluctuation in other income and gains was mainly attributed to foreign exchange variations when comparing the abovementioned years/periods. From the year ended 31 December 2023 to 2024, net foreign exchange gains increased by approximately 52.5% or HK$91 million. The increase was offset by the decrease in interest income of approximately 9.5% or HK$22 million and decrease in gain on disposal of an associate by 100% or approximately HK$30 million. Subsequent from the year ended 31 December 2024 to 2025, net foreign exchange gains decreased by approximately 82.8% or HK$219 million. The decrease was offset by the increase in (a) interest income of approximately 21.0% or HK$45 million, (b) gain on derivative financial instruments of approximately HK$42 million, (c) government grants of approximately 279.0% or HK$25 million, and (d) scrap sales revenue of approximately 28.9% or HK$17 million.

For the three months ended 31 March 2026, net foreign exchange gains and interest income decreased by 100% or approximately HK$76 million and approximately 50.3% or HK$29 million respectively.

(d) Selling and marketing expenses

Selling and marketing expenses increased by approximately 17.3% or HK$ 110 million from the year ended 31 December 2023 to 2024 and increased by approximately 22.0% or HK$165 million from the year ended 31 December 2024 to 2025. The year-on-year increase was mainly attributable to the growth of sales volumes and the salary expenses, the Target Group aligns its channel development and headcount allocation with its strategic business planning.

For the three months ended 31 March 2026, selling and marketing expenses increased by approximately 5.5% or HK$15 million comparing to the corresponding period in 2025. This was due to expanded sales-side channels and workforce of the Target Group as a result of business expansion in previous years, resulting in an increase in labour costs for selling and marketing expenses during the three months ended 31 March 2026 compared to the three months ended 31 March 2025.

(e) Administrative expenses

Administrative expenses increased by approximately 37.1% or HK$126 million from the year ended 31 December 2023 to 2024 and increased by approximately 15.8% or HK$74 million from the year ended 31 December 2024 to 2025. Administrative expenses mainly consist of staff costs, bonuses, outsourcing costs and depreciation expense. The increase was mainly attributable to the expansion of the Target Group.

For the three months ended 31 March 2026, administrative expenses decreased by approximately 7.2% or HK$11 million when compared with the three months ended 31 March 2025.

(f) R&D costs

R&D costs increased by approximately 9.2% or HK$ 57 million from the year ended 31 December 2023 to 2024 and increased by approximately 6.1% or HK$41 million from the year ended 31 December 2024 to 2025. For the three months ended 31 March 2026, R&D costs increased by approximately 18.5% or HK$30 million when compared with the three months ended 31 March 2025. In recent years, the Target Group has been focusing on the future growth, while raising the R&D expenditure, and actively investing in the development of new technologies and new product categories. The year-on-year increase was mainly attributable to the growing demand of renovating and updating products.

(g) Profit for the period/year

Profit after tax increased by approximately 24.9% or HK$272 million from the year ended 31 December 2023 to 2024 and increased by approximately 40.2% or HK$548 million from the year ended 31 December 2024 to 2025. The growth in profit after tax for the year ended 31 December 2025 comparing to 2024 was mainly attributable to economies of scale achieved by the Target Group, which resulted in a slower growth rate of operating costs and expenses relative to revenue growth.

Increase in profit after tax from the year ended 31 December 2024 to 2025 was mainly contributed by the aforementioned increase in gross profit of approximately 37.7% or HK$1,113 million and decrease in other expenses and finance costs in approximately HK$45 million and HK$9 million respectively, offset by the increase in selling and marketing expenses, administrative expenses and R&D costs of approximately HK$165 million, HK$74 million and HK$41 million respectively, alongside with the decrease in other income and gains of approximately HK$83 million.

Conversely, the profit after tax for the three months ended 31 March 2026 compared to the same period in 2025 decreased by approximately 44.3% or HK$239 million. The decrease in profit after tax was in line with the reduction in gross profit of approximately 13.2% or HK$155 million over the same period. The decrease was further emphasised by the increase in other expenses by approximately 106.9% or HK$44 million, alongside the aforementioned increase in selling and marketing expenses and R&D costs by approximately HK$15 million and HK$30 million respectively and decrease in other income and gains by approximately HK$101 million.

(B) Financial position

Set out below is a summary of the financial position of the Target Group as at 31 December 2023, 2024 and 2025, and 31 March 2026:

	As at 31 March	**As at 31 December**		
	2026	**2025**	**2024**	**2023**
	(audited)	*(audited)*	*(audited)*	*(audited)*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
NON-CURRENT ASSETS				
Property, plant and equipment	3,308,298	3,114,105	2,041,541	1,899,184
Right-of-use assets	488,756	489,873	473,228	327,171
Goodwill	24,229	23,694	23,106	–
Other intangible assets	68,308	69,232	71,573	21,886
Investment in a joint venture	7,581	9,284	7,819	6,416
Investments in associates	274,596	266,266	242,696	229,808
Derivative financial instruments	10,468	7,094	2,512	–
Deferred tax assets	371,783	332,698	283,452	183,832
Debt investments at amortised cost	–	–	396,777	337,062
Contract assets	4,593	3,335	1,750	–
Other deferred assets	520,892	372,257	338,258	177,490
Total non-current assets	5,079,504	4,687,838	3,882,712	3,182,849
CURRENT ASSETS				
Inventories	4,373,752	3,573,634	5,252,755	2,507,110
Trade receivables	10,066,903	6,570,333	5,360,713	5,998,237
Contract assets	916	1,667	–	–
Bills receivable	1,583,721	1,882,249	2,167,256	3,073,051
Prepayments, other receivables and other assets	6,774,978	8,112,158	10,047,412	5,437,830
Derivative financial instruments	10,436	48,443	11,811	4,910
Pledged deposits	81,856	99,818	194,126	154,882
Cash and cash equivalents	420,523	693,334	227,130	136,987
Total current assets	23,313,085	20,981,636	23,261,203	17,313,007

	As at 31 March 2026 (audited) (HK$'000)	As at 31 December 2025 (audited) (HK$'000)	2024 (audited) (HK$'000)	2023 (audited) (HK$'000)
CURRENT LIABILITIES				
Trade payables	12,087,969	10,327,824	11,936,543	8,366,533
Bills payable	2,060,153	1,825,738	1,774,917	1,713,480
Other payables and accruals	5,674,738	5,803,072	5,616,558	5,902,645
Interest-bearing bank and other borrowings	1,673,732	911,440	1,739,984	1,372,898
Lease liabilities	49,011	48,575	48,958	42,996
Tax payable	119,276	95,825	148,647	192,056
Derivative financial instruments	1,092	28,144	63,772	20,906
Provision	210,989	183,488	136,614	99,654
Total current liabilities	21,876,960	19,224,106	21,465,993	17,711,168
NET CURRENT ASSETS	1,436,125	1,757,530	1,795,210	(398,161)
TOTAL ASSETS LESS CURRENT LIABILITIES	6,515,629	6,445,368	5,677,922	2,784,688
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	559,147	915,481	1,073,565	930,892
Lease liabilities	101,071	108,958	107,068	141,687
Deferred tax liabilities	9,260	8,923	5,891	–
Provision	174,338	162,005	145,257	161,096
Other non-current liabilities	69,811	64,761	59,023	5,895
Total non-current liabilities	913,627	1,260,128	1,390,804	1,239,570
Net assets	5,602,002	5,185,240	4,287,118	1,545,118
EQUITY				
Equity attributable to owners of the parent				
Share capital	258	258	–	–
Reserves	3,005,516	2,751,593	1,806,389	530,936
	3,005,774	2,751,851	1,806,389	530,936
Non-controlling interests	2,596,228	2,433,389	2,480,729	1,014,182
Total equity	5,602,002	5,185,240	4,287,118	1,545,118

The Target Group had total assets of approximately HK$28,393 million as at 31 March 2026, in which (a) approximately 35.5% or HK$10,067 million was trade receivables; (b) approximately 23.9% or HK$6,775 million was prepayments, other receivables and other assets; (c) approximately 15.4% or HK$4,374 million was inventories; (d) approximately 11.7% or HK$3,308 million was property, plant and equipment, and (e) approximately 5.6% or HK$1,584 million was bill receivable.

Trade receivables increased by approximately 53.2% or HK$3,497 million from 31 December 2025 to 31 March 2026. Increase in trade receivable balance as at 31 March 2026 compared to 31 December 2025 was mainly attributable to seasonal factor that the first quarter serves as the Target Group's peak sales season, generating higher revenue. Given that credit terms granted to customers generally extend beyond 60 days, trade receivable balance naturally reaches an elevated level. Further, approximately 87.8% of trade receivables remain within 180-day aging bracket as at 31 March 2026, indicating the increase was mainly caused by recent sales. The prepayments, other receivables and other assets decreased by approximately 16.5% or HK$1,337 million from 31 December 2025 to 31 March 2026. The balance as at 31 March 2026 mainly consist of (a) amount due from fellow subsidiaries of approximately 50.5% (mainly deposits charged with interest rates repayable within one year and without collateral), (b) right-of-return assets of approximately 16.8%, value-added tax recoverable of approximately 14.5% and prepayments for raw materials of approximately 10.1%. The inventories increased by approximately 22.4% or HK$800 million from 31 December 2025 to 31 March 2026 as the Target Group engaged in preparation for the upcoming peak sales season.

Total liabilities of the Target Group amounted to approximately HK$22,791 million as at 31 March 2026, in which (a) approximately 53.0% or HK$12,088 million was trade payables; (b) approximately 24.9% or HK$5,675 million was other payables and accruals; (c) approximately 9.8% or HK$2,233 million was interest-bearing bank and other borrowings; and (d) approximately 9.0% or HK$2,060 million was bills payable.

Trade payables increased by approximately 17.0% or HK$1,760 million from 31 December 2025 to 31 March 2026. This was mainly due to spike in the Target Group's raw material procurement volume in the first quarter of 2026 due to the seasonal factor of highest demand of products during such period. Coupled with a payment cycle of 120 days for these materials, resulted in the increase in trade payables balance for the three months ended 31 March 2026 compared to the year ended 31 December 2025.

As of 31 March 2026, other payables and accruals balance mainly consist of (a) non-interest-bearing items, such as deposit, transportation fee, storage fee, installation fee and consulting service fee, of approximately 35.7%; (b) refund liabilities of approximately 22.2%; (c) payroll and employee benefits payable of approximately 15.1%; and (d) contract liabilities of approximately 13.0%.

Total interest-bearing bank and other borrowings increased by approximately 22.2% or HK$406 million from 31 December 2025 to 31 March 2026. The increase was mainly attributable to funding of the development of the manufacture bases in Guangzhou and Wuhan, China. As at 31 March 2026, approximately 75.0% of the total interest-bearing bank and other borrowings were current portion.

As at 31 March 2026, the net gearing ratio was approximately 32.4% calculated by subtracting cash and cash equivalents from total interest-bearing bank and other borrowings then dividing by total equity, indicating a manageable leverage position.

As at 31 March 2026, the net asset value of the Target Group was approximately HK$5,602 million.

3. Reasons for and benefits of the Acquisition and issuance of Consideration Shares

Focus on the global development of smart home appliances, establish a new landscape of all-category smart home ecosystem

The Group has operated, among other business segments, the all-category marketing business segment by distributing its branded smart products, including air conditioners, refrigerators and washing machines globally. Such business achieved revenue of approximately HK$12.6 billion in 2025, contributing for approximately 11.0% of the Group's total revenue, and representing a steady year-over-year growth of approximately 1.6% from approximately HK$12.4 billion recorded in 2024. As advised by the Company, a main part of this segment relates to TCL-branded air conditioners which the Group sourced from the Target Group and/or its associate company.

The Acquisition represents a strategic opportunity that directly aligns with the Group's long-term development strategy. With respect to the all-category marketing business segment, the Group will continue to optimise its product portfolio, and leverage brand, supply chain and channel synergy advantages to support high-quality growth in global business and capture market share.

While the Group has maintained a world-leading position in the smart display sector, the Acquisition represents a decisive milestone in executing the Company's overarching "all-category smart device layout" corporate strategy, establishing air conditioning as a core pillar of its expanded portfolio. By deeply integrating the Target Group's established air conditioning operations with the Company's existing display and smart device ecosystems, it is expected that the Enlarged Group will be transitioned into an integrated, multi-category smart home platform.

After the Acquisition, the Enlarged Group intends to use its global sales networks, localised operational capabilities, and retail channels spanning over the world to accelerate the international expansion and global market penetration of the acquired air conditioning assets. This strategic synergy will enhance the TCL brand value and reinforce the Group's long-term global competitive edge.

Expanding the air-conditioning segment also serves to broaden the Group's revenue streams and provide new momentum for the Group's long-term steady growth in revenue and profit other than just relying on its core TV business.

Financial benefits to be derived from the Acquisition

As a strong player in the air conditioning industry, the Target Group has been profitable and cash-generative for the past few years. Based on the accountants' report on the Target Group set out in Appendix II of the Circular, both revenue and profit after tax of the Target Group demonstrate continuous upward trend from 2023 through 2025. The Target Group's revenue grew year-over-year, climbing approximately 16.4% from HK$25.1 billion in 2023 to HK$29.2 billion in 2024, and increasing by another approximately 15.6% to reach HK$33.8 billion in 2025. In line with this revenue growth, profit after tax rose by approximately 24.9% from HK$1.1 billion in 2023 to HK$1.4 billion in 2024, before surging by around 40.2% to reach HK$1.9 billion in 2025.

After the Acquisition, the Target Group will be a wholly-owned subsidiary of the Company and its financial statements will be consolidated into those of the Group. The Target Group's mature business model with sound financial record is expected to be immediately accretive to the Group's revenue scale and profitability level after the Completion. In the mid-to-long term, the Enlarged Group is estimated to enhance the resilience of the Group's financial performance and operational stability across economic and industry cycles, thereby supporting more stable and higher shareholder returns.

Enhancing the Group's overall competitiveness by leveraging the mature operational model, strong market presence and R&D strength of the Target Group

The Target Group has developed into a well-established air conditioning enterprise and has been profitable and cash-generative for the past few years. It holds a sound market share overseas and has been expanding its PRC footprint. In 2025, the total sales volume of air conditioning products of the Target Group exceeded 22 million units, ranking top two position among Chinese brands in terms of export shipment volume. Specifically, in the Asia-Pacific region, the Target Group has upgraded sensory marketing centered on "FRESHIN (fresh air technology), VOXIN (smart voice control technology), and T-AI (energy-saving technology)". TCL air conditioning products have achieved brand index scores of 95 and 98 in Brazil and Argentina respectively, reflecting steadily improving brand reputation overseas.

In terms of intelligent and green manufacturing, the Target Group has been implementing its smart manufacturing strategy of "Intelligent, Digitalised, and Green" over the past five years, boasting a global footprint of more than 10 production bases, with annual capacity exceeding 38 million units and production efficiency increasing by 59%. Focusing on the goal of achieving carbon peaking by 2030 and carbon neutrality by 2050, a green supply chain has been built jointly with suppliers and, through initiatives such as intensive land use, paperless manufacturing processes, and integrated PV-storage applications, the Target Group has developed green smart manufacturing factories to support high-quality development.

In 2025, two technologies of the Target Group, AI Voice Free-Talk and AI Energy Saving for Multi-split Systems, were certified as "Internationally Leading" in technical appraisals, bringing the cumulative number of such achievements to 11. As of the end of 2025, the Target Group had applied for a total of approximately 6,300 patents, including approximately 1,500 invention patents, and led or participated in the formulation of more than 80 national and industry standards. The R&D team collaborated with top universities such as Huazhong University of Science and Technology and with technology enterprises such as HiSilicon to achieve continuous breakthroughs in AI Sleep, AI Comfort, and AI Fresh Air. AI Sleep utilises millimeter-wave radar sensing technology and AI algorithm to enable better sleep while reducing energy consumption by automatically tuning temperature and airflow based on users' sleep stages. The AI Comfort system monitors air quality by tracking the total volatile organic compounds with a built-in sensor, actively managing indoor air quality while realising comfort for users based on sensor data. AI Fresh Air learns and adapts to users' personal preferences, proactively maintaining a healthy indoor air environment by filtering out impurities and releasing clean, fresh air to promote better air quality based on the self-developed Fuxi AI model. The FreshIN series has won the title of "Fresh Air Leading Brand" for five consecutive years and received multiple honours such as the Red Dot Design Award and the Guangdong Provincial Science and Technology Progress Award, consolidating the brand foundation with solid product strength.

Unleashing operational and business synergies for the Enlarged Group

By integrating the Target Group, the Group is expected to unlock operational synergies in (a) sales, distribution and after sales service; (b) R&D; and (c) procurement, supply chain and manufacturing.

In terms of sales, distribution and after sales service, the Group possesses an extensive global sales network, a well-established distributor relationships and a recognised brand over the world, which is built primarily through its TV business. The Target Group's air conditioning products can be rapidly distributed through these existing channels, especially in overseas markets. All the products under the Enlarged Group can fully leverage the global recognition of the TCL brand and Olympic marketing resources, presenting a unified brand image to global consumers and enhancing brand premium.

In terms of R&D, the Group and the Target Group share complementary technologies in smart connectivity, AI applications and energy efficiency technologies. Combined R&D efforts will accelerate product innovation, reduce duplicated expenditure and enable the rapid rollout of differentiated, high value added products. Following the Acquisition, the Enlarged Group is positioned to build a unified AI technology platform to replicate AI capabilities across all product categories. The combined R&D capabilities will also enable the Enlarged Group to explore adjacent growth opportunities in green and low-carbon fields such as heat pump systems, energy storage thermal management and data center liquid cooling solutions, diversifying the technology portfolio beyond traditional residential air conditioning.

In terms of procurement, supply chain and manufacturing, the Enlarged Group will command greater scale in the procurement of some key components, leading to lower unit costs. Shared logistics and warehousing infrastructure will further enhance efficiency. Manufacturing know-how and production facilities can be rationalised and optimised. Cross deployment of best practices in lean manufacturing and quality management will drive productivity improvements.

These synergies are expected to result in both revenue uplift and cost savings, progressively expanding the Group's consolidated margins.

Favourable macro trends and structural growth opportunities in the HVAC industry

According to the "HVAC Market Size & Share 2026-2035" report published by Global Market Insights Inc. in April 2026, the global HVAC industry was estimated at US$524.9 billion in 2025 and the market is expected to grow from approximately US$564.8 billion in 2026 to US$1.2 trillion in 2035, at a compound annual growth rate of 8.1%. Global Market Insights Inc. is an independent global market research and consulting firm. We have independently verified the HVAC industry data cited and note that they are consistent with the figures stated in the abovementioned report which is publicly available. The acceleration of green and low-carbon transition is reshaping the industry landscape. Against the backdrop of ESG principles becoming an increasing consensus in global capital markets, the HVAC industry, as a sector closely linked to energy conservation, emission reduction and green buildings, possesses inherent sustainable development attributes and long-term investment value.

Rising extreme heat globally fuels strong demand for cooling. Record European heatwaves hitting over 43°C have spiked air conditioners purchases, marking a lasting shift: climate change is turning mild regions into heat-prone zones, making air conditioners a necessity for health and safety rather than mere comfort. This climate trend, mirrored across other warming areas, supports decades-long steady growth for the global HVAC industry.

Beyond climate-driven demand, significant untapped market potential exists across multiple regions. Air conditioning penetration rates in emerging markets, including Southeast Asia, Latin America and Africa, remain at relatively low levels, while penetration in lower-tier cities in China also has considerable room for improvement.

At the same time, evolving consumer preferences are driving demand upgrades. Healthy air management, smart interaction and whole-home smart solutions are gaining increasing attention, and the aging population trend is creating new demand for age-friendly air conditioning products.

Besides, the AI revolution is driving the evolution of smart home ecosystems from "passive intelligence" to "active intelligence". Air conditioning products leverage AI algorithms to sense indoor environments in real time, autonomously adjust operating modes and provide users with personalised healthy air management solutions, representing the frontier of intelligent home appliances. Furthermore, the PRC's substantial installed base of air conditioning units faces replacement demand, driving the substitution of aging, high-energy-consuming products with AI-enabled, high-efficiency alternatives, delivering both economic and environmental benefits.

Summary

The Acquisition aligns with the Group's "all-category smart device layout", turning the profitable and cash-generative air conditioning business into a core pillar of its expanded portfolio. By consolidating the Target Group, which already boasted a top-two position among Chinese brands in terms of export shipment volume in 2025 and a strong track record of double-digit revenue and profit growth from 2023 to 2025, the Group will immediately boost its financial scale and mid-to-long-term performance resilience. Furthermore, this integration unlocks extensive operational synergies across global sales networks, procurement, and advanced AI-driven R&D. Ultimately, by combining these internal efficiencies with favourable macroeconomic trends and expansion opportunities in the global HVAC industry, the Enlarged Group is well-positioned to elevate TCL's brand premium, diversify its revenue streams beyond the core TV business, and secure long-term, high-quality growth through the Acquisition.

Taking into account the above, the executive Directors consider, and we concur, that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, it is in line with the Group's development strategy and is expected to benefit the long-term development of the Group.

Preserving cash resources for long-term development and demonstrating the Vendors' confidence in the Enlarged Group's prospects

Cash and cash equivalents of the Group amounted to approximately HK$13.5 billion as at 31 December 2025. Settling the total Consideration entirely in cash would drain a significant portion of the net cash position of the Group. Therefore, the Consideration of Acquisition will be primarily satisfied by the issue of new Shares to the Vendors, thereby avoiding substantial cash outflow, preserving cash resources for working capital and other growth initiatives and maintaining the Group's balance-sheet strength.

Specifically, to deepen local market penetration and expand business footprint, the Group has shifted its original FOB (free on board) agency distribution model to overseas subsidiary operation, which substantially raises capital requirements. Meanwhile, the Group is rolling out its Globalisation 3.0 strategy, entailing sustained capital expenditure for overseas capacity expansion, channel development and R&D investment.

Preserving cash resources in the Group also provides greater flexibility to the Group in responding to uncertainties arising from the more complicated global economic and geopolitical landscape and capturing potential future investment opportunities as the Group endeavours to achieve the mission of "building a sustainable and connected future with advanced technology".

Besides, under such arrangement, the interests of all parties are closely aligned, ensuring the Target Group's business will continue to receive ongoing resource support. Furthermore, both the Group and Vendors may share the long-term growth in valuation and profitability of the Enlarged Group with greater value appreciation potential, demonstrating Vendors' confidence in the Enlarged Group's prospects and their commitment to share value creation.

Taking into account the above, we concur with the Board's view that the settlement of the Consideration primarily by way of issuance of the Consideration Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement

On 15 July 2026 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors. Further details of the terms of the Sale and Purchase Agreement are set out in the section headed "The Sale and Purchase Agreement" in the "Letter from the Board" contained in the Circular.

The principal terms of the Sale and Purchase Agreement are as follows:

Date

15 July 2026

Parties

(i) The Company as the purchaser; and

(ii) NXTHome, YF Rongye, Core Elite, Union Vast and Reach Glory as the Vendors.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Target Shares, representing the entire issued shares of the Target Company.

Consideration

The total Consideration is HK$5,610 million to be paid to Vendors. The Consideration was determined after arm's length negotiations among the Company and the Vendors, having taken into account (i) the valuation of the market value of the entire equity interest in the Target Company of approximately HK$5,803 million as of 31 March 2026 as set out in the Valuation Report prepared by the Independent Valuer adopting the market approach; (ii) the historical financial conditions and performance and future prospects of the Target Group; (iii) the competitive landscape and economic outlook of the HVAC industry; and (iv) the reasons for and benefits of the Acquisition as described in the section headed "Reasons for and benefits of the Acquisition" in the "Letter from the Board" contained in the Circular. The Consideration will be paid in full upon Completion.

The breakdowns of the cash and share Consideration payment under the Sale and Purchase Agreement is as follows:

Vendor	**Cash Consideration**	**Share Consideration**	**Total Consideration**
NXTHome	HK$103,300,034	110,446,666 Shares (equivalent to HK$1,656,699,990)	HK$1,760,000,024
YF Rongye	Nil	104,720,000 Shares (equivalent to HK$1,570,800,000)	HK$1,570,800,000
Core Elite	Nil	65,120,000 Shares (equivalent to HK$976,800,000)	HK$976,800,000
Union Vast	HK$63,743,341	56,543,777 Shares (equivalent to HK$848,156,655)	HK$911,899,996
Reach Glory	Nil	26,033,332 Shares (equivalent to HK$390,499,980)	HK$390,499,980
Total	**HK$167,043,375**	**362,863,775 Shares (equivalent to HK$5,442,956,625)**	**HK$5,610,000,000**

Consideration Shares

The Consideration Shares represent (i) approximately 14.39% of the existing issued shares of the Company as of the Latest Practicable Date; and (ii) approximately 12.58% of the issued shares of Company as enlarged by the allotment and issue of the Consideration Shares immediately following Completion (assuming that there will be no change in the Company's issued share capital from the Latest Practicable Date to the Completion Date, save as the issue of the Consideration Shares). The Consideration Shares will be allotted and issued under the Specific Mandate to be sought for approval by the Independent Shareholders at the EGM. Details regarding the effect of the Acquisition on the shareholding structure of the Company are set out in the section headed "8. Dilution effects on the Group" of this letter below.

Once allotted and issued, the Consideration Shares will rank *pari passu* in all respects with all other Shares in issue as of the date of allotment and issue of the Consideration Shares, including the right to receive dividends, distributions and other payments made or to be made with the record date on or after such date of allotment and issue.

The Company will apply to the Listing Committee for approval for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price was determined by the Company and the Vendors after arm's length negotiations. Our analysis on the Issue Price is set out in the section headed "6. Issue Price of the Consideration Shares" of this letter below.

Conditions Precedent

Completion is subject to the fulfillment (or waiver (if applicable)) of the following conditions precedent:

(i) the Company has completed its due diligence on the Target Group and is satisfied with the due diligence results;

(ii) the Company has obtained the necessary approvals from the Independent Shareholders and other required internal approvals (including Board approval) under the Listing Rules for the Sale and Purchase Agreement and the transactions thereunder, including the Acquisition and the Specific Mandate;

(iii) the Vendors have obtained consents and approvals of their respective boards of directors and shareholders for the Sale and Purchase Agreement and the transactions thereunder;

(iv) the Company and the Vendors have obtained all necessary approvals, consents, filings or waivers (if applicable) from governments or regulatory bodies (including but not limited to the Stock Exchange and the SFC), in relation to the Sale and Purchase Agreement and the transactions thereunder;

(v) all representations and warranties made by the Vendors are true, accurate and not misleading as of the date of the Sale and Purchase Agreement and the date of Completion;

(vi) the Vendor has fulfilled and complied with all their undertakings, obligations and agreements under the Sale and Purchase Agreement that they should have fulfilled or complied with on or before the Completion Date; and

(vii) the Listing Committee has granted approval for the listing of, and permission to deal in, the Consideration Shares.

The conditions precedent set out in paragraphs (i), (v) and (vi) above may be waivable by the Company by serving a written notice to the Vendors. Save for the aforementioned, none of the other conditions precedent set out above may be waived by any party.

The waiver of the conditions precedent in paragraphs (i), (v) and (vi) is customary in transaction documents in order to preserve commercial flexibility and avoid undue delays in Completion, provided that any waiver is considered only where (a) for condition precedent (i), the Company may, in the course of the due diligence process, identify certain matters which do not materially affect the commercial merits, valuation basis, assets, liabilities, business operations or prospects of the Target Group, or matters which can be adequately addressed by way of rectification undertakings, specific indemnities, supplemental representations and warranties, post-Completion covenants, retention arrangement or other protections under the Sale and Purchase Agreement; and (b) for condition precedent (v), the Company considers that the waiver right in respect of this condition is intended to apply only where any inaccuracy, if identified, is not material to the Acquisition as a whole, does not affect the basis on which the Company agreed to enter into the Acquisition, and is either readily curable or sufficiently covered by other contractual protections available to the Company, including the Vendors' indemnity obligations. Any such waiver would only be considered after taking into account, among others, the nature and materiality of the relevant due diligence findings or warranty inaccuracy, the impact on the Target Group and the Acquisition, the availability and adequacy of alternative protections, the advice of the Company's professional advisers and the interests of the Company and the Shareholders as a whole. The Company will exercise such waiver only when it is considered fair and reasonable and in the interests of the Company and its Shareholders.

We have discussed with the Company and confirmed that the waiver right is exercisable solely at the Company's discretion as purchaser, rather than reciprocal or vendor-driven. In our opinion, the protection remains entirely in the hands of the Company.

As at the Latest Practicable Date, the Company's due diligence review on the Target Group is ongoing. Based on the due diligence work conducted up to the Latest Practicable Date, the Company has not identified any material issue which would, in its view, materially and adversely affect the commercial rationale of the Acquisition or the interests of the Company and the Shareholders. In this regard, we discussed with the Company and understand that the due diligence work was substantially completed and no material adverse issues or fundamental breaches have been identified that would compromise the underlying commercial rationale or valuation basis of the Acquisition.

With respect to the conditions precedent set out in paragraph (iv), as of the Latest Practicable Date, there are no approvals, consents, filings or waivers from governments, regulatory bodies (including relevant authorities in the PRC and Hong Kong), which are required for the execution and performance of the Sale and Purchase Agreement or the Completion. The filing with the CSRC will be effected within three business days after Completion.

As of the Latest Practicable Date, none of the above conditions have been satisfied and the Company is not aware of any event that would prevent the satisfaction of any of the above conditions. As of the Latest Practicable Date, the Company has no intention of waiving any conditions.

If any of the conditions precedent set out above has not been fulfilled (or, if applicable, waived by the Company in writing) on or before the Long Stop Date, the Sale and Purchase Agreement will terminate with immediate effect and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

Completion

Completion will take place on the Completion Date following the satisfaction or waiver (if applicable) of all conditions precedent, or such other date as may be agreed upon by the Company and the Vendors. The Completion is expected to take place in the fourth quarter of 2026.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

5. Evaluation of the Consideration of the Acquisition

The Consideration was determined after arm's length negotiations among the Company and the Vendors with reference to, among others, the valuation (the "**Valuation**") of the market value of the entire equity interest in the Target Company of HK$5,803 million as of 31 March 2026 as set out in the Valuation Report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Independent Valuer. Full details of the Valuation Report are contained in Appendix V of the Circular.

In assessing the fairness and reasonableness of the Valuation, we have taken into account the following factors:

(i) Qualifications and scope of work of the Independent Valuer

We have reviewed the supporting documents on the qualifications, experience and expertise of the Independent Valuer and discussed the same with the Independent Valuer. We noted that (a) the Independent Valuer is an independent valuation and advisory firm with extensive experiences in providing valuation services to listed companies on the Stock Exchange; and (b) the person signing the Valuation Report, being the executive director of the valuation and risk advisory department of the Independent Valuer in Hong Kong and Chinese Mainland, has over 30 years of experience in providing valuation and financial advisory services and he is specialising in, among others, company equity valuation.

Furthermore, we also reviewed the Independent Valuer's terms of engagement and discussed with the Independent Valuer the work it has performed in respect of the Valuation. There is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report.

Based on the above, we are of the view that the Valuer is qualified to perform the Valuation and the scope of work of the Independent Valuer is appropriate.

(ii) Valuation methodologies

Valuation approach

We have discussed with the Independent Valuer on their valuation methodologies and understand that they have considered different valuation approaches. There are three generally accepted approaches, namely market approach, cost approach and income approach. As set out in the Valuation Report and based on our discussions with the Independent Valuer, market approach is adopted in deriving the market value of 100% equity interest of the Target Company as of 31 March 2026 as the market approach relies on market data from comparable companies or transactions, reflecting what investors are currently willing to pay for similar equity interests.

As advised by the Independent Valuer, the cost approach is considered inappropriate for valuing the Target Company as it primarily focuses on the replacement or reproduction cost of the underlying assets without reflecting the Target Group's earning potential and without directly incorporating information about the economic benefits contributed by the Target Group. The Independent Valuer considers the income approach is not the most optimal approach as the accurate long-term financial projection of the Target Company which is required under the income approach involves the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained by the Independent Valuer. In addition, we confirmed with the management of the Company that reliable financial forecasts of the Target Group were unavailable, as preparing such forecasts would require internal estimates and operational assumptions from the Target Group's management that cannot be independently formulated or verified by the Group. Consequently, the income approach could not be practically adopted.

Having considered the inappropriateness of the cost approach and the impracticability of the income approach, and the availability of sufficient public listed companies that are operating in household appliances industry which the Independent Valuer considered comparable to the Target Company as discussed in this letter below, we concur with the Independent Valuer that the market approach is commonly used and is the only appropriate method for deriving the market value of 100% equity interest of the Target Company under the above circumstances. Given only one comparable company would be identified in the market if restricting the selection criteria strictly to listed companies engaged solely in the air conditioning systems, broadening the scope to the wider household appliances industry provides a meaningful and representative sample set as further discussed in this letter below. Accordingly, we agree with the Independent Valuer that the market approach represents the only practical and a commonly accepted valuation method under the circumstances.

Comparable companies

As advised by the Independent Valuer, the market value of 100% equity interest of the Target Company was arrived at with reference to comparable companies (the "**Comparable Company(ies)**"). According to our discussions with the Independent Valuer, the Comparable Companies were selected based on the following criteria:

(a) The shares of the Comparable Companies have been listed in East Asia stock market, i.e. the Stock Exchange, The Shenzhen Stock Exchange, The Shanghai Stock Exchange, The Tokyo Stock Exchange, The Taiwan Stock Exchange and The Korea Stock Exchange for no less than six months.

(b) The Comparable Companies (i) are primarily engaging in household appliances and related businesses, with revenue from such businesses exceeding 60% of their total revenue in the latest financial year; and (ii) for each Comparable Company, the air conditioner-related product or service category represented the largest source of revenue, based on the most recent annual report available within the last three years that provides the relevant segmental revenue disclosure.

According to the Valuation Report, household appliances mainly include major white goods such as air conditioners, refrigerators, washing machines and other household appliances. In addition, each Comparable Company has significant air-conditioning operations, which generally share similar customer bases, sales and distribution channels, manufacturing infrastructure, supply chains, research and development capabilities and after-sales service networks with other major white goods. Accordingly, the Comparable Companies are exposed to industry demand, competitive dynamics, input cost movements and other economic and operational characteristics similar to those of the Target Group. This criterion was adopted by the Independent Valuer to ensure that the Comparable Companies are predominantly engaged in household appliances, including major white goods and related businesses, rather than unrelated business segments.

(c) The Comparable Companies are headquartered in East Asia according to Capital IQ.

As stated in the Valuation Report, while air conditioner manufacturers may participate in both domestic and international markets, a company's headquarters location and principal operating base generally influence the regulatory and economic environment in which it operates, as well as its management practices, cost structure, supply chain dynamics, industry relationships, and exposure to country-specific risks. Although companies headquartered in China may exhibit the highest degree of comparability to the Target Group, the screening universe was expanded by the Independent Valuer to include companies headquartered in other East Asian regions in order to increase the pool of relevant comparable companies. Any differences arising from country-specific operating environments, regulatory frameworks, market conditions or risk profiles have been assessed and addressed through the region adjustment as discussed in the Valuation Report and this letter below.

(d) Sufficient operational and financial data, including the positive EV/EBITDA ratio and positive net operating profit after tax of the Comparable Companies are available as at the date of the Valuation.

The Target Group is primarily engaging in air conditioning systems business with its headquarter in the PRC. We understand from the Independent Valuer that if the principal activities of the Comparable Companies were strictly restricted to listed companies engaged solely in the air conditioning systems, only one comparable company would be identified in the market, providing insufficient statistical representation for the Valuation. Furthermore, a strict "100% pure air conditioning systems" classification would exclude the most relevant and representative market leaders for air conditioning businesses such as Midea Group Co., Ltd. ("**Midea**") and Gree Electric Appliances, Inc. of Zhuhai ("**Gree**"). We noted from a research report published by GF Securities (Hong Kong) Brokerage Limited on Aux Electric Co., Ltd. ("**Aux**") in May 2026 that, in 2025, Midea and Gree each held over 20% of China's domestic air conditioner market and ranked among the top three Chinese air conditioner exporters. Taking into account the above factors, we consider it appropriate to broaden the selection criteria beyond 100% pure air conditioning systems companies to ensure sufficient and representative peer samples.

To assess the reasonableness to extend the selection criteria to include companies primarily engaging in household appliances and related businesses earning over 60% of their total revenue from this sector, we found two recent research reports on Aux published by GF Securities (Hong Kong) Brokerage Limited in May 2026 and published by Huatai Securities Co., Ltd in October 2025, respectively. Aux, one of the Comparable Companies identified by the Independent Valuer engaging solely in the air conditioning industry, was benchmarked in those reports against household appliances companies including Midea, Gree and Hisense Home Appliances Group Co., Ltd ("**Hisense**").

We have also performed some researches and noted that according to the analysis of "White Goods Market Size, Share, and Industry Analysis and Regional Forecast, 2026-2034" by the Fortune Business Insights and "White Goods Market Analysis 2026" by the Cognitive Market Research and Consulting, air conditioners are categorised under "white goods" alongside refrigerators, washing machines, and dishwashers etc. Fortune Business Insights and Cognitive Market Research and Consulting are both global market intelligence and business consulting firm providing syndicated market reports, customer research, and data-backed enterprise solutions.

As market analysts and industry researchers treat air conditioners as a segment of the broader household appliances market, we agree with the Independent Valuer that referencing household appliances companies is an acceptable valuation approach.

Based on our discussion with the Independent Valuer, the selection criteria requiring (a) companies to generate over 60% of their revenue from household appliances and related businesses; together with (b) air conditioner-related product or service forming their largest source of revenue, was established to ensure that the primary earnings drivers and business risk profile of the Comparable Companies remain comparable to those of the Target Group. In our view, generating over 60% of revenue from household appliances business demonstrates that a company is principally engaged in this sector, and that its overall financial performance largely reflects the household appliances operations, while having air conditioner products as the largest revenue driver ensures direct operational alignment. Therefore, we consider the five Comparable Companies identified by the Independent Valuer being comparable to the Target Group. After excluding the outliers, Midea and Hisense (further discussed in this letter below), the remaining three Comparable Companies for calculating the EV/EBITDA multiples, being Gree, Aux and Daikin Industries, Ltd. ("**Daikin**"), generated 74%, 100% and 92% of their revenue directly from air conditioners and related products, respectively, making them highly comparable to the Target Group.

The Independent Valuer identifies each company's primary revenue source using segment data from the most recent annual report available within the last three years. For Gree and Midea, data from their 2023 annual reports were used. In 2023, Gree's air conditioner segment generated RMB151 billion, accounting for around 74.1% of its total revenue. Gree combined air conditioners and other household appliances segments in its 2024 and 2025 annual reports, representing approximately 78.5% (RMB149 billion) and 78.1% (RMB133 billion) of the total revenues, respectively. Given that the revenue contribution from other household appliances segment was historically minimal and stable, accounting for only around 2.7% (RMB4.5 billion) in 2020, 2.6% (RMB4.9 billion) in 2021, 2.4% (RMB4.6 billion) in 2022, and 2.0% (RMB4.0 billion) in 2023, coupled with Gree's continued position as one of the market leaders in air conditioner industry in 2023, 2024 and 2025 as detailed below, it is reasonable to believe that air conditioning business remains Gree's core focus.

Regarding Midea, we noted from its 2023 annual report that the revenue from HVAC segment accounted for approximately 43% (RMB161 billion) of the total revenue. Starting in 2024, the reporting segments of Midea were reorganised and the air conditioning business started to be included in the smart home services segment. Under this updated classification, the smart home services segment, where the air conditioning business was included, generated 66% (RMB246 billion) of Midea's total revenue in 2023, reflecting revenue from other segments amounted to around RMB85 billion were grouped together with air conditioners in this new smart home services segment. In 2024 and 2025, the smart home services segment generated 66% (RMB270 billion) and 66% (RMB300 billion) of Midea's total revenue, respectively, maintaining a stable proportion to the total revenues as the largest business segment.

Across its 2023 to 2025 annual reports, Midea consistently described and listed air conditioning first under its principal operating activities, highlighting its ongoing core role within the smart home services segment. In addition, based on figures presented in a report issued by Guolian Minsheng Securities on 13 May 2026, air conditioners and related products are estimated to have accounted for 43% of Midea's total revenue in the financial year of 2025. Coupled with Midea's ongoing position as one of the market leaders in air conditioner industry in 2023, 2024 and 2025 as detailed below, it is reasonable to conclude that air conditioning remains Midea's primary core focus.

We noted from a research report published by GF Securities (Hong Kong) Brokerage Limited on Aux in May 2026 that (a) Gree and Midea were China's top two domestic sellers of residential air conditioners from 2023 to 2025, with Gree holding market share of 30% in 2023, 27% in 2024 and 26% in 2025, and with Midea holding market share of 30% in 2023, 29% in 2024 and 29% in 2025; and (b) both companies ranked among China's top three air conditioner exporters by volume over the same period, with increase in export volumes for both Gree and Midea since 2023, indicating air conditioning business remained the principal business for both Gree and Midea in 2025 with no significant decline since 2023. Taking into account the above factors, we consider the 2023 revenue data of Gree and Midea to be relevant as one of the selection criteria of the Comparable Companies.

According to our discussion with the Independent Valuer, China has a limited number of listed companies whose businesses are principally engaged in household appliances and related businesses with air conditioner-related product or service forming their largest source of revenue. Therefore, although the Target Group is headquartered in China, the screening universe was expanded to include companies across East Asia to build a sufficient and representative sample size. While differences in regulatory environments, market conditions and country-specific risk factors may exist, such differences have been assessed and, where appropriate, addressed through the region adjustment as discussed in the Valuation Report and this letter below. With this adjustment in place, we agree that expanding the search beyond China to the East Asia is a reasonable approach to achieve a reliable sample of comparable companies.

Under the market approach, it is common industry practice that after comparable companies are selected based on a set of selection criteria, to screen such list of comparable companies using trading multiples to exclude extreme outliers, thereby to remove the most extreme high and low multiples and result in a more representative range of multiples for the valuation. According to the Valuation Report, if the EV/EBITDA multiples of the Comparable Companies deviate from the mean by 1 standard deviation, it was defined as an outlier. Consequently, Midea and Hisense were classified as outliers and excluded from the EV/EBITDA multiple calculation. We have performed an independent search on the valuations disclosed on the website of the Stock Exchange and noted that using 1 standard deviation to filter out outliers is one of the accepted methodologies. Accordingly, we consider the Independent Valuer's approach to adopt 1 standard deviation to screen out the outliers being reasonable, as it prevents extreme values from distorting the valuation results.

Taking into account the above factors, in particular (i) expanding the selection criteria to companies that earn over 60% of their revenue from household appliances and related business and with air conditioners as their single largest revenue drive is reasonable and necessary to form a sufficient and representative set of comparable companies; (ii) after excluding outliers, the remaining three Comparable Companies for calculating the EV/EBITDA multiples, being Gree, Aux and Daikin, generated 74%, 100% and 92% of their revenue directly from air conditioners and related products respectively, making them highly comparable to the Target Group; (iii) with the region adjustment in place, expanding the search beyond China to the East Asia is a reasonable approach to achieve a reliable sample of comparable companies; (iv) a sufficient number of representative Comparable Companies was identified for the Valuation based on the abovementioned selection criteria; (v) as advised by the Independent Valuer, comparable transaction analysis was not feasible due to the unique features and lack of public information for recent similar transactions in the market; and (vi) we understand from the Independent Valuer that the valuation methodologies with reference to comparable companies are commonly used and consistent with industry practice, we consider the selection criteria adopted by the Independent Valuer to be appropriate, and agree that the remaining three Comparable Companies (Gree, Aux and Daikin) after excluding outliers provide relevant and objective benchmarks for valuing 100% equity interest in the Target Company.

Pricing multiples

Under the market approach, the Independent Valuer applied the average of the adjusted multiples of enterprise value to earnings before interest, tax, depreciation and amortisation ("**EV/EBITDA**") (excluding outliers) of the Comparable Companies for the valuation of 100% equity interest of the Target Company. We are advised by the Independent Valuer that they have considered various multiples in deriving the market value of the Target Company. The Independent Valuer adopted EV/EBITDA multiple in the Valuation because it is a commonly used multiple for valuing businesses and is the most appropriate multiple in this case considering that the Target Group is recording profits and EV/EBITDA multiple can account for differences in balance sheet positions between the Target Group and Comparable Companies.

We have also discussed with the Independent Valuer the reasons why other valuation multiples were considered not appropriate, and performed independent analysis and evaluation to assess the suitability of the alternative valuation multiples before concurring with the Independent Valuer's adoption of the EV/EBITDA. The Independent Valuer has considered various valuation multiples, including price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value-to-sales ("**EV/S**"), enterprise value-to-earnings before interests and taxes ("**EV/EBIT**") and enterprise value-to-earnings before interests, taxes, depreciation and amortisation ("**EV/EBITDA**"). The P/E, P/B, P/S, EV/S and EV/EBIT multiples were not appropriate for the purpose of the Valuation for the following reasons:

(a) The P/E multiple was not adopted by the Independent Valuer as it does not adequately reflect differences in financial leverage and the associated risk profiles among comparable companies. In our view, P/E multiple is sensitive to differences in capital structures, variations in local tax jurisdictions, and non-cash items such as depreciation and amortisation. Comparatively, EV/EBITDA multiple measures operational earnings prior to the impact of capital structure, local tax jurisdictions and non-cash items. Therefore, we consider P/E multiple is less reflective of the core operating earnings capability of the Target Group compared to EV/EBITDA.

(b) The P/B multiple was not selected by the Independent Valuer as it does not appropriately capture the contribution of intangible assets. As the Target Group operates in air conditioner design, manufacturing, and global brand distribution, where profitability is driven by technological innovation, supply chain integration, marketing, and operational efficiency rather than just the net book value, we concur with the view of the Independent Valuer that the P/B multiple does not capture the earning power of intangibles assets of the Target Group.

(c) The P/S multiple was considered unsuitable by the Independent Valuer as it does not take into account differences in capital structure between the Comparable Companies and the Target Group. Likewise, the EV/S multiple was not adopted by the Independent Valuer because it does not reflect the profitability of a company that has a mature record of earnings. In our view, sales-based multiples fail to account for differences in profitability, cost structures, and operational efficiency across Comparable Companies. Therefore, we concur with the view of the Independent Valuer that the P/S multiple and EV/S multiple are not the most appropriate multiples in the Valuation.

(d) Although EV/EBIT facilitates comparison across companies irrespective of capital structure, it does not adjust for depreciation and amortisation expenses, which are important for asset-heavy manufacturing businesses, therefore EV/EBIT multiple was not adopted by the Independent Valuer. In our view, EV/EBIT multiple reflects deductions for depreciation and amortisation expenses, which are influenced by historical capital expenditure cycles, accounting depreciation policies, and useful life estimates that vary among Comparable Companies. Comparatively, EV/EBITDA multiple eliminates non-cash depreciation and amortisation expenses, thereby providing a more consistent and comparable benchmark of core cash-generating capacity across Comparable Companies.

Taking into account the above, especially EV/EBITDA multiple can account for differences in balance sheet positions between the Target Company and Comparable Companies, and given the Target Group is recording profits, we concur with the Independent Valuer that the EV/EBITDA is the most appropriate multiple for the Valuation.

Size and region adjustments

According to the Valuation Report, as the headquarters of the Comparable Companies are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the Comparable Companies are often of significantly different size from the Target Group. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. To account for these variances, the Independent Valuer adjusted the base EV/EBITDA multiples for the differences in size and headquarter locations between the Comparable Companies and the Target Company.

These adjustments were made according to a standard formula stated in the textbook “Financial Valuation – Applications and Model, 2017” written by James R. Hitchner, a renowned valuation expert in the United States. We have obtained from the Independent Valuer extracts of the abovementioned textbook and confirmed the formula adopted by the Independent Valuer is in accordance with the textbook and study. Furthermore, we have also obtained from the Independent Valuer the underlying workings in deriving the adjusted EV/EBITDA multiples of the Comparable Companies and verified the mathematical accuracy of the calculations through our own recalculation.

In deriving the size differentials for the Comparable Companies, the Independent Valuer has made reference to “Cost of Capital Navigator 2025” published by Kroll, LLC, an independent provider of financial and risk advisory solutions. According to this study, size premium differentials were adopted to capture the size difference between the Comparable Companies (ranging from 0.01% to 1.05 %) and the Target Company at 1.05%. For country risk premium differentials, the Independent Valuer referenced the “Country Default Spreads and Risk Premiums” study published and periodically updated by Aswath Damodaran from 2025 to 2026. According to this study, country risk premium of Comparable Companies ranged from 0.25% to 0.80%, compared to 0.80% for the Target Company.

We confirmed with the Independent Valuer that all the abovementioned textbook and studies are the latest publicly available source for the size and region adjustments as at the date of the Valuation Report. We understand from the Independent Valuer that this size and region adjustment methodology is widely recognised and utilised by professional valuers in the industry. We have conducted an independent research on valuation reports published on the website of the Stock Exchange, and note that such size and region adjustments with reference to the abovementioned textbook and studies are not uncommon in business valuation. We have also reviewed the underlying calculation of the size and region adjustments, and nothing has come to our attention to question their accuracy.

Taking into account the above factors, we are of the view that the size and region adjustments with reference to the abovementioned textbook and studies are fair and reasonable, and the differences between the Comparable Companies and the Target Company have been appropriately taken into account in the Valuation.

The enterprise value of the Target Company is derived from applying the average of the adjusted EV/EBITDA multiple (excluding outliers) of the Comparable Companies to the EV/EBITDA multiple of TCL Air Conditioner for the trailing twelve months ended 31 March 2026. Assets and liabilities in capital nature, as well as minority interests are adjusted from the enterprise value of TCL Air Conditioner to arrive at the equity value of TCL Air Conditioner. Then by applying the discount for lack of marketability and the control premium as discussed below, and adding net assets held by the Target Company (excluding the 51% equity interest in TCL Air Conditioner), the market value in 100% equity interest in the Target Company is derived.

Discount for lack of marketability

As the Target Company is not a listed company, the Independent Valuer has applied a discount for lack of marketability of 15.8% in the Valuation. We understand from the Independent Valuer that such discount is adopted based on their professional judgement with reference to a global study report "2025 edition of the Stout Restricted Stock Study Companion Guide" published by Stout Risius Ross, LLC, which is publicly available on the website of Business Valuation Resources, LLC (https://www.bvresources.com/). During our discussions with the Independent Valuer, the Independent Valuer confirmed that it is their long-established practice to determine a discount for lack of marketability based on study reports published by Stout Risius Ross, LLC across corporate valuation engagements. We performed independent research on valuation reports published on the Stock Exchange and noted that the discount for lack of marketability is commonly applied, and we have not identified any major factors that cause us to doubt the reasonableness of such discount applied by the Independent Valuer. Furthermore, we have obtained from the Independent Valuer the underlying calculation workings in deriving the market value of 100% equity interest of the Target Company, which includes, among others, the discount for lack of marketability made in the Valuation, and verified the mathematical accuracy through our own recalculation.

We consider the abovementioned study report a reliable reference as it is published by Stout Risius Ross, LLC, a global advisory firm specialising in corporate finance, accounting and transaction advisory, valuation, financial disputes, claims and investigations, and serving a range of clients, from public corporations to privately held companies in numerous industries. We have also obtained from the Independent Valuer an extract of the abovementioned study report and confirmed with the Independent Valuer that such study report is the latest publicly available source of the lack of marketability discount as at the date of the Valuation Report. Taking into account the above factors, we consider it is appropriate for the Independent Valuer to adopt such discount for lack of marketability in the Valuation and rely on the abovementioned study report for the discount.

Control premium

As set out in the Valuation Report, in the Valuation of the 51% equity interest in TCL Air Conditioner, the subject interest exceeds 50% and therefore confers control. Therefore, a control premium has been applied in the Valuation. With reference to the study "Quarterly Control Premium Studies" published by FactSet Mergerstat, LLC, covering the 3-year period ending with the first quarter of 2026, the Independent Valuer has adopted the 3-year average of these quarterly median control premiums, which amounted to 27.53%, as the applicable control premium. The Independent Valuer confirmed during our discussions that relying on study reports published by FactSet Mergerstat, LLC is its standard and established practice for determining control premiums. Our independent research of valuation reports on the Stock Exchange shows that applying a control premium is a common practice. We also obtained the Independent Valuer's calculations for the Valuation, checked all calculations, including the application of the control premium, and confirmed its mathematical accuracy by recalculating the numbers ourselves.

Based on our background search, FactSet Mergerstat, LLC provides a digital platform offering solutions for investment research, portfolio analysis and wealth management, etc. Its digital platform serves over 9,100 firms with more than 247,000 users globally, and its clients include wealth managers, asset owners, asset managers, banks, corporations, hedge funds, insurers, private equity and venture capitalists. We have obtained an extract of the study from the Independent Valuer and reviewed the control premium set out therein. We also confirmed with the Independent Valuer that such study is the latest publicly available source of the control premium as at the date of the Valuation Report. Taking into account the above factors, we consider it is appropriate for the Independent Valuer to adopt such control premium in the Valuation and rely on the abovementioned study for the control premium.

(iii) Our view on the Valuation and the Consideration

We reviewed the calculations in the Valuation and discussed with the Independent Valuer the key basis and assumptions adopted for the Valuation. We note that such assumptions are commonly adopted in business valuation. During our discussions with the Independent Valuer, we did not identify any major factors which cause us to doubt the reasonableness of such assumptions adopted in the Valuation Report.

Having considered (i) the Independent Valuer is qualified to perform the Valuation and the scope of work of the Independent Valuer is appropriate; (ii) the market approach is commonly used and is the only appropriate method for deriving the market value of 100% equity interest of the Target Company; (iii) the selection criteria adopted by the Independent Valuer in identifying the Comparable Companies are considered appropriate; (iv) EV/EBITDA is considered the most appropriate multiple for the Valuation; and (v) it is appropriate to adopt the size adjustment, discount for lack of marketability and control premium in the Valuation, we consider the Valuation was carried out on a fair and reasonable basis.

As the Consideration of HK$5,610 million represents a slight discount of approximately 3.3% as compared to the market value of 100% equity interest in the Target Company derived from the Valuation of HK$5,803 million, we consider the Consideration is fair and reasonable.

6. Issue Price of the Consideration Shares

(i) Comparison of the Issue Price to market prices

As set out in the section headed "Consideration Shares" in the "Letter from the Board" contained in the Circular, the Issue Price of HK$15 per Consideration Share was determined by the Company and the Vendors after arm's length negotiations. The Issue Price represents:

(a) a discount of approximately 1.96% to the closing price of HK$15.30 per Share as quoted on the Stock Exchange on 15 July 2026, being the date of the Sale and Purchase Agreement;

(b) a premium of approximately 1.69% to the average closing price of approximately HK$14.75 per Share as quoted on the Stock Exchange for the last 5 trading days immediately prior to the date of the Sale and Purchase Agreement;

(c) a premium of approximately 7.88% to the average closing price of approximately HK$13.90 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to the date of the Sale and Purchase Agreement;

(d) a premium of approximately 4.20% to the average closing price of approximately HK$14.40 per Share as quoted on the Stock Exchange for the last 60 trading days immediately prior to the date of the Sale and Purchase Agreement;

(e) a premium of approximately 9.54% to the average closing price of approximately HK$13.69 per Share as quoted on the Stock Exchange for the last 90 trading days immediately prior to the date of the Sale and Purchase Agreement;

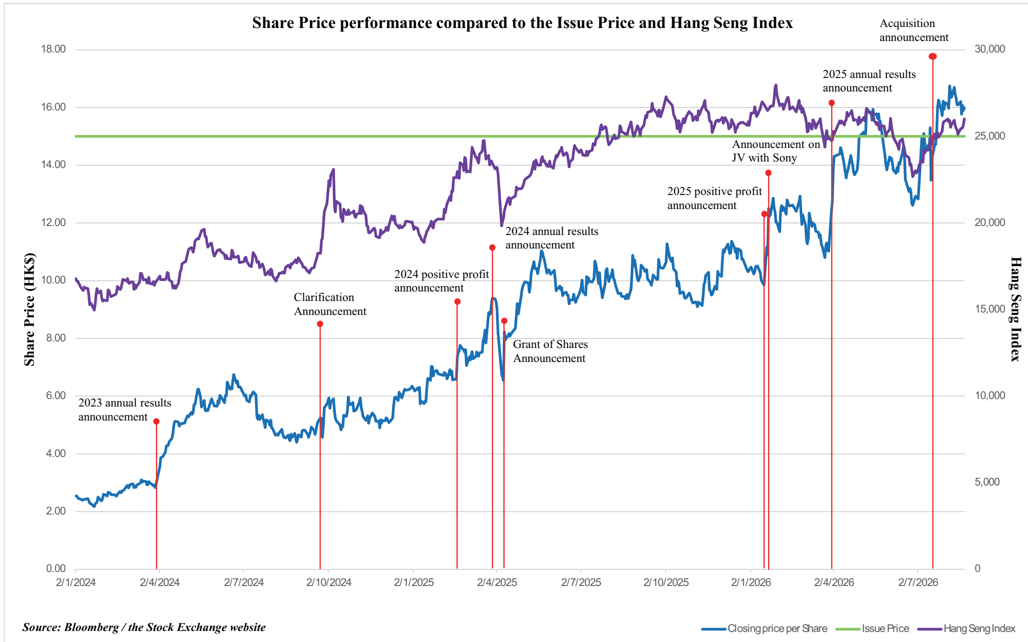
(f) a premium of approximately 22.52% to the average closing price of approximately HK$12.24 per Share as quoted on the Stock Exchange for the last 180 trading days immediately prior to the date of the Sale and Purchase Agreement;

(g) a discount of approximately 6.19% to the closing price of HK$15.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(h) a premium of approximately 96.97% to the net asset value per share of approximately HK$7.62 based on the latest published audited consolidated equity attributable to owners of the Company of approximately HK$19,198 million as at 31 December 2025 as set out in the annual report of the Company for the year ended 31 December 2025 and the total number of issued Shares of 2,520,935,155 Shares as at the Latest Practicable Date.

(ii) Historical Share price performance

The chart below illustrates the daily closing price per Share from 1 January 2024 up to and including the Latest Practicable Date (the "**Review Period**"), alongside a comparison of the Share price performance against the Issue Price and the Hang Seng Index. We consider the Review Period, which covers over two years, can provide a comprehensive overview on the market performance of the Shares for the purpose of this analysis.



As illustrated above, the closing Share prices fluctuated within a wide range in the Review Period from HK$2.17 on 22 January 2024 to HK$16.75 per Share on 5 August 2026, with an average closing price of approximately HK$8.55 per Share. Out of the 649 total trading days during the Review Period, the Shares closed below the Issue Price on 607 days, representing approximately 93.53% of the total trading days during the Review Period. The Issue Price of HK$15.00 per Share represents a premium of approximately 75.42% over the average closing price of the Shares of approximately HK$8.55 per Share during the Review Period.

From the commencement of the Review Period up to the end of March 2024, the Share price traded within a range of HK$2.17 to HK$3.10. Following the publication of the Group's 2023 annual results announcement on 28 March 2024 (after trading hours), the Share price experienced a significant increase of approximately 26.1%, closing at HK$3.57 on 2 April 2024 (the first trading day following the 2023 annual results announcement). After that, the Share price embarked on a strong upward trajectory through mid-2024, reaching HK$6.75 on 21 June 2024.

Since then, the Share price traded generally in line with the Hang Seng Index through the third quarter of 2024. On 25 September 2024, the Share price decreased to HK$4.57, and after trading hours on the same day, the Company published a clarification announcement (the "**Clarification Announcement**") regarding an investigation instituted by the United States International Trade Commission, following a non-standard-essential patents complaint filed by Maxell Ltd. On 26 September 2024, the Share price rebounded by approximately 9.4%, closing at HK$5.00.

Thereafter, the upward momentum accelerated in the first quarter of 2025 and the Share price reached HK$9.40 on 28 March 2025. During the first quarter of 2025, following the publication of the 2024 positive profit announcement after trading hours on 17 February 2025, which signalled an increase of approximately 62% to 112% of the Group's adjusted profit attributable to owners of the parent in 2024 as compared to 2023, the Share price increased by approximately 11.6% to HK$7.34 on 18 February 2025. The 2024 annual results announcement was published after trading hours on 21 March 2025, showing an increase in profit attributable to owners of the parent of approximately 136.6% in 2024 as compared to 2023. On the next trading day (24 March 2025), the Share price closed approximately 13.5% higher at HK$8.90.

On 4 April 2025, the United States announced a 34% reciprocal tariff on all Chinese imports, which was immediately met on 7 April 2025 by Beijing's announcement of a 70% retaliatory tariff on goods from the United States. As a result of the above mentioned event, the Share price dropped by approximately 17.2% to HK$6.79 on 7 April 2025, which reflected market volatility that aligned with the Hang Seng Index's downward trend. The Company published, after trading hours on 9 April 2025, the announcement regarding the grant of awarded shares (the "**Grant of Shares Announcement**") with performance-linked vesting conditions. The Share price increased by approximately 25.8% on the following trading day (10 April 2025), closing at HK$8.23.

Subsequently, the Share price traded in a range of HK$7.95 to HK$11.37 from 11 April 2025 to 16 January 2026. Following the publication of the positive profit announcement for the Group's 2025 annual results on 18 January 2026 (after trading hours), the Share closed at HK$11.17 on 19 January 2026. The Share price further increased, closed at HK$12.50 on 21 January 2026, following the announcement regarding the signing of a strategic memorandum of understanding with Sony to form a joint venture after trading hours on 20 January 2026 (the "**Announcement on JV with Sony**"). On 26 January 2026, the Share price stepped up further to HK$12.86. Since then, closing Share prices entered into a general downward trend and closed at HK$11.02 on 27 March 2026.

The Share price closed at HK$12.38 on the following trading day (30 March 2026) after the publication of the Company's 2025 annual results announcement after trading hours on 27 March 2026, which signalled an increase of approximately 41.8% on the profit attributable to owners of the parent in 2025 compared to 2024. On 31 March 2026 (after trading hours), the Company announced that a framework agreement was signed with Sony to form a joint venture. Share price closed at HK$13.84 on 1 April 2026, the following trading day. Since April 2026, the Share price maintained its strong market performance. After trading hours on 15 July 2026, the Company published the Announcement in relation to the Acquisition, and the Share price closed at HK$13.48 on the following business day. The closing Share price as at the Latest Practicable Date was HK$15.99.

(iii) Comparable issues of Consideration Shares

To further assess the fairness and reasonableness of the Issue Price, we have searched the website of the Stock Exchange to identify transactions involving issue of Consideration Shares under specific mandate for acquisition purpose by companies listed on the Main Board of the Stock Exchange, which were announced since October 2025 and up to 15 July 2026, i.e. the date of the Sale and Purchase Agreement (being a more than nine-month period up to and including the date of the Sale and Purchase Agreement) (the "**Comparable Share Issues**"). We consider (a) the review period from October 2025 up to 15 July 2026 of approximately 9 months captures the prevailing macroeconomic conditions and recent market sentiment in the Hong Kong capital market prior to the date of the Sale and Purchase Agreement, ensuring that older, unrepresentative market conditions do not distort the analysis; and (b) this length of period allows a sufficient number of Comparable Share Issues to be identified for an analysis on the Issue Price of Consideration Shares. Therefore, we consider such review period provides a balance between obtaining a statistically meaningful sample size while maintaining the recency of market data, being fair and reasonable for the purpose of assessing the Issue Price. The Comparable Share Issues set out below represent an exhaustive list of issue of consideration shares based on the aforementioned criteria.

It should be noted that, while the Comparable Share Issues are for acquisitions, the subject companies involved in the Comparable Share Issues have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. The circumstances surrounding such issues may also be different from those relating to the Company. Notwithstanding the above, the table below demonstrates the pricing of issue of consideration shares for acquisition purpose under recent market sentiment and we consider appropriate for assessing the fairness and reasonableness of the Issue Price.

Date of the initial announcement	Company name	Stock code	Premium/ (discount) of the issue price over/(to) the closing price on/prior to the date of the agreement	Premium/ (discount) of the issue price over/(to) the average closing price for the last five consecutive trading days prior to/up to the date of the agreement
			Approx. %	*Approx. %*
15 October 2025	Beauty Farm Medical and Health Industry Inc.	2373	(19.67)	(21.13)
6 November 2025	Zhongshen Jianye Holding Limited	2503	(7.02)	(6.69)
28 November 2025	Global New Material International Holdings Limited	6616	0.00	9.73
17 December 2025	Cai Corp	80	(5.26)	(4.00)
18 January 2026	Da Sen Holdings Group Limited	1580	(43.30)	(26.20)
21 January 2026	Shaw Brothers Holdings Limited	953	(15.80)	(9.60)
18 March 2026	Kaisa Health Group Holdings Limited	876	(10.30)	0.00
26 March 2026	Hanking Gold International Limited	3788	14.94	7.64
4 May 2026	Aceso Life Science Group Limited	474	0.00	3.99
		Maximum	14.94	9.73
		Minimum	(43.30)	(26.20)
		Average	(9.53)	(6.42)
		Median	(7.93)	(5.35)
		The Acquisition	(1.96)	1.69

Source: website of the Stock Exchange

As illustrated in the table above:

(i) the issue prices of the Comparable Share Issues represented a range from a discount of approximately 43.30% to a premium of approximately 14.94% over their respective closing prices on or prior to the date of the relevant agreement (the "**Last Day Market Range**"), with an average discount of approximately 9.53% (the "**Last Day Market Average Discount**") and a median discount of approximately 7.93% (the "**Last Day Market Median Discount**"); and

(ii) the issue prices of the Comparable Share Issues represented a range from a discount of approximately 26.20% to a premium of approximately 9.73% over the average closing price per share for the five consecutive trading days prior to/ up to the date of the relevant agreement (the "**5-Day Market Range**"), with an average discount of approximately 6.42% (the "**5-Day Market Average Discount**") and a median discount of approximately 5.35% (the "**5-Day Market Median Discount**").

The Issue Price represents a discount of approximately 1.96% to the closing price of the Shares on the date of the Sale and Purchase Agreement, which is within the Last Day Market Range and is lower than the Last Day Market Average Discount and Last Day Market Median Discount.

The Issue Price represents a premium of approximately 1.69% over the average closing price per Share for the last 5 trading days immediately prior to the date of the Sale and Purchase Agreement, which is within the 5-Day Market Range and is a premium compared to the 5-Day Market Average Discount and the 5-Day Market Median Discount.

(iv) Our view on the Issue Price

Taking into account the following factors, we consider that the Issue Price of HK$15.00 per Consideration Share is fair and reasonable:

(i) The Issue Price represents a discount of approximately 1.96% to the closing price per Share on the date of the Sale and Purchase Agreement, which is within the Last Day Market Range and is lower than the Last Day Market Average Discount and Last Day Market Median Discount;

(ii) The Issue Price represents a premium of approximately 1.69% over the average closing price per Share for the last 5 trading days immediately prior to the date of the Sale and Purchase Agreement, which is within the 5-Day Market Range and is a premium compared to the 5-Day Market Average Discount and the 5-Day Market Median Discount;

(iii) The Issue Price represents premia in a range of approximately 4.20% to 22.52% over the average closing price per Share for the last 30/60/90/180 trading days immediately prior to the date of the Sale and Purchase Agreement;

(iv) Out of the 649 total trading days during the Review Period from 1 January 2024 to the Latest Practicable Date, the Shares closed below the Issue Price on 607 days, representing approximately 93.53% of the total trading days during the Review Period;

(v) The Issue Price represents a premium of approximately 75.42% over the average closing price of the Shares during the Review Period from 1 January 2024 to the Latest Practicable Date; and

(vi) The Issue Price represents a premium of approximately 96.97% over the net assets value per Share of approximately HK$7.62 as at 31 December 2025.

7. Financial effects on the Group

Immediately upon Completion, the Target Company will become a wholly owned subsidiary of the Company, and the financial results of the Target Group will be fully consolidated into the consolidated financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group upon the Completion is set out in Appendix IV to the Circular.

(i) Earning

According to the Company's annual report for the year ended 31 December 2025, the Group recorded a net profit of approximately HK$2,527 million for the year ended 31 December 2025. Assuming the Acquisition has been completed on 1 January 2025, the net profit of the Enlarged Group for the year ended 31 December 2025 would have increased to approximately HK$4,274 million.

The calculation of the net profit of the Enlarged Group is as below:

	For the year ended 31 December 2025 *HK$' billion*
Net profit of the Group **(A)**	2.53
Net profit of the Target Group **(B)**	1.91
Unrealised profits from intercompany transactions **(C)**	0.05
Incremental depreciation and amortisation arising from fair value adjustments on identifiable assets of the Target Group **(D)**	0.12
Net profit of the Enlarged Group (E = A+B-C-D)	**4.27**

(ii) Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular, assuming the Acquisition was completed on 31 December 2025, the consolidated assets of the Enlarged Group as at 31 December 2025 would have increased from approximately HK$91,734 million to approximately HK$121,854 million, whereas the consolidated total liabilities of the Enlarged Group as at 31 December 2025 would have increased from approximately HK$71,839 million to approximately HK$92,680 million. The consolidated equity of the Enlarged Group as at 31 December 2025 would have increased from approximately HK$19,895 million to approximately HK$29,174 million.

8. Dilution effects on the Group

The following chart set out the summary shareholding structure of the Company (a) as of the Latest Practicable Date; and (b) immediately upon Completion and the allotment and issue of Consideration Shares (assuming no other changes in the issued share capital of the Company from the Latest Practicable Date and before Completion).

	As of the Latest Practicable Date		**Immediately upon Completion and the allotment and issue of Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
Shareholder				
T.C.L. Industries (H.K.)	1,374,938,618	54.54	1,374,938,618	47.68
NXTHome	–	–	110,446,666	3.83
YF Rongye	–	–	104,720,000	3.63
Core Elite	–	–	65,120,000	2.26
Union Vast	–	–	56,543,777	1.96
Reach Glory	–	–	26,033,332	0.90
Other Shareholders	1,145,996,537	45.46	1,145,996,537	39.74
Total	2,520,935,155	100.00	2,883,798,930	100.00

As shown in the table above, immediately after the allotment and issue of the Consideration Shares at Completion, the shareholdings of other Shareholders will be diluted from 45.46% to 39.74%. The dilution effects for other Shareholders of 5.72 percentage points are considered acceptable in view of the expected benefits of the Acquisition as set out in this letter above.

Upon Completion, (i) TCL Industries Holdings, through its wholly owned subsidiaries T.C.L. Industries (H.K.) and NXTHome, will hold approximately 51.51% of the issued Shares, and will continue to be the Controlling Shareholder and there will not be any change of control of the Company; and (ii) based on publicly available information of the Company and to the best of the Directors' knowledge, the Directors believe that the Company will continue to comply with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

We have discussed with the Company regarding the settlement methods for the Consideration considered by the Directors, including cash and issuance of Consideration Shares. We understand that the Company proposed to settle substantial part of the Consideration by issuance of Consideration Shares because the alternative all-cash payment, which is equivalent to over 40% of the total cash and cash equivalents of the Group as of 31 December 2025, would take up a large proportion of the Company's net cash position. The issuance of Consideration Shares, in contrast, allows the Company to preserve its working capital for future business growth and opportunities and respond to uncertainties arising from the complex global economic and geopolitical landscape in an agile manner. Having taken into account (i) the factors we considered as stated in the paragraph headed "Preserving cash resources for long-term development and demonstrating the Vendors' confidence in the Enlarged Group's prospects" under the section headed "3. Reasons for and benefits of the Acquisition and issuance of Consideration Shares" of this letter; (ii) the reasons to and benefits of the Acquisition; (iii) the Consideration and Issue Price to be fair and reasonable; and (iv) the dilution effects for public Shareholders are considered acceptable as discussed above, we concur with the Board's view that the settlement of the portion of the Consideration by way of issuance of the Consideration Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, although the Sale and Purchase Agreement was not entered into in the ordinary and usual course of business of the Group, we consider that (1) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of Consideration Shares) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford CHENG
Director

Clifford CHENG is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 16 years' experience in the corporate finance industry.

The following is the letter of advice from the Independent Financial Adviser for the CCT, Pelican Financial Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

PELICAN FINANCIAL
百利勤金融

PELICAN FINANCIAL LIMITED

28/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

24 August 2026

To the Independent Board Committee and the Independent Shareholders of
TCL Electronics Holdings Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS FOLLOWING COMPLETION – TCL AIR CONDITIONER SUPPLY (2026-2027) FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser for the CCT to the Independent Board Committee and the Independent Shareholders in respect of the Supply Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 24 August 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcements of the Company dated 15 July 2026 (the "**Announcements**") regarding the Acquisition and the entering into of the Supply Framework Agreement.

On 15 July 2026 (after trading hours), the Company entered into a sale and purchase agreement and agreed to acquire the entire equity interest in the Target Company, which indirectly holds 51% equity interest in TCL Air Conditioner. Following the Completion, the Company will hold indirectly 51% equity interest in TCL Air Conditioner.

Prior to the Completion, the Group has been purchasing TCL Air Conditioner Products from TCL Air Conditioner Group, as each member of the TCL Air Conditioner Group is an associate of TCL Industries Holdings and hence within the definition of TCL Industries Holdings Group under the Master Sale and Purchase (2025-2027) CCT Agreement, any sale of TCL Air Conditioner Products by the TCL Air Conditioner Group to the Group is covered under the relevant annual caps for the Master Sale and Purchase (2025-2027) CCT Agreement.

Immediately upon Completion, the Target Company and its subsidiaries including TCL Air Conditioner will become subsidiaries of the Company. Any of the aforesaid transactions between the Group and TCL Air Conditioner Group will become intra-group transactions and no longer be governed by the Master Sale and Purchase (2025-2027) CCT Agreement. However, TCL Air Conditioner will, upon Completion, remain to be indirectly held as to 49% by TCL Industries Holdings (the indirect Controlling Shareholder of the Company), and hence immediately upon Completion, TCL Air Conditioner will be a connected subsidiary of the Company and any transactions between (i) the Group (excluding the TCL Air Conditioner Group) on the one part and (ii) the TCL Air Conditioner Group on the other part will constitute continuing connected transactions of the Company following the Completion. On the other hand, the Target Group has been selling and purchasing goods to and from TCL Industries Holdings Group. Following the Completion, any sale or purchase by the Enlarged Group (including the Target Group which in turn includes TCL Air Conditioner Group) on the one part to and from TCL Industries Holdings Group on the other part will continue to be governed by and conducted under the Master Sale and Purchase (2025-2027) CCT Agreement.

On 15 July 2026 (after trading hours), the Company entered into (among others) the Supply Framework Agreement with TCL Air Conditioner to govern the sale of TCL Air Conditioner Products by members of the TCL Air Conditioner Group on the one hand to members of the Group (which does not include the TCL Air Conditioner Group for this purpose) on the other hand following the Completion.

For the avoidance of doubt, following the Completion, any sale to, or purchase by, the TCL Air Conditioner Group (as subsidiaries of the Company) on the one part to and from TCL Industries Holdings Group on the other part will continue to be governed by and conducted under the Master Sale and Purchase (2025-2027) CCT Agreement.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 1,374,938,618 Shares, representing approximately 54.54% of the total number of issued Shares, are held by T.C.L. Industries (H.K.), which in turn is held as to 100% by TCL Industries Holdings. Accordingly, T.C.L. Industries (H.K.) is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. As TCL Industries Holdings is the holding company of T.C.L. Industries (H.K.), it is an associate of T.C.L. Industries (H.K.) and therefore also a connected person of the Company under Chapter 14A of the Listing Rules.

Following the Completion, TCL Air Conditioner will be indirectly held as to 51% by the Company and 49% by TCL Industries Holdings, and as TCL Industries Holdings (being a connected person of the Company at the issuer level) remains entitled to exercise or control the exercise of 10% or more of the voting power at TCL Air Conditioner's general meeting (which excludes any indirect interest in TCL Air Conditioner held by TCL Industries Holdings through the Company) following the Completion, TCL Air Conditioner will be a connected subsidiary and the transactions contemplated under the Supply Framework Agreement will therefore constitute continuing connected transactions of the Company upon Completion.

As one or more of the applicable percentage ratios (other than the profits ratio) with reference to the annual caps of the purchase of TCL Air Conditioner Products under the Supply Framework Agreement exceed 5%, the relevant continuing connected transactions contemplated thereunder are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, T.C.L. Industries (H.K.), a wholly owned subsidiary of TCL Industries Holdings, held 1,374,938,618 Shares, representing 54.54% of the issued share capital of the Company, shall abstain from voting on the resolution approving the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products at the EGM. Save as aforementioned, to the best knowledge, information and belief of the Company having made all reasonable enquiries, no other Shareholder has any material interest in the transactions contemplated under the Supply Framework Agreement and would be required to abstain from voting at the EGM.

Ms. DU Juan is also a director and the chief executive officer of TCL Industries Holdings and Mr. ZHANG Shaoyong is also a director and senior vice president of TCL Industries Holdings and Ms. DU Juan holds positions as directors or senior management in certain subsidiaries and/or associates of TCL Industries Holdings. Further, (i) Mr. PENG Pan is also the chief financial officer of TCL Industries Holdings, (ii) Mr. SUN Li is also the chief technology officer of TCL Industries Holdings, and (iii) each of Mr. PENG Pan and Mr. SUN Li also holds positions as directors or senior management in certain subsidiaries and/or associates of TCL Industries Holdings.

Notwithstanding the respective interest and/or roles of the Directors in TCL Industries Holdings Group, as their respective direct or indirect interests in TCL Industries Holdings Group are insignificant and that none of the associates of TCL Industries Holdings are associates of any of the Directors, none of them is considered as having a material interest in the Supply Framework Agreement and the transactions contemplated thereunder. Nevertheless, for good corporate governance, Ms. DU Juan and Mr. ZHANG Shaoyong have abstained from voting on the Board resolutions for considering and approving the Supply Framework Agreement, and save for abovementioned, all other Directors are entitled to vote on the Board resolutions for considering and approving the Supply Framework Agreement and the transactions contemplated thereunder pursuant to the Articles.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Professor WANG Yijiang, Mr. LAU Siu Ki and Mr. HUI Chi Kin Max, has been formed to advise the Independent Shareholders on (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products, after taking into account the respective advice of the Independent Financial Adviser for the Acquisition and the Independent Financial Adviser for the CCT, respectively.

We have been appointed as the Independent Financial Adviser for the CCT to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply Framework Agreement and the transactions contemplated thereunder including the proposed annual caps of the purchase of TCL Air Conditioner Products.

OUR INDEPENDENCE

Pelican Financial Limited is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

In the last two years, other than our engagement by the Company to act as its independent financial adviser in respect of the revision of the 2024 Sale Annual Cap under the Master Sale and Purchase (2022-2024) CCT Agreement and the Non-exempt Transactions (as defined in the circular dated 6 November 2024) and their respective proposed annual caps as disclosed in its circular dated 6 November 2024, there has been no other engagement between the Company and us.

Apart from normal professional fees payable to us in connection with this appointment of us as Independent Financial Adviser for the CCT, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates. As at the Latest Practicable Date, there were no relationships or interests between us and the Group, the TCL Air Conditioner Group, any of their respective substantial shareholders, directors or chief executives, or their respective associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser for the CCT. Accordingly, we consider that we are eligible to give independent advice on the Supply Framework Agreement and the transactions contemplated thereunder.

Our role is to provide you with our independent opinion and recommendation as to whether the Supply Framework Agreement and the transactions contemplated thereunder are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better, are fair and reasonable so far as the Shareholders are concerned; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Shareholders should vote in respect of the relevant resolutions regarding the Supply Framework Agreement at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Supply Framework Agreement, the Master Sale and Purchase (2025-2027) CCT Agreement, the audited annual report for the year ended 31 December 2025 (the "**2025 Annual Report**"), the Announcements and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group. The Company will notify the Independent Shareholders of any material changes after the Latest Practicable Date and after the despatch of the Circular. The Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as possible.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Supply Framework Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Background information of the Parties

1.1. The Group

The Company is incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, while the Group is principally engaged in display business, innovative business and internet business. The Group actively transforms and innovates under the strategy of "Lead with Brand Value, Deepen Global Operation, Drive with Technology, Thrive on Vitality". Focusing on the mid-to-high-end markets around the world, the Group strives to consolidate the "intelligent IoT ecosystem" strategy with all-category layout and is committed to providing users with an all-scenario smart and healthy life while developing into a world-leading smart technology company.

1.2. TCL Air Conditioner

As at the Latest Practicable Date, TCL Air Conditioner is a limited liability company established in the PRC, and 51% of its equity interest is indirectly and beneficially held by the Target Company whereas the remaining 49% is held by TCL Home Appliances Group Limited# (TCL家電集團有限公司), a limited liability company established in the PRC which in turn is a wholly-owned subsidiary of TCL Industries Holdings. TCL Air Conditioner Group is principally engaged in the manufacturing and sales of HVAC including residential and commercial air conditioning systems and thermal management.

2. Financial information of the Group

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2025 as extracted from the 2025 Annual Report.

Table 1: Summarised financial information of the Group

	For the financial year ended 31 December	
	2025	**2024**
	HK$ million	*HK$ million*
	(Audited)	*(Audited)*
Revenue by segment		
Display business	75,797	69,440
Large-Sized Display	64,708	60,108
– International Market	*47,504*	*41,062*
– The PRC Market	*17,204*	*19,046*
Small-and-Medium-Sized Display	9,968	8,459
Smart Commercial Display	1,121	873
Innovative business	35,628	27,009
Photovoltaic business	21,063	12,874
All-category marketing *(Note)*	12,645	12,446
Smart connection and smart home	1,920	1,689
Internet business	3,109	2,627
Others	49	246
Total revenue	**114,583**	**99,322**
Gross profit	**17,900**	**15,554**
Profit for the year	**2,527**	**1,849**

Note: All-category marketing segment includes the distribution of TCL-branded air conditioners, refrigerators, washing machines and other household appliances.

According to the 2025 Annual Report, the Group recorded a revenue of approximately HK$114.6 billion for the year ended 31 December 2025, representing a 15.4% increase from approximately HK$99.3 billion in the previous year. Such increase was due to (i) an increase of 9.2% in the revenue of the display business as compared with the previous year, reaching approximately HK$75.8 billion, primarily benefitting from the Group's proactive expansion in the global market and the effective enhancement of its brand influence, with revenue from the large-sized display business growing by 7.7% year-on-year to approximately HK$64.7 billion and revenue from the small-and-medium-sized display business increasing by 17.8% year-on-year to approximately HK$10.0 billion; (ii) an increase of approximately 18.3% in the revenue of the internet business to approximately HK$3.1 billion, primarily driven by continuous breakthroughs in the monetisation of overseas internet business models; and (iii) an increase of approximately 31.9% in the revenue of the innovative business to approximately HK$35.6 billion, primarily attributable to the continuous enhancement of the photovoltaic business's market-oriented power trading capabilities, agile adjustment of marketing strategy, expanded regional presence and deepened channel partnerships. As a result, the gross profit reached approximately HK$17.9 billion with an increase of approximately 15.1% year-on-year and the profit for the year increased by approximately 36.7% year-on-year from approximately HK$1.8 billion to approximately HK$2.5 billion.

3. Reasons for and benefits of entering into the Supply Framework Agreement

According to the Board Letter, TCL Air Conditioner Products possess strong innovative, energy-efficient and AI-empowered features, catering to customers' needs and receiving worldwide recognition. In 2025, TCL Air Conditioner Products adhered to the core value of "Smart Health", defined the next generation of air conditioners with AI technology, and launched multiple flagship products including the AI Sleep Series and AI Comfort Series under the TCL FreshIN AI Health concept, which were well received by consumers. In 2025, the full range of air conditioning products was showcased at global HVAC industry events including the MCE Exhibition in Milan, the Interclima Exhibition in France and the IFA Exhibition in Germany, with TCL FreshIN 3.0 Air Conditioner winning the "AI Energy-Saving Technology Gold Award" at IFA. In view of the robust product competitiveness of TCL Air Conditioner Products, the continuation of the aforesaid continuing connected transactions will enable the Group to optimise the product mix, and provide new momentum for the Group's long-term steady growth in revenue and profit.

Prior to the Completion, the Group had already distributed and sold TCL Air Conditioner Products globally. According to the 2025 Annual Report, the Group has been actively advancing its all-category smart device layout by leveraging mature globalised channel resources, localised operating systems and strong brand influence to distribute a wide range of smart products including air conditioners, refrigerators, and washing machines across the global market. Therefore, the Group is able to achieve rapid market penetration and broader coverage across multiple product categories, thereby creating synergies among its all-category marketing business, broadening its revenue streams and optimising its product portfolio. In 2025, the Group's all-category marketing business achieved revenue of HK$12,645 million, representing 11% of the total revenue of the Group, and was the third-largest business segment of the Group. From our discussion with the Company, it is noted that air conditioning products accounted for more than 70% of the revenue of the all-category marketing business, and therefore constituted a major product category under the Group's all-category marketing business. Given the significance of air conditioning products to the Group's all-category marketing business and given that the Group's sales of TCL Air Conditioner Products have continued to grow globally in recent years, contributing to increased revenue and profitability of the Group, the supply of TCL Air Conditioner Products is essential to maintaining a comprehensive product portfolio and meeting customer demand. By formalising this relationship through the Supply Framework Agreement, the Group is able to secure stable supply of air conditioning products. This protects the Group from supply chain volatility and ensures it can meet retail demand without disruption.

According to the HVAC Market Opportunity Report 2026, the global HVAC industry was estimated at US$524.9 billion in 2025 and the market is expected to grow from US$564.8 billion in 2026 to US$1.2 trillion in 2035, at a compound annual growth rate of 8.1%[1], as it is undergoing a profound transformation driven by multiple structural tailwinds including acceleration of green and low-carbon transition, untapped market potential across multiple regions, evolving consumer preferences and AI-empowered evolution of smart home ecosystems. Therefore, the Group intends to further seize the growth opportunities arising from the industry through conducting the continuing connected transactions under the Supply Framework Agreement.

[1] Please refer to "HVAC Market Opportunity Report 2026" published by Global Market Insights Inc., a global market research and consulting firm, at https://www.gminsights.com/industry-analysis/hvac-market

Following the Completion, the Group will continue to carry out the above-mentioned business to achieve quality growth in global business and continuously strengthen overall profitability. The TCL Air Conditioner Group will become part of the Enlarged Group; however, TCL Industries Holdings will retain a 49% equity interest therein. Consequently, transactions between the TCL Air Conditioner Group and the remaining members of the Enlarged Group will continue to constitute connected transactions of the Group. As the existing Master Sale and Purchase (2025-2027) CCT Agreement excludes members of the Group from the definition of TCL Industries Holdings Group, it will cease to govern the transactions involving the sale of TCL Air Conditioner Products by the relevant member of the TCL Air Conditioner Group (as subsidiaries of the Group) to the relevant member of the Group after the Completion. The Supply Framework Agreement is therefore essential to provide a clear contractual framework that ensures the seamless continuation of the established business relationship and enables the Group to fully realise the commercial synergies expected from the Acquisition.

Having considered the above factors, we are of the view that the Supply Framework Agreement is entered into in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Supply Framework Agreement

The material terms of the Supply Framework Agreement are summarised below:

Date	:	15 July 2026 (after trading hours)
Parties	:	(i) The Company (for itself and on behalf of the Group); and (ii) TCL Air Conditioner (for itself and on behalf of the TCL Air Conditioner Group).
Duration	:	From the day both conditions precedent below are satisfied to 31 December 2027 (both days inclusive).
Condition precedent	:	The Supply Framework Agreement is conditional on and subject to (i) the compliance by the Company with relevant Listing Rules requirements in respect of the Supply Framework Agreement, including but not limited to obtaining Shareholders' approval at the EGM; and (ii) the Completion.

Major terms	:	*<u>Purchase of TCL Air Conditioner Products</u>* Each member of the Group may, at its absolute discretion, request to purchase its required TCL Air Conditioner Products from members of the TCL Air Conditioner Group. Upon receiving purchase request from members of the Group, TCL Air Conditioner may, at its absolute discretion, procure the relevant member of the TCL Air Conditioner Group to sell to the relevant member of the Group the required TCL Air Conditioner Products. *<u>General terms</u>* The terms and conditions (including price and payment terms) of any sale and purchase conducted pursuant to the Supply Framework Agreement shall be agreed between relevant member(s) of the Group and relevant member(s) of the TCL Air Conditioner Group in writing by individual agreements from time to time. The terms of such individual agreements shall be consistent with the Supply Framework Agreement save and except for the clauses regarding applicable law and dispute resolution. Subject to mutual agreement, the relevant member of the Group has the right to sell, resell or otherwise distribute TCL Air Conditioner Products which it has acquired from the relevant member of the TCL Air Conditioner Group to any person at such price as such member of the Group may in its absolute discretion determine.
Pricing policy and basis of price determination	:	The overall terms and conditions (including but not limited to price, payment terms and credit terms) as a whole offered by the relevant member of the TCL Air Conditioner Group to the relevant member of the Group shall be no less favourable to the relevant member of the Group than those offered by Independent Third Parties and shall be on normal commercial terms or better. Each individual agreement shall be negotiated on an arm's length basis.

In determining whether the overall terms and conditions are no less favourable to the relevant member of the Group than those offered by Independent Third Parties, the Group will take into account all relevant factors including the fair market price ranges and pricing terms of products of identical, or (if that is not available) of comparable or similar quality, specifications, quantities, required time of delivery, etc. offered by Independent Third Parties in the market as at the time when the individual agreement is entered into.

Our assessment of the principal terms

To assess the fairness and reasonableness of the terms under the Supply Framework Agreement, we have reviewed the major terms thereof and discussed with the management of the Company the background and rationale for entering into the Supply Framework Agreement. We noted that upon Completion, TCL Air Conditioner will become a connected subsidiary of the Company, and the transactions contemplated under the Supply Framework Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to the Supply Framework Agreement, members of the Group may, at their absolute discretion, request to purchase TCL Air Conditioner Products from members of the TCL Air Conditioner Group. We consider that such discretionary arrangement provides flexibility to the Group, as the Group is not obligated or bound to purchase any minimum volume of products from the TCL Air Conditioner Group. Furthermore, the transactions must satisfy the prerequisites that the TCL Air Conditioner Group can meet the timeline, quality, and quantity requirements, and that the overall terms (including price, payment terms, and credit terms) offered to the Group are no less favourable than those offered by Independent Third Parties.

In evaluating the fairness and reasonableness of the pricing policy and terms, we have discussed with the management the internal control measures and price determination mechanisms implemented by the Group. As stipulated in the Supply Framework Agreement, the terms of each individual agreement shall be agreed based on normal commercial terms after arm's length negotiations. In determining whether the terms are no less favourable than those offered by Independent Third Parties, the Group will actively take into account all relevant market factors, including fair market price ranges and pricing terms of products of identical or comparable specifications and quality available in the market at the relevant time.

In order to verify the practical implementation of these market comparison mechanisms, we have obtained, reviewed and examined 41 sample purchase orders/agreements for TCL Air Conditioner Products entered into between the Group and the TCL Air Conditioner Group from 2024 to June 2026. In our review, we compared these sample purchase orders/agreements with 41 quotations for similar air conditioner products provided by Independent Third Parties. The comparison showed that the unit prices offered by the TCL Air Conditioner Group were more favourable to the Group than those offered by Independent Third Parties. The samples were selected on a random basis, with at least six sample sets of transactions for each half-year period across the review period. Given that the sample purchase orders/agreements and the quotations were selected on a random basis and evenly covered each half-year period throughout the period from 2024 to June 2026, we consider the selected samples to be fair and representative. Based on our review, we are satisfied that the pricing methodology is consistent with prevailing market rates and that the Group's internal procedures ensure that the procurement prices offered by the connected subsidiary will not be less favourable to the Group than those available from Independent Third Parties.

Furthermore, we note that the TCL Air Conditioner Group has undertaken to keep full and accurate books and records relating to the transactions contemplated under the Supply Framework Agreement and allow auditors engaged by the Company to have full access for inspection. We consider that this reporting and oversight framework safeguards the interests of the Company by ensuring strict compliance with the Listing Rules and providing a transparent mechanism for the independent non-executive Directors and auditors to perform their annual reviews.

In light of the above, and taking into account our review of the internal control measures and pricing policy adopted by the Group (as discussed in the below section headed "7. Internal control procedures and pricing policy" of this letter), we are of the view that the terms of the Supply Framework Agreement are on normal commercial terms, are entered into in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Historical figures and proposed annual caps of the Supply Framework Agreement

The following table sets out the respective historical figures of the purchase of TCL Air Conditioner Products for the two years ended 31 December 2024 and 31 December 2025 and the five months ended 31 May 2026, and the respective proposed annual caps for the three months ending 31 December 2026 and the year ending 31 December 2027:

Table 2: Historical figures and the proposed annual caps

	For the year ended 31 December 2024 *HK$'000*	For the year ended 31 December 2025 *HK$'000*	For the five months ended 31 May 2026 (for actual amount)/For the three months ending 31 December 2026 (for the proposed annual caps) *HK$'000*	For the year ending 31 December 2027 *HK$'000*
Supply Framework Agreement – Purchase of TCL Air Conditioner Products				
Historical transaction amounts (*Note 1*)	8,199,287	7,499,452	4,172,149	N/A
Proposed annual cap (*Note 2*)	N/A	N/A	3,000,000	18,000,000

Note:

1. Prior to the Completion, as each member of TCL Air Conditioner Group is an associate of TCL Industries Holdings and hence within the definition of TCL Industries Holdings Group under the Master Sale and Purchase (2022-2024) CCT Agreement and the Master Sale and Purchase (2025-2027) CCT Agreement, any sales of TCL Air Conditioner Products by TCL Air Conditioner Group to the Group are covered under the relevant annual caps for the Master Sale and Purchase (2022-2024) CCT Agreement and the Master Sale and Purchase (2025-2027) CCT Agreement.

2. Whilst it is stated in the paragraph headed "Completion" under the section "2. THE SALE AND PURCHASE AGREEMENT" above that the Completion is expected to take place in the fourth quarter of 2026, the proposed annual caps are set to cover the three-month period ending 31 December 2026 in order to cater for the sale of TCL Air Conditioner Products by TCL Air Conditioner Group to the Group in the event that the Completion occurs in the beginning of the fourth quarter of 2026.

6. Basis for determining the proposed annual caps and our analysis

6.1. Basis for determining the proposed annual caps

As discussed in the Board Letter, the proposed annual caps for the transactions under the Supply Framework Agreement are determined by reference to, among other things, (i) the historical transaction amount for the purchase of TCL Air Conditioner Products; (ii) the expected growth in demand for TCL Air Conditioner Products due to global warming and more frequent extreme weather; (iii) the expected incremental transaction volume arising from all-category synergies and new business expansion following the Completion; (iv) the mid-to-high-end positioning of TCL Air Conditioner Products and the expected product mix upgrades; (v) the impact of rising raw material costs on product prices and transaction values; and (vi) the estimated fluctuation in exchange rate between RMB and HK$ during the term of the Supply Framework Agreement.

6.2. Our analysis

The proposed annual caps under the Supply Framework Agreement are set at approximately HK$3.0 billion for the three months ending 31 December 2026 and HK$18.0 billion for the year ending 31 December 2027, respectively. In assessing the fairness and reasonableness of these annual caps, we have reviewed the relevant procurement schedules and underlying supporting documents detailing the estimated procurement amounts by each relevant member of the Group from TCL Air Conditioner, and analysed the underlying commercial rationale across multiple core dimensions, including historical transaction amounts, expected demand growth and expected post-Acquisition synergies.

The proposed annual cap for the three months ending 31 December 2026 covers only the three-month period because the Supply Framework Agreement will only become relevant upon Completion, which is expected to take effect in the fourth quarter of 2026. The three-month cap therefore provides sufficient flexibility to cover transactions from October to December 2026 if Completion occurs in the beginning of the fourth quarter of 2026.

Moreover, as stated in the Board Letter, the Group has been actively advancing its all-category smart device layout, of which air conditioning products form an indispensable part. For the years ended 31 December 2024 and 2025, the historical transaction amounts for the procurement of TCL Air Conditioner Products were approximately HK$8.2 billion and HK$7.5 billion, respectively. In 2025, the air conditioning business was affected by the phase-out of PRC government's national home appliance replacement subsidies and order volatility in the market, resulting in a corresponding drop in the Group's relevant transactions. However, for the five months ended 31 May 2026, the actual transaction amount reached approximately HK$4.2 billion. When annualised on a straight-line basis, the potential transaction scale for the full year of 2026 is estimated at approximately HK$10.0 billion, representing a year-on-year increase of approximately 33.5% from 2025. The management of the Company expects this operational momentum to carry forward into 2027, supported by the deep cultivation of overseas channels under the Group's mid-to-high-end "all-category" smart device layout strategy.

As regards the proposed annual cap of approximately HK$18.0 billion for the year ending 31 December 2027, we note that it represents an increase of approximately 50.0% over the annualised proposed cap for the three months ending 31 December 2026 of approximately HK$12.0 billion. In assessing the reasonableness of such increase, we have also considered that the annualised 2026 transaction amount of approximately HK$10.0 billion already represents a year-on-year increase of approximately 33.5% from 2025, indicating meaningful procurement momentum based on actual transactions during the first five months of 2026. The proposed cap for 2027 further reflects the expected full-year operation of the Supply Framework Agreement following Completion, anticipated procurement ramp-up following Completion, incremental procurement demand from new product categories, potential increase in average procurement prices arising from product mix upgrades and raw material cost movements, and exchange rate fluctuations and operational flexibility, as further discussed below.

Following the Completion, TCL Air Conditioner will be integrated into the Enlarged Group as a connected subsidiary, allowing the Group to leverage its established overseas retail networks to accelerate distribution of TCL Air Conditioner Products. We understand from the management of the Company that, in addition to existing residential air conditioning products, the TCL Air Conditioner Group also plans to further expand its new businesses, including heat pump systems and commercial air conditioning systems, which are expected to contribute incremental transaction volume during the term of the Supply Framework Agreement. This volume expansion is further supported by external market data, such as the "*HVAC Market Opportunity Report 2026*", which projects that the global HVAC industry will grow at a compound annual growth rate of approximately 8.1% from 2026 to 2035 due to energy transitions and regional market penetration (as discussed in the above section headed "3. Reasons for and benefits of entering into the Supply Framework Agreement"). Such market outlook provides external support for the expected increase in procurement demand under the Supply Framework Agreement.

Beyond procurement volumes, our analysis indicates that the proposed annual cap of approximately HK$18.0 billion for the financial year ending 31 December 2027 is expected to be driven by a strategic optimisation of the product portfolio. The Group plans to increase the proportion of high-value, high-margin flagship models equipped with smart AI and energy-efficient features, such as the AI series developed under the "Smart Health" concept, within its upcoming procurement cycles. Given that these mid-to-high-end models command a higher average selling price than traditional entry-level units, the multiplier effect of volume growth combined with an enhanced product mix supports the projected expansion in total transaction value.

In addition, it is understood that the procurement value of TCL Air Conditioner Products is also affected by fluctuations in raw material prices. In particular, copper accounts for approximately 20% to 30% of the material costs of TCL Air Conditioner Products and is therefore a key cost driver. Due to constraints in global copper supply and increasing demand from emerging industries such as new energy and artificial intelligence, spot copper prices increased by approximately 34.3% in 2025 and further exceeded RMB100,000 per tonne in early 2026. Based on our independent review of publicly available copper price information, it is noted that the spot copper price on the World Metal Resources Network reached RMB105,940 per tonne as at 2 June 2026, representing an increase of over 200% from the low point recorded in 2020.[2] For a standard household air conditioner, this surge translates into an additional copper material cost of approximately RMB200 to RMB600 per unit, with commercial central air conditioning systems, which require substantially higher copper content, experiencing even more pronounced cost pressures. Together with increases in other major raw materials such as aluminium and steel, the rise in copper prices has prompted major air conditioning brands to increase product prices by approximately 3% to 10%. Specifically, air conditioning products of various global brands implemented an across-the-board price increase of 4% to 10% on their residential and commercial air conditioning products, effective on 21 January 2026[3]. As such, even assuming the same sales volume, higher average product prices would result in higher transaction values, which supports the need for sufficient headroom under the proposed annual caps.

2 Please refer to the price data on Changjiang Nonferrous Metals Network (also known as World Metal Resources Network)(長江銅業網), a platform providing spot price quotations, market news, and historical data for base metals, at https://www.worldmetalres.com/en/copper

3 Please refer to the news article on Sina Finance (新浪財經), a leading financial news platform in China, dated 2 June 2026, https://cj.sina.com.cn/articles/view/1889633901/70a1866d00101izs8

Furthermore, the proposed annual caps incorporate a protective buffer of 10% to accommodate operational demand volatility and mitigate foreign exchange exposure. Maintaining adequate headroom ensures that the Group can adapt its procurement execution if downstream retail demand rises sharply or if upstream component costs adjust seasonally, preventing technical breaches of the Listing Rules' cap thresholds. This buffer also addresses currency conversion risks, as the manufacturing and invoicing of TCL Air Conditioner Products are primarily denominated in RMB, while the Group's financial reporting currency is HK$. The management of the Company determined this buffer by referencing historical two-way exchange rate volatility during the reference period, where the variance between the highest and lowest recorded rates were approximately 1.15 HK$ per 1 RMB and approximately 1.08 HK$ per 1 RMB respectively, representing a difference of approximately 7%[4], and factoring in the International Monetary Fund's economic growth forecasts for the PRC of 4.4% in 2026 and 4.0% in 2027, which represents a standard risk-management practice.

To verify the assumptions and financial parameters underpinning these proposed annual caps, we performed several due diligence procedures. We have verified historical actual transaction data for the procurement of TCL Air Conditioner Products, analysing the order momentum established during the first five months of 2026. We obtained and examined the detailed internal procurement forecasts prepared by the Group, evaluating whether the projected unit prices and volume allocations align with the Group's current global expansion roadmap. We also consulted macroeconomic data and public market research reports for the global HVAC industry to assess whether the market growth rates used in the Company's internal projections fall within reasonable industry ranges. Finally, we have conducted an analysis of exchange rate volatility between RMB and HK$. Based on these factors, and following our integrated analysis of procurement volumes, pricing structures, raw material cost trends, foreign exchange movements and risk buffers, we are of the view that the proposed annual caps for the purchase of TCL Air Conditioner Products under the Supply Framework Agreement are fair and reasonable so far as the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

4 Please refer to the exchange rates released by The Hong Kong Association of Banks, available at https://www.hkab.org.hk/en/rates/exchange-rates

7. Internal control procedures and pricing policy

According to the Board Letter, in order to safeguard the interests of the Company and the Shareholders, and to ensure that the Supply Framework Agreement and the transactions contemplated thereunder will be conducted on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties, in addition to those disclosed above, the Company has also adopted the following internal control procedures and pricing policies:

(i) The Group will periodically collect market information from connected persons and Independent Third Parties and enter such information into its internal database. Before each continuing connected transaction is to be carried out, the Group will compare the terms offered by the relevant connected person with the market data in its internal database to ensure the overall terms offered by such connected person are on normal commercial terms and no less favourable to the Group than those offered by Independent Third Parties.

(ii) The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the aggregate transaction amounts which will be submitted to the finance director of the Group for review.

(iii) Before conducting any transactions with connected persons, the finance department would confirm the utilisation status of the annual caps to ensure that the Group still has sufficient room under the annual caps for carrying out the relevant continuing connected transactions. The finance department would on a monthly basis review the continuing connected transactions carried out during the period under review. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, the Company would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules, including but not limited to revising the relevant annual caps before entering into the proposed transactions.

(iv) Every time before conducting any continuing connected transactions, the relevant department of the Group would first prepare the relevant individual agreement for the continuing connected transactions and submit it to the internal control unit and legal department of the Group for review and approval. The transactions could only be carried out after the internal control unit and the legal department have separately given their approval therefor.

Our assessment of internal control procedures and the pricing policy

In assessing the adequacy and effective implementation of the internal control measures and pricing policies described above, we have performed the following due diligence:

- reviewed the Supply Framework Agreement, including the payment terms and pricing mechanisms set out therein;
- examined 41 sample purchase orders/agreements relating to TCL Air Conditioner Products entered into between the Group and the TCL Air Conditioner Group during the period from 2024 to June 2026, together with 41 quotations for comparable air conditioner products provided by Independent Third Parties, to verify adherence to arm's length negotiation principles and references to Independent Third Party pricing or market rates;
- compared the observed pricing and terms in sample transactions against prevailing market benchmarks (where available) and comparable transactions with Independent Third Parties to assess fairness and reasonableness;
- reviewed four randomly selected records for the monthly monitoring of annual caps and connected transactions by the Company's finance department;
- reviewed the continuing connected transactions monitoring report submitted to the Company's audit committee to ensure the ongoing reviews of transaction amounts against the approved annual caps; and
- discussed with the management of the Group the implementation of the internal guidelines and the annual review processes.

Based on our review of the aforementioned documents and examination of the internal control system, in particular, our review of (i) 41 sample purchase orders/agreements for TCL Air Conditioner Products entered into between the Group and the TCL Air Conditioner Group from 2024 to June 2026; and (ii) 41 quotations for similar air conditioner products provided by Independent Third Parties, we note that the sample purchase orders/agreements and quotations were selected on a random basis and comprised at least six sample sets for each half-year period that covered evenly throughout the period from 2024 to June 2026. Accordingly, we consider the selected samples to be fair and representative. Based on the foregoing, we are satisfied that the internal control procedures have been properly maintained by the Group and that the transactions were conducted on normal commercial terms with terms comparable to, or no less favourable than, the terms offered by Independent Third Parties.

We noted from the 2025 Annual Report that annual reviews of the continuing connected transactions have been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors had reviewed and confirmed that the continuing connected transactions contemplated thereunder were entered into, among other things, (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) either on normal commercial terms or terms no less favourable to the Group than those available from Independent Third Parties. The 2025 Annual Report also confirms that the Company's auditors had issued the relevant letters to the Company pursuant to Chapter 14A of the Listing Rules that the continuing connected transactions were conducted in accordance with their terms and that the proposed annual caps were not exceeded.

We also understand that there is appropriate segregation of duties in the internal control procedures. To assess the adequacy of such segregation in the internal control procedures, we have reviewed the evaluation records of sample purchase orders with the TCL Air Conditioner Group. This ensures a clear division of responsibilities between personnel initiating transactions (e.g., the responsible person in the procurement department) and those approving them.

Given that (i) the continuing connected transactions (in particular under the Master Sale and Purchase (2025-2027) CCT Agreement) have been conducted in accordance with their terms; (ii) the pricing policies for each of the transactions would be compared to the best available quotations or profit margins in respect of the comparable transactions entered into with Independent Third Parties; (iii) there is an appropriate segregation of duties in the approval process in each of the transactions; (iv) a monitoring system is in place with the finance department of the Group to ensure that the transaction amount is reviewed and the annual caps are not exceeded from time to time; and (v) the pricing and the proposed annual caps shall be reviewed annually by the auditors, the internal audit department and the independent non-executive Directors, we are satisfied that the internal control measures and procedures are adequate and effective in ensuring that the Supply Framework Agreement and the transactions contemplated thereunder will be entered into on normal commercial terms and on terms which are comparable to, or no less favourable than, market prices and terms.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the Supply Framework Agreement and the transactions contemplated thereunder are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms, fair and reasonable so far as the Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions regarding the Supply Framework Agreement at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles LI*
Managing Director

\# *For identification purpose only*

* *Charles LI is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2023, 2024 and 2025 is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://electronics.tcl.com).

(i) Annual Report of the Company for the year ended 31 December 2023:
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603103.pdf

(ii) Annual Report of the Company for the year ended 31 December 2024:
https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0428/2025042800433.pdf

(iii) Annual Report of the Company for the year ended 31 December 2025:
https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0429/2026042900031.pdf

2. DEBT STATEMENT

Borrowings

As at the close of business on 30 June 2026, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had total interest-bearing borrowings of approximately HK$10,978,667,000, comprising (a) unsecured guaranteed current bank loans of approximately HK$3,547,804,000; (b) unsecured unguaranteed current bank loans of approximately HK$7,009,931,000; (c) secured and guaranteed current bank loans of approximately HK$249,000; (d) secured unguaranteed non-current bank loans of approximately HK$413,673,000; (e) secured and guaranteed non-current bank loan of approximately HK$3,080,000; and (f) other loans of bank advances on factored trade receivables of approximately HK$3,930,000.

Lease obligations

The Enlarged Group has various lease contracts for land, plant and property, vehicles and other equipment. As at 30 June 2026, the Enlarged Group's total lease liabilities recognised under Hong Kong Financial Reporting Standards 16 under non-cancellable operating lease contracts were approximately HK$700,562,000.

Capital commitments and contingent liabilities

As at 30 June 2026, the Enlarged Group had capital commitments which were contracted but not provided for of approximately HK$4,237,878,000 and no capital commitments which were authorised but not contracted for.

As at 30 June 2026, the Group had the following contingent liability which has not been provided for in the financial statements:

TCL SEMP Eletroeletronicos 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 2026, the tax assessment dispute was still ongoing. The information falls under one of the exceptions under Hong Kong Accounting Standards 37 *Provisions, Contingent Liabilities and Contingent Assets,* which provides that where such disclosure can be expected to prejudice the outcome seriously, an entity need not disclose the information. The Enlarged Group has not made any provision as the Enlarged Group, based on the advice from its legal counsel, believes that TCL SEMP Eletroeletronicos has a valid defence against the allegation.

Pledge of assets

As at 30 June 2026, the Enlarged Group had restricted cash and pledged deposits balance of approximately HK$347,229,000, trade receivables of approximately HK$775,000, right-of-use assets of approximately HK$213,898,000 and other receivables amounting to HK$92,240,000 pledged as the balance of performance and quality guarantees, financial assets and banking facilities for the Enlarged Group.

Save as aforesaid, the Enlarged Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2026, being the Latest Practicable Date for the purpose of this indebtedness statement.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Enlarged Group since 30 June 2026.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Acquisition and the financial resources available to the Enlarged Group, including internally generated financial resources, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances. As at the Latest Practicable Date, the Company has obtained from its auditor the relevant confirmation regarding the sufficiency of working capital as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Unleashing the Group's significant operational and business synergies to further advance the "all-category smart device layout" and accelerate the dual-drive strategy of "Globalisation" and "Premiumisation"

The Group has seized industry development opportunities by leveraging the dual-drive strategy of "Globalisation" and "Premiumisation" and adhering to technological innovation as the core driving force, thus continuously achieving breakthroughs in product competitiveness whilst vigorously advancing synergistic development across all categories to build a more competitive product matrix. By deeply integrating the Target Group's established air conditioning operations with the Company's existing display and smart device ecosystems, the Enlarged Group will transition into an integrated, multi-category International smart home platform.

Crucially, the Acquisition will unlock significant business scaling around the world and elevate this relationship from distribution cooperation to full value-chain integration; the Enlarged Group intends to facilitate the seamless replication and leveraging of its deeply entrenched global sales networks, localised operational capabilities, and retail channels spanning over the world to rapidly accelerate the international expansion and global market penetration of the acquired air conditioning assets. This strategic synergy will enhance the overall TCL brand equity, and reinforce the Group's long-term global competitive edge.

Driving industrial upgrade through AI innovation, strengthening the core business and doubling down on the smart home appliance business, with focus on dual enhancement of profitability and scale to achieve high-quality development

Looking ahead, the Group will continue to uphold the business philosophy of "Strategy Guidance, Innovation Driven, Advanced Manufacturing and Global Operation", and centre around two core directions of enhancing profitability in the core business, and anchoring growth in the smart home appliance segments, with AI innovation and digital intelligence empowerment as key drivers, and synergistically advance Globalisation 3.0, brand upgrade and ESG strategy. The Group will adhere to long-term operational objectives and pursue quality growth to achieve high-quality sustainable development.

In terms of AI deployment, the Group will increase investment in smart robots, augmented reality/extended reality (AR/XR) and other fields, deliver upgraded user experience through technological innovation, and optimise decision-making efficiency through digital intelligence to drive the Group's long-term development.

In terms of the Globalisation 3.0 strategy, the Group will continue to strengthen the resilience of global resource allocation and enhance localised operational capabilities in key overseas regions; in terms of brand building, the Group will leverage the Olympic Games and regional sports marketing to drive simultaneous enhancement of brand value and global influence; in terms of ESG strategy, the Group will focus on R&D and application of eco-friendly technologies, be committed to energy conservation and emission reduction and energy transition targets, and steadily advance the carbon peaking process.

At the core business level, the Group will leverage high-end display technologies in large-sized display to consolidate its industry-leading position, expand high-end market share, and actively explore AI innovative applications. The small-and-medium-sized display business will focus on core markets, strengthen operational efficiency through resource synergy and enhance profitability. The high-margin internet business will drive steady growth in domestic business through AI innovation, and expand overseas markets through model innovation, with such dual engines driving overall profit enhancement.

The Target Group's vision is to become a leading global brand in environmental green energy and healthy air management solutions. Under this vision, the Target Group's product strategy is to use AI technology to define the next generation of air conditioners. This brand positioning is closely aligned with the key industry megatrends identified above – namely, AI intelligence, health and wellness, green energy efficiency and whole-home ecosystem integration – and provides the Enlarged Group with a compelling and future-proof platform for growth.

Meanwhile, the Company is considering a potential plan to achieve a separate listing of the Group's photovoltaic business segment through a spin-off by way of distribution in specie. The Company preliminarily believes that a separate listing of the photovoltaic business would allow the Company to concentrate on its global smart home appliance segment, thereby providing a clearer strategic focus. The Company further considers that the potential spin-off would enable the photovoltaic business to pursue an independent growth strategy, and broaden its financing channels, which the Company believes would be in the best interests of the Company and its shareholders as a whole.

The potential spin-off remains at a preliminary deliberation stage and is subject to uncertainties. The Company will comprehensively and prudently assess the potential impact of implementing this project with a view to maximising shareholder interests and will make further announcements in compliance with the Listing Rules as and when appropriate if there is any relevant progress on this project.

Achieving strong financial performance and resilience and creating long-term value for Shareholders

This Acquisition will integrate the high-quality core air-conditioning assets into the Group, further solidify the strategic positioning and synergy value of the Group's major home appliances business, improve overall operational efficiency, and thereby drive a re-rating of the Group's valuation. It is expected that upon Completion of this Acquisition, the Enlarged Group's revenue scale and profitability will be boosted immediately. The Enlarged Group is projected to strengthen the resilience of its financial performance and operational stability amid economic and industry cycles. Moving forward, while sustaining sound business growth, the Enlarged Group will continuously optimise its capital structure with tangible deliverables, and commit to delivering sustainable, high-quality long-term returns to Shareholders.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF TCL AEROWELL (CAYMAN) HOLDINGS LIMITED TO THE DIRECTORS OF TCL ELECTRONICS HOLDINGS LIMITED

Introduction

We report on the historical financial information of TCL AeroWell (Cayman) Holdings Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages IA-4 to IIA-119, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2023, 2024 and 2025, and the three months ended 31 March 2026 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2023, 2024 and 2025 and 31 March 2026 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IIA-119 forms an integral part of this report, which has been prepared for inclusion in the circular of TCL Electronics Holdings Limited (the "Company") dated 24 August 2026 (the "Circular") in connection with the proposed acquisition of a 100% equity interest in the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements of the Target Group as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars as* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2023, 2024 and 2025 and 31 March 2026 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2025 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity as* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
24 August 2026

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Three months ended 31 March	
	Notes	**2023**	**2024**	**2025**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
REVENUE	*5*	25,093,656	29,209,359	33,757,539	11,193,773	11,097,105
Cost of sales		(22,310,966)	(26,258,319)	(29,693,621)	(10,017,841)	(10,076,225)
Gross profit		2,782,690	2,951,040	4,063,918	1,175,932	1,020,880
Other income and gains	*5*	590,967	646,572	563,697	191,655	90,284
Selling and marketing expenses		(638,083)	(748,184)	(912,747)	(263,074)	(277,607)
Administrative expenses		(340,525)	(466,925)	(540,793)	(149,394)	(138,703)
Research and development costs		(613,940)	(670,661)	(711,456)	(163,375)	(193,525)
Impairment losses on financial assets, net		(252,814)	35,404	(54,965)	(74,913)	(53,152)
Other expenses		(177,748)	(121,129)	(75,740)	(41,142)	(85,123)
Finance costs	*7*	(80,622)	(79,342)	(70,493)	(22,010)	(15,796)
Share of profits and losses of:						
A joint venture	*16*	960	1,561	1,249	483	126
Associates	*17*	1,225	21,540	22,775	10,581	6,729
PROFIT BEFORE TAX	*6*	1,272,110	1,569,876	2,285,445	664,743	354,113
Income tax expense	*9*	(179,134)	(204,468)	(371,664)	(124,778)	(53,619)
PROFIT FOR THE YEAR/ PERIOD		1,092,976	1,365,408	1,913,781	539,965	300,494
Attributable to:						
Owners of the parent		593,077	688,989	949,683	264,741	153,931
Non-controlling interests		499,899	676,419	964,098	275,224	146,563

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
PROFIT FOR THE YEAR/PERIOD	1,092,976	1,365,408	1,913,781	539,965	300,494
OTHER COMPREHENSIVE (LOSS)/ INCOME					
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges:					
Effective portion of changes in fair value of the hedging instruments arising during the year/period	(25,620)	(14,919)	38,123	42,018	(35,527)
Reclassification adjustments for (gains)/ losses included in the consolidated statement of profit or loss	2,906	(10,605)	(7,889)	(25,139)	24,106
Income tax effect	(724)	3,128	(4,165)	(2,123)	1,749
	(23,438)	(22,396)	26,069	14,756	(9,672)
Exchange differences on translation of foreign operations	19,879	(106,284)	87,103	(7,399)	80,732
Share of other comprehensive income/ (loss) of associates	453	106	(898)	(15)	(242)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(3,106)	(128,574)	112,274	7,342	70,818
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of the Target Company	–	–	15,271	–	45,450
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	–	15,271	–	45,450
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR/PERIOD, NET OF TAX	(3,106)	(128,574)	127,545	7,342	116,268
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	1,089,870	1,236,834	2,041,326	547,307	416,762
Attributable to:					
Owners of the parent	574,342	566,939	1,088,700	278,269	253,923
Non-controlling interests	515,528	669,895	952,626	269,038	162,839

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December			31 March
	Notes	**2023**	**2024**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	1,899,184	2,041,541	3,114,105	3,308,298
Right-of-use assets	*12(a)*	327,171	473,228	489,873	488,756
Goodwill	*13*	–	23,106	23,694	24,229
Other intangible assets	*14*	21,886	71,573	69,232	68,308
Investment in a joint venture	*16*	6,416	7,819	9,284	7,581
Investments in associates	*17*	229,808	242,696	266,266	274,596
Derivative financial instruments	*29*	–	2,512	7,094	10,468
Deferred tax assets	*18*	183,832	283,452	332,698	371,783
Debt investments at amortised cost	*24*	337,062	396,777	–	–
Contract assets		–	1,750	3,335	4,593
Other deferred assets	*19*	177,490	338,258	372,257	520,892
Total non-current assets		3,182,849	3,882,712	4,687,838	5,079,504
CURRENT ASSETS					
Inventories	*21*	2,507,110	5,252,755	3,573,634	4,373,752
Trade receivables	*22*	5,998,237	5,360,713	6,570,333	10,066,903
Contract assets		–	–	1,667	916
Bills receivable	*23*	3,073,051	2,167,256	1,882,249	1,583,721
Prepayments, other receivables and other assets	*20*	5,437,830	10,047,412	8,112,158	6,774,978
Derivative financial instruments	*29*	4,910	11,811	48,443	10,436
Pledged deposits	*25*	154,882	194,126	99,818	81,856
Cash and cash equivalents	*25*	136,987	227,130	693,334	420,523
Total current assets		17,313,007	23,261,203	20,981,636	23,313,085
CURRENT LIABILITIES					
Trade payables	*26*	8,366,533	11,936,543	10,327,824	12,087,969
Bills payable	*27*	1,713,480	1,774,917	1,825,738	2,060,153
Other payables and accruals	*28*	5,902,645	5,616,558	5,803,072	5,674,738
Interest-bearing bank and other borrowings	*30*	1,372,898	1,739,984	911,440	1,673,732
Lease liabilities	*12(b)*	42,996	48,958	48,575	49,011
Tax payable		192,056	148,647	95,825	119,276
Derivative financial instruments	*29*	20,906	63,772	28,144	1,092
Provision	*31*	99,654	136,614	183,488	210,989
Total current liabilities		17,711,168	21,465,993	19,224,106	21,876,960
NET CURRENT ASSETS		(398,161)	1,795,210	1,757,530	1,436,125
TOTAL ASSETS LESS CURRENT LIABILITIES		2,784,688	5,677,922	6,445,368	6,515,629

		31 December			31 March
	Notes	**2023**	**2024**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*30*	930,892	1,073,565	915,481	559,147
Lease liabilities	*12(b)*	141,687	107,068	108,958	101,071
Deferred tax liabilities	*18*	–	5,891	8,923	9,260
Provision	*31*	161,096	145,257	162,005	174,338
Other non-current liabilities		5,895	59,023	64,761	69,811
Total non-current liabilities		1,239,570	1,390,804	1,260,128	913,627
Net assets		1,545,118	4,287,118	5,185,240	5,602,002
EQUITY					
Equity attributable to owners of the parent					
Share capital	*32*	–	–	258	258
Reserves	*34*	530,936	1,806,389	2,751,593	3,005,516
		530,936	1,806,389	2,751,851	3,005,774
Non-controlling interests		1,014,182	2,480,729	2,433,389	2,596,228
Total equity		1,545,118	4,287,118	5,185,240	5,602,002

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						
	Capital reserve* HK$'000 (note 34)	Cash flow hedge reserve* HK$'000 (note 34)	Exchange fluctuation reserve* HK$'000 (note 34)	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023	199,451	13,502	10,528	80,524	304,005	724,635	1,028,640
Profit for the year	–	–	–	593,077	593,077	499,899	1,092,976
Other comprehensive (loss)/income for the year:							
Cash flow hedges	–	(11,953)	–	–	(11,953)	(11,485)	(23,438)
Exchange differences related to:							
Translation of foreign operations	–	–	(7,013)	–	(7,013)	26,892	19,879
Share of other comprehensive income of associates	–	–	231	–	231	222	453
Total comprehensive (loss)/income for the year	–	(11,953)	(6,782)	593,077	574,342	515,528	1,089,870
Equity-settled share award scheme	3,293	–	–	–	3,293	3,164	6,457
Deemed disposal of partial interests in a subsidiary to non-controlling interests	(54,981)	–	–	–	(54,981)	54,981	–
Dividends declared *(note 10)*	–	–	–	(295,723)	(295,723)	(284,126)	(579,849)
At 31 December 2023	147,763	1,549	3,746	377,878	530,936	1,014,182	1,545,118

Year ended 31 December 2024

	Attributable to owners of the parent							
	Capital reserve* HK$'000 (note 34)	Cash flow hedge reserve* HK$'000 (note 34)	Exchange fluctuation reserve* HK$'000 (note 34)	Other reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2024	147,763	1,549	3,746	–	377,878	530,936	1,014,182	1,545,118
Profit for the year	–	–	–	–	688,989	688,989	676,419	1,365,408
Other comprehensive (loss)/income for the year:								
Cash flow hedges	–	(11,422)	–	–	–	(11,422)	(10,974)	(22,396)
Exchange differences related to:								
Translation of foreign operations	–	–	(110,681)	–	–	(110,681)	4,397	(106,284)
Share of other comprehensive income of associates	–	–	53	–	–	53	53	106
Total comprehensive (loss)/income for the year	–	(11,422)	(110,628)	–	688,989	566,939	669,895	1,236,834
Acquisition of a subsidiary *(note 35)*	–	–	–	–	–	–	72,404	72,404
Equity-settled share award scheme	1,767	–	–	–	–	1,767	1,698	3,465
Capital injection	1,109,730	–	–	–	–	1,109,730	1,109,730	2,219,460
Grant of put option over non-controlling interests of a subsidiary	–	–	–	(29,572)	–	(29,572)	(28,412)	(57,984)
Dividends declared *(note 10)*	–	–	–	–	(373,411)	(373,411)	(358,768)	(732,179)
At 31 December 2024	1,259,260	(9,873)	(106,882)	(29,572)	693,456	1,806,389	2,480,729	4,287,118

Year ended 31 December 2025

	Attributable to owners of the parent								
	Share capital HK$'000 (note 32)	Capital reserve* HK$'000 (note 34)	Cash flow hedge reserve* HK$'000 (note 34)	Exchange fluctuation reserve* HK$'000 (note 34)	Other reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2025	–	1,259,260	(9,873)	(106,882)	(29,572)	693,456	1,806,389	2,480,729	4,287,118
Profit for the year	–	–	–	–	–	949,683	949,683	964,098	1,913,781
Other comprehensive income/(loss) for the year:									
Cash flow hedges	–	–	13,604	–	–	–	13,604	12,465	26,069
Exchange differences related to:									
Translation of foreign operations	–	–	–	125,871	–	–	125,871	(23,497)	102,374
Share of other comprehensive income of associates	–	–	–	(458)	–	–	(458)	(440)	(898)
Total comprehensive income for the year	–	–	13,604	125,413	–	949,683	1,088,700	952,626	2,041,326
Equity-settled share award scheme	–	213	–	–	–	–	213	204	417
Issue of new shares	258	897,284	–	–	–	–	897,542	–	897,542
Dividends declared *(note 10)*	–	–	–	–	–	(1,040,993)	(1,040,993)	(1,000,170)	(2,041,163)
At 31 December 2025	258	2,156,757	3,731	18,531	(29,572)	602,146	2,751,851	2,433,389	5,185,240

Three months ended 31 March 2026

	Attributable to owners of the parent								
	Share capital HK$'000 (note 32)	Capital reserve* HK$'000 (note 34)	Cash flow hedge reserve* HK$'000 (note 34)	Exchange fluctuation reserve* HK$'000 (note 34)	Other reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2026	258	2,156,757	3,731	18,531	(29,572)	602,146	2,751,851	2,433,389	5,185,240
Profit for the period	–	–	–	–	–	153,931	153,931	146,563	300,494
Other comprehensive (loss)/income for the period:									
Cash flow hedges	–	–	(4,941)	–	–	–	(4,941)	(4,731)	(9,672)
Translation of foreign operations	–	–	–	105,056	–	–	105,056	21,126	126,182
Share of other comprehensive income of associates	–	–	–	(123)	–	–	(123)	(119)	(242)
Total comprehensive (loss)/income for the period	–	–	(4,941)	104,933	–	153,931	253,923	162,839	416,762
At 31 March 2026	258	2,156,757	(1,210)	123,464	(29,572)	756,077	3,005,774	2,596,228	5,602,002

* These reserve accounts comprise the consolidated reserves of HK$530,936,000, HK$1,806,389,000, HK$2,751,593,000 and HK$3,005,516,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

Three months ended 31 March 2025 (Unaudited)

	Attributable to owners of the parent							
	Capital reserve HK$'000 (note 34)	Cash flow hedge reserve HK$'000 (note 34)	Exchange fluctuation reserve HK$'000 (note 34)	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2025	1,259,260	(9,873)	(106,882)	(29,572)	693,456	1,806,389	2,480,729	4,287,118
Profit for the period	–	–	–	–	264,741	264,741	275,224	539,965
Other comprehensive income/(loss) for the period:								
Cash flow hedges	–	7,818	–	–	–	7,818	6,938	14,756
Exchange differences related to:								
Translation of foreign operations	–	–	5,718	–	–	5,718	(13,117)	(7,399)
Share of other comprehensive income of associates	–	–	(8)	–	–	(8)	(7)	(15)
Total comprehensive income for the period	–	7,818	5,710	–	264,741	278,269	269,038	547,307
At 31 March 2025	1,259,260	(2,055)	(101,172)	(29,572)	958,197	2,084,658	2,749,767	4,834,425

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2023 HK$'000	2024 HK$'000	2025 HK$'000	Three months ended 31 March 2025 HK$'000 (Unaudited)	2026 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		1,272,110	1,569,876	2,285,445	664,743	354,113
Adjustments for:						
Bank interest income	5	(235,835)	(213,419)	(258,307)	(58,131)	(28,886)
Finance costs	7	80,622	79,342	70,493	22,010	15,796
Depreciation of property, plant and equipment	6	285,111	330,005	402,960	93,627	115,225
Depreciation of right-of-use assets	6	60,532	62,461	64,191	14,402	16,979
Amortisation of other intangible assets	6	5,597	4,802	10,921	2,822	2,700
(Gain)/loss on disposal of items of property, plant and equipment	6	(1,854)	4,618	2,187	1,360	(555)
Gain on disposal of items of other intangible assets	6	–	(586)	(61)	(38)	–
Gain on disposal of items of right-of-use assets	6	–	(52)	(347)	–	(4)
Gain on disposal of an associate	5	(29,877)	–	–	–	–
Share of profits and losses of a joint venture and associates		(2,185)	(23,101)	(24,024)	(11,064)	(6,855)
Loss/(gain) on changes in fair value of derivative financial instruments	6	37,478	13,533	(42,189)	(12,776)	(427)
Realised gain on settlement of derivative financial instruments	6	132,870	86,148	62,158	37,457	(8,079)
Equity-settled share award expense	6	6,457	10,814	34,879	2,294	10,122
Write-down of inventories to net realisable value	6	56,570	377,955	118,500	5,423	5,690
Impairment/(reversal of impairment) of trade and bills receivables, net	6	257,583	(13,884)	57,156	75,736	53,902
Reversal of impairment of other receivables, net	6	(4,769)	(21,520)	(2,191)	(823)	(750)
		1,920,410	2,266,992	2,781,771	837,042	528,971

	Notes	Year ended 31 December 2023 HK$'000	2024 HK$'000	2025 HK$'000	Three months ended 31 March 2025 HK$'000 (Unaudited)	2026 HK$'000
(Increase)/decrease in inventories		(186,808)	(2,709,149)	1,560,621	714,882	(805,808)
(Increase)/decrease in trade and bills receivables		(2,178,748)	1,889,168	(1,013,284)	(3,946,832)	(3,257,808)
(Increase)/decrease in contract assets		–	(1,750)	(3,252)	1,750	(507)
(Increase)/decrease in other deferred assets		–	(84,351)	(61,642)	5,726	11,166
(Increase)/decrease in prepayments, other receivables and other assets		(932,074)	145,788	(619,692)	(520,858)	(232,038)
(Increase)/decrease in derivative financial instruments		(129,289)	(86,290)	(70,743)	(39,544)	6,415
(Decrease)/increase in deferred income		(14,380)	(4,856)	6,112	77	(3,285)
Increase/(decrease) in trade payables		558,754	3,018,458	(1,608,719)	3,176,740	1,760,145
Increase in bills payable		750,175	61,437	50,821	33,744	234,415
Increase/(decrease) in other payables and accruals		418,771	(204,148)	759,864	(91,889)	(126,509)
Increase/(decrease) in provisions		117,566	(25,457)	63,622	88,042	39,834
(Decrease)/increase in other non-current liabilities		–	–	(374)	(3,141)	8,336
Cash generated from/(used in) operations		324,377	4,265,842	1,845,105	255,739	(1,836,673)
Interest received		235,835	213,419	258,307	58,131	28,886
Income tax paid		(264,150)	(540,089)	(455,332)	(281,905)	(202,905)
Net cash flows from/(used in) operating activities		296,062	3,939,172	1,648,080	31,965	(2,010,692)
CASH FLOWS FROM INVESTING ACTIVITIES						
Repayment from related parties of TCL Industries Holdings Co., Ltd.		–	–	2,032,650	776,353	1,644,052
Advance to related parties of TCL Industries Holdings Co., Ltd.		(412,239)	(4,189,158)	–	–	–
Purchase of items of property, plant and equipment		(394,102)	(557,640)	(1,335,981)	(372,997)	(334,683)
Proceeds from disposal of items of property, plant and equipment		28,191	9,433	23,994	577	8,823
Acquisition of other intangible assets		(1,038)	(19,104)	(6,802)	–	(221)
Proceeds from disposal of other intangible assets		–	768	61	38	–
Proceeds from disposal of investment in an associate		56,676	–	–	–	–
Purchase of leasehold land		(9,844)	(199,166)	(15,560)	–	–
Acquisition of a subsidiary, net of cash acquired	35	–	(3,382)	(210,231)	–	–
Purchase of debt investments at amortised costs		(337,062)	(539,975)	–	–	(344,248)
Mature of held to maturity		–	–	539,975	539,975	359,723
(Increase)/decrease in pledged deposits		(154,882)	(39,244)	94,308	14,058	17,962
Dividend received		16,999	3,654	4,856	–	6,207
Net cash flows (used in)/from investing activities		(1,207,301)	(5,533,814)	1,127,270	958,004	1,357,615

	Notes	Year ended 31 December 2023 HK$'000	2024 HK$'000	2025 HK$'000	Three months ended 31 March 2025 HK$'000 (Unaudited)	2026 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital injection from shareholders		–	2,219,460	–	–	–
Issue of shares		–	–	897,542	–	–
New bank and other loans		1,398,508	4,036,958	714,976	783,504	1,128,441
Repayment of bank and other loans		(432,678)	(3,489,392)	(1,752,858)	(1,379,677)	(760,198)
Dividends paid		(320,072)	(864,185)	(2,133,504)	–	–
Principal portion of lease payments		(56,096)	(52,901)	(63,698)	(12,709)	(17,180)
Interest paid		(38,140)	(44,980)	(30,863)	(7,999)	(12,329)
Net cash flows from/(used in) financing activities		551,522	1,804,960	(2,368,405)	(616,881)	338,734
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(359,717)	210,318	406,945	373,088	(314,343)
Cash and cash equivalents at beginning of year/period		397,744	136,987	227,130	227,130	693,334
Effect of foreign exchange rate changes, net		98,960	(120,175)	59,259	(65,157)	41,532
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		136,987	227,130	693,334	535,061	420,523
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*25*	136,987	227,130	693,334	535,061	420,523
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		136,987	227,130	693,334	535,061	420,523

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	31 December 2025 HK$'000	31 March 2026 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	*15*	2,013,628	2,059,078
Total non-current asset		2,013,628	2,059,078
CURRENT ASSET			
Cash and cash equivalents		9	8
Total current asset		9	8
NET CURRENT ASSETS		9	8
TOTAL ASSETS LESS CURRENT LIABILITIES		2,013,637	2,059,086
Net assets		2,013,637	2,059,086
EQUITY			
Share capital		258	258
Reserves	*34*	2,013,379	2,058,828
Total equity		2,013,637	2,059,086

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the Cayman Islands on 3 September 2025. The registered office address of the Target Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Target Company is an investment holding company. During the Relevant Periods, the Target Group was involved in the research and development, manufacture and sale of air conditioners (the "Target Business"). Prior to the incorporation of the Target Company, the Target Business was carried out by TCL Air Conditioner (Zhongshan) Co., Ltd. ("TCL (Zhongshan) Air Conditioner") and its subsidiaries. Before the reorganisation, the ultimate controlling party of TCL (Zhongshan) Air Conditioner was TCL Industries Holdings Co., Ltd. ("TCL Industries Holdings"), a limited liability company registered in the People's Republic of China (the "PRC"). To rationalise the corporate structures of the Target Business, the Target Company became the holding company of the companies now comprising the Target Group (the "Reorganisation"). Apart from the Reorganisation, the Target Company has not commenced any business or operation since its incorporation.

In the opinion of the directors of the Target Company, as at 31 March 2026, the immediate holding company and the ultimate holding company of the Target Company are TCL NXTHome Global Limited, a company incorporated in the British Virgin Islands, and TCL Industries Holdings, respectively.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the principal subsidiaries are set out below:

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
TCL AeroWell (HK) Holdings Limited	*(e)*	Hong Kong 16 October 2025	Renminbi ("RMB") 1,818,010,000	100%	–	Investment holding
Guangdong TCL Air Conditioner Holdings Co., Ltd.*	*(f)*	PRC/Chinese mainland 3 November 2025	RMB1,818,010,000	–	100%	Investment holding
TCL AIR-CONDITIONER (ZHONGSHAN) CO. LTD.	*(a)*	PRC/Chinese mainland 8 November 2000	RMB1,135,489,462	–	51%	Manufacturing
TCL AIR-CONDITIONER (WUHAN) CO. LTD.	*(a)*	PRC/Chinese mainland 28 July 2004	RMB138,598,738	–	41%	Manufacturing

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
TCL Home Appliances Holding Company Limited ("TCL Home Appliances")	*(e)*	Hong Kong 29 April 2020	HK$100,000	–	51%	Investment holding
ZhongShan TCL REFRIGERATION EQUIPMENT CO. LTD.	*(a)*	PRC/Chinese mainland 25 October 2013	RMB50,000,000	–	51%	Manufacturing
GD TCL INTELLIGENT HEATING & VENTILATING EQUIPMENT CO, LTD.	*(a)*	PRC/Chinese mainland 10 December 2017	RMB100,000,000	–	51%	Manufacturing
Guangdong Wankezi Intelligent Control Technology Co., Ltd.	*(a)*	PRC/Chinese mainland 12 November 2021	RMB50,000,000	–	51%	Manufacturing
Guangzhou TCL Air Conditioning Technology Co., Ltd.*	*(b)*	PRC/Chinese mainland 14 September 2024	RMB370,000,000	–	51%	Manufacturing
WuHan Wankezi Intelligent Control Technology Co., Ltd.*	*(b)*	PRC/Chinese mainland 22 October 2024	RMB20,000,000	–	51%	Manufacturing
Ningbo Tixi Aier Zhijia Sales Co., Ltd.*	*(b)*	PRC/Chinese mainland 19 November 2024	RMB20,000,000	–	51%	Trading
Zhongshan Langyuan Home Appliances Co., Ltd.*	*(b)*	PRC/Chinese mainland 23 October 2024	RMB500,000	–	51%	Manufacturing
Zhongshan Yicheng Management Co., Ltd.*	*(b)*	PRC/Chinese mainland 5 December 2024	RMB5,000,000	–	51%	Corporate management
TCL Digital Power Co., Ltd.	*(c)*	PRC/Chinese mainland 27 March 2025	RMB37,000,000	–	37%	Research and development
TCL AIR-CONDITIONER (JIUJIANG) CO. LTD.	*(a)*	PRC/Chinese mainland 14 February 2018	RMB20,000,000	–	41%	Manufacturing
TCL HOME APPLIANCES (HK) CO., LIMITED	*(e)*	Hong Kong 4 November 2008	HK$100,000	–	51%	Trading
Zhongshan Yayun Enterprise Management Co., Ltd.*	*(c)*	PRC/Chinese mainland 10 April 2025	RMB100,000	–	51%	Corporate management
Ningbo Zhicui's own capital investment partnership enterprise (limited partnership)*	*(c)*	PRC/Chinese mainland 26 June 2025	RMB96,250,000	–	25%	Investment and asset management
PT TCL HOME APPLIANCES INDONESIA	*(f)*	Indonesia 20 August 2019	Indonesian Rupiah ("IDR") 10,000,000,000	–	51%	Trading
TCL SEMP Indústria e Comércio de Condicionadores de ar S.A. ("TCL SEMP AC")	*(d)*	Brazil 3 January 2017	Brazilian Real ("R$") 138,474,614	–	38%	Manufacturing

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Target Company to translate the Chinese names as these companies have not been registered with any official English names.

Notes:

(a) The statutory financial statements of these entities for the year ended 31 December 2023, prepared in accordance with PRC Generally Accepted Accounting Principles (the "PRC GAAP"), were audited by Dahua Certified Public Accountants LLP, certified public accountants registered in the PRC. The statutory financial statements of these entities for the years ended 31 December 2024 and 2025, prepared in accordance with PRC GAAP, were audited by RSM China Certified Public Accountants LLP, certified public accountants registered in the PRC.

(b) The statutory financial statements of these entities for the years ended 31 December 2024 and 2025, prepared in accordance with PRC GAAP, were audited by RSM China Certified Public Accountants LLP, certified public accountants registered in the PRC. These companies were registered in 2024 and no audited statutory financial statements of these entities have been prepared for the year ended 31 December 2023.

(c) The statutory financial statements of these entities for the year ended 31 December 2025, prepared in accordance with PRC GAAP, were audited by RSM China Certified Public Accountants LLP, certified public accountants registered in the PRC. These companies were registered in 2025 and no audited statutory financial statements of these entities have been prepared for the years ended 31 December 2023 and 2024.

(d) The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025, prepared in accordance with International Financial Reporting Standards ("IFRS"), were audited by Ernst & Young, Auditores Independentes S.S. Ltda.

(e) The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025, prepared in accordance with HKFRS Accounting Standards, were audited by Alex Wu & Co, a certified public accountants registered in Hong Kong.

(f) As at the date of this report, no audited financial statements have been prepared for these entities as they were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

The above table lists the subsidiaries of the Target Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Target Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation completed in November 2025, the Target Company became the holding company of the companies now comprising the Target Group during the Relevant Periods. As the Reorganisation mainly involved inserting new holding companies and has not resulted in any change in economic substance, the Target Group was ultimately controlled by TCL Industries Holdings before and after the Reorganisation and that control was not transitory. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of pooling of interests as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for the Relevant Periods and the three months ended 31 March 2025 include the results and cash flows of all companies comprising the Target Group as if from the earliest date presented or since the date of incorporation of the subsidiaries, where there is a shorter period. The consolidated statements of financial position of the Target Group as at 31 December 2023, 2024 and 2025 and 31 March 2026 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the HKICPA. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2026, together with the relevant transitional provisions, have been consistently adopted by the Target Group in the preparation of the Historical Financial Information and the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for derivative financial instruments and certain financial assets which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Target Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Target Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Target Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[1]
HKFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 21	*Translation to a Hyperinflationary Presentation Currency*[1]

1 Effective for annual/reporting periods beginning on or after 1 January 2027.

2 No mandatory effective date yet determined but available for adoption.

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRS Accounting Standards upon initial application. So far, the Target Group considers that these new and revised HKFRS Accounting Standards, except for HKFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Target Group's financial performance and financial position. The application of HKFRS 18 is not expected to have a material impact on the financial position of the Target Group but is expected to affect the presentation of the statement of profit or loss, statement of other comprehensive income and statement of cash flows and disclosures in the future financial information. The Target Group will continue to assess the impact of HKFRS 18 on the Target Group's financial information.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and a joint venture

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

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

(ii) has significant influence over the Target Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	10 years to 40 years
Machinery, equipment and tooling	8 years to 10 years
Other equipment	2 years to 15 years
Leasehold improvements	1 year to 5 years

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Software	3 years to 5 years
Customer relationship	7 years

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	2 years to 12 years
Leasehold land	30 years to 50 years
Other equipment	2 years to 8 years

(b) Lease liabilities

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

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

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

The Target Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Target Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

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

- hedges of a net investment in a foreign operation.

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

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

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

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

Cash flow hedges

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

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

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

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

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short-term deposits as defined above.

Provisions

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

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

The Target Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Target Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

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

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

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

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

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

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

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

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

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

Government grants

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

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

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

Revenue recognition

Revenue from contracts with customers

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

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

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery and acceptance of the products as agreed in the sales contracts.

Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Target Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

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

Other income

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

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

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Target Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Target Group ultimately expects it will have to return to the customer. The Target Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Target Group operates a restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Group's operations. Employees (including directors) of the Target Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of restricted shares is determined by reference to the fair value of the underlying ordinary shares and the fair value of share options is determined using the Black-Scholes model and Binomial Lattice model. Further details are included in note 33 to the Historical Financial Information.

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

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

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

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

Other employee benefits

Pension scheme

The employees of the Target Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

For overseas subsidiaries, the Target Group pays fixed contributions into a local separate fund, which is responsible for paying pensions and other post-retirement benefits to the retired employees. The amounts based on the defined contribution plans are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period.

Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

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

Events after the reporting period

If the Target Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Target Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Target Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Recognition of income taxes and deferred tax assets

Determining the income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions are reconsidered periodically to take into account all changes in tax legislation.

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

Estimation uncertainty

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

Variable consideration for returns and volume rebates

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

The Target Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Target Group.

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

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

The Target Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Target Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

Provision for expected credit losses on trade and bills receivables

The Target Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Target Group's historical observed default rates. The Target Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade and bills receivables is disclosed in note 22 and note 23 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate ("IBR")

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

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the Cash-Generating Unit ("CGU") to which the goodwill is allocated. Estimating the value-in-use requires the Target Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

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

Write-down of inventories to net realisable value

The net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market conditions and the historical experience in selling goods of a similar nature, include but are not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Target Group reassesses these estimates at the end of each reporting period. The carrying amount of inventories is given in note 21 to the Historical Financial Information.

Warranty provisions

As further explained in note 31 to the Historical Financial Information, the Target Group makes provisions for the warranties it gives on the sale of its products, taking into account the Target Group's current sales levels and past experience of the level of repairs and returns. As the Target Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

PRC corporate income tax

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

4. OPERATING SEGMENT INFORMATION

The Target Group manages its business as a whole for the purpose of making decisions on resource allocation and performance assessment; therefore, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Chinese Mainland	9,374,726	8,486,218	8,789,436	2,606,581	2,787,256
Other countries/regions	15,718,930	20,723,141	24,968,103	8,587,192	8,309,849
Total	25,093,656	29,209,359	33,757,539	11,193,773	11,097,105

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Most of the Target Group's non-current assets are located in Chinese Mainland. Thus, no geographic information is presented.

Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Target Group's revenue during the Relevant Periods and the three months ended 31 March 2025 is set out below:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Companies controlled by TCL Industries Holdings	6,478,739	11,314,087	12,219,251	4,100,992	3,817,730

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue from contracts with customers	25,093,656	29,209,359	33,757,539	11,193,773	11,097,105

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Types of goods or services					
Sale of products	24,796,291	28,835,152	33,236,898	11,069,289	10,972,708
Others*	297,365	374,207	520,641	124,484	124,397
	25,093,656	29,209,359	33,757,539	11,193,773	11,097,105
Timing of revenue recognition					
Goods transferred at a point in time	25,093,656	29,209,359	33,757,539	11,193,773	11,097,105

* The amounts disclosed represent revenue from the sale of accessories and materials.

The following table shows the amounts of revenue recognised in the Relevant Periods and the three months ended 31 March 2025 that were included in the contract liabilities at the beginning of the periods:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue recognised that was included in contract liabilities at the beginning of the year/period:					
Sale of products	2,351,429	2,055,478	1,588,678	985,862	523,528

(b) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery and acceptance of the products. Payment is generally due within 30 to 150 days from delivery for distribution model, whereas payment is normally settled through online payment platforms for direct sales model.

As the contracts with customers are performed in a short period of time, which is generally less than one year, the Target Group has elected to apply the practical expedient not to disclose the transaction price allocated to the remaining performance obligations.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Other income					
Government grants	17,620	8,784	33,292	7,423	3,902
Interest income	235,835	213,419	258,307	58,131	28,886
Scrap sales revenue	50,836	57,922	74,661	20,003	21,930
Promotion income	12,151	23,506	23,677	5,694	3,554
Rental income	6,105	11,179	11,298	5,298	8,031
Additional deduction of input value-added tax	24,317	38,884	36,047	4,230	–
Others	10,094	9,162	6,988	81	2,443
Total other income	356,958	362,856	444,270	100,860	68,746
Gains					
Foreign exchange gains	173,832	265,012	45,609	75,858	–
Fair value gains, net:					
Derivative instruments – transactions not qualifying as hedges	–	–	42,189	12,776	427
Call options	–	2,550	4,458	–	3,199
Realised gain on settlement net:					
Derivative financial instruments	–	–	–	–	8,079
Gain on liquidation of a subsidiary	447	–	–	–	–
Gain on disposal of an associate	29,877	–	–	–	–
Others	29,853	16,154	27,171	2,161	9,833
Total gains	234,009	283,716	119,427	90,795	21,538
Total other income and gains	590,967	646,572	563,697	191,655	90,284

6. PROFIT BEFORE TAX

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

		Year ended 31 December			Three months ended 31 March	
	Notes	**2023**	**2024**	**2025**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of inventories sold*		22,310,966	26,258,319	29,693,621	10,017,841	10,076,225
Product warranty provision*	*31*	178,589	110,725	226,683	80,436	71,835
Direct operating expenses (including repairs and maintenance) arising from rental-earning property, plant and equipment		6,105	10,723	12,479	3,403	3,413
Depreciation of property, plant and equipment**	*11*	285,111	330,005	402,960	93,627	115,225
Depreciation of right-of-use assets**	*12*	60,532	62,461	64,191	14,402	16,979
Amortisation of other intangible assets**	*14*	5,597	4,802	10,921	2,822	2,700
Research and development costs		613,940	670,661	711,456	163,375	193,525
Lease payments not included in the measurement of lease liabilities	*12*	15,086	13,954	11,330	960	2,291
Auditor's remuneration		461	474	527	–	–
Employee benefit expenses (including directors' remuneration *(note 8)*):						
Salaries, allowances and benefits in kind		617,477	763,788	889,597	227,175	258,150
Pension scheme contributions		23,976	28,037	47,648	10,042	14,984
Share-based payment expenses		6,457	10,814	34,879	2,294	10,122
Total		647,910	802,639	972,124	239,511	283,256

	Notes	Year ended 31 December 2023 HK$'000	Year ended 31 December 2024 HK$'000	Year ended 31 December 2025 HK$'000	Three months ended 31 March 2025 HK$'000 (Unaudited)	Three months ended 31 March 2026 HK$'000
Foreign exchange differences, net		(173,832)	(265,012)	(45,609)	(75,858)	74,051
Impairment losses on financial assets, net:						
Impairment/(reversal of impairment) of trade receivables, net	*22*	258,493	(14,820)	57,660	77,070	54,286
(Reversal of impairment)/ impairment of bills receivable, net	*23*	(910)	936	(504)	(1,334)	(384)
Reversal of impairment of other receivables, net	*20*	(4,769)	(21,520)	(2,191)	(823)	(750)
Write-down of inventories to net realisable value*		56,570	377,955	118,500	5,423	5,690
Fair value loss/(gains), net:						
Derivative financial instruments – transactions not qualifying as hedges		37,478	13,533	(42,189)	(12,776)	(427)
Realised loss/(gain) on settlement, net:						
Derivative financial instruments		132,870	86,148	62,158	37,457	(8,079)
(Gain)/loss on disposal of items of property, plant and equipment, net***		(1,854)	4,618	2,187	1,360	(555)
Gains on disposal of items of other intangible assets***		–	(586)	(61)	(38)	–
Gains on disposal of items of right-of-use assets, net***		–	(52)	(348)	–	(3)

* The amounts disclosed for cost of inventories sold include the write-down of inventories to net realisable value and product warranty provision.

** The depreciation of property, plant and equipment and right-of-use assets and the amortisation of other intangible assets are included in "Cost of sales", "Selling and marketing expenses", "Administrative expenses", "Research and development costs" and "Other expenses" in profit or loss.

*** The amounts are included in "Other income and gains" and "Other expenses" in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on:					
Bank loan	41,662	46,133	30,590	8,001	8,122
Loan from companies controlled by TCL Industries Holdings	–	–	–	–	488
Factoring loans and discounted bills	27,653	24,469	31,516	12,052	5,863
Interest expense:					
Lease liabilities	11,307	8,740	8,236	1,923	1,282
Lease liabilities from companies controlled by TCL Industries Holdings	–	–	151	34	41
Total	80,622	79,342	70,493	22,010	15,796

8. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods and the three months ended 31 March 2025 is set out below:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	686	591	768	208	326
Performance related bonus	7,662	10,612	9,113	2,262	1,418
Pension scheme contributions	27	116	134	33	37
Share-based payment expenses	–	1,646	3,186	43	857
Total	8,375	12,965	13,201	2,546	2,638

The Target Company did not have any directors at any time before the year ended 31 December 2025 since the Target Company was only incorporated on 3 September 2025. Certain of the directors received remuneration from the subsidiaries now comprising the Target Group for their appointment as directors of these subsidiaries.

9. INCOME TAX

No Hong Kong profits tax has been provided for the Relevant Periods and the three months ended 31 March 2025 since no assessable profit arose in Hong Kong during the Relevant Periods and the three months ended 31 March 2025. Corporate income tax has been provided at the statutory rate of 25% on the estimated assessable profits arising in the Chinese mainland for the Relevant Periods and the three months ended 31 March 2025, except for certain subsidiaries of the Target Group which qualify as High and New Technology Enterprises are subject to a preferential corporate income tax rate of 15%, and certain other subsidiaries which qualify as small low-profit enterprises are subject to a preferential tax rate of 5%. Taxes on profits assessable in other jurisdictions have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Target Group operates.

The income tax expense of the Target Group for the Relevant Periods and the three months ended 31 March 2025 is analysed as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Corporate income tax in Chinese mainland	230,754	283,183	412,135	147,361	83,174
Deferred income tax *(note 18)*	(51,620)	(78,715)	(40,471)	(22,583)	(29,555)
Total	179,134	204,468	371,664	124,778	53,619

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before tax	1,272,110	1,569,876	2,285,445	664,743	354,113
Tax at the statutory tax rates of different countries/jurisdictions	318,028	392,469	571,361	166,186	88,528
Lower tax rates for specific provinces or enacted by local authority	(91,360)	(120,616)	(138,526)	(23,481)	(22,630)
Effect on opening deferred tax of change in tax rates	–	–	(2,932)	(2,910)	(198)
Super deduction of research and development expenditures	(35,799)	(44,756)	(58,884)	(13,936)	(15,347)
Income not subject to tax	(21,192)	(37,419)	(34,680)	(9,298)	(15,774)
Expenses not deductible for tax	7,364	14,573	21,383	7,670	13,550
Tax losses unrecognised	2,093	217	13,942	547	5,490
Tax charge at the Target Group's effective tax rate	179,134	204,468	371,664	124,778	53,619

According to the Corporate Income Tax Law, certain of subsidiaries are entitled to an additional deduction for qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2022 to 31 December 2027.

Pillar Two income taxes

The multinational enterprise group (the "TCL Group") that the Target Group belongs to is within the scope of the Pillar Two model rules. The Target Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at 31 March 2026 in certain jurisdictions in which the Target Group operates.

The Target Group has assessed its potential exposure based on the information available regarding the financial performance of the TCL Group during the Relevant Periods and the three months ended 31 March 2025. Based on the assessment, the Target Group should benefit from the transitional Country-by-Country Reporting ("CbCR") safe harbour for all the jurisdictions in which the Target Group operates during the Relevant Periods and the three months ended 31 March 2025. The Target Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

10. DIVIDENDS

No dividend was declared or paid by the Target Company in respect of the Relevant Period.

TCL Air Conditioner Zhongshan declared cash dividend of HK$579,849,000, HK$732,179,000, HK$2,041,163,000, nil and nil during the Relevant Periods and the three months ended 31 March 2025, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery, equipment and tooling	Other equipment	Leasehold improvements	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2023						
At 1 January 2023:						
Cost	1,345,953	597,150	276,219	72,949	38,222	2,330,493
Accumulated depreciation and impairment	(146,715)	(232,976)	(107,011)	(15,152)	–	(501,854)
Net carrying amount	1,199,238	364,174	169,208	57,797	38,222	1,828,639
At 1 January 2023, net of accumulated depreciation and impairment	1,199,238	364,174	169,208	57,797	38,222	1,828,639
Additions	–	206,237	148,281	10,294	44,238	409,050
Disposals	(2,899)	(23,011)	(285)	(142)	–	(26,337)
Transfers	18,520	34,941	2,720	525	(56,706)	–
Depreciation provided during the year	(57,408)	(72,380)	(138,033)	(17,290)	–	(285,111)
Exchange realignment	(17,090)	(6,171)	(2,527)	(795)	(474)	(27,057)
At 31 December 2023, net of accumulated depreciation and impairment	1,140,361	503,790	179,364	50,389	25,280	1,899,184

	Buildings	Machinery, equipment and tooling	Other equipment	Leasehold improvements	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2023:						
Cost	1,341,937	799,737	420,985	82,240	25,280	2,670,179
Accumulated depreciation and impairment	(201,576)	(295,947)	(241,621)	(31,851)	–	(770,995)
Net carrying amount	1,140,361	503,790	179,364	50,389	25,280	1,899,184
31 December 2024						
At 1 January 2024:						
Cost	1,341,937	799,737	420,985	82,240	25,280	2,670,179
Accumulated depreciation and impairment	(201,576)	(295,947)	(241,621)	(31,851)	–	(770,995)
Net carrying amount	1,140,361	503,790	179,364	50,389	25,280	1,899,184
At 1 January 2024, net of accumulated depreciation and impairment	1,140,361	503,790	179,364	50,389	25,280	1,899,184
Additions	–	134,545	251,346	23,452	83,296	492,639
Acquisition of a subsidiary *(note 35)*	–	31,371	4,502	–	–	35,873
Disposals	(6,095)	(4,567)	(518)	(2,871)	–	(14,051)
Transfers	6,422	24,437	1,301	86	(32,246)	–
Depreciation provided during the year	(54,840)	(79,150)	(178,384)	(17,631)	–	(330,005)
Exchange realignment	(23,174)	(11,672)	(4,863)	(1,103)	(1,287)	(42,099)
At 31 December 2024, net of accumulated depreciation and impairment	1,062,674	598,754	252,748	52,322	75,043	2,041,541
At 31 December 2024:						
Cost	1,306,606	948,576	537,141	95,255	75,043	2,962,621
Accumulated depreciation and impairment	(243,932)	(349,822)	(284,393)	(42,933)	–	(921,080)
Net carrying amount	1,062,674	598,754	252,748	52,322	75,043	2,041,541

	Buildings	Machinery, equipment and tooling	Other equipment	Leasehold improvements	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2025						
At 1 January 2025:						
Cost	1,306,606	948,576	537,141	95,255	75,043	2,962,621
Accumulated depreciation and impairment	(243,932)	(349,822)	(284,393)	(42,933)	–	(921,080)
Net carrying amount	1,062,674	598,754	252,748	52,322	75,043	2,041,541
At 1 January 2025, net of accumulated depreciation and impairment	1,062,674	598,754	252,748	52,322	75,043	2,041,541
Additions	–	344,961	156,732	27,560	903,826	1,433,079
Disposals	(580)	(25,369)	(232)	–	–	(26,181)
Transfers	591,349	8,130	1,236	6,052	(606,767)	–
Depreciation provided during the year	(54,820)	(140,236)	(184,984)	(22,920)	–	(402,960)
Exchange realignment	34,363	20,370	6,453	1,477	5,963	68,626
At 31 December 2025, net of accumulated depreciation and impairment	1,632,986	806,610	231,953	64,491	378,065	3,114,105
At 31 December 2025:						
Cost	1,926,027	1,262,420	544,079	119,748	378,065	4,230,339
Accumulated depreciation and impairment	(293,041)	(455,810)	(312,126)	(55,257)	–	(1,116,234)
Net carrying amount	1,632,986	806,610	231,953	64,491	378,065	3,114,105

	Buildings	Machinery, equipment and tooling	Other equipment	Leasehold improvements	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2026						
At 1 January 2026:						
Cost	1,926,027	1,262,420	544,079	119,748	378,065	4,230,339
Accumulated depreciation and impairment	(293,041)	(455,810)	(312,126)	(55,257)	–	(1,116,234)
Net carrying amount	1,632,986	806,610	231,953	64,491	378,065	3,114,105
At 1 January 2026, net of accumulated depreciation and impairment	1,632,986	806,610	231,953	64,491	378,065	3,114,105
Additions	–	82,187	85,096	8,183	68,872	244,338
Disposals	–	(7,842)	(426)	–	–	(8,268)
Transfers	–	10,970	1,261	95	(12,326)	–
Depreciation-provided during the period	(20,753)	(32,094)	(56,674)	(5,704)	–	(115,225)
Exchange realignment	36,768	20,696	5,639	1,466	8,779	73,348
At 31 March 2026, net of accumulated depreciation and impairment	1,649,001	880,527	266,849	68,531	443,390	3,308,298
At 31 March 2026:						
Cost	1,969,500	1,367,959	422,286	120,305	443,390	4,323,440
Accumulated depreciation and impairment	(320,499)	(487,432)	(155,437)	(51,774)	–	(1,015,142)
Net carrying amount	1,649,001	880,527	266,849	68,531	443,390	3,308,298

As at 31 December 2025 and 31 March 2026, the Target Group had certain buildings with carrying amounts of HK$616,000 and HK$625,000 leased out under operating lease arrangements, respectively. Details of the operating lease arrangements are set out in note 12 to the Historical Financial Information.

12. LEASES

The Target Group as a lessee

The Target Group has lease contracts for leasehold land, properties and other equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 12 years. Leases of other equipment have lease terms between 2 and 8 years.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Other equipment	Properties	Leasehold land	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2022 and 1 January 2023	82,010	116,142	155,294	353,446
Additions	–	30,011	9,844	39,855
Lease modification	–	(148)	–	(148)
Depreciation charge	(10,167)	(46,101)	(4,264)	(60,532)
Exchange realignment	(1,123)	(1,579)	(2,748)	(5,450)
As at 31 December 2023 and 1 January 2024	70,720	98,325	158,126	327,171
Additions	889	10,725	199,166	210,780
Acquisition of a subsidiary *(note 35)*	–	7,765	–	7,765
Depreciation charge	(10,113)	(46,901)	(5,447)	(62,461)
Early termination	–	(579)	–	(579)
Exchange realignment	(1,350)	(1,525)	(6,573)	(9,448)
As at 31 December 2024 and 1 January 2025	60,146	67,810	345,272	473,228
Additions	–	38,731	15,560	54,291
Lease modification	–	17,669	–	17,669
Depreciation charge	(10,117)	(42,955)	(11,119)	(64,191)
Early termination	–	(3,697)	–	(3,697)
Exchange realignment	1,393	2,385	8,795	12,573
As at 31 December 2025 and 1 January 2026	51,422	79,943	358,508	489,873
Additions	–	638	–	638
Lease modification	–	3,445	–	3,445
Depreciation charge	(1,473)	(12,601)	(2,905)	(16,979)
Early termination	–	(136)	–	(136)
Exchange realignment	1,153	2,684	8,078	11,915
At 31 March 2026	51,102	73,973	363,681	488,756

As at 31 December 2025 and 31 March 2026, certain of the Target Group's leasehold land with net carrying amounts of HK$209,342,000 and HK$212,218,000 respectively, was pledged to secure the bank and other borrowings, respectively (note 30).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at 1 January	202,445	184,683	156,026	157,533
New leases	30,011	11,614	38,731	638
Acquisition of a subsidiary *(note 35)*	–	7,914	–	–
Lease modification	(148)	–	17,669	3,445
Accretion of interest recognised during the year/period	11,307	8,740	8,387	1,323
Exchange realignment	(2,836)	(3,393)	4,463	4,462
Early termination	–	(631)	(4,045)	(139)
Lease payments	(56,096)	(52,901)	(63,698)	(17,180)
Carrying amount at 31 December/ 31 March	184,683	156,026	157,533	150,082
Analysed into:				
Current portion	42,996	48,958	48,575	49,011
Non-current portion	141,687	107,068	108,958	101,071
Total	184,683	156,026	157,533	150,082

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Gains on early termination of leases	–	(52)	(348)	–	(3)
Interest on lease liabilities	11,307	8,740	8,387	1,957	1,323
Depreciation charge of right-of-use assets	60,532	62,461	64,191	14,402	16,979
Expense relating to leases of low-value assets (included in administrative expenses)	15,086	13,954	11,330	960	2,291
Total amount recognised in profit or loss	86,925	85,103	83,560	17,319	20,590

(d) The total cash outflow for leases is disclosed in note 36(c) and note 43 to the Historical Financial Information.

The Target Group as a lessor

The Target Group leases its properties and equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Target Group during Relevant Periods and the three months ended 31 March 2025 was HK$6,105,000, HK$11,179,000, HK$11,298,000, HK$8,031,000 and HK$5,298,000, respectively.

At the end of the Relevant Periods, the undiscounted lease payments receivable by the Target Group in future periods under operating leases with its tenants are as follows:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	349	265	157	4,627
After one year but within two years	121	–	100	321
Total	470	265	257	4,948

13. GOODWILL

	31 December		31 March
	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year/period:			
Cost	–	23,106	23,694
Net carrying amount	–	23,106	23,694
Cost at the beginning of the year/period, net of accumulated impairment	–	23,106	23,694
Acquisition of a subsidiary *(note 35)*	23,106	–	–
Exchange realignment	–	588	535
At the end of the year/period	23,106	23,694	24,229
At the end of the year/period:			
Cost	23,106	23,694	24,229
Net carrying amount	23,106	23,694	24,229

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Brazil air conditioner cash-generating unit (the "AC CGU") for impairment testing.

The recoverable amount of the AC CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections and the growth rate used to extrapolate the cash flows beyond the five-year period of the AC CGU are as follows:

	31 December		**31 March**
	2024	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*
Discount rate	19.07%	19.39%	20.93%
Growth rate	3%	3%	3%

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	31 December		**31 March**
	2024	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*
Brazil air conditioners	23,106	23,694	24,229

Assumptions were used in the value-in-use calculation of the AC CGU for 31 December 2024 and 2025, and 31 March 2026. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are post tax and reflect specific risks relating to the relevant units.

14. OTHER INTANGIBLE ASSETS

	Software
	HK$'000
At 1 January 2023, net of accumulated amortisation and impairment	26,804
Additions	1,038
Amortisation provided during the year	(5,597)
Exchange realignment	(359)
At 31 December 2023, net of accumulated amortisation and impairment	21,886
At 31 December 2023:	
Cost	56,546
Accumulated amortisation and impairment	(34,660)
Net carrying amount	21,886

	Software	Customer relationship	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2024, net of accumulated amortisation and impairment	21,886	–	21,886
Additions	19,104	–	19,104
Acquisition of a subsidiary *(note 35)*	120	36,117	36,237
Amortisation provided during the year	(4,802)	–	(4,802)
Disposals	(182)	-	(182)
Exchange realignment	(670)	–	(670)
At 31 December 2024, net of accumulated amortisation and impairment	35,456	36,117	71,573
At 31 December 2024:			
Cost	75,034	36,117	111,151
Accumulated amortisation and impairment	(39,578)	–	(39,578)
Net carrying amount	35,456	36,117	71,573

	Software	Customer relationship	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2025, net of accumulated amortisation and impairment	35,456	36,117	71,573
Additions	6,802	–	6,802
Amortisation provided during the year	(5,701)	(5,220)	(10,921)
Exchange realignment	931	847	1,778
At 31 December 2025, net of accumulated amortisation and impairment	37,488	31,744	69,232
At 31 December 2025:			
Cost	83,954	37,035	120,989
Accumulated amortisation and impairment	(46,466)	(5,291)	(51,757)
Net carrying amount	37,488	31,744	69,232
At 1 January 2026, net of accumulated amortisation and impairment	37,488	31,744	69,232
Additions	221	–	221
Amortisation provided during the period	(1,353)	(1,347)	(2,700)
Exchange realignment	844	711	1,555
At 31 March 2026, net of accumulated amortisation and impairment	37,200	31,108	68,308
At 31 March 2026:			
Cost	86,127	37,871	123,998
Accumulated amortisation and impairment	(48,927)	(6,763)	(55,690)
Net carrying amount	37,200	31,108	68,308

15. INVESTMENT IN A SUBSIDIARY

	31 December 2025	31 March 2026
	HK$'000	*HK$'000*
Unlisted shares, at cost		
TCL AeroWell (HK) Holdings Limited	2,013,628	2,059,078
Accumulated impairment	–	–
Net carrying amount	2,013,628	2,059,078

16. INVESTMENT IN A JOINT VENTURE

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	6,416	7,819	9,284	7,581
Net carrying amount	6,416	7,819	9,284	7,581

The following table illustrates the summarised historical financial information of the Target Group's joint venture that is not individually material:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Share of the joint venture's profit for the year/period	960	1,561	1,249	483	126
Share of the joint venture's total comprehensive income for the year/period	960	1,561	1,249	483	126

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Aggregate carrying amount of the Target Group's investment in the joint venture	6,416	7,819	9,284	7,581

17. INVESTMENTS IN ASSOCIATES

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	229,808	242,696	266,266	274,596
Net carrying amount	229,808	242,696	266,266	274,596

During the year ended 31 December 2023, the Target Group disposed one associate, Huizhou Kuyu Network Technology Co.,Ltd, resulting in a disposal gain of HK$29,877,000 for the year.

Particulars of the Target Group's material associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Target Group	Principal activity
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.*("TCL Rechi")	Ordinary shares	PRC/Chinese mainland	22.22%	Manufacturing and trading of air conditioner compressors

Particulars of the material associate are as follows:

* The English name of the company is not official and is the direct translation from its Chinese name for identification purposes only.

(a) TCL Rechi

TCL Rechi, which is considered as a material associate of the Target Group, is a strategic partner of the Target Group engaged in the manufacture and trade of air conditioner compressors.

The Target Group holds 22.22% of the voting power of TCL Rechi. In the opinion of the directors, the Target Group is in a position to exercise significant influence over TCL Rechi through its representation on the board of directors and its participation in policy-making processes of TCL Rechi.

The following table illustrates the summarised historical financial information of TCL Rechi, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the Historical Financial Information:

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets	781,409	822,394	903,880	948,151
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	22.22%	22.22%	22.22%	22.22%
Group's share of net assets of the associate, excluding goodwill	173,629	182,736	200,842	210,679
Carrying amount of the investment	173,629	182,736	200,842	210,679
Revenue	1,132,124	1,607,352	1,436,378	439,526
Profit for the year/period	40,070	74,723	81,587	23,766
Total comprehensive income for the year/period	40,070	74,723	81,587	23,766

The following table illustrates the aggregate summarised historical financial information of the Target Group's associates that are not individually material:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Share of the associates' (loss)/profit for the year/period	(7,679)	4,937	4,646	3,850	1,448
Share of the associates' other comprehensive income/(loss) for the year/period	453	106	(898)	(15)	(242)
Share of the associates' total comprehensive (loss)/profit for the year/period	(7,226)	5,043	3,748	3,835	1,206

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Aggregate carrying amount of the Target Group's investments in these associates	56,179	59,960	65,424	63,917

18. DEFERRED TAX

Deferred tax assets

	Elimination of unrealised profits arising from intra-group transactions	Accruals and other provisions	Losses available for offsetting against future taxable profits	Changes in fair value	Lease liabilities	Deferred government grants	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2023	4,890	131,968	3,703	6,570	26,912	3,750	177,793
Deferred tax credited/(charged) to profit or loss during the year	4,536	60,166	(3,673)	(3,360)	7,313	(2,447)	62,535
Exchange realignment	(99)	(2,291)	(30)	(74)	(435)	(39)	(2,968)

	Elimination of unrealised profits arising from intra-group transactions	Accruals and other provisions	Losses available for offsetting against future taxable profits	Changes in fair value	Lease liabilities	Deferred government grants	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross deferred tax assets at 31 December 2023	9,327	189,843	–	3,136	33,790	1,264	237,360
Acquisition of a subsidiary *(note 35)*	–	22,469	–	–	–	–	22,469
Deferred tax credited/ (charged) to profit or loss during the year	7,169	56,593	24,621	157	(6,976)	4,727	86,291
Deferred tax credited to other comprehensive income during the year	–	–	–	2,459	–	–	2,459
Exchange realignment	(303)	(4,828)	(364)	(104)	(607)	(96)	(6,302)
Gross deferred tax assets at 31 December 2024	16,193	264,077	24,257	5,648	26,207	5,895	342,277
Deferred tax credited/ (charged) to profit or loss during the year	(10,929)	56,909	(224)	902	2,101	7,285	56,044
Deferred tax charged to other comprehensive income during the year	–	–	–	(2,451)	–	–	(2,451)
Exchange realignment	263	9,736	615	122	785	270	11,791
Gross deferred tax assets at 31 December 2025	5,527	330,722	24,648	4,221	29,093	13,450	407,661
Deferred tax credited/ (charged) to profit or loss during the period	3,136	38,750	(1)	(4,298)	(708)	(285)	36,594
Deferred tax credited to other comprehensive income during the period	–	–	–	163	–	–	163
Exchange realignment	138	7,632	556	78	654	302	9,360
Gross deferred tax assets at 31 March 2026	8,801	377,104	25,203	164	29,039	13,467	453,778

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Changes in fair value	Right-of-use assets	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2023	–	13,845	28,736	–	42,581
Deferred tax charged/(credited) to profit or loss during the year	20,684	(13,714)	3,945	–	10,915
Deferred tax charged to other comprehensive income during the year	–	724	–	–	724
Exchange realignment	(130)	(118)	(444)	–	(692)
Gross deferred tax liabilities at 31 December 2023	20,554	737	32,237	–	53,528
Acquisition of a subsidiary *(note 35)*	–	–	–	5,508	5,508
Deferred tax charged/(credited) to profit or loss during the year	15,999	1,769	(10,192)	–	7,576
Deferred tax credited to other comprehensive income during the year	–	(669)	–	–	(669)
Exchange realignment	(669)	(32)	(526)	–	(1,227)
Gross deferred tax liabilities at 31 December 2024	35,884	1,805	21,519	5,508	64,716
Deferred tax charged to profit or loss during the year	11,136	2,634	2,599	(796)	15,573
Deferred tax charged to other comprehensive income during the year	–	1,714	–	–	1,714
Exchange realignment	1,066	105	583	129	1,883
Gross deferred tax liabilities at 31 December 2025	48,086	6,258	24,701	4,841	83,886
Deferred tax charged/(credited) to profit or loss during the period	8,583	(1,967)	628	(205)	7,039
Deferred tax credited to other comprehensive income during the period	–	(1,586)	–	–	(1,586)
Exchange realignment	1,122	125	561	108	1,916
Gross deferred tax liabilities at 31 March 2026	57,791	2,830	25,890	4,744	91,255

Deferred tax assets have not been recognised in respect of the following items:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	326	1,407	47,540	66,162
Deductible temporary differences	111,076	–	10,597	15,461

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries/jurisdictions in which the Target Group operates. The unused tax losses arising in the PRC can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. The unused tax losses arising in Hong Kong and other countries may be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	183,832	283,452	332,698	371,783
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	5,891	8,923	9,260

19. OTHER DEFERRED ASSETS

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments for equipment	177,490	253,907	226,265	386,066
HFC Emission Allowance	–	80,342	96,324	82,560
Tax Refunds	–	1,459	47,822	51,372
Others	–	2,550	1,846	894
Total	177,490	338,258	372,257	520,892

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	211,874	383,704	364,274	686,638
Value-added tax ("VAT") recoverable	485,637	1,361,226	1,070,542	992,193
Other receivables*	141,868	172,039	158,735	190,961
Right-of-return assets	278,421	692,804	1,137,828	1,146,905
Deposit certificates *(note 24)*	–	483,595	359,723	344,248
Due from fellow subsidiaries**	4,374,037	6,983,540	5,060,833	3,444,438
Due from a joint venture	–	–	–	895
Due from associates	2,435	6,593	668	4,117
Due from other related companies	17,446	16,633	11,216	16,655
	5,511,718	10,100,134	8,163,819	6,827,050
Less: Impairment of other receivables	(73,888)	(52,722)	(51,661)	(52,072)
Total	5,437,830	10,047,412	8,112,158	6,774,978

* As at 31 December 2023, 2024 and 2025 and 31 March 2026, the balances were unsecured, non-interest-bearing and repayable on demand.

** As at 31 December 2023, 2024 and 2025 and 31 March 2026, approximately HK$3,719,755,000 HK$6,928,134,000, HK$4,920,153,000 and HK$3,289,604,000 respectively, were deposits placed with TCL Industries Holdings, TCL Industries Holdings (H.K.) Limited, Zhihui Xinyuan Commerce (Huizhou) Co., Limited and TCL Finance (Hong Kong) Co., Limited with annual interest rates ranging from 0.05% to 4.79% in 2023, 0.05% to 4.24% in 2024, 0.05% to 3.71% in 2025, 0.05% to 3.60% in 2026 and were repayable within one year and without collateral.

The movements in the loss allowance for impairment of other receivables are as follows:

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	79,781	73,888	52,722	51,661
Reversal of impairment, net *(note 6)*	(4,769)	(21,520)	(2,191)	(750)
Exchange realignment	(1,124)	354	1,130	1,161
At end of year/period	73,888	52,722	51,661	52,072

ECLs are estimated for other receivables and amounts due from related companies by applying a loss rate approach with reference to the historical loss records of the Target Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The credit quality of the financial assets included in the line items of prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful". Set out below is the information about the credit risk exposure on the Target Group's other receivables and amounts due from related companies:

	Normal	**Doubtful**	**Total**
As at 31 December 2023			
ECL rate	0.17%	100.00%	1.72%
Gross carrying amount *(HK$'000)*	4,216,810	66,554	4,283,364
ECLs *(HK$'000)*	7,334	66,554	73,888
As at 31 December 2024			
ECL rate	0.12%	100.00%	0.69%
Gross carrying amount *(HK$'000)*	7,586,068	43,313	7,629,381
ECLs *(HK$'000)*	9,409	43,313	52,722
As at 31 December 2025			
ECL rate	0.15%	100.00%	0.93%
Gross carrying amount *(HK$'000)*	5,536,598	43,544	5,580,142
ECLs *(HK$'000)*	8,117	43,544	51,661
As at 31 March 2026			
ECL rate	0.21%	100.00%	1.31%
Gross carrying amount *(HK$'000)*	3,938,128	43,744	3,981,872
ECLs *(HK$'000)*	8,328	43,744	52,072

21. INVENTORIES

	31 December			**31 March**
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	306,253	793,575	676,462	995,240
Work in progress	320,687	553,403	340,939	416,000
Finished goods	1,880,170	3,905,777	2,556,233	2,962,512
Total	2,507,110	5,252,755	3,573,634	4,373,752

22. TRADE RECEIVABLES

	Note	31 December 2023	31 December 2024	31 December 2025	31 March 2026
		HK$'000	HK$'000	HK$'000	HK$'000
Due from third parties		4,333,905	3,345,592	4,197,253	6,479,986
Due from related parties:					
Fellow subsidiaries	*(a)*	2,148,786	2,413,971	2,825,900	4,123,915
Associates	*(a)*	–	7,779	3,906	4,456
Other related companies	*(a)*	479	16,472	34,189	14,107
Subtotal		2,149,265	2,438,222	2,863,995	4,142,478
Less: Impairment of trade receivables		(484,933)	(423,101)	(490,915)	(555,561)
Net carrying amount		5,998,237	5,360,713	6,570,333	10,066,903
Analysed into:					
Current portion		5,998,237	5,360,713	6,570,333	10,066,903

Note:

(a) As at 31 December 2023, 2024 and 2025 and 31 March 2026, the amounts were interest-free, unsecured and repayable within 150 days.

The Target Group's trade terms with its certain customers are on credit, and the credit period is generally between 30 and 150 days. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. As at 31 December 2023, 2024 and 2025 and 31 March 2026, 28%, 36%, 31% and 37% of the trade receivables were attributable to the Target Group's five largest customers, respectively. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current to 180 days	5,059,043	4,766,761	5,608,812	9,324,677
181 to 365 days	670,701	458,277	777,250	571,125
1 to 2 years	468,978	263,687	320,006	333,472
2 to 3 years	195,999	200,930	170,546	158,701
Over 3 years	88,449	94,159	184,634	234,489
	6,483,170	5,783,814	7,061,248	10,622,464
Impairment of trade receivables	(484,933)	(423,101)	(490,915)	(555,561)
Total	5,998,237	5,360,713	6,570,333	10,066,903

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	233,173	484,933	423,101	490,915
Impairment losses/(reversal of impairment), net *(note 6)*	258,493	(14,820)	57,660	54,286
Disposal of a subsidiary	(8)	–	–	–
Amount written off as uncollectible	(2,676)	(38,782)	(71)	–
Exchange realignment	(4,049)	(8,230)	10,225	10,360
At end of year/period	484,933	423,101	490,915	555,561

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Target Company estimated that the expected loss rate for its trade receivables due from subsidiaries was minimal.

Set out below is the information about the credit risk exposure on the Target Group's trade receivables:

	Gross carrying amount *HK$'000*	Ratio	ECLs *HK$'000*	ECL rate *(%)*
As at 31 December 2023				
Individual provision for ECLs	216,264	3.3%	216,264	100.0%
Provision for ECLs based on the credit risk characteristics group	6,266,906	96.7%	268,669	4.3%
Total	6,483,170	100.0%	484,933	7.5%
As at 31 December 2024				
Individual provision for ECLs	230,251	4.0%	230,251	100.0%
Provision for ECLs based on the credit risk characteristics group	5,553,563	96.0%	192,850	3.5%
Total	5,783,814	100.0%	423,101	7.3%
As at 31 December 2025				
Individual provision for ECLs	213,429	3.0%	213,429	100.0%
Provision for ECLs based on the credit risk characteristics group	6,847,819	97.0%	277,486	4.1%
Total	7,061,248	100.0%	490,915	7.0%
As at 31 March 2026				
Individual provision for ECLs	215,892	2.0%	215,892	100.0%
Provision for ECLs based on the credit risk characteristics group	10,406,572	98.0%	339,669	3.3%
Total	10,622,464	100.0%	555,561	5.2%

Set out below is the information about the provision for expected credit losses of trade receivables based on the credit risk characteristics group:

	Gross carrying amount	ECLs	ECL rate
	HK$'000	*HK$'000*	*(%)*
As at 31 December 2023			
Due from related parties	2,149,265	2,149	0.1%
Due from third parties:			
Within 1 year	3,561,742	42,468	1.2%
Over 1 year	555,899	224,052	40.3%
Subtotal	4,117,641	266,520	6.5%
Total	6,266,906	268,669	4.3%
As at 31 December 2024			
Due from related parties	2,438,222	2,438	0.1%
Due from third parties:			
Within 1 year	2,663,441	25,583	1.0%
Over 1 year	451,900	164,829	36.5%
Subtotal	3,115,341	190,412	6.1%
Total	5,553,563	192,850	3.5%
As at 31 December 2025			
Due from related parties	2,863,995	2,864	0.1%
Due from third parties:			
Within 1 year	3,552,628	39,663	1.1%
Over 1 year	431,196	234,959	54.5%
Subtotal	3,983,824	274,622	6.9%
Total	6,847,819	277,486	4.1%

	Gross carrying amount	ECLs	ECL rate
	HK$'000	*HK$'000*	*(%)*
As at 31 March 2026			
Due from related parties	4,142,478	4,142	0.1%
Due from third parties:			
Within 1 year	5,770,022	52,463	0.9%
Over 1 year	494,072	283,064	57.3%
Subtotal	6,264,094	335,527	5.4%
Total	10,406,572	339,669	3.3%

23. BILLS RECEIVABLE

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through other comprehensive income	747,813	29,366	77,078	64,265
Financial assets at amortised cost	2,326,604	2,140,150	1,806,978	1,520,918
Subtotal	3,074,417	2,169,516	1,884,056	1,585,183
Less: Impairment of bills receivable	(1,366)	(2,260)	(1,807)	(1,462)
Total	3,073,051	2,167,256	1,882,249	1,583,721

The bills receivable are due to mature within six months.

The Target Group applies a general approach in calculating ECLs for bills receivable. The Target Group classifies such instruments as Stage 1 and measures ECLs on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs.

The movements in the loss allowance for impairment of bills receivable are as follows:

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	2,304	1,366	2,260	1,807
(Reversal of impairment)/impairment losses, net *(note 6)*	(910)	936	(504)	(384)
Exchange realignment	(28)	(42)	51	39
At end of year/period	1,366	2,260	1,807	1,462

24. DEBT INVESTMENTS AT AMORTISED COST

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposit certificates	337,062	880,372	359,723	344,248
Less:				
Current *(note 20)*	–	483,595	359,723	344,248
Non-current	337,062	396,777	–	–

The balance represented deposit certificates purchased from creditworthy licensed banks in Chinese mainland with an original maturity period of more than one year.

As at 31 December 2023, 2024 and 2025 and 31 March 2026, debt investments at amortised cost of approximately HK$337,062,000, HK$340,397,000, HK$359,723,000 and nil respectively, are pledged as the balance of financial instruments for the Target Group.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	136,987	227,130	693,334	420,523
Pledged deposits	154,882	194,126	99,818	81,856
Subtotal	291,869	421,256	793,152	502,379
Less: Restricted cash and pledged deposits:				
For banking facilities and other financial instruments	143,888	161,317	92,985	70,953
Other restricted cash and pledged deposits	10,994	32,809	6,833	10,903
Cash and cash equivalents	136,987	227,130	693,334	420,523

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the cash and cash equivalents of the Target Group denominated in RMB amounted to HK$46,218,000, HK$88,224,000, HK$39,070,000 and HK$77,388,000, respectively. RMB is not freely convertible into other currencies, however, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short term time deposit rates. The bank balances, restricted cash and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, 2024 and 2025 and 31 March 2026, included in the Target Group's cash and bank balances were deposits of HK$108,000, HK$5,147,000, HK$11,342,000 and HK$147,000 respectively, placed with TCL Technology Finance Co., Ltd., a subsidiary of TCL Technology Group Corporation ("TCL Technology"), a related party of the Target Group. TCL Technology Finance Co., Ltd. is a financial institution approved by the People's Bank of China. As at 31 December 2023, 2024 and 2025 and 31 March 2026, the annual interest rates of such deposits were determined with reference to the deposit interest rates quoted by the People's Bank of China at 0.35%, 0.35%, 0.14% and 0.14% respectively.

26. TRADE PAYABLES

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to third parties	7,569,628	10,963,085	9,769,193	11,604,333
Due to related parties:				
Fellow subsidiaries	203,843	512,194	69,851	2,386
A joint venture	–	1,093	20,417	14,680
Associates	593,062	460,171	468,363	466,570
Subtotal	796,905	973,458	558,631	483,636
Total	8,366,533	11,936,543	10,327,824	12,087,969

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

An ageing analysis of the trade payables at 31 December 2023, 2024 and 2025 and 31 March 2026, based on the invoice date, is as follows:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	8,357,879	11,868,004	10,257,636	12,075,301
Over 1 year	8,654	68,539	70,188	12,668
Total	8,366,533	11,936,543	10,327,824	12,087,969

27. BILLS PAYABLE

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bills payable	1,713,480	1,774,917	1,825,738	2,060,153

An ageing analysis of the bills payable as at 31 December 2023, 2024 and 2025 and 31 March 2026, based on the maturity date, is as follows:

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current to 90 days	981,638	1,206,343	1,158,462	683,443
91 to 180 days	731,842	568,574	667,276	1,040,084
181 to 365 days	–	–	–	336,626
Total	1,713,480	1,774,917	1,825,738	2,060,153

28. OTHER PAYABLES AND ACCRUALS

	31 December			31 March
	2023	2024	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities	1,841,697	1,480,989	911,785	739,185
Payroll and employee benefits payable	501,375	689,352	795,203	855,116
Other payables and accruals*	2,250,522	2,052,042	1,945,171	2,025,756
Refund liabilities	590,791	774,791	1,296,909	1,260,451
Due to fellow subsidiaries	641,613	554,095	743,373	688,236
Due to a joint venture	2,277	2,196	2,332	2,316
Due to associates	141	89	2,805	618
Due to other related companies	74,229	63,004	105,494	103,060
Total	5,902,645	5,616,558	5,803,072	5,674,738

* Other payables are non-interest-bearing and have no fixed terms of settlement.

Notes:

Details of contract liabilities as at 1 January 2023, 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026 are as follows:

	1 January		31 December		31 March
	2023	**2023**	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sale of air conditioners and other products	2,266,987	2,042,519	1,565,203	921,198	757,491
Less: Due to related parties	589,908	200,822	84,214	9,413	18,306
Total	1,677,079	1,841,697	1,480,989	911,785	739,185

Contract liabilities include short-term advances received from customers for the sale of air conditioners and other products. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to the sale of air conditioners and other products at the end of the year. The decrease in contract liabilities in subsequent years was in line with the decrease in the payments received from customers.

29. DERIVATIVE FINANCIAL INSTRUMENTS

		31 December		31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Call option	–	2,512	7,094	10,468
Current assets:				
Forward currency contracts – Hedges	4,910	2,477	11,895	1,604
Forward currency contracts – Non-hedges	–	9,334	36,548	8,832
Total	4,910	14,323	55,537	20,904
Current liabilities:				
Forward currency contracts – Hedges	438	21,292	7	1,092
Forward currency contracts – Non-hedges	20,468	42,480	28,137	–
Total	20,906	63,772	28,144	1,092

Cash flow hedge – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in R$/RMB and forecast sales in the US$, these forecast transactions are highly probable, and they comprise about 100% of the Target Group's total expected purchases in R$/RMB and sales in US$. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions. To measure the hedge effectiveness, the Target Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments;
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

The Target Group holds the following foreign exchange forward contracts:

	Less than 3 months	**3 to 6 months**	**Total**
As at 31 December 2023			
Foreign currency forward contracts (highly probable forecast sales) Notional amount (in HK$'000)	606,960	79,354	686,314
As at 31 December 2024			
Foreign currency forward contracts (highly probable forecast sales) Notional amount (in HK$'000)	1,149,984	29,505	1,179,489

	Less than 3 months	3 to 6 months	Total
As at 31 December 2025			
Foreign currency forward contracts (highly probable forecast sales)			
Notional amount (in HK$'000)	1,636,591	84,000	1,720,591
As at 31 March 2026			
Foreign currency forward contracts (highly probable forecast sales)			
Notional amount (in HK$'000)	751,192	–	751,192

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount *HK$'000*	Carrying amount *HK$'000*	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year/ period *HK$'000*
As at 31 December 2023				
Foreign currency forward contracts (highly probable forecast sales)	445,103	4,910	Derivative financial instruments (assets)	23,522
Foreign currency forward contracts (highly probable forecast sales)	241,211	438	Derivative financial instruments (liabilities)	2,098
As at 31 December 2024				
Foreign currency forward contracts (highly probable forecast sales)	104,509	2,477	Derivative financial instruments (assets)	12,890
Foreign currency forward contracts (highly probable forecast sales)	1,074,980	21,292	Derivative financial instruments (liabilities)	2,029
As at 31 December 2025				
Foreign currency forward contracts (highly probable forecast sales)	1,709,006	11,895	Derivative financial instruments (assets)	5,811
Foreign currency forward contracts (highly probable forecast sales)	11,585	7	Derivative financial instruments (liabilities)	(43,934)
As at 31 March 2026				
Foreign currency forward contracts (highly probable forecast sales)	419,215	1,604	Derivative financial instruments (assets)	37,893
Foreign currency forward contracts (highly probable forecast sales)	331,977	1,092	Derivative financial instruments (liabilities)	(2,366)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year/ period	Cash flow hedge reserve
	HK$'000	*HK$'000*
Year ended 31 December 2023		
Highly probable forecast sales	25,620	23,438
Year ended 31 December 2024		
Highly probable forecast sales	14,919	22,396
Year ended 31 December 2025		
Highly probable forecast sales	(38,123)	(26,069)
Period ended 31 March 2026		
Highly probable forecast sales	35,527	9,672

The effects of the cash flow hedge on the statement of profit or loss and the statement of other comprehensive income are as follows:

	Total hedging loss/(gain) recognised in other comprehensive income			Amount reclassified from other comprehensive (loss)/income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount	Tax effect	Total	Gross amount	Tax effect	Total	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Year ended 31 December 2023							
Highly probable forecast sales	25,620	724	26,344	(2,906)	–	(2,906)	Revenue/Other income and gains
Year ended 31 December 2024							
Highly probable forecast sales	14,919	(3,128)	11,791	10,605	–	10,605	Revenue/Administrative expenses
Year ended 31 December 2025							
Highly probable forecast sales	(38,123)	4,165	(33,958)	7,889	–	7,889	Revenue/Administrative expenses
Period ended 31 March 2026							
Highly probable forecast sales	35,527	(1,749)	33,778	(24,106)	–	(24,106)	Revenue/Other income and gains

Non-hedging currency derivatives

In addition, the Target Group has entered into various forward currency contracts to manage its exchange rate exposures. These contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The net (loss)/gain arising from the changes in the fair value of these non-hedging derivative financial contracts recognised in profit or loss is as follows:

	Changes in fair value
	HK$'000
As at 31 December 2023	(37,478)
As at 31 December 2024	(13,533)
As at 31 December 2025	42,189
As at 31 March 2026	427

Call Option and Put Option

On 24 December 2024, the Target Group, TCL SEMP AC and SEMP AMAZONAS S.A. (STA, the non-controlling shareholder of TCL SEMP AC) entered into a Shareholders' Agreement in respect of TCL SEMP AC, pursuant to which STA granted a Call Option to the Target Group, while the Target Group granted a Put Option to STA.

Under the Call Option, the Target Group would have the right to purchase the remaining 25% equity interest of TCL SEMP AC from STA. Under the Put Option, STA would have the right to sell the remaining 25% equity interest of TCL SEMP AC to the Target Group. Both options would be exercisable upon occurrence of any trigger event, with the exercise price based on the audited net book value of TCL SEMP AC on the date of exercise.

As at 31 December 2024 and 2025 and 31 March 2026, the financial assets associated with call option measured at fair value were recognised in derivative financial instruments, and the financial liability associated with put option measured at amortised cost was recognised in other non-current liabilities, amounted to HK$57,984,000, HK$57,277,000 and HK$64,870,000, respectively.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2024			31 December 2025			31 March 2026		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current												
Bank loans – unsecured			–	2.6	2025	54,783	2.34 to 2.75	2026	82,020	2.08 to 2.31	2027	532,674
Current portion of non-current bank loans	2.75 to 3.3	2024	115,074	2.4 to 3.2	2025	435,388	2.34 to 2.75	2026	206,014	2.40	2027	734,038
Other borrowings	1.1 to 2.15	2024	1,257,824	0.6 to 1.21	2025	1,249,813	0.85 to 1.9	2026	623,406	1.05 to 1.9	2027	407,020
Subtotal			1,372,898			1,739,984			911,440			1,673,732
Non-current												
Bank loans – unsecured	2.75 to 3.3	2025-2027	930,892	2.4 to 3.2	2026-2027	1,073,565	2.34 to 2.45	2027-2028	833,635	2.34	2028	224,821
Bank loans – secured			–			–	2.75	2035	81,846	2.75	2035	334,326
Subtotal			930,892			1,073,565			915,481			559,147
Total			2,303,790			2,813,549			1,826,921			2,232,879
Analysed into:												
Bank loans repayable:												
Within one year	2.75 to 3.3	2024	115,074	2.4 to 3.2	2025	490,171	2.34 to 2.75	2026	288,034	2.08 to 2.4	2027	1,266,712
In the second year	2.9 to 3.3	2025	273,727	2.6 to 3.2	2026	282,428	2.4 to 2.45	2027	613,776	2.34	2028	224,821
In the third to fifth years, inclusive	2.75 to 3.3	2026-2027	657,165	2.4 to 3.2	2027	791,137	2.34	2028	219,859			–
After five years			–			–	2.75	2035	81,846	2.75	2035	334,326
Other borrowings	1.1 to 2.15	2024	1,257,824	0.6 to 1.21	2025	1,249,813	0.85 to 1.9	2026	623,406	1.05 to 1.9	2027	407,020
Total			2,303,790			2,813,549			1,826,921			2,232,879

All bank borrowings were denominated in RMB as at 31 December 2023, 2024 and 2025 and 31 March 2026.

As at 31 December 2025, the Target Group's long term bank loans amounting to HK$81,846,000 were secured by a land use right amounting to HK$209,342,000 at book value.

As at 31 March 2026, the Target Group's long term bank loans amounting to HK$334,326,000 were secured by the same land use right amounting to HK$212,218,000 at book value.

31. PROVISION

	Warranties	Pending Litigation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2023	143,184	–	143,184
Additional provision	178,589	–	178,589
Amounts utilised during the year	(58,192)	–	(58,192)
Exchange realignment	(2,831)	–	(2,831)
At 31 December 2023	260,750	–	260,750
Portion classified as current liabilities	99,654	–	99,654
Non-current portion	161,096	–	161,096
At 1 January 2024	260,750	–	260,750
Additional provision	110,725	–	110,725
Amounts utilised during the year	(130,998)	–	(130,998)
Acquisition of a subsidiary *(note 35)*	4,373	42,205	46,578
Exchange realignment	(5,184)	–	(5,184)
At 31 December 2024	239,666	42,205	281,871
Portion classified as current liabilities	136,614	–	136,614
Non-current portion	103,052	42,205	145,257

	Warranties	Pending Litigation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2025	239,666	42,205	281,871
Additional provision	226,683	25,959	252,642
Amounts utilised during the year	(198,463)	(2,136)	(200,599)
Exchange realignment	6,821	4,758	11,579
At 31 December 2025	274,707	70,786	345,493
Portion classified as current liabilities	183,488	–	183,488
Non-current portion	91,219	70,786	162,005
At 1 January 2026	274,707	70,786	345,493
Additional provision	71,835	6,635	78,470
Amounts utilised during the period	(50,299)	(61)	(50,360)
Exchange realignment	6,695	5,029	11,724
At 31 March 2026	302,938	82,389	385,327
Portion classified as current liabilities	210,989	–	210,989
Non-current portion	91,949	82,389	174,338

Warranties

The Target Group provides warranties ranging from three to ten years to its customers on certain of its air conditioner products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Pending litigation

The provision relates to potential liabilities arising from the tax assessment dispute with Brazilian tax authority concerning PIS-Import and COFINS-Import tax credits on raw materials imported by TCL SEMP AC for use in the Manaus Free Trade Zone. In light of the prevailing uncertainties, and based on its best estimate and the opinion of its legal advisors, management has chosen to recognise the exposure related to the tax assessment dispute, amounting to HK$42,205,000, HK$70,786,000 and HK$82,389,000 respectively as at 31 December 2024 and 2025 and 31 March 2026. In the opinion of the directors, there will be no cash outflows pertaining to this provision within the next twelve months.

32. SHARE CAPITAL

	31 December			31 March
	2023	2024	2025	2026
	Number of shares	*Number of shares*	*Number of shares*	*Number of shares*
Registered, issued and fully paid:				
Ordinary shares (US$0.0001 per share)	–	–	331,051,951	331,051,951

A summary of movements in the Target Company's share capital is as follows:

	Number of shares in issue	Share capital
		HK$'000
At 1 January 2023, 31 December 2023 and 31 December 2024	–	–
Issue of new shares	331,051,951	258
At 31 December 2025,1 January 2026 and 31 March 2026	331,051,951	258

33. SHARE-BASED PAYMENTS

TCL Electronics 2023 Share Award Scheme ("2023 Share Award Scheme")

TCL Electronics Holdings Limited ("TCL Electronics") adopted the 2023 Share Award Scheme on 3 November 2023. Details of the 2023 Share Award Scheme were set out in the circular of TCL Electronics dated 17 October 2023. Participants under the 2023 Share Award Scheme include, among others, directors and employees of holding companies, fellow subsidiaries or associated companies of TCL Electronics. The Target Group unconditionally and voluntarily undertakes to TCL Electronics that it shall bear the cost sharing arising from TCL Electronics' grants of awarded shares to the relevant employees of the Target Group.

	At 1 January 2024	Granted during the year	At 31 December 2024	Date of grant of awarded shares	Vesting period of awarded shares
Employees					
2024 awarded shares	–	6,700,000	6,700,000	25 January 2024	*Note 1*

	At 1 January 2025	Granted during the year	Vested during the year	Forfeited during the year	Reclassified during the year	At 31 December 2025	Date of grant of awarded shares	Vesting period of awarded shares
Employees								
2024 awarded shares	6,700,000	–	(2,980,000)	(250,000)	850,000	4,320,000	25 January 2024	*Note 1*
2025 awarded shares	–	10,115,300	–	(68,900)	(229,400)	9,817,000	9 April 2025	*Note 2*

	At 1 January 2026	Reclassified during the period	At 31 March 2026	Date of grant of awarded shares	Vesting period of awarded shares
Employees					
2024 awarded shares	4,320,000	(498,000)	3,822,000	25 January 2024	*Note 1*
2025 awarded shares	9,817,000	(458,800)	9,358,200	9 April 2025	*Note 2*

Note 1 For awarded shares granted in view of the achievement of performance targets for 2024 to 2026, approximately 40% of such awarded shares were vested on 11 June 2025, a further approximately 30% were vested on 11 June 2026, and the remaining approximately 30% are scheduled to be vested on 11 June 2027.

Note 2 For awarded shares granted in view of the achievement of performance targets for 2025 to 2027, approximately 40% of such awarded shares were vested on 12 May 2026, a further approximately 30% are scheduled to be vested on 12 May 2027, and the remaining approximately 30% are scheduled to be vested on 12 May 2028.

Share-based payment expenses relating to employees recognised for the Relevant Periods and the three months ended 31 March 2025 were nil, HK$7,349,000, HK$34,462,000, HK$10,122,000 and HK$2,294,000, respectively.

TCL (Zhongshan) Air Conditioner Share Incentive Schemes

TCL (Zhongshan) Air Conditioner operates a series of employee incentive schemes (the "Share Incentive Schemes") to provide incentives and rewards to eligible participants who contribute to the Target Group's operations. Eligible participants of the Share Incentive Schemes, including members of senior management, mid-level managers and other employees of the Target Group, were determined by the ultimate controlling shareholder TCL Industries Holdings and approved by the ultimate controlling shareholder through board resolutions. TCL Industries Holdings has the right to determine the eligible participants and vesting criteria. When the eligible participants resign, TCL Industries Holdings is obliged to designate a person to repurchase the shares at subscription prices and then reallocate these shares to other eligible participants.

During the year ended 31 December 2023, 1,450,000 shares of TCL (Zhongshan) Air Conditioner were granted to eligible participants through the employee shareholding platform of the Share Incentive Schemes at a subscription price of RMB1.84 per share. The grant date fair value of the shares of the Share Incentive Schemes was RMB5.82 per share, which was determined based on a Probability-Weighted Expected Cash Flow Discounted Cash Flow Model ("DCF Model"). The awarded shares under the Share Incentive Schemes have no service conditions and constitute an immediately exercisable share-based payment.

During the year ended 31 December 2024, 1,070,000 shares of TCL (Zhongshan) Air Conditioner were granted to eligible participants through the employee shareholding platform of the Share Incentive Schemes at a subscription price of RMB2.67 per share. The grant date fair value of the shares of the Share Incentive Schemes was RMB5.58 per share, which was determined based on a Probability-Weighted Expected Cash Flow DCF Model. The awarded shares under the Share Incentive Schemes have no service conditions and constitute an immediately exercisable share-based payment.

During the year ended 31 December 2025, 1,370,000 shares of TCL (Zhongshan) Air Conditioner were granted to eligible participants through the employee shareholding platform of the Share Incentive Schemes at a subscription price of RMB6.20 per share. The grant date fair value of the shares of the Share Incentive Schemes was RMB6.37 per share, which was determined based on a Probability-Weighted Expected Cash Flow DCF Model. The awarded shares under the Share Incentive Schemes have no service conditions and constitute an immediately exercisable share-based payment.

Share-based payment expenses amounting to HK$6,457,000, HK$3,465,000, HK$417,000, nil and nil under these schemes were recognised by the Target Group during the Relevant Periods and the three months ended 31 March 2025, respectively.

34. RESERVES

The Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods and the three months ended 31 March 2025 are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve of the Target Group includes:

(i) The share premium arising from the excess of the net proceeds from issuance of shares of the Target Company over its par value;

(ii) The paid-up capital of the companies comprising the Target Group.

(iii) The share-based compensation reserve arising from equity-settled share awards, details of which are set out in note 33 to the Historical Financial Information.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currencies other than HK$. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 to the Historical Financial Information.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

The Target Company

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented as follows:

Year ended 31 December 2025

	Share premium account	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2025	–	–	–	–
Profit for the year	–	–	9	9
Other comprehensive income for the year:				
Exchange differences on translation of the Target Company	–	15,271	–	15,271
Total comprehensive income for the year	–	15,271	9	15,280
Issue of shares	1,998,099	–	–	1,998,099
At 31 December 2025	1,998,099	15,271	9	2,013,379

Three months ended 31 March 2026

	Share premium account	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2026	1,998,099	15,271	9	2,013,379
Profit for the period	–	–	(1)	(1)
Other comprehensive income for the period:				
Exchange differences on translation of the Target Company	–	45,450	–	45,450
Total comprehensive income for the period	–	45,450	(1)	45,449
At 31 March 2026	1,998,099	60,721	8	2,058,828

35. BUSINESS COMBINATION

On 24 December 2024, TCL Home Appliances Holding Company Limited ("TCL Home Appliances", a subsidiary of the Target Company) entered into a stock purchase and sale agreement with TCL SEMP Indústria e Comércio de Eletroeletrônicos S.A., ("TCL SEMP", a fellow subsidiary), pursuant to which TCL Home Appliances agreed to acquire and TCL SEMP agreed to sell 75% equity interest in TCL SEMP AC at the consideration of R$191,657,000 (equivalent to approximately HK$240,318,000). Since then TCL SEMP AC has become a subsidiary of the Target Group. The transaction was completed in December 2024.

The fair values of the identifiable assets and liabilities of TCL SEMP AC as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Property, plant and equipment	*11*	35,873
Right-of-use asset	*12(a)*	7,765
Other intangible assets	*14*	36,237
Deferred tax assets	*18*	22,469
Inventories		414,451
Prepayments, other receivables and other assets		52,464
Trade receivables		331,965
Cash and cash equivalents		26,708
Derivative financial instruments		2,334
Trade payables		(551,552)
Other payables and accruals		(25,537)
Tax payable		(3,561)
Lease liabilities	*12(b)*	(7,914)
Provision	*31*	(46,578)
Deferred tax liabilities	*18*	(5,508)
Total identifiable net assets at fair value		289,616
Non-controlling interests		(72,404)
Goodwill on acquisition	*13*	23,106
Satisfied by:		
Cash		30,090
Other payables		210,228

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	2024	2025
	HK$'000	*HK$'000*
Cash consideration	(30,090)	(210,231)
Cash and bank balances acquired	26,708	–
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,382)	(210,231)
Total net cash outflow	(3,382)	(210,231)

The fair values of the trade receivables and prepayments, other receivables and other assets at the date of acquisition amounted to HK$331,965,000 and HK$52,464,000, respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected is considered as insignificant.

Since the acquisition, the acquired subsidiary made no contribution to the Target Group's revenue and recorded no profit in the consolidated profit for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year ended 31 December 2024, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2024 would have been HK$30,485,647,000 and HK$1,504,957,000, respectively.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026, the Target Group had non-cash additions to right-of-use assets and lease liabilities of HK$30,011,000, HK$11,614,000, HK$38,731,000 and HK$638,000, respectively, in respect of lease arrangements for properties and other equipment.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable included in other payables	Interest-bearing bank borrowings	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
At 1 January 2023	61,573	1,289,142	202,445	1,553,160
New leases	–	–	30,011	30,011
Changes from financing cash flows	(320,072)	927,690	(56,096)	551,522
Accretion of interest	–	–	11,307	11,307
Lease modification	–	–	(148)	(148)
Dividends declared	579,849	–	–	579,849
Foreign exchange movement	(2,028)	86,958	(2,836)	82,094
At 31 December 2023 and 1 January 2024	319,322	2,303,790	184,683	2,807,795
New leases	–	–	11,614	11,614
Changes from financing cash flows	(864,185)	502,586	(52,901)	(414,500)
Accretion of interest	–	–	8,740	8,740
Acquisition of a subsidiary *(note 35)*	–	–	7,914	7,914
Early termination	–	–	(631)	(631)
Dividends declared	732,179	–	–	732,179
Foreign exchange movement	(4,764)	7,173	(3,393)	(984)
At 31 December 2024 and 1 January 2025	182,552	2,813,549	156,026	3,152,127
New leases	–	–	38,731	38,731
Changes from financing cash flows	(2,133,504)	(1,068,745)	(63,698)	(3,265,947)
Accretion of interest	–	–	8,387	8,387
Lease modification	–	–	17,669	17,669
Early termination	–	–	(4,045)	(4,045)
Dividends declared	2,041,163	–	–	2,041,163
Foreign exchange movement	3,389	82,117	4,463	89,969
At 31 December 2025	93,600	1,826,921	157,533	2,078,054

	Dividend payable included in other payables	Interest-bearing bank borrowings	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
At 1 January 2026	93,600	1,826,921	157,533	2,078,054
New leases	–	–	638	638
Changes from financing cash flows	–	355,914	(17,180)	338,734
Accretion of interest	–	–	1,323	1,323
Early termination	–	–	(139)	(139)
Lease modification	–	–	3,445	3,445
Foreign exchange movement	2,113	50,044	4,462	56,619
At 31 March 2026	95,713	2,232,879	150,082	2,478,674
At 1 January 2025	182,552	2,813,549	156,026	3,152,127
New leases	–	–	17,315	17,315
Changes from financing cash flows	–	(604,172)	(12,709)	(616,881)
Accretion of interest	–	–	1,957	1,957
Lease modification	–	–	16,994	16,994
Foreign exchange movement	–	16,859	1,224	18,083
Early termination	592	–	–	592
At 31 March 2025	183,144	2,226,236	180,807	2,590,187

(c) Total cash outflows for leases

The total cash outflows for leases included in the statements of cash flows are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Within operating activities	15,086	13,954	11,330	960	2,291
Within financing activities	56,096	52,901	63,698	12,709	17,180
Total	71,182	66,855	75,028	13,669	19,471

37. PLEDGE OF ASSETS

Details of the Target Group's interest-bearing bank and other borrowings, which are secured by the assets of the Target Group, are included in note 30 to the Historical Financial Information.

38. COMMITMENTS

The Target Group had the following capital commitments at the end of the Relevant Periods.

	31 December			31 March
	2023	**2024**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for items of property, plant and equipment	148,450	149,072	562,995	445,671

39. RELATED PARTY TRANSACTIONS

The directors of the Target Company are of the view that the following companies are related parties that have material transactions or balances with the Target Group during the Relevant Periods and the three months ended 31 March 2025.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Target Group had the following material transactions with related parties during the year/period:

	Year ended 31 December			Three months ended 31 March	
	2023	**2024**	**2025**	**2025**	**2026**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Transactions with the ultimate holding company:					
Interest income	–	–	3	–	–
Brand promotion fee	201,241	203,179	248,458	71,108	79,225
Transactions with fellow subsidiaries:					
Promotion income	12,151	23,506	23,677	5,694	3,554
Interest income	101,453	135,499	147,805	34,788	21,257
Interest expenses	2,686	5,545	9,458	2,910	4,108
Rental charges	–	–	2,245	217	614
Rental income	14	122	9	9	–
Purchases of materials	–	23	–	–	–
Sales of products	6,478,739	11,314,087	12,219,251	4,100,992	3,817,730

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Sales of materials	49,163	69,605	88,023	22,691	22,837
Purchases of property, plant and equipment and other intangible assets	22	698	3,915	4	123
Depreciation of right-of-use assets	–	–	1,872	550	782
Interest expenses on lease liabilities	–	–	151	34	41
IT and other service fees	543,576	1,029,235	405,862	75,771	52,660
Other service income	29,477	31,956	28,907	7,919	8,628
Transactions with joint venture:					
Rental income	643	378	377	–	365
Purchases of materials	148,109	220,811	220,857	107,498	59,310
Sales of products	30,441	50,149	–	28,311	16,099
Service fees	–	–	–	–	208
Other service income	1,816	16	9	1	1
Transactions with associates:					
Rental income	–	–	271	–	–
Purchases of materials	38,130	20,048	3,828	1,293	162
Sales of products	2,970,697	2,212	1,975	886	407
Purchases of property, plant and equipment and other intangible assets	–	–	8	–	–
Service fees	22	1,353	177	77	–
Other service income	161	237	184	85	44
Transactions with other related companies:					
Interest income	47	118	77	31	4
Interest expenses	511	421	77	30	–
Purchases of materials	1,673,372	2,618,793	1,659,379	1,080,800	294,628
Sales of materials	–	1,639	1,656	–	–
Purchases of fixed assets and other intangible assets	121,846	80,720	116,341	4,421	32,842
IT and other service fees	359,043	281,821	363,687	69,597	82,630
Other service income	700	–	–	–	–

(b) Other transactions with related parties:

(i) During the Relevant Periods, the Target Group had certain deposits placed with TCL Technology Finance Co., Ltd., a subsidiary of TCL Technology and a financial institution approved by the People's Bank of China, details of which have been disclosed in note 25.

(ii) On 24 December 2024, TCL Home Appliances entered into a stock purchase and sale agreement with TCL SEMP, pursuant to which TCL Home Appliances agreed to acquire and TCL SEMP agreed to sell 75% equity interest in TCL SEMP AC at the consideration of R$191,657,000 (equivalent to approximately HK$240,318,000). Since then TCL SEMP AC has become a subsidiary of the Target Group. The transaction was completed in December 2024 (Note 35).

(iii) Details of compensation of key management personnel of the Target Group are set out in note 8 to the Historical Financial Information.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

			31 December		31 March
	Notes	**2023**	**2024**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets					
Financial assets at fair value through profit or loss:					
Derivative financial assets	*29*	4,910	14,323	55,537	20,904
Financial assets at fair value through other comprehensive income:					
Bills receivable	*23*	747,813	29,366	77,078	64,265
Financial assets at amortised cost:					
Trade receivables	*22*	5,998,237	5,360,713	6,570,333	10,066,903
Bills receivable	*23*	2,325,238	2,137,890	1,805,171	1,519,456
Financial assets included in prepayments, other receivables and other assets	*20*	4,209,476	7,576,659	5,528,481	3,929,800
Debt investment at amortised cost	*24*	337,062	396,777	–	–
Pledged deposits	*25*	154,882	194,126	99,818	81,856
Cash and cash equivalents	*25*	136,987	227,130	693,334	420,523
Total		13,914,605	15,936,984	14,829,752	16,103,707

	Notes	31 December 2023	31 December 2024	31 December 2025	31 March 2026
		HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities					
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	29	20,906	63,772	28,144	1,092
Financial liabilities at amortised cost:					
Trade payables	26	8,366,533	11,936,543	10,327,824	12,087,969
Bills payable	27	1,713,480	1,774,917	1,825,738	2,060,153
Financial liabilities included in other payables and accruals	28	2,767,960	2,587,212	2,789,762	2,801,680
Lease liabilities	12	184,683	156,026	157,533	150,082
Interest-bearing bank and other borrowings	30	2,303,790	2,813,549	1,826,921	2,232,879
Total		15,357,352	19,332,019	16,955,922	19,333,855

41. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

Bills discounted

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, certain bills receivable with carrying amounts of HK$2,096,858,000, HK$2,719,356,000, HK$3,342,867,000, and HK$3,159,775,000 were discounted with banks in the PRC. In the opinion of the directors, the Target Group has transferred substantially all risks and rewards relating to the discounted bills. Accordingly, it has derecognised the full carrying amounts of the discounted bills. The maximum exposure to loss from the Target Group's continuing involvement in the discounted bills and the undiscounted cash flows to repurchase these discounted bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Target Group's continuing involvement in the discounted bills are not significant.

Endorsed bills

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, certain subsidiaries of the Target Group endorsed certain bills receivable accepted by banks in the PRC (the "derecognised bills") to certain of their suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of HK$621,391,000, HK$204,648,000, HK$31,225,000 and HK$106,274,000. The derecognised bills had a maturity of one to six months at the end of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right of recourse against the Target Group if the PRC banks default. In the opinion of the directors, the Target Group has transferred substantially all risks and rewards relating to the derecognised bills and the associated trade payables. The maximum exposure to loss from the Target Group's continuing involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Target Group's continuing involvement in the derecognised bills are not significant.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, trade and bills payables, interest-bearing bank and other borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Target Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Target Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The model incorporates various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The Target Group enters into these kinds of derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. The carrying amounts of forward currency contracts and foreign currency swap, are the same as their fair values. Derivative financial instruments, including call options, are measured using valuation technique of Monte Carlo Simulation Model. The model incorporates various market observable inputs including risk-free rate ("RFR") and volatility. The carrying amounts of forward currency contracts, call options are the same as their fair values.

For the years ended 31 December 2023, 2024, and 2025 and the three months ended 31 March 2026, the mark-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

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

Assets measured at fair value:

At 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	4,910	–	4,910

At 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	14,323	–	14,323

At 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	55,537	–	55,537

At 31 March 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	20,904	–	20,904

Liabilities measured at fair value:

At 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	20,906	–	20,906

At 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	63,772	–	63,772

At 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	28,144	–	28,144

At 31 March 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	1,092	–	1,092

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Target Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Target Group takes rolling forecasts on the foreign currency revenue and matches the currency and the amount incurred so as to alleviate the impact on business due to exchange rate fluctuations. The Target Group uses foreign currency forward contracts to reduce the foreign currency exposures.

It is the Target Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of each reporting period of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Target Group's profit before tax (due to changes in the fair values of monetary assets and liabilities and non-hedging forward currency contracts) and the Target Group's equity (due to changes in the fair value of hedging forward currency contracts).

	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
Year ended 31 December 2023			
If the HK$ weakens against the RMB	5	(139,814)	–
If the HK$ weakens against the US$	5	51,531	(34,257)
If the HK$ weakens against the EUR	5	1,551	–
If the HK$ strengthens against the RMB	(5)	139,814	–
If the HK$ strengthens against the US$	(5)	(51,531)	34,257
If the HK$ strengthens against the EUR	(5)	(1,551)	–
Year ended 31 December 2024			
If the HK$ weakens against the RMB	5	(80,388)	–
If the HK$ weakens against the US$	5	2,398	(58,390)
If the HK$ weakens against the EUR	5	5,119	–
If the HK$ weakens against the R$	5	2,590	–
If the HK$ strengthens against the RMB	(5)	80,388	–
If the HK$ strengthens against the US$	(5)	(2,398)	58,390
If the HK$ strengthens against the EUR	(5)	(5,119)	–
If the HK$ strengthens against the R$	(5)	(2,590)	–

* *Excluding retained profits*

	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
Year ended 31 December 2025			
If the HK$ weakens against the RMB	5	147,811	–
If the HK$ weakens against the US$	5	(49,425)	(85,183)
If the HK$ weakens against the EUR	5	3,584	–
If the HK$ weakens against the R$	5	23,289	–
If the HK$ strengthens against the RMB	(5)	(147,811)	–
If the HK$ strengthens against the US$	(5)	49,425	85,183
If the HK$ strengthens against the EUR	(5)	(3,584)	–
If the HK$ strengthens against the R$	(5)	(23,289)	–
Three months ended 31 March 2026			
If the HK$ weakens against the RMB	5	23,261	–
If the HK$ weakens against the US$	5	(105,746)	(36,796)
If the HK$ weakens against the EUR	5	13,139	–
If the HK$ weakens against the R$	5	18,736	–
If the HK$ strengthens against the RMB	(5)	(23,261)	–
If the HK$ strengthens against the US$	(5)	105,746	36,796
If the HK$ strengthens against the EUR	(5)	(13,139)	–
If the HK$ strengthens against the R$	(5)	(18,736)	–

* *Excluding retained profits*

Credit risk

The Target Group trades only with recognised and creditworthy parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant. The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Target Group's outstanding balance of other receivables.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	6,483,170	6,483,170
Bills receivable*	–	–	–	3,074,417	3,074,417
Financial assets included in prepayments, other receivables and other assets**					
– Normal	4,216,810	–	–	–	4,216,810
– Doubtful	–	–	66,554	–	66,554
Debt investment at amortised cost	337,062	–	–	–	337,062
Pledged deposits	154,882	–	–	–	154,882
Cash and cash equivalents	136,987	–	–	–	136,987
Total	4,845,741	–	66,554	9,557,587	14,469,882

At 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	5,783,814	5,783,814
Bills receivable*	–	–	–	2,169,516	2,169,516
Contract assets*	–	–	–	1,750	1,750
Financial assets included in prepayments, other receivables and other assets**					
– Normal	7,586,068	–	–	–	7,586,068
– Doubtful	–	–	43,313	–	43,313
Debt investment at amortised cost	396,777	–	–	–	396,777
Pledged deposits	194,126	–	–	–	194,126
Cash and cash equivalents	227,130	–	–	–	227,130
Total	8,404,101	–	43,313	7,955,080	16,402,494

At 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	7,061,248	7,061,248
Bills receivable*	–	–	–	1,884,056	1,884,056
Contract assets*	–	–	–	5,002	5,002
Financial assets included in prepayments, other receivables and other assets**					
– Normal	5,536,598	–	–	–	5,536,598
– Doubtful	–	–	43,544	–	43,544
Pledged deposits	99,818	–	–	–	99,818
Cash and cash equivalents	693,334	–	–	–	693,334
Total	6,329,750	–	43,544	8,950,306	15,323,600

At 31 March 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	10,622,464	10,622,464
Bills receivable*	–	–	–	1,585,183	1,585,183
Contract assets*	–	–	–	5,509	5,509
Financial assets included in prepayments, other receivables and other assets**					
– Normal	3,938,128	–	–	–	3,938,128
– Doubtful	–	–	43,744	–	43,744
Pledged deposits	81,856	–	–	–	81,856
Cash and cash equivalents	420,523	–	–	–	420,523
Total	4,440,507	–	43,744	12,213,156	16,697,407

* For trade receivables, bills receivable and contract assets at the end of the Relevant Periods, the Target Group applies the simplified approach for impairment. Information based on the provision matrix is disclosed in note 22 and note 23 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Target Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivable) and projected cash flows from operations.

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

At 31 December 2023

	Less than 12 months or on demand	1 to 3 years	Over 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	10,080,013	–	–	10,080,013
Financial liabilities included in other payables and accruals	2,767,960	–	–	2,767,960
Lease liabilities	49,594	79,805	98,067	227,466
Interest-bearing bank and other borrowings	1,387,438	770,180	223,231	2,380,849
Derivative financial instruments	20,906	–	–	20,906
Total	14,305,911	849,985	321,298	15,477,194

At 31 December 2024

	Less than 12 months or on demand	1 to 3 years	Over 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	13,711,460	–	–	13,711,460
Financial liabilities included in other payables and accruals	2,587,212	–	–	2,587,212
Lease liabilities	55,612	55,111	74,621	185,344
Interest-bearing bank and other borrowings	1,747,398	1,167,892	–	2,915,290
Derivative financial liabilities	63,772	–	–	63,772
Financial liability associated with put option	–	–	57,984	57,984
Total	18,165,454	1,223,003	132,605	19,521,062

At 31 December 2025

	Less than 12 months or on demand	1 to 3 years	Over 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	12,153,562	–	–	12,153,562
Financial liabilities included in other payables and accruals	2,789,762	–	–	2,789,762
Lease liabilities	54,481	61,745	60,838	177,064
Interest-bearing bank and other borrowings	929,797	868,148	95,887	1,893,832
Derivative financial liabilities	28,144	–	–	28,144
Financial liability associated with put option	–	–	57,277	57,277
Total	15,955,746	929,893	214,002	17,099,641

At 31 March 2026

	Less than 12 months or on demand	1 to 3 years	Over 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	14,148,122	–	–	14,148,122
Financial liabilities included in other payables and accruals	2,801,680	–	–	2,801,680
Lease liabilities	55,101	84,205	58,782	198,088
Interest-bearing bank and other borrowings	1,701,586	252,280	392,501	2,346,367
Derivative financial liabilities	1,092	–	–	1,092
Financial liability associated with put option	–	–	64,870	64,870
Total	18,707,581	336,485	516,153	19,560,219

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is total interest-bearing liabilities divided by total equity. The Target Group's policy is to maintain the gearing ratio at a reasonable level.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

			31 December		**31 March**
	Notes	**2023**	**2024**	**2025**	**2026**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	*30*	2,303,790	2,813,549	1,826,921	2,232,879
Lease liabilities	*12*	184,683	156,026	157,533	150,082
Total interest-bearing liabilities		2,488,473	2,969,575	1,984,454	2,382,961
Total equity		1,545,118	4,287,118	5,185,240	5,602,002
Gearing ratio		161%	69%	38%	43%

44. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 31 March 2026 that require additional disclosure or adjustments.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 March 2026.

The following is the management discussion and analysis of the Target Group for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026. The following financial information is based on the Accountants' Report of the Target Group as set out in Appendix II to this circular.

BUSINESS OVERVIEW

The Target Group is a leading global HVAC manufacturer, specialising in residential, commercial, and specialised air conditioning systems, with international revenue accounting for over 70%. Over the past five years, TCL Air Conditioner has continuously deepened its smart manufacturing strategy centred on "Intelligent, Digitalised, and Green", boasting a global footprint of more than 10 production bases worldwide with an annual capacity exceeding 38 million units. The Target Group has collaborated with suppliers to build a green supply chain and has developed green intelligent manufacturing facilities through measures such as intensive land use, paperless production processes, and integrated solar-storage applications to support high-quality development. In 2025, two technologies of the Target Group — AI Voice Free-Talk and AI Energy Saving for Multi-split Systems — were certified as "International Leading". The Target Group is committed to focusing on its core air conditioning business to achieve both scale expansion and profitability enhancement.

FINANCIAL OVERVIEW

Segmental information

The Target Group manages its business as a whole for the purpose of making decisions on resource allocation and performance assessment, therefore, no operating segment information is presented.

Revenue

For the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the revenue of the Target Group was approximately HK$25,094 million, HK$29,209 million, HK$33,758 million, HK$11,194 million and HK$11,097 million, respectively. The increase is mainly attributable to two key factors: first, steady order growth in the air conditioning business has become the main engine for revenue expansion; second, the Target Group's strategic deepening and diversification efforts played a crucial role. By optimising product mix, expanding into new markets, and improving operational efficiency, the Target Group significantly boosted overall profitability.

Cost of sales

For the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the cost of sales of the Target Group was approximately HK$22,311 million, HK$26,258 million, HK$29,694 million, HK$10,018 million and HK$10,076 million, respectively. The increase is mainly attributable to higher raw material costs driven by rising copper prices, alongside increased sales volumes in our air conditioning business and strategic market expansion.

Gross profit

For the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the gross profit of the Target Group was approximately HK$2,783 million, HK$2,951 million, HK$4,064 million, HK$1,176 million and HK$1,021 million, respectively. The increase in gross profit during the three years ended 31 December 2025 is mainly attributable to economies of scale achieved through production optimisation and stricter cost control measures. The decrease in the three months ended 31 March 2026 is mainly due to the increase in raw material costs driven by rising copper prices.

Other income and gains

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the other income and gains of the Target Group was approximately HK$591 million, HK$647 million, HK$564 million, HK$192 million, and HK$90 million, respectively. Other income and gains include interest income, net foreign exchange gains, scrap sales revenue, government grants etc.

R&D costs

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the research and development costs of the Target Group was approximately HK$614 million, HK$671 million, HK$711 million, HK$163 million, and HK$194 million, respectively. In recent years, the Target Group has been focusing on the future development, and while raising the efficiency of research and development expenditure, it has also been actively investing in the development of new technologies and new product categories. The increase is mainly attributable to the growing demand of more eco-friendly and energy-efficient products.

Selling and distribution expenses

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the selling and distribution expenses of the Target Group were approximately HK$638 million, HK$748 million, HK$913 million, HK$263 million, and HK$278 million, respectively. The increase is mainly attributable to the growth in sales and the salary expenses which correspond to the increasing revenue trend.

Administrative expenses

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the administrative expenses of the Target Group were approximately HK$341 million, HK$467 million, HK$541 million, HK$149 million, and HK$139 million, respectively. The increase is mainly attributable to the business expansion of the Target Group.

Finance costs

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the finance costs of the Target Group were approximately HK$81 million, HK$79 million, HK$70 million, HK$22 million, and HK$16 million, respectively, mainly including interest on loans and lease liabilities.

Other expenses

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the other expenses of the Target Group were approximately HK$178 million, HK$121 million, HK$76 million, HK$41 million and HK$85 million, respectively, mainly including fair value loss and realised loss of derivative financial instruments, foreign exchange differences.

Income tax

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the income tax of the Target Group was approximately HK$179 million, HK$204 million, HK$372 million, HK$125 million and HK$54 million, respectively. The change of income tax is aligned with the trend of operating profit.

Profit

For each of the three years ended 31 December 2025 and the three months ended 31 March 2025 and 2026, the profit before tax of the Target Group was approximately HK$1,272 million, HK$1,570 million, HK$2,285 million, HK$665 million and HK$354 million, respectively. The increase is mainly attributable to the economies of scale effect, which has resulted in a better cost control as revenue growth ramped up, leading to the profit growth.

Liquidity and financial resources

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, the total assets of the Target Group were approximately HK$20,496 million, HK$27,144 million, HK$25,669 million, and HK$28,393 million, respectively, comprising mainly of the property, plant and equipment, right-of-use assets, investment in associates, trade and bill receivables, prepayments, other receivables and other assets as well as the inventories of the Target Group.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, the Target Group had bank balance and cash of approximately HK$292 million, HK$421 million, HK$793 million and HK$502 million, respectively.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, the total liabilities of the Target Group were approximately HK$18,951 million, HK$22,857 million, HK$20,484 million, and HK$22,791 million, respectively, comprising mainly of trade and bill payables, other payables and accruals, interest-bearing bank borrowings, as well as the provision of the Target Group.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, the net assets of the Target Group amounted to HK$1,545 million, HK$4,287 million, HK$5,185 million, and HK$5,602 million, respectively.

As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, the bank borrowings of the Target Group amounted to HK$2,304 million, HK$2,814 million, HK$1,827 million, and HK$2,233 million, respectively, mainly to support its business operations.

Foreign Currency Management

Due to its international presence and operations, the Target Group is facing foreign exchange exposure, including transaction exposure and translation exposure. For the three years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026, the Target Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk.

As at 31 March 2026, the Target Group's borrowings were mainly denominated in RMB, while cash and cash equivalents were predominantly held in RMB, US$, EUR, R$ and HK$. Approximately 19% of the total borrowings were on fixed interest rate terms, and the remaining 81% were on floating rate terms.

Gearing ratio

The Target Group monitors capital using a gearing ratio, which is net debt divided by the total capital. Net debt is calculated by the aggregate of interest-bearing bank borrowings and lease liabilities. As at 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026, the gearing ratio of the Target Group was 161%, 69%, 38% and 43%.

Financial risk management

For the three years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026, the main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk, The Board reviews and agrees policies for managing each of these risks.

Funding and treasury policy

The Target Group has adopted a prudent financial management approach towards its treasury policy. The Target Group closely monitored its liquidity position to ensure that the liquidity structure of its assets, liabilities, and other commitments can meet its funding requirements.

Significant investment

The Target Group did not have any significant investments for the three years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026.

Material acquisition

On 24 December 2024, TCL Home Appliances Holding Company Limited ("TCL Home Appliances", a subsidiary of TCL Industries Holdings) entered into a stock purchase and sale agreement with TCL SEMP (a fellow subsidiary of the Target Company), pursuant to which TCL Home Appliances agreed to acquire and TCL SEMP agreed to sell 75% equity interest of TCL SEMP AC at the initial consideration of R$159,981,000 subject to adjustment. Since then TCL SEMP AC has become a subsidiary of TCL Home Appliances. The transaction was completed in December 2024.

Charge of assets

As at 31 December 2023 and 2024, there were no charges of assets of the Target Group.

As at 31 December 2025, the Target Group's long term bank loans amounting to HK$81 million were secured by the charge of land use right amounting to HK$209 million at book value.

As at 31 March 2026, the Target Group's long term bank loans amounting to HK$334 million were secured by the charge of the same land use right amounting to HK$212 million at book value.

Employees and remuneration policy

The Target Group had 8,356, 9,120, 10,433 and 11,772 employees as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

The total remuneration paid to the Target Group's employees for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026 was approximately HK$648 million, HK$803 million, HK$972 million and HK$283 million, respectively.

The employees were remunerated based on their work performance and experience, with consideration to the prevailing market conditions.

Future plans and Prospects

The Target Group is committed to focusing on core air conditioning business to achieve both scale expansion and profitability enhancement.

In the core air conditioning segment, the Target Group will continue to deepen smart and healthy air technology innovations across all residential and commercial scenarios. For residential air conditioning, guided by "Smart & Healthy" philosophy, the Target Group is redefining air conditioning through AI that learns, adapts, and anticipates users' comfort needs. The Target Group is transforming air conditioning from reactive devices into intelligent systems that proactively optimise your environment, evolving from standalone appliances to integrated air ecosystems that enhance users' overall well-being. Domestically, the Target Group provides flagship products lines including the AI Healthy Fresh Air Series and AI Healthy Comfort Series. For overseas markets, the Target Group develops leading products focused on inverter technology, intelligence, healthy air performance, easy installation and easy maintenance, leveraging its strong product competitiveness to drive continuous breakthroughs in global market share.

For commercial air conditioning, centering on the three core technologies of AI Energy-Saving, AI Smart Control, and AI Operations & Maintenance, the Target Group delivers full-scenario, highly efficient, and low-carbon air system solutions. This enables the Target Group to transition from a standalone AC equipment seller to an integrated solution provider of "Comprehensive Energy + Air Ecosystem."

As at the Latest Practicable Date, the Target Company did not plan to make material investments or capital assets.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Basis of preparation

This unaudited pro forma consolidated statement of financial position (the "Unaudited Pro Forma Financial Information") has been prepared for the purpose of providing shareholders of TCL Electronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") with information about the impact of the acquisition of TCL AeroWell (Cayman) Holdings Limited (the "Target Company") and its subsidiaries (together, the "Target Group") by the Group (the "Acquisition") (the Target Group and the Group are hereinafter collectively referred to as the "Enlarged Group")) by illustrating how the Acquisition might have affected the financial position of the Group as at 31 December 2025, had completion of the Acquisition taken place on 31 December 2025.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group after completion of the Acquisition that would have been attained had the Acquisition been completed on 31 December 2025. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group after completion of the Acquisition.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position after the completion of the Acquisition.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31 DECEMBER 2025

	The Group as at 31 December 2025	The Target Group as at 31 March 2026	Pro forma adjustments			The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		
NON-CURRENT ASSETS						
Property, plant and equipment	2,775,689	3,308,298	–	413,606	(c)	6,497,593
Right-of-use assets	925,871	488,756	–	175,233	(c)	1,589,860
Investment properties	405,299	–	–	–		405,299
Goodwill	3,177,559	24,229	–	(24,229)	(c)	3,177,559
	–	–	–	1,351,843	(c)	1,351,843
Other intangible assets	1,941,060	68,308	–	2,699,099	(c)	4,708,467
Investments in joint ventures	4,441	7,581	–	–		12,022
Investments in associates	1,559,854	274,596	–	–		1,834,450
Equity investments designated at fair value through other comprehensive income	370,884	–	–	–		370,884
Financial assets at fair value through profit or loss	42,549	–	–	–		42,549
Debt investments at amortised cost	169,130	–	–	–		169,130
Deferred tax assets	759,989	371,783	–	–		1,131,772
Contract assets	58,915	4,593	–	–		63,508
Other receivables	792,714	–	–	–		792,714
Other deferred assets	982,292	520,892	–	–		1,503,184
Derivative financial instruments	6,946	10,468	–	–		17,414
Total non-current assets	**13,973,192**	**5,079,504**	**–**	**4,615,552**		**23,668,248**
CURRENT ASSETS						
Inventories	23,088,359	4,373,752	–	63,769	(c)	27,525,880
Trade receivables	23,957,524	10,066,903	(2,308,755)	–		31,715,672
Bills receivable	3,418,264	1,583,721	(22)	–		5,001,963
Contract assets	4,592	916	–	–		5,508
Prepayments, other receivables and other assets	10,491,238	6,774,978	(476,485)	–		16,789,731
Tax recoverable	220,105	–	–	–		220,105
Financial assets at fair value through profit or loss	2,358,397	–	–	–		2,358,397
Derivative financial instruments	193,840	10,436	–	–		204,276
Restricted cash and pledged deposits	506,325	81,856	–	–		588,181
Cash and cash equivalents	13,522,134	420,523	–	(167,043)	(a)	13,775,614
Total current assets	**77,760,778**	**23,313,085**	**(2,785,262)**	**(103,274)**		**98,185,327**

	The Group as at 31 December 2025	The Target Group as at 31 March 2026	Pro forma adjustments			The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		
CURRENT LIABILITIES						
Trade payables	32,466,512	12,087,969	(2,651,370)	–		41,903,111
Bills payable	12,449,066	2,060,153	–	–		14,509,219
Other payables and accruals	17,001,229	5,674,738	(136,681)	–		22,539,286
Interest- bearing bank and other borrowings	5,850,136	1,673,732	–	–		7,523,868
Lease liabilities	126,628	49,011	–	–		175,639
Tax payable	472,089	119,276	–	–		591,365
Derivative financial instruments	148,533	1,092	–	–		149,625
Provisions	1,480,998	210,989	–	–		1,691,987
Total current liabilities	**69,995,191**	**21,876,960**	**(2,788,051)**	**–**		**89,084,100**
NET CURRENT ASSETS	7,765,587	1,436,125	2,789	(103,274)		9,101,227
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,738,779**	**6,515,629**	**2,789**	**4,512,278**		**32,769,475**
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	223,936	559,147	–	–		783,083
Lease liabilities	335,998	101,071	–	–		437,069
Deferred tax liabilities	322,158	9,260	–	837,927	(c)	1,169,345
Other long-term payables	141,947	–	–	–		141,947
Other non-current liabilities	605,747	69,811	–	–		675,558
Financial liabilities associated with put option	214,218	–	–	–		214,218
Provisions	–	174,338	–	–		174,338
Total non-current liabilities	1,844,004	913,627	–	837,927		3,595,558
Net assets	19,894,775	5,602,002	2,789	3,674,351		29,173,917
EQUITY						
Equity attributable to owners of the parent	19,197,755	3,005,774	1,423	2,437,183		24,642,135
Issued capital	2,520,935	258	–	(258)	(b)	2,520,935
				362,864	(a)	362,864
Reserves	16,676,820	3,005,516	1,423	(3,005,516)	(b)	16,678,243
				5,080,093	(a)	5,080,093
Non-controlling interests	697,020	2,596,228	1,366	1,237,168		4,531,782
Total equity	19,894,775	5,602,002	2,789	3,674,351		29,173,917

Notes:

1. The amounts are extracted from the consolidated statement of financial position of the Group as of 31 December 2025 as set out in the published annual report of the Company for the year ended 31 December 2025.

2. The amounts are extracted from the audited consolidated statement of financial position of the Target Group as of 31 March 2026, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular.

3. This adjustment represents the elimination of balances between the Group and the Target Group based on the Group's balances with the Target Group as of 31 December 2025.

4. The pro forma adjustments represent:

(a) The estimated consideration

In accordance with the Sale and Purchase Agreement dated 15 July 2026, the Company conditionally agreed to purchase from TCL NXTHome Global Limited, YF Rongye Global Holdings Limited, Core Elite Holdings Limited, Union Vast Holdings Limited and Reach Glory Link Holdings Limited ("the Vendors") 100% of their equity interests in the Target Group, and the total consideration for the Acquisition amounting to HK$5,610,000,000 is to be satisfied as to:

(i) HK$167,043,375 by cash payable by the Company to the Vendors; and

(ii) HK$5,442,956,625 by way of allotment and issue of 362,863,775 Consideration Shares at the Issue Price of HK$15.00 per Consideration Share, which increases the equity of the Company as follows:

	HK$'000
Share capital	362,864
Reserve-Share premium	5,080,093
	5,442,957

The Issue Price was determined by the Company and the Vendors after arm's length negotiations.

(b) The adjustments to share capital and reserves represent the elimination of pre-acquisition reserves of the Target Group at 31 March 2026.

(c) The provisional fair value adjustments on net identifiable assets of the Target Group as if the Acquisition had been completed on 31 December 2025.

According to the Group's accounting policy, the Group had elected the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 *Business Combinations* ("HKFRS 3") to account for business combinations under common control having substance. This Unaudited Pro

Forma Financial Information has been prepared by applying the acquisition method to account for the Acquisition, given management considers that the Acquisition has substance from the perspective of the Group, which is consistent with the Group's accounting policy.

The acquisition method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities acquired, based on their estimated fair values. In applying the acquisition method of accounting, the identifiable assets and liabilities of the Target Group acquired would be recorded on the pro forma consolidated statement of financial position of the Enlarged Group at their fair values as at the date of completion of the Acquisition.

The directors of the Company have also performed an assessment of the fair value of the identified assets and liabilities of the Target Group as at 31 March 2026 for purchase price allocation purpose as required under HKFRS 3 based on a valuation report prepared by an independent valuer. For the purpose of this Unaudited Pro Forma Financial Information, the provisional purchase price allocation arising from the Acquisition is calculated as follows:

	Notes	*HK$'000*
Cash consideration		167,043
Consideration shares		5,442,957
Net assets value of the Target Group as at 31 March 2026	*(i)*	5,602,002
Derecognition of goodwill	*(i)*	(24,229)
Total identifiable net assets of the Target Group at book value		5,577,773
Fair value adjustments on property, plant and equipment	*(ii)*	413,606
Fair value adjustments on right-of-use assets	*(ii)*	175,233
Fair value adjustments on inventories	*(ii)*	63,769
Fair value adjustments on other intangible assets	*(ii)*	2,699,099
Deferred tax liabilities arising from fair value adjustments	*(ii)*	(837,927)
Fair value of the Target Group's identifiable net assets as at 31 March 2026		8,091,553
Non-controlling interests		(3,833,396)
Goodwill on acquisition		1,351,843

Notes:

(i) The amounts are extracted from the audited consolidated statement of financial position of the Target Group as of 31 March 2026, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular.

(ii) Fair value adjustments related to the Target Group arising from property, plant and equipment, right-of-use assets, inventories and other intangible assets according to the independent valuation.

Deferred tax liabilities of HK$837,927,000 is the deferred corporate income tax, which is calculated at enterprise income tax rate of the PRC of 25% on the valuation surplus.

The directors of the Company have estimated the fair values of the identifiable assets and liabilities of the Target Group, based on a valuation report prepared by an independent valuer, and have applied them as the fair values of the identifiable assets and liabilities of Target Group in preparing the Unaudited Pro Forma Financial Information of the Enlarged Group. Since the fair value of the identifiable net assets of the Target Group at the completion date of the Acquisition may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identifiable net assets of the Target Group to be recognised in connection with the Acquisition may be different from the amounts presented above.

(d) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs as the Directors determined that such costs are insignificant.

(e) Excluding the property, plant and equipment, right- of- use assets, inventories and other intangible assets which had been stated at fair value, in the opinion of the Directors, the fair values of other identifiable assets and liabilities approximate to their net carrying amounts with reference to the director's industry knowledge and the director's intention to continually manage the normal operation of the assets on the completion date of the Acquisition.

(f) In the preparation of the Unaudited Pro Forma Financial Information, the Company has performed an impairment assessment of the goodwill in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36") and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit to which the Target Group is assigned (the "CGU of the Target Group"), exceeds the carrying amount of the CGU of the Target Group. Therefore, no pro forma adjustment in respect of goodwill impairment is considered necessary by the Directors in the preparation of the Unaudited Pro Forma Financial Information.

In addition, the directors will assess the impairment of the goodwill annually at each financial year end under consistent accounting policies.

(g) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 March 2026.

(h) No other potential taxes, except for deferred tax liabilities of the Acquisition, have been considered in the preparation of the Unaudited Pro Forma Financial Information.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

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To the Directors of TCL Electronics Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of TCL Electronics Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2025 and the related notes set out in IV-1 to IV-6 of Appendix IV of the Circular dated 24 August 2026 issued by the Company (the "Circular") (the "Unaudited Pro Forma Financial Information") in connection with the acquisition of the entire equity interest in TCL AeroWell (Cayman) Holdings Limited and its subsidiaries (hereinafter collectively referred to as "the Target Group") (the "Acquisition", together with the Group hereafter collectively referred to as the "Enlarged Group"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes 1 to 4 to Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors illustrating the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had taken place on 31 December 2025. As part of this process, the consolidated statement of financial position of the Group as at 31 December 2025 has been extracted by the Directors from the published annual report of the Company for the year ended 31 December 2025, the consolidated statement of financial position of the Target Group as at 31 March 2026 has been extracted by the Directors from the accountants' report of the Target Group as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* as issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 Q*uality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* as issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 2026

仲量聯行

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Company Licence No.: C-030171

24 August 2026

The Board of Directors

TCL Electronics Holdings Limited
5/F, Building 22E
22 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories, Hong Kong

Dear Sirs,

In accordance with the instructions from TCL Electronics Holdings Limited (the "**Company**" or the "**Client**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100% equity interest (the "**Subject**") of TCL AeroWell (Cayman) Holdings Limited (the "**Target Company**") as at 31 March 2026 (the "**Valuation Date**"). The report which follows is dated 24 August 2026 (the "**Report Date**"). The purpose of this valuation is for the Client's internal reference and inclusion in the Client's public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF THE SUBJECT

TCL AeroWell (Cayman) Holdings Limited is a company with limited liability incorporated in the Cayman Islands on 3 September 2025. The Target Company indirectly holds the entire equity interest in Guangdong TCL Air Conditioner Holding Co., Ltd.*（廣東TCL空調器控股有限公司）, which holds 51% equity interest in TCL Air Conditioner (Zhongshan) Co., Ltd. *（TCL空調器（中山）有限公司）("**Zhongshan Air Conditioner**").

Zhongshan Air Conditioner is a private company with limited liability incorporated in year 2000 located in Zhongshan, Guangdong, the PRC. It is engaged in research, development, production, and sales of residential and light commercial air conditioning systems.

The key financial information of the Target Company with its subsidiaries ("**Target Group**") for the period from 1 April 2025 to 31 March 2026 is set out below (HK$):

	Three months ended 31 March 2025 *(Unaudited)*	Financial Year ended 31 December 2025 *(Audited)*	Three months ended 31 March 2026 *(Audited)*
Revenue	11,193,773,000	33,757,539,000	11,097,105,000
Net Profit	539,965,000	1,913,781,000	300,494,000
EBITDA excluding Other Income and Gains* ("**Adjusted EBITDA**")	639,069,000	2,402,027,000	443,915,000

* *other income and gains, which were non-operating in nature, mainly comprised interest income and rental income.*

According to the client, the decline in the Target Group's revenue, net profit, and Adjusted EBITDA as of 31 March 2026, was primarily driven by the increased prices of the raw materials, particularly copper, as well as increased expenses resulting from exchange rate fluctuations.

Other than holding a 51% equity interest in Zhongshan Air Conditioner, the Target Company does not conduct any other business and has minimal additional assets and liabilities. Details of the net assets (excluding the 51% equity interest in Zhongshan Air Conditioner), and the income and expenses (excluding those attributable to Zhongshan Air Conditioner) are set out below (RMB):

Excluding Zhongshan Air Conditioner	Financial Year ended 31 December 2025 *(Audited)*	Three months ended 31 March 2026 *(Audited)*
Revenue	0	0
Net loss	(206,947)	(1,361)
Net Other Assets	(206,947)	(208,308)

SOURCES OF INFORMATION

In conducting our valuation of the Subject, we have reviewed information from several sources, including, but not limited to:

- Background of the Subject and relevant corporate information;

- Audited financial statements and management accounts of the Target Group for the year ended 31 December 2025, the period from 1 January 2025 to 31 March 2025 and the period from 1 January 2026 to 31 March 2026;

- Market information derived from public domains in relation to the Subject' business and our valuation.

We have held discussions with management of the Company, and conducted market research from public sources to assess the reasonableness and fairness of the above information provided by the management. We assumed such information is reliable and legitimate; and we have relied to a considerable extent on the information provided by the Company in arriving at our opinion of value.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Subject and an assessment of the key assumptions, estimates, and representations made by the proprietor or the operator of the Subject. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;

- The nature of business and history of the operation concerned;

- The financial condition of the Target Company;

- Market information of company engaged in similar lines of business;

- Financial and business risk of the business including continuity of income;

- Consideration and analysis on the micro and macro economy affecting the Target Company's business; and

- Assessment of the liquidity of the Target Company's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

SELECTION OF VALUATION APPROACH AND METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Subject.

In our opinion, the cost approach is inappropriate for valuing the Target Company, as it does not directly incorporate information about the economic benefits contributed by the Target Company. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained.

On the other hand, the market approach relies on market data from comparable companies or transactions, reflecting what investors are currently willing to pay for similar equity interests.

Considering that the Target Company's sole activity is the holding of a 51% equity interest in Zhongshan Air Conditioner, and that it has minimal other assets and liabilities, as well as the availability of sufficient publicly listed companies comparable to Zhongshan Air Conditioner in terms of industry relevance and geographic focus, we have adopted the guideline public company method under the market approach for this valuation. Under this approach, we first derive the market value of the 51% equity interest in Zhongshan Air Conditioner and then adjust for the net value of other assets held by the Target Company.

This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable.

SELECTION OF VALUATION FINANCIAL MULTIPLES

In this valuation, we have considered the following commonly used benchmark multiples:

Benchmark multiple	Abbreviation	Analysis
Price-to-earnings multiple	P/E	**Not used.** P/E is not selected as it does not capture the financial leverage and other related risk feature across the companies.
Price-to-book multiple	P/B	**Not used.** P/B is not selected as P/B does not account for intangible assets as usual.
Price-to-sales multiple	P/S	**Not used.** P/S is not selected as it does not account for the difference in capital structure between comparable companies and Target Company.
Enterprise value-to-sales multiple	EV/S	**Not used.** EV/S is not selected as EV/S does not take into account a company's profitability.
Enterprise value to earning before interest and tax multiple	EV/EBIT	**Not used.** EV/EBIT allows for direct comparison of firms regardless of their capital structure. However, it does not adjust for depreciation and amortization expenses.
Enterprise value-to-earnings before interest, tax depreciation and amortization multiple	EV/EBITDA	**Adopted.** EV/EBITDA is suitable for profitable companies, as it can account for differences in balance sheet positions between the subject company and comparable companies. It is also commonly used for capital intensive businesses where depreciation and amortization expenses constitute a significant portion of total costs.

In this valuation, the EV/EBITDA ratio is calculated as the current enterprise value divided by the earnings before interest, tax, depreciation and amortization excluding net non-operating other income and gains of the Zhongshan Air Conditioner over the latest twelve-month period from 31 March 2026.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following assumptions in determining the market value of the equity interest of the Subject have been made:

- We have assumed that there will be no material changes to the principal business activities of the Target Group in the foreseeable future and that the Target Company will continue to operate as a going concern with adequate operational facilities and business systems. We have also assumed that there will be no material changes in the existing political, legal, technological, natural, fiscal or economic conditions.

- Furthermore, we have assumed that there are no hidden or unexpected conditions (including, but not limited to, natural disasters, war, government intervention, or material changes in management) that may adversely affect the Target Group.

- We have assumed that all operational and contractual terms stipulated in the relevant contracts and agreements entered into between the Target Group and any other parties, including but not limited to loan agreements, business contracts and other agreements that may affect the business of the Target Group, will be duly performed and honoured.

- We have further assumed that the management of the Target Group will continue to operate in a prudent and reasonable manner necessary to maintain the character and integrity of the valuation subject.

- We have assumed that the Target Group has obtained, and will continue to maintain, all necessary permits, business certificates, licenses and regulatory approvals required to conduct its business, and that such permits, certificates, licenses and approvals are valid, in good standing, and will be renewed upon expiry in the ordinary course of business.

- We have assumed the accuracy and completeness of the financial and operational information provided to us by the Company, including but not limited to management accounts, contractual agreements and operational information, and have relied to a considerable extent on such information in forming our opinion of value. We have not independently verified such information.

VALUATION OF THE SUBJECT

Financial Multiple

In determining the financial multiple, a list of comparable companies was identified. Considering the Zhongshan Air Conditioner mainly engaged in developing and manufacturing residential and light commercial air conditioning systems and was headquartered in China, the selection criteria are set as below:

1. The shares of the comparable companies have been listed in East Asia stock market, i.e. the Shenzhen Stock Exchange (SZSE), the Shanghai Stock Exchange (SHSE), The Stock Exchange of Hong Kong Limited (SEHK), The Tokyo Stock Exchange (TSE), Taiwan Stock Exchange (TWSE) and Korea Stock Exchange (KSE) for no less than six months;

2. The comparable companies primarily engage in household appliances and related businesses, with revenue from such businesses exceeding 60% of their total revenue in the latest financial year. Household appliances mainly include major white goods such as air conditioners, refrigerators, washing machines and other household appliances. In addition, for each comparable company, the air conditioner-related product or service category represented the largest source of revenue, based on the most recent annual report available within the last three years that provides the relevant segmental revenue disclosure. Each comparable company has significant air-conditioning operations, which generally share similar customer bases, sales and distribution channels, manufacturing infrastructure, supply chains, research and development capabilities and after-sales service networks with other major white goods. Accordingly, the comparable companies are exposed to industry demand, competitive dynamics, input cost movements and other economic and operational characteristics similar to those of the Target Group. This criterion was adopted to ensure that the comparable companies are predominantly engaged in household appliances, including major white goods and related businesses, rather than unrelated business segments;

3. The comparable companies are headquartered in East Asia according to Capital IQ. While air conditioner manufacturers may participate in both domestic and international markets, a company's headquarters location and principal operating base generally influence the regulatory and economic environment in which it operates, as well as its management practices, cost structure, supply chain dynamics, industry relationships, and exposure to country-specific risks. Although companies headquartered in China may exhibit the highest degree of comparability to the Target Group, the screening universe was expanded to include companies headquartered in other East Asian regions in order to increase the pool of relevant comparable companies. Any differences arising from country-specific operating environments, regulatory frameworks, market conditions or risk profiles have been assessed and addressed through adjustments as discussed in the relevant sections below; and

4. Sufficient operational and financial data, including the positive EV/EBITDA Ratio and positive net operating profit after tax (NOPAT) on the comparable companies are available as at the Valuation Date.

As sourced from Capital IQ, the respective exhaustive list of comparable companies satisfying the above criteria was obtained. The comparable companies are listed below with their company descriptions:

Ticker	Company Name	Company Description
SZSE:000921	Hisense Home Appliances Group Co., Ltd. (Headquarters: Foshan, China)	Hisense Home Appliances Group Co., Ltd., together with its subsidiaries, engages in the research, development, manufacture, marketing, and servicing of home appliances in the People's Republic of China and internationally. The company offers HVAC systems, refrigerators, residential air conditioners, central air conditioners, freezers, washing machines, kitchen appliances, molds, automotive air conditioning compressors, and automotive integrated thermal management systems, as well as comprehensive smart home solutions. In addition, the company engages in investing activities.
SZSE:000651	Gree Electric Appliances, Inc. of Zhuhai (Headquarters: Zhuhai, China)	Gree Electric Appliances, Inc. of Zhuhai, together with its subsidiaries, engages in the production and sale of consumer electrical appliances and accessories in China and internationally. The company offers residential air conditioners; home appliances, including air purifiers, humidifiers, air coolers, electric heaters, fans, kitchen appliances, personal care equipment, refrigerators, and washing machines; and optical storage air conditioning system. It also provides industrial products, such as screw, scroll, and centrifugal chillers, as well as multi-VRF, light commercial equipment, terminals, and packaged units. In addition, the company is involved in finance; information technology research and development; transportation; wholesale and retail trade; medical devices; agriculture; real estate; electrical machinery and equipment manufacturing; and technology promotion and application services.

Ticker	Company Name	Company Description
SZSE:000333	Midea Group Co., Ltd. (Headquarters: Foshan, China)	Midea Group Co., Ltd., together with its subsidiaries, engages in the manufacture and sale of electrical appliance in China and internationally. It offers smart home products such as household air conditioners, central air conditioners, heating and ventilation systems, kitchen appliances, refrigerators, washing machines, and various small appliances; commercial and industrial solutions, including products and services, such as elevators, high and low voltage frequency converters, medical imaging products, robots, and automation systems; and other businesses including smart supply chain, sales, wholesale and processing of household appliance raw materials, as well as financial businesses, such as deposit taking, interbank lending, consumer credit, buyer credit, and financial leasing. Additionally, it provides Internet of Things solutions.
SEHK:2580	Aux Electric Co., Ltd. (Headquarters: Ningbo, China)	Aux Electric Co., Ltd. engages in the design, research and development, manufacturing, and sales of air conditioners. The company offers wall-mounted air conditioning, vertical cabinet air conditioners, domestic central air conditioning, light commercial air conditioners, commercial air conditioners, commercial heat pumps, and project cases.
TSE:6367	Daikin Industries, Ltd. (Headquarters: Kita, Osaka, Japan)	Daikin Industries,Ltd., together with its subsidiaries, manufactures and sells air conditioning and refrigeration equipment in Japan, the United States, China, Europe, Asia, Oceania, and internationally. The company offers split/multi-split type air conditioners, unitary, air to water heat pump systems, heating systems, air purifiers, medium/low temperature refrigeration, packaged air conditioners, VRV, ventilation products, control systems, container refrigeration units, air and water cooled chillers, rooftops, air side equipment, air filters, and marine HVAC; and after-sales services, including troubleshooting, preventive maintenance, training and technical support, parts and consumables, and error codes. It also provides chemical products, such as fluoropolymers, fluoroelastomers, and fluorine gas; air purification filters and dust collection and sound suppression systems; oil hydraulic pumps and units; defense systems, aircraft parts, and medical equipment; and electronics and IT solutions. The company was founded in 1924 and is headquartered in Kita, Osaka, Japan.

Key financial information about the comparable companies is as follows:

Ticker	Company Name	Market Capitalisation *(Million US$)*	Reporting Currency *(Million RMB)*	Enterprise Value *(Million Reporting Currency)*	LTM* EBITDA *(Million Reporting Currency)*	% of revenue from household appliances and related businesses	% of revenue from air conditioners**
SZSE:000921	Hisense Home Appliances Group Co., Ltd.	4,057	RMB	6,328	5,523	95	45
SZSE:000651	Gree Electric Appliances, Inc. of Zhuhai	30,367	RMB	157,485	34,819	78	74
SZSE:000333	Midea Group Co., Ltd.	83,177	RMB	563,806	54,314	66	43
SEHK:2580	Aux Electric Co., Ltd.	1,890	RMB	6,461	2,894	100	100
TSE:6367	Daikin Industries, Ltd.	34,412	JPY	5,500,027	692,530	92	92

* *LTM: refers to the last twelve months from the latest date of financial reports of the comparable companies*

** *The proportions for Gree Electric Appliances, Inc. of Zhuhai and Midea Group Co., Ltd. are based on their financial years ended 31 December 2023, being the latest full-year financial statements in which the relevant product revenue was separately disclosed, while those of the other comparable companies are based on their financial years ended 31 December 2025.*

The proportions represent revenue generated specifically from air conditioners. Gree's air-conditioning revenue represented approximately 74.1% of its total revenue and non-air-conditioning consumer appliances accounted for only approximately 2.0% of Gree's total revenue in 2023, while its broader consumer appliances business represented approximately 76.1% and 78.1% in 2023 and 2025, respectively. Given that the consumer appliances segment's contribution to total revenue remained relatively stable, it is reasonable to assume that the proportion of revenue generated from air conditioners also remained broadly stable from 2023 to 2025.

Midea's HVAC revenue represented approximately 43.3% of its total revenue in 2023, while its Smart Home Business represented approximately 66% of its total revenue in 2025.

In addition, the 2024 interim reports disclosed air-conditioner related product revenue contributions of approximately 78.0% for Gree and 46.7% for Midea, which are consistent with their 2023 proportions.

We have not identified any disclosure indicating a material change in the nature of their respective principal air-conditioning and household appliance businesses from 2023 to 2025. In addition, a comparison of Midea's 2023 and 2025 annual reports shows that air-conditioning products continue to be listed first in the description of its principal operating activities, suggesting that air-conditioning remains a core component of its Smart Home Business. Similarly, Gree's 2023 and 2025 annual reports consistently describe its consumer business segment primarily by reference to household air conditioners and HVAC-related products before other household appliances, indicating that air-conditioning-related products continue to constitute a core part of its consumer appliances business.

Based on the product revenue analysis chart in a research report on China's home appliance and/or white goods industry issued by J.P. Morgan Asia Pacific Equity Research on 9 June 2026, air conditioners and related products appear to have represented around 45% of Midea's total revenue and around 75% of Gree's total revenue in FY2025. According to Euromonitor's global air-conditioner retail volume data, Midea ranked No. 1 and Gree ranked No. 2 globally from 2023 to 2025, with their respective rankings remaining unchanged over the period. These findings support the conclusion that air conditioners and related products remained the single largest product revenue source for both Midea and Gree in FY2025.

The revenue generated by the household appliances industry among the selected comparable companies mainly comprises sales of major white goods, including air conditioners, refrigerators, and washing machines. These product categories are considered comparable from an investor's perspective due to their similar key characteristics and economic drivers. In particular, they are all durable consumer goods with relatively high unit values compared to other household appliances, and their demand is closely correlated with trends in the property market and household income levels. Additionally, these products typically share similar supply chains, manufacturing processes, and distribution networks, supporting their comparability for economic and valuation analyses.

Notwithstanding that the proportion of revenue attributable to air conditioners of Hisense Home Appliances Group Co., Ltd., and Midea Group Co., Ltd. was less than 50%, their air conditioning businesses constituted significant parts of their respective principal businesses, having regard to their relative importance among their respective product categories. The HVAC business of Hisense Home Appliances Group Co., Ltd. was the largest product category by revenue. It maintained a leading position in the domestic market, with market share exceeding 23% across multiple product lines (source: 2025 annual report of Hisense Home Appliances Group Co., Ltd.). Accordingly, it is considered to have substantial business focus on air-conditioning industry.

The HVAC businesses of Midea Group Co., Ltd. constituted significant parts of its principal businesses. Midea expressly identified white goods and HVAC as its core businesses and the primary sources of its cash flow and profitability. It also maintained leading positions across the residential, central and commercial air conditioning markets. (Source: 2025 Annual Report of Midea Group Co., Ltd.) Accordingly, Midea Group is considered to have substantial business focus on the HVAC industry.

We consider the selection to be fair and reasonable because: (i) each of the comparable companies maintains significant operations in the manufacture and sale of air conditioners and related products, being the same business as that of the Target Group, and derives the largest proportion of its revenue from the air conditioner-related product or service category, based on the most recent annual report available within the last three years that provides the relevant segmental revenue disclosure; (ii) all of the comparable companies are headquartered in East Asia and are among the leading household appliances and air conditioner manufacturers in their respective markets, sharing broadly similar operating characteristics, supply chain structures, customer bases and industry dynamics with the Target Group; and (iii) there are limited listed companies in China whose businesses are predominantly engaged in the residential and light commercial air conditioning sector and for which sufficiently detailed public financial and operational information is available. Accordingly, the screening universe was expanded to include relevant companies headquartered in other East Asian regions in order to establish a more sufficient and representative comparable company set. While differences in regulatory environments, market conditions and country-specific risk factors may exist, such differences have been assessed and, where appropriate, addressed through adjustments as discussed in the relevant sections below. As a result, the selected comparable companies represent the most relevant and reliable listed comparables available for the purpose of this analysis.

Size and Region Adjustments

As the headquarters of the comparable companies are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the comparable companies are often of significantly different size from the Target Group. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, the base multiples were adjusted to reflect the differences in size and headquarter locations between the comparable companies and the Zhongshan Air Conditioner.

We referred to a formula in a widely-adopted textbook "Financial Valuation – Applications and Model, 2017" by James R. Hitchner, a renowned valuation expert in the US, for the pricing multiple adjustments.

The adjusted EV/EBITDA multiples were calculated using the following formula:

Adjusted EV/EBITDA multiple = $1/((1/M) + \alpha * \varepsilon * \theta)$

where:

M = The Base EV/EBITDA multiple

α = The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies

ε = The ratio of the equity value to the enterprise value of the comparable company

θ = Required adjustment in the equity discount rate for difference in size and regions

(Reference: Hitchner, R. (2017) Financial Valuation: Applications and Models (4th Edition))

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalisation rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalisation rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target Company. With reference to Cost of Capital Navigator 2025 published by Kroll, depending on the market capitalisation of each of the comparable companies, size premium differentials were adopted to capture the size difference between the comparable companies (ranging from 0.01% to 1.05 %) and the Target Company at 1.05%. In addition, country risk premium differentials between the comparable companies (ranging from 0.25% to 0.80%) and the Target Company (0.80%) were taken into account with reference to the Country Default Spreads and Risk Premiums study published and periodically updated by Aswath Damodaran from 2025 to 2026.

The details of the size and country adjustments were shown as below:

Ticker	Company Name	Size premium	Size Differential	Country risk premium	Country Differential
SZSE:000921	Hisense Home Appliances Group Co., Ltd.	0.88%	0.17%	0.80%	0.00%
SZSE:000651	Gree Electric Appliances, Inc. of Zhuhai	0.27%	0.78%	0.80%	0.00%
SZSE:000333	Midea Group Co., Ltd.	0.01%	1.04%	0.80%	0.00%
SEHK:2580	Aux Electric Co., Ltd.	1.05%	0.00%	0.80%	0.00%
TSE:6367	Daikin Industries,Ltd.	0.27%	0.78%	0.25%	0.55%

The ratio of the market capitalisation to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalisation rate. In the case of an enterprise value multiple, the capitalisation rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalisation represents the market value of its equity) but not to the debt portion of the WACC, we shall only adjust the equity portion of the capitalisation rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalisation rate was adjusted only to the extent of its equity portion.

The ratio of EBITDA to NOPAT was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit.

Details of the adjusted factors of the comparable companies are shown as below:

Ticker	Company Name	EBITDA/ NOPAT (α)	Equity/EV (ε)	Size Adjustment (θ1)	Region Adjustment (θ2)	EV/EBITDA Before Adjustment	Adjusted EV/ EBITDA
SZSE:000921	Hisense Home Appliances Group Co., Ltd.	155%	442%	0.17%	0.00%	1.15	1.13
SZSE:000651	Gree Electric Appliances, Inc. of Zhuhai	140%	133%	0.78%	0.00%	4.52	4.24
SZSE:000333	Midea Group Co., Ltd.	144%	102%	1.04%	0.00%	10.38	8.96
SEHK:2580	Aux Electric Co., Ltd.	166%	202%	0.00%	0.00%	2.23	2.23
TSE:6367	Daikin Industries, Ltd.	234%	99%	0.78%	0.55%	7.94	6.37
					Median	**4.52**	**4.24**
					Average	**5.24**	**4.59**
					Standard Deviation	**3.47**	**2.83**
					Average excluding outlier*	**4.90**	**4.28**

* *If an EV/EBITDA multiple deviates from the mean by 1 standard deviation, it is defined as an outlier. For EV/EBITDA Before Adjustment, a multiple is an outlier if it is higher than 8.71 or lower than 1.78. For Adjusted EV/EBITDA, a multiple is an outlier if it is higher than 7.41 or lower than 1.76. One standard deviation was adopted because, given the sample size of five comparable companies and the relatively wide dispersion of their EV/EBITDA multiples, a wider benchmark would not exclude any multiple and would therefore not achieve the purpose of removing atypical extreme values, whereas the one-standard-deviation benchmark removes the most extreme high and low multiples and results in a more representative central range of multiples.*

The outliers excluded from the adjusted EV/EBITDA multiples were (i) Hisense Home Appliances Group Co., Ltd. (adjusted EV/EBITDA of 1.13, being lower than the lower threshold of 1.76); and (ii) Midea Group Co., Ltd. (adjusted EV/EBITDA of 8.96, being higher than the upper threshold of 7.41). The average excluding outliers for adjusted EV/EBITDA at 4.28 is adopted in our valuation.

The list of the five comparable companies represents the exhaustive list of companies satisfying all of the selection criteria as sourced from S&P Capital IQ as at the Valuation Date per our knowledge. After excluding the two outliers, the remaining three comparable companies are all East Asia-headquartered leading air conditioner / household appliances manufacturers, and the list is therefore considered fair and representative of the industry in which the Target Group operates.

Adjustments for Discount for Lack of Marketability

A factor to be considered in valuing closely held companies such as the Subject is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Zhongshan Air Conditioner is 15.80% as at the Valuation Date, with reference to the median discount for manufacturing industry in a study: the 2025 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC. This discount was derived by comparing the percentage difference between the private placement price per share and the market trading price per share of the same companies in the Stout Restricted Stock Study.

Adjustments for Control Premium

A control premium represents the amount by which the pro rata value of a controlling interest exceeds that of a non-controlling interest in a business enterprise, reflecting the value of control. This concept recognises that controlling shareholders possess rights that minority shareholders do not. More importantly, the manner in which these rights can be exercised—and the associated economic benefits—results in a higher per-share value for a controlling ownership block compared to a minority ownership block.

In the valuation of the 51% equity interest in the Zhongshan Air Conditioner, the subject interest exceeds 50% and therefore confers control. Accordingly, a control premium has been applied. We have referenced the Quarterly Control Premium Studies published by FactSet Mergerstat, LLC, covering the 3-year period ending with the first quarter of 2026. Accordingly, we have adopted the 3-year average of these quarterly median control premiums, which amounts to 27.53%, as the applicable control premium.

Calculation of Valuation Result

Under the guideline public companies method, the market value depends on the market multiples of the comparable companies derived from Capital IQ as at the Valuation Date and adjusted as discussed above. We have also taken into account the discount for lack of marketability and control premium.

As advised by the Company, the Zhongshan Air Conditioner recorded non-operating other receivables of HK$3,678,410,000 and non-operating other payables of HK$474,657,000. The other receivables primarily represent funds advanced to its parent company for centralised treasury and wealth management purposes, while the other payables represent funds advanced from the parent company and its subsidiaries to the Zhongshan Air Conditioner. Zhongshan Air Conditioner also recorded provisions for pending litigation of HK$82,389,000.

These abovementioned non-operating receivables, payables and provisions were adjusted in the valuation.

The calculation of the market value of the 100% equity interest in the Target Company as at the Valuation Date is as follows:

	Inputs
Trailing 12 Months Adjusted EBITDA of the Zhongshan Air Conditioner before 31 March 2026 *(Note 1)*	HK$2,206,873,000
EV/EBITDA Multiple (times)	4.28
Enterprise Value of the Zhongshan Air Conditioner	**HK$9,452,309,943**
Add: Cash and Cash Equivalents *(Note 1)*	HK$420,523,000
Add: Finance Investments *(Note 1)*	HK$102,760,000
Add: Other Receivables *(Note 1)*	HK$3,678,410,000
Less: Short-term and Long-term Debts *(Note 1)*	HK$2,384,053,000
Less: Other Payables *(Note 1)*	HK$474,657,000
Less: Provisions for Pending Litigation *(Note 1)*	HK$82,389,000
Less: Minority Interests *(Note 1)*	HK$116,721,207
100.00% Equity Interest in the Zhongshan Air Conditioner (before discount of lack of marketability adjustments)	**HK$10,596,182,736**
Less: Discount of Lack of Marketability (15.80%)	HK$1,674,196,872
100.00% Equity Interest in the Zhongshan Air Conditioner (after discount of lack of marketability adjustment)	**HK$8,921,985,864**
Add: Control Premium (27.53%)	HK$2,455,776,609
100.00% Equity Interest in the Zhongshan Air Conditioner (after control premium adjustment)	**HK$11,377,762,473**

	Inputs
Market Value in the 51% equity interest in Zhongshan Air Conditioner (Rounded)	**HK$5,803,000,000**
Add: Net Assets held by the Target Company (excluding the 51% equity interest in Zhongshan Air Conditioner) *(Note 2)*	HK$(235,930)
Market Value in the 100% equity interest in Target Company (Rounded)	**HK$5,803,000,000**

Note 1: being balance sheet items at the level of Zhongshan Air Conditioner as per the management accounts of Zhongshan Air Conditioner as at 31 March 2026.

Note 2: being the net book value of the Target Company excluding the 51% equity interest in Zhongshan Air Conditioner. Source: management accounts of the Target Company as at 31 March 2026.

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions which have been set out in this report above. Further, while the assumptions are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We confirm that we have sufficient current local knowledge of the market in which the Target Company is engaged and the skills and understanding necessary to undertake the valuation of the Subject competently. We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Further, we are not aware of any material changes to the Subject between the Valuation Date and the date of this report.

We are instructed to provide our opinion of value as at the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Company, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on the results of our investigations and analysis, we are of the opinion that the market value of the Subject as at the Valuation Date is reasonably stated at HK$**5,803,000,000** (Hong Kong Dollar Five Billion Eight Hundred Three Million):

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. CHAN
Executive Director

Note: Mr. Simon M.K. CHAN is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Company.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the board of the Company have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the Subject. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/ proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for the use as stated in the report and the engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is solely for the use by the client and the calculation of values expressed herein is valid only for the purpose stated in this report and the engagement letter/or proposal as of the Valuation Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the Subject.

15. This exercise is premised in part on the historical financial information provided by the management of the Client/Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the above-mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The board of directors, management, staff, and representatives of the Client/Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client/Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions, by Directors of Listed Issuers contained in the Listing Rules ("**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

	Number of ordinary Shares held *(Long)*			Approximate percentage of the number of issued Shares
Name of Directors	**Personal interests**	**Other interests** *(Note 1)*	**Total** ***(Long)***	*(Note 2)*
DU Juan *(Note 3)*	2,537,916	1,275,700	3,813,616	0.15%
ZHANG Shaoyong *(Note 4)*	3,849,730	1,000,500	4,850,230	0.19%
PENG Pan *(Note 5)*	1,048,718	1,000,500	2,049,218	0.08%
SUN Li *(Note 6)*	2,392,137	1,000,500	3,392,637	0.13%
WANG Yijiang	44,312	–	44,312	0.002%
LAU Siu Ki	164,637	–	164,637	0.01%

Notes:

1. These interests are awarded Shares granted to the relevant Directors under the share award scheme of the Company adopted on 3 November 2023 and were not vested as at the Latest Practicable Date.

2. The percentages are calculated based on the issued share capital of the Company as at the Latest Practicable Date (i.e., 2,520,935,155 Shares).

3. Ms. DU Juan is also a director and the chief executive officer of TCL Industries Holdings.

4. Mr. ZHANG Shaoyong is also a director and senior vice president of TCL Industries Holdings.

5. Mr. PENG Pan is also chief financial officer of TCL Industries Holdings.

6. Mr. SUN Li is also the chief technology officer of TCL Industries Holdings.

Save as disclosed in this paragraph 2, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests in the Company

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Shareholder	**Capacity**	**Number of Shares held *(Long)***	**Approximate percentage of the issued Shares** *(Note 1)*
TCL Industries Holdings	Interest in controlled corporation	1,374,938,618 *(Note 2)*	54.54%

Notes

1. The percentage of interest in the Company held by the substantial shareholder is calculated based on the proportion of the Shares and related Shares held by the substantial shareholder as disclosed in its notification to the Company and on the website of the Hong Kong Stock Exchange to the number of issued Shares of the Company as of the Latest Practicable Date (i.e., 2,520,935,155 issued Shares).

2. TCL Industries Holdings is considered to have an interest in 1,374,938,618 Shares held by T.C.L. Industries (H.K.).

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any assets which have been, since 31 December 2025 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the businesses of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them (or his/her respective close associates) had interest in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

6. LITIGATION

TCL SEMP Eletroeletronicos 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 2026, the tax assessment dispute was still ongoing. The information usually required by HKAS 37 *Provisions, contingent liabilities and contingent assets* is not disclosed on the grounds that such disclosure can be expected to seriously prejudice the outcome. The Group has not made any provision as the Group, based on the advice from its legal counsel, believes that TCL SEMP Eletroeletronicos has a valid defence against the allegation.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

(i) the Sale and Purchase Agreement;

(ii) an amendment agreement dated 11 May 2026 entered into between the Company and Sony Corporation to amend the agreed form of joint venture agreement to include a cap to the aggregate amount of the Put Price (as defined in the announcement of the Company dated 31 March 2026) for all three tranches of the Sony Put Option (as defined in the announcement of the Company dated 31 March 2026), which shall in no event exceed JPY100 billion;

(iii) transaction framework agreement dated 31 March 2026 entered into between TTE Corporation (a direct wholly-owned subsidiary of the Company) and Sony Corporation, pursuant to which (a) TTE Corporation and Sony Corporation agreed to form a joint venture, which would assume the Business (as defined in the announcement of the Company dated 31 March 2026); and (b) TTE Corporation agreed to purchase, and Sony Corporation agreed to sell, 100% of the SOEM Shares (as defined in the announcement of the Company dated 31 March 2026), at an initial closing consideration of JPY75,399 million (equivalent to approximately HK$3,781 million), subject to customary closing accounts adjustment mechanisms, with pre-closing price adjustment and post-closing price adjustment for cash, indebtedness and net working capital of the joint venture and Sony EMCS (Malaysia) Sdn. Bhd. as of Closing (as defined in the announcement of the Company dated 31 March 2026);

(iv) purchaser guarantee agreement dated 31 March 2026 entered into between the Company and Sony Corporation, pursuant to which the Company unconditionally and irrevocably, and jointly and severally, guarantees to Sony Corporation and its successors and permitted assigns the due and punctual performance and satisfaction by TTE Corporation of its covenants and obligations under or in connection with the transaction framework agreement, the joint venture agreement and the transition services agreement;

(v) equipment transfer agreement dated 27 December 2024 entered into between Huizhou TCL Mobile Communication Co., Ltd.*（惠州TCL 移動通信有限公司）(an indirect wholly-owned subsidiary of the Company) and TCL Yuxin Zhixing Technology (Huizhou) Co., Ltd.*（TCL馭新智行科技（惠州）有限公司）, pursuant to which Huizhou TCL Mobile Communication Co., Ltd. agreed to sell, and TCL Yuxin Zhixing Technology (Huizhou) Co., Ltd. agreed to purchase, the production line equipment at the consideration of RMB18,000,000;

(vi) share purchase agreement dated 24 December 2024 entered into among TCL SEMP, TCL Home Appliances and TCL SEMP AC, pursuant to which TCL SEMP agreed to sell, and TCL Home Appliances agreed to purchase, 75% of the issued shares of TCL SEMP AC, free and clear of any and all liens, at the initial consideration of approximately R$159,981,000 subject to adjustment; and

(vii) share purchase agreement dated 24 December 2024 entered into among TCL SEMP, SEMP Amazonas S.A and TCL SEMP AC, pursuant to which TCL SEMP agreed to sell, and SEMP Amazonas S.A agreed to purchase, 25% of the issued shares of TCL SEMP AC, free and clear of any and all liens, at the initial consideration of approximately R$53,327,000 subject to adjustment.

8. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given opinions or advices, which are contained or referred to in this circular:

Name	Qualifications
Somerley Capital Limited	Licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Pelican Financial Limited	A licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO
Ernst & Young	Certified Public Accountants, Registered Public Interest Entity Auditor
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Valuer

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinions and the references to its names (including its qualifications) included herein in the form and context in which it is included. The letters from the experts are given as of the date of this circular for incorporation in this circular.

As of the Latest Practicable Date, each of the experts mentioned above (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and the Target Group; and (b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group and the Target Group since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up.

9. MISCELLANEOUS

(a) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at 5th Floor, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(c) The joint company secretaries of the Company are Mr. CHEN Ming, and Ms. CHOY Fung Yee, a practising solicitor of Hong Kong.

(d) This circular is prepared in both English and Chinese. In case of any discrepancy, the English version shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://electronics.tcl.com) for a period of 14 days from the date of this circular

(a) the letter from the Independent Board Committee, the text of which is set out in this circular;

(b) the letter from the Independent Financial Adviser for the Acquisition, the text of which is set out in this circular;

(c) the letter from the Independent Financial Adviser for the CCT, the text of which is set out in this circular;

(d) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(e) the consent letters as referred to in the paragraph headed "8. Experts' Qualification and Consent" in this circular;

(f) unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the Valuation Report, the text of which is set out in Appendix V to this circular;

(h) the Sale and Purchase Agreement; and

(i) the Supply Framework Agreement.

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

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of TCL Electronics Holdings Limited (the "**Company**") will be held at 8/F, Building 22E, 22 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, on 9 October 2026, Friday, at 2:00 p.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications). Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 24 August 2026:

ORDINARY RESOLUTIONS

1. "**THAT**, subject to the fulfilment of the terms and conditions set out in the Sale and Purchase Agreement dated 15 July 2026 (copy of which has been produced to the Meeting marked "A" and initialed by the chairperson of the Meeting for the purposes of identification) entered into between the Company and the Vendors pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Target Shares, representing the entire issued share capital of the Target Company. The Company has conditionally agreed to allot and issue 362,863,775 Consideration Shares at the price of HK$15.00 per Consideration Share:–

   (a) the Sale and Purchase Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) all the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the Specific Mandate to allot and issue the Consideration Shares by the Company to the Vendors, be and are hereby approved and the Directors be and are hereby authorised to allot and issue the Consideration Shares to the Vendors; and

   (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

2. “**THAT**

(a) the Supply Framework Agreement, the terms and the transactions contemplated thereunder (a copy of the Supply Framework Agreement has been produced to the Meeting marked “B” and initialled by the chairperson of the Meeting for the purposes of identification), together with the relevant proposed annual caps in relation to such transactions for the three months ending 31 December 2026 and for the financial year ending 31 December 2027 as set out in the circular of the Company dated 24 August 2026 be and are hereby approved, confirmed and ratified; and

(b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Supply Framework Agreement or the transactions contemplated thereunder.”

Yours faithfully,
On behalf of the Board
TCL Electronics Holdings Limited
DU Juan
Chairperson

Hong Kong, 24 August 2026

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the Meeting is entitled to appoint more than one proxy or a duly authorised corporate representative to attend and vote in his stead. A proxy need not be a member of the Company.

2. A form of proxy for the Meeting is despatched together with the Company’s circular dated 24 August 2026. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting and any adjournment or postponement thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.

3. To ascertain the entitlements to attend and vote at the Meeting, members of the Company must lodge the relevant transfer document(s) and share certificate(s) at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 5 October 2026, Monday for registration. Members of the Company whose names are recorded in the register of members of the Company at the close of business on 5 October 2026, Monday are entitled to attend and vote at the Meeting.

4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

5. If the Meeting is seriously affected by bad weather conditions or otherwise, the Company will publish an announcement on the website of the Stock Exchange (www.hkexnews.hk) to notify shareholders of Company of the date, time, place and/or mode of the rescheduled meeting. Otherwise, the Meeting may still be held as scheduled during bad weather conditions. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather conditions bearing in mind their own situations.

As of the date of this notice, the board of directors of the Company comprises Ms. DU Juan, Mr. ZHANG Shaoyong, Mr. PENG Pan and Mr. SUN Li as executive directors and Professor WANG Yijiang, Mr. LAU Siu Ki and Mr. HUI Chi Kin Max as independent non-executive directors.