

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(A) Long positions in shares of the Company:

Name of director	Number of shares held	Type of interest	Percentage of the Company's issued share capital
Mr. WONG Toe Yeung	401,505,000 (Note)	Interest of controlled corporation	14.2%
Mr. LI Dong Sheng	18,080,800	Beneficial owner	0.64%
Mr. GUO Aiping	26,400	Beneficial owner	0.001%
Mr. LIU Fei	20,000	Beneficial owner	0.001%

Note: Mr. WONG Toe Yeung was deemed to be interested in the 118,755,000 shares of the Company held by Mate Fair Group Limited, a company which is wholly owned by him and the 282,750,000 shares of the Company held by Cheerful Asset Investments Limited ("Cheerful Asset") in which he held 35% interest through Total Harvest Ltd. ("Total Harvest"), a company which is wholly owned by him.

Other Information

(B) Options outstanding to subscribe for shares of the Company:

Share Option Schemes

The following share options were outstanding under the share option schemes of the Company during the period:

Name or category of participant	At January 2005	Number of share options granted during the period (Note)	At 30 June 2005
Directors			
Mr. LI Dong Sheng	—	5,000,000	5,000,000
Mr. WONG Toe Yeung	—	5,000,000	5,000,000
Mr. YUAN Xin Cheng	—	3,000,000	3,000,000
Mr. DU Xiaopeng	—	3,200,000	3,200,000
Mr. LIU Fei	—	1,600,000	1,600,000
Mr. YAN Yong	—	1,050,000	1,050,000
Mr. GUO Aiping	—	950,000	950,000
Mr. SHI Cuiming	—	300,000	300,000
Mr. WANG Chongju	—	300,000	300,000
Mr. LAU Siu Ki	—	300,000	300,000
	—	20,700,000	20,700,000
Other employees	—	109,750,000	109,750,000
	—	130,450,000	130,450,000

Note: Such share options were granted on 31 May 2005 at an exercise price of HK\$0.415 per share. Share price of the Company, which is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options, was HK\$0.41 per share.

One-third of such share options are exercisable after the expiry of 9 months from the date of grant, a further one-third is exercisable after the expiry of 18 months from the date of grant, and the remaining one-third is exercisable after the expiry of 27 months from the date of grant, up to 30 November 2008.

The fair value of the options granted in the current period totalled approximately HK\$13,066,000. The following assumptions were used to derive the fair value, using the Binomial Model:

- a. an expected volatility of 50% based on the movement of share prices during the period from August 2002 to July 2005 of 5 comparators whose major business is manufacturing and sale of mobile phones, which is similar to that of the Company;
- b. an expected dividend yield of 1% per annum;
- c. an estimated average life of the options granted during the year is 2.88 years;
- d. the risk-free interest rate of 3.13% per annum, is taken to be linearly interpolated yields using Hong Kong Exchange Fund Notes as at the grant date;
- e. an early exercise assumption that option holders will exercise when the share is at least 200% of the exercise price; and
- f. an estimated rate of leaving service of 20% per annum for the first year after the grant date and a rate of 15% per annum thereafter.

For the sake of the calculation of fair value, Watson Wyatt Hong Kong Limited is appointed to perform such valuation.

(C) Long positions in shares of associated corporations of the Company:

Name of director	Name of associated corporation (Notes)	Number of shares held	Type of interest	Percentage of the relevant associated corporation's issued share capital
Mr. Li Dong Sheng	TCL Corp	144,521,730	Beneficial owner	5.59%
Mr. Li Dong Sheng	TCL Multimedia	23,232,000	Beneficial owner	0.84%
Mr. YUAN Xin Cheng	TCL Corp	24,791,527	Beneficial owner	0.96%

Notes:

- (a) TCL Corporation ("TCL Corp") is the ultimate controlling shareholder of the Company.
- (b) TCL Multimedia Technology Holdings Limited ("TCL Multimedia") (formerly known as TCL International Holdings Limited), a company controlled by TCL Corp, is the fellow subsidiary of the Company.

Other Information

(D) Options outstanding to subscribe for shares of associated corporations of the Company:

Name of director	Name of associated corporation	Number of shares involved	Type of interest	Percentage of the relevant associated corporation's issued share capital
Mr. Li Dong Sheng	TCL Multimedia	5,000,000	Beneficial owner	0.18%
Mr. YAN Yong	TCL Multimedia	3,518,000	Beneficial owner	0.13%
Mr. YUAN Xin Cheng	TCL Multimedia	3,000,000	Beneficial owner	0.11%
Mr. WONG Toe Yeung	TCL Multimedia	3,000,000	Beneficial owner	0.11%
Mr. DU Xiaopeng	TCL Multimedia	400,000	Beneficial owner	0.014%
Mr. LIU Fei	TCL Multimedia	400,000	Beneficial owner	0.014%
Mr. GUO Aiping	TCL Multimedia	318,000	Beneficial owner	0.012%

Save as disclosed above, as at 30 June 2005, none of the directors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Number of shares held	Type of interest	Percentage of the Company's issued share capital
TCL Corp	1,622,748,516 (Note (a))	Interest of controlled corporation	57.4%
Cheerful Asset	282,750,000	Beneficial owner	10.0%
Total Harvest	282,750,000 (Note (b))	Interest of controlled corporation	10.0%
Mr. WONG Ngok Chung	282,750,000 (Note (c))	Interest of controlled corporation	10.0%
Nam Tai	254,475,000 (Note (d))	Interest of controlled corporation	9.0%

Notes:

- (a) TCL Corp was deemed to be interested in the 1,622,748,516 shares of the Company held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly owned subsidiary of TCL Corp.
- (b) Total Harvest was deemed to be interested in the 282,750,000 shares of the Company held by Cheerful Asset, a company in which Total Harvest had a 35% interest.
- (c) Mr. WONG Ngok Chung was deemed to be interested in the 282,750,000 shares of the Company held by Cheerful Asset, a company in which he had a 45% interest through Grand Mobile Limited and Wan Yuen International Investments Limited.
- (d) Nam Tai Electronics, Inc. ("Nam Tai") was deemed to be interested in the 254,475,000 shares of the Company held by Jasper Ace Limited, a company which is wholly owned by Nam Tai.

Save as disclosed above, as at 30 June 2005, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, for any part of the six months ended 30 June 2005, complied with the codes set out in the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, which became effective from 1 January 2005.

Under the Code provision A4.2, every director should be subject to retirement by rotation at least once every three years. Under the previous Articles of Association of the Company, apart from the managing director, one third of the Directors shall retire from office by rotation at each annual general meeting of the Company. To ensure compliance with such Code provision, relevant amendments to the Articles of Association were proposed and approved by the shareholders at the annual general meeting held on 22 June 2005 so that now all directors are subject to retirement by rotation at least once every three years.

Under the Code provision A5.4, the board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") for relevant employees in respect of their dealings in the securities of the issuer. The board has established a model code for relevant employees in accordance with such Code provision.

Other Information

For the purpose of compliance with the Code provision B.11 of the CG Code, the board has resolved on 16 April 2005 to establish a remuneration committee and adopted terms of reference for such committee in compliance with the Code provision B.12 of the CG Code. On 30 August 2005, Mr. SHI Cuiming, Mr. WANG Chongju and Mr. LAU Siu Ki, Kevin, the independent non-executive directors of the Company and Mr. YUAN Xin Cheng, the director of the Company are appointed as the members of the remuneration committee.

Under the Code provision C2.3, the board is in the progress of setting up an internal audit department to review the effectiveness of the internal control system of the Group. Regular reviews will be carried by internal auditors on all material controls, including financial, operational and compliance controls and risk management functions with effective reporting to the board for safeguarding the shareholders' investment and the Group's assets.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry of all directors, there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, Mr. LAU Siu Ki, Kevin, Mr. SHI Cuiming and Mr. WANG Chongju. Mr. Lau is the chairman of the Audit Committee. The Group's unaudited financial statements for the six months ended 30 June 2005 have been reviewed by the Audit Committee.

On behalf of the Board

LI Dong Sheng

Chairman

Hong Kong
30 August 2005