



Interim Report 中期報告 2007

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

TCL 通訊科技控股有限公司

Stock code 股份代號 : 2618

创意感动生活
The Creative Life

TCL

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

Interim Report 2007

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Corporate Information

BOARD OF DIRECTORS

CHAIRMAN

Mr. LI Dongsheng

EXECUTIVE DIRECTORS

Mr. LIU Fei

Mr. WONG Toe Yeung

Mr. YAN Yong

NON-EXECUTIVE DIRECTOR

Mr. BO Lianming (*appointed on 30 May 2007*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Siu Ki

Mr. LIU Chung Laung (*appointed on 30 May 2007*)

Mr. SHI Cuiming

AUDIT COMMITTEE

Mr. LAU Siu Ki (*Chairman*)

Mr. BO Lianming (*appointed on 30 May 2007*)

Mr. SHI Cuiming

REMUNERATION COMMITTEE

Mr. SHI Cuiming (*Chairman*)

Mr. BO Lianming (*appointed on 3 July 2007*)

Mr. LAU Siu Ki

COMPANY SECRETARY

Ms. PANG Siu Yin

AUTHORISED REPRESENTATIVES

Mr. LIU Fei

Ms. PANG Siu Yin

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central

Hong Kong

Standard Chartered Bank (Hong Kong) Limited

13/F, Standard Chartered Bank Building

4-4A Des Voeux Road Central

Hong Kong

Societe Generale

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1 Queen's Road East

Hong Kong

SOLICITORS

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Room 1621-33, 16/F

Sun Hung Kai Centre

30 Harbour Road

Hong Kong

AUDITORS

Ernst & Young

Certified Public Accountants

18/F, Two International Finance Centre

8 Finance Street

Central

Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

George Town, Grand Cayman

Cayman Islands

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

26/F Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1502, 15/F, Tower 6

China Hong Kong City

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Hong Kong

INVESTOR AND MEDIA RELATIONS

CorporateLink Limited

17/F Winsome House

73 Wyndham Street

Central

Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong Limited under the share ticker number 2618

WEBSITE

www.tclcom.com

Interim Results

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2007

		Six months ended 30 June 2007 (Unaudited) HK\$'000	Six months ended 30 June 2006 (Unaudited) HK\$'000	Three months ended 30 June 2007 (Unaudited) HK\$'000	Three months ended 30 June 2006 (Unaudited) HK\$'000
	Notes				
REVENUE	2	2,077,287	2,504,762	1,058,746	1,241,249
Cost of sales		(1,754,650)	(2,215,453)	(906,491)	(1,101,007)
Gross profit		322,637	289,309	152,255	140,242
Other income and gains	3	28,517	87,244	20,387	84,153
Research and development costs		(15,825)	(82,265)	(3,791)	(56,995)
Selling and distribution costs		(148,951)	(176,915)	(75,728)	(95,253)
Administrative expenses		(143,119)	(149,772)	(69,791)	(37,621)
Other operating expenses		(3,480)	(8,943)	(2,622)	(8,916)
Finance costs	4	(14,657)	(9,784)	(8,763)	(5,235)
Share of losses of an associate		(14,462)	(10,264)	(4,144)	(10,264)
PROFIT/(LOSS) BEFORE UNREALISED LOSS ON CHANGES IN FAIR VALUE OF CONVERTIBLE BONDS		10,660	(61,390)	7,803	10,111
Unrealised loss on changes in fair value of convertible bonds	11	(6,793)	-	(6,793)	-
PROFIT/(LOSS) BEFORE TAX	5	3,867	(61,390)	1,010	10,111
Tax	6	(1,773)	(9,259)	(940)	(3,843)
PROFIT/(LOSS) FOR THE PERIOD		2,094	(70,649)	70	6,268
Attributable to: Equity holders of the parent		2,094	(70,649)	70	6,268
DIVIDENDS Interim	7	-	-	-	-
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK Cents)	8				
Basic		0.04	(1.4)	-	0.1
Diluted		0.03	(1.4)	-	0.1

Interim Results

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		234,093	262,495
Prepaid land lease payments		10,935	11,219
Intangible assets		9,381	9,194
Deferred tax assets		10,669	10,640
Interest in an associate		116,176	130,301
Available-for-sale investment		20,207	20,207
Other non-current assets		597	590
Total non-current assets		402,058	444,646
CURRENT ASSETS			
Inventories		398,065	581,416
Trade receivables	9	971,345	1,113,198
Factored trade receivables		61,417	256,483
Notes receivable		47,748	60,252
Prepayments, deposits and other receivables		303,198	395,351
Due from related companies	16(c)	171,163	229,359
Tax recoverable		26,917	22,048
Pledged deposits		39,584	36,603
Cash and cash equivalents		867,292	531,001
Total current assets		2,886,729	3,225,711
CURRENT LIABILITIES			
Trade and notes payables	10	903,944	1,212,670
Bank advance on discounted notes receivable and factored trade receivables		63,086	322,544
Forward contracts		3,347	–
Tax payable		1,786	–
Other payables and accruals		780,650	770,683
Provision for warranties		63,028	80,995
Due to related companies	16(c)	255,993	444,909
Total current liabilities		2,071,834	2,831,801
NET CURRENT ASSETS/(LIABILITIES)		814,895	393,910
TOTAL ASSETS LESS CURRENT LIABILITIES		1,216,953	838,556

Interim Results

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 June 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Retirement indemnities		511	496
Long service medals		416	403
Convertible notes		165,670	165,670
Convertible bonds	11	344,794	–
Total non-current liabilities		511,391	166,569
Net assets		705,562	671,987
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	596,356	593,971
Equity component of convertible notes		19,430	19,430
Reserves		89,776	58,586
Total equity		705,562	671,987

Interim Results

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2007*

	Attributable to equity holders of the parent							Retained profits/losses	Total equity
	Issued share capital	Share premium account	Share option reserve	Equity component of convertible notes	Contributed surplus	Statutory reserves	Exchange fluctuation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	296,888	1,140,835	7,737	19,430	232,555	119,951	1,335	(1,777,786)	40,945
Issue of shares	296,887	296,888	-	-	-	-	-	-	593,775
Share issue expenses	-	(6,988)	-	-	-	-	-	-	(6,988)
Equity-settled share option arrangement	-	-	10,300	-	-	-	-	-	10,300
Exchange realignment and total income and losses for the period recognised directly in equity	-	-	-	-	-	-	3,596	-	3,596
Loss for the period	-	-	-	-	-	-	-	(70,649)	(70,649)
Total loss and expenses for the period	-	-	-	-	-	-	3,596	(70,649)	(67,053)
At 30 June 2006	593,775	1,430,735*	18,037*	19,430	232,555*	119,951*	4,931*	(1,848,435)*	570,979

Interim Results

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2007

	Attributable to equity holders of the parent							Retained profits/ losses	Total equity
	Issued share capital	Share premium account	Share option reserve	Equity component of convertible notes	Contributed surplus	Statutory reserves	Exchange fluctuation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	593,971	1,431,066	23,620	19,430	232,555	119,951	13,757	(1,762,363)	671,987
Issue of shares and exercise of share options	1,192	2,068	(718)	-	-	-	-	-	2,542
Conversion of convertible bonds	1,193	2,714	-	-	-	-	-	-	3,907
Equity-settled share option arrangement	-	-	5,812	-	-	-	-	-	5,812
Exchange realignment and total income and profit for the period recognised directly in equity	-	-	-	-	-	-	19,220	-	19,220
Profit for the period	-	-	-	-	-	-	-	2,094	2,094
Total profit and expenses for the period	-	-	-	-	-	-	19,220	2,094	21,314
At 30 June 2007	596,356	1,435,848*	28,714*	19,430	232,555*	119,951*	32,977*	(1,760,269)*	705,562

* These reserve accounts comprise the consolidated reserves of approximately HK\$89,776,000 (30 June 2006: HK\$(42,226,000)) in the consolidated balance sheet.

Interim Results

CONDENSED CONSOLIDATED CASHFLOW STATEMENT*For the six months ended 30 June 2007*

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(50,173)	(493,949)
Net cash outflow from investing activities	(5,650)	(84,372)
Net cash inflow from financing activities	385,661	448,381
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	329,838	(129,940)
Cash and cash equivalents at beginning of period	531,001	405,755
Effect of foreign exchange rate changes, net	6,453	(2,194)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	867,292	273,621
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	867,292	273,621

Interim Results

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, respectively.

The Group has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

Interim Results

2. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of mobile phones and related components. All of the Group's products are of a similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to a single business segment.

The Group's revenue are principally attributable to subsidiaries located in various geographical regions. Each of the Group's geographical segments represents the location of the business division's production or service facilities, which is subject to risks and returns that are different from those of the other geographical segments.

The following table presents revenue for the Group's geographical segments.

	Europe		Latin America		The PRC (including Hong Kong)		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	765,976	846,206	578,321	801,803	732,990	856,753	2,077,287	2,504,762

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3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of mobile phones and related components sold and services rendered during the period, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on combination.

An analysis of turnover, other income and gains is as follows:

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Revenue		
Sale of mobile phones and related components	2,077,287	2,504,762
<hr/>		
Other income and gains		
Interest income	5,741	9,161
Subsidy income	12,135	141
Value-added services income	2,204	425
Deemed gain on dilution of interest in an associate *	-	32,435
Exchange gain	4,471	42,664
Gains on disposal of property, plant and equipment	1,805	-
Others	2,161	2,418
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	28,517	87,244
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* The deemed gain on dilution of interest in an associate for the six months ended 30 June 2006 represented the gain on the dilution of the Company's shareholding interest in JRD Communication Inc. ("JRDC") from 46.25% to 38.54%, net of the disposal of the related positive goodwill of approximately HK\$733,000 as a result of the receipt by JRDC of US\$16 million for the new share issue in June 2006.

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4. FINANCE COSTS

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, and other loans wholly repayable within five years	5,785	4,526
Interest on convertible notes	2,754	2,754
Interest on convertible bonds	3,677	–
Interest on discounted notes and factored trade receivables	2,441	2,504
	14,657	9,784

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax was determined after charging:

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	39,375	41,008
Prepaid land lease recognised	278	168
Amortisation of intangible assets	7,774	1,875
(Write-back)/provision for inventory obsolescence	(51,236)	35,645
(Write-back)/provision for doubtful debts	(571)	23,232
(Gain)/loss on disposal of items of property, plant & equipment	(1,805)	274

Interim Results

6. TAX

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current period provision		
Hong Kong	-	705
Mexico	833	8,464
Brazil	940	-
Deferred	-	90
Total tax charge for the period	1,773	9,259

No Hong Kong profits tax has been provided (2006: 17.5%) since no assessable profits was arisen in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction of which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Huizhou TCL Mobile Communication Co., Ltd. ("TCL Mobile"), a subsidiary of the Company in the PRC, had been accredited a high and new technology enterprise accreditation which expired on 28 May 2005. It was exempt from the national income tax in 2000 and 2001 and had been subject to a national income tax rate of 7.5% since 2002. The 7.5% income tax rate for TCL Mobile expired at the end of 2004. By the end of 2004, TCL Mobile obtained its advanced technology enterprise accreditation and hence was subject to a national income tax rate of 10% from 2005 to 2007.

According to the Income Tax Law of the PRC on the Enterprises with Foreign Investment and Foreign Enterprises, TCL Mobile Communication (Hohhot) Co., Ltd. ("Mobile Hohhot"), a subsidiary of the Company in the PRC, is entitled to exemption from the PRC corporate income tax for two years commencing from its first profit-making year and thereafter is entitled to a 50% reduction in its PRC corporate income tax for the subsequent three years. Mobile Hohhot also enjoys preferential tax treatment as being foreign investment enterprises located in the western region of China, including 50% reduction in national corporate income tax until 2010. As Mobile Hohhot commenced to make profits in 2002, it was exempt from PRC corporate income tax in 2002 and 2003, and the applicable PRC corporate income tax rate from 2004 to 2006 was 7.5%. Mobile Hohhot is subject to the PRC corporate income tax rate of 15% from 2007 to 2010 and 25% thereafter.

No profits tax has been provided in the PRC as no taxable income arose during the period.

Interim Results

6. TAX (continued)

T&A Mobile Phones SA de CV Limited paid royalties to T&A Mobile Phones SAS for general relations and contract service charge. According to the applicable Mexican withholding tax regulation, the payments characterised as royalties are subject to a 10% tax on payments defined as royalties under the applicable Mexico – France tax treaty.

In 2007, T&A Mobile Phones – Comercio de Telefonos Ltda is subject to corporate income tax rate of 25% and social contribution tax rate of 9% on the same taxable income (except for certain specific adjustments), according to Article 220 and 221 of the Income Tax Regulation in Brazil.

7. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent,		
used in the basic and diluted earnings/(loss) per share calculation	2,094	(70,649)
	<hr/>	

Interim Results

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	5,944,113,843	5,072,883,783
Effect of diluted weighted average number of ordinary shares:		
Assumed issuance upon the exercise of share options	99,070,092	24,093,438
	6,043,183,935	5,096,977,221

The calculation of the diluted earnings/(loss) per share for the six months ended 30 June 2007 has also taken into account the convertible notes to TCL Corporation, convertible bonds and share options outstanding during the period. As the adjusted conversion price of the convertible notes during the period is higher than the fair market value of the ordinary share, any conversion of convertible notes is anti-dilutive. Since the exercise price of certain share option during the period is lower than the fair market value of the ordinary share, the share option outstanding during the period has a dilutive effect to the Company.

The calculation of basic and diluted earnings per share has included the unrealised loss on changes in fair value of derivative component of convertible bonds. It is not an indicator of the Group's operating performance in 2007.

The basic and diluted earnings per share for the six months ended 30 June 2007 is HK cents 0.15 and HK cents 0.15 respectively if excluding unrealised loss on changes in fair value of derivative component of convertible bonds.

Interim Results

9. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables as at the balance sheet date, based on invoice date is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within 3 months	884,014	1,056,795
4 to 12 months	79,418	48,708
Over 12 months	13,926	25,633
	977,358	1,131,136
Impairment loss of trade receivables	(6,013)	(17,938)
	971,345	1,113,198

10. TRADE AND NOTES PAYABLES

An aged analysis of the Group's trade and notes payables as at the balance sheet date, based on invoice date, is analysed as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within 6 months	875,524	1,138,334
7 to 12 months	7,542	65,618
More than 1 year	20,878	8,718
	903,944	1,212,670

Trade and notes payables are non-interest-bearing and have an average term of three months.

All trade and notes payables are not secured by the pledged deposits.

Interim Results

11. CONVERTIBLE BONDS

On 2 April 2007 and 1 June 2007, the Company issued a zero coupon convertible bonds with an aggregate principal amount of USD 27 Million and USD 18 Million respectively (the "Convertible Bonds"). The five-year Convertible Bonds was issued with conversion price of HKD0.3275 and will mature on 2 Apr 2012.

Due to several terms in the Convertible Bonds (including price reset, cash settlement option, and the functional currency of the Group being HKD while the conversion of the Convertible Bonds being denominated in USD), the conversion will not result in the exchange of a fixed number of the Company's shares. In accordance with the requirements of HKAS 39, Financial Instruments-Recognition and Measurement, the convertible bond contract must be separated into two component elements: a derivative component consisting of the conversion option and a liability component of the straight debt element of the Convertible Bonds.

On the issue of the Convertible Bonds, the fair value of the embedded conversion option was calculated using the Black-Scholes model. The derivative component, the embedded conversion option, is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the income statement in the period when the change occurs. The remainder of the proceeds is allocated to debt element of the Convertible Bonds, net of transaction costs, and is recorded as the liability component. The liability component is subsequently carried at amortised cost until extinguished on conversion or redemption. Interest expense is calculated using the effective interest method by applying the effective interest rate to the liability component through the maturity date.

If the Convertible Bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the Convertible Bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the income statement.

Fair value of conversion option

The embedded conversion option has been separated from the host debt contract and accounted for as a derivative liability carried at fair value through profit or loss. The fair value of this conversion option which is not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The valuation model requires the input of subjective assumptions, including the volatility of share price, stock closing price, dividend yield, risk free rate, and expected option life. Changes in subjective input assumptions can materially affect the fair value estimate. For the six months ended 30 June 2007, the fair value of the derivative component of the Convertible Bonds was calculated using the Black-Scholes model with the major inputs used in the model as follows:

Interim Results

11. CONVERTIBLE BONDS (continued)**Fair value of conversion option (continued)**i) *Call option held by the Company – Convertible Bonds – USD27M*

Parameter	2 April 2007	30 June 2007
a) Bond Price	US\$867.22	US\$861.70
b) Exercise Price	US\$1,218.05	US\$1,201.44
c) Risk-free Rate	3.923%	4.511%
d) Expected Life	42 months	39 months
e) Volatility	18.894%	20.906%

ii) *Call option held by the Company – Convertible Bonds – USD18M*

Parameter	1 June 2007	30 June 2007
a) Bond Price	US\$861.94	US\$861.70
b) Exercise Price	US\$1,206.83	US\$1,201.44
c) Risk-free Rate	4.446%	4.511%
d) Expected Life	40 months	39 months
e) Volatility	20.906%	20.906%

iii) *Conversion option held by the Bondholder – Convertible Bonds – USD27M*

Parameter	2 April 2007	30 June 2007
a) Stock Price	HK\$0.247	HK\$0.310
b) Exercise Price	HK\$0.3275	HK\$0.3275
c) Risk-free Rate	3.850%	4.412%
d) Expected Life	30 months	28 months
e) Volatility	48.330%	53.210%

iv) *Conversion option held by the Bondholder – Convertible Bonds – USD18M*

Parameter	1 June 2007	30 June 2007
a) Stock Price	HK\$0.355	HK\$0.310
b) Exercise Price	HK\$0.3275	HK\$0.3275
c) Risk-free Rate	4.401%	4.412%
d) Expected Life	29 months	28 months
e) Volatility	52.02%	53.210%

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11. CONVERTIBLE BONDS (continued)**Fair value of conversion option (continued)**v) *Put option held by the Bondholder – Convertible Bonds – USD27M*

Parameter	2 April 2007	30 June 2007
a) Bond Price	US\$867.22	US\$861.70
b) Exercise Price	US\$1,170	US\$1,170
c) Risk-free Rate	3.888%	4.460%
d) Expected Life	36 months	33 months
e) Volatility	19.551%	20.906%

vi) *Put option held by the Bondholder – Convertible Bonds – USD18M*

Parameter	1 June 2007	30 June 2007
a) Bond Price	US\$861.94	US\$861.70
b) Exercise Price	US\$1,170	US\$1,170
c) Risk-free Rate	4.423%	4.460%
d) Expected Life	34 months	33 months
e) Volatility	20.906%	20.906%

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the conversion option from 2 April 2007 to 30 June 2007 resulted in a fair value loss of approximately HK\$6.8 million, which has been recorded as the "Unrealised loss on changes in fair value of derivative component of Convertible Bonds" in the income statement for the six months ended 30 June 2007.

The carrying value of the derivative component and liability component of the convertible bond as at 30 June 2007 are as follows:

	30 June 2007
Liability component	USD24,506,819
Derivative component	USD21,362,103
Carrying value of convertible bonds	USD45,868,922
Number of conversion shares at the issuance date (shares)	1,061,532,214

Conversion of USD500,000 of the Convertible Bonds has occurred up to 30 June 2007.

Interim Results

12. SHARE CAPITAL

	No of share	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each at 1 January 2006 and 31 December 2006	8,000,000,000	800,000
Increase during the period	12,000,000,000	1,200,000
Ordinary share of HK\$0.1 each at 30 June 2007	20,000,000,000	2,000,000
Issued and fully paid or credited as fully paid:		
Ordinary shares of HK\$0.1 each at 1 January 2006	2,968,875,000	296,888
Shares allotted and issued pursuant to the Completion of Open Offer	2,968,875,000	296,887
Share options exercised	1,962,052	196
At 31 December 2006 and at 1 January 2007	5,939,712,052	593,971
Share options exercised	11,921,331	1,192
Convertible bonds converted	11,927,328	1,193
At 30 June 2007	5,963,560,711	596,356

Pursuant to a resolution passed at an extra-ordinary general meeting held on 20 April 2007:

- the authorised share capital of the Company was increased from HK\$800,000,000 to HK\$2,000,000,000 by the creation of an additional 12,000,000,000 unissued shares of HK\$0.1 each.

Shares issued during the period rank pari passu with the then existing shares in all aspects.

Interim Results

13. SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include employees (including executive and non-executive directors), advisers, consultants, agents, contractors, clients, suppliers and any other person(s) whom the board of directors of the Company in its sole discretion considers has contributed or may contribute to the Group. The Share Option Scheme became effective on 27 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme (as refreshed by shareholders' approval dated 6 February 2006) is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 6 February 2006 (i.e. up to 296,887,500 shares). The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The exercise price of the share options is determinable by the directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the Company's shares on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the balance sheet date, the Company had 424,441,155 share options outstanding under the Share Option Scheme. Further details of the Share Option Scheme are set out in the Directors' Report.

Interim Results

14. CONTINGENT LIABILITIES

In October 2006, two subsidiaries of the Group, T&A Mobile Phones Europe SAS and T&A Mobile Phones International Limited, were involved in an European claim for disputed amount for patent royalty payment bought by a GSM essential patents holder (the "plaintiff"). The case is proceeding in the European courts as of the date of this report. No judgment or decision has been made in favor or against either party on the merit of the case.

In preparation for the potential claims against T&A Mobile Phones Europe SAS and T&A Mobile Phones International Limited, the Group has made provisions sufficiently to meet the demands pleaded by the plaintiff. The parties have engaged in settlement discussions and continue to meet to settle the disputed royalty amounts amicably.

The directors have estimated that the maximum financial impact to the Group relating to the above claim and have accrued in the Group's financial statements for the period ended 30 June 2007 to provide for the claims and proceedings. In the opinion of the directors, based on legal advice from the Company's lawyers engaged in this action, any resulting liabilities to the subsidiary of the Group regarding the aforesaid claims would not have material adverse impact on the Group's financial position given the current provisions provided to date. Therefore, no further provision in respect of royalty payment was considered necessary to be made in the financial statements.

15. CAPITAL COMMITMENTS

As at 30 June 2007, the Group had capital commitments contracted, but not provided for approximately HK\$277,000 (31 December 2006: Nil).

Interim Results

16. RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Transactions with ultimate controlling shareholder		
Brand name management fee/TCL Brand Common Fund	2,477	1,437
Interest expenses	5,296	8,926
Interest on convertible note	2,754	2,754
Short-term loan obtained	1,271,976	1,589,586
Transactions with subsidiaries of ultimate controlling shareholder		
Purchases of raw materials	114,806	617,264
Fund advanced	–	2,920
Rental income	166	46
Rental charges	1,066	2,578
Transactions with an associate or its subsidiaries		
Technology and software fee	16,583	46,698
Fund advanced	–	5,654
Sales of property, plant and equipment	1,085	–

(b) Other transactions with related parties

On 9 March 2006, TCL Corporation ("TCL Corp") (the ultimate controlling shareholder of the Company) entered into the Investment Agreement with TCL Mobile Communication (Hohhot) Co., Ltd. ("Mobile Hohhot") (an indirect wholly-owned subsidiary of the Company) in relation to establishment of the Finance Company. Pursuant to the Investment Agreement, Mobile Hohhot contributed RMB20 million as capital contribution to the Finance Company, representing 4% of the registered capital of the Finance Company. All necessary approvals for the setting up of the Finance Company have been obtained and the Finance Company was established on 17 October 2006. Further details of this transaction were set out in the Company's announcement dated 27 October 2006.

Interim Results

16. RELATED PARTY TRANSACTIONS (continued)**(c) Outstanding balance with related parties**

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

	Due from related companies		Due to related companies	
	30 June 2007 (Unaudited) HK\$'000	31 December 2006 HK\$'000	30 June 2007 (Unaudited) HK\$'000	31 December 2006 HK\$'000
Ultimate controlling shareholder	–	–	162,703	25,483
Subsidiaries of ultimate controlling shareholder	121,626	184,976	91,928	338,049
An associate or its subsidiaries	49,537	44,383	1,362	81,377
	171,163	229,359	255,993	444,909

The amounts due are mainly trading balances, and are unsecured, interest free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Short term employee benefits	7,523	5,625
Post-employment benefits	36	53
Share-based payment	2,220	3,028
Total compensation paid to key management personnel	9,779	8,706

Interim Results

17. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 3 July 2007, the Group has completed the acquisition of JRDC, in accordance with the conditions precedent to the Subscription Agreement and the Share Purchase Agreement dated 18 April 2007. For further details, please refer to announcements of the Company dated 18 April 2007 and 3 July 2007.

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 7 August 2007.

Management Discussion and Analysis

INDUSTRY OVERVIEW

Worldwide annual handset sales are predicated to reach 1.15 billion by the end of 2007. Volume growth is mainly driven by the key markets, in particular, India, Russia, Brazil, Mexico and China. The leading global players sustained the global market shares by focusing on strong design, incorporation of renowned fashion and styling elements or co-branding collaborations with fashion brands, and driving down costs.

BUSINESS REVIEW

The Group is pleased to report another profitable quarter in 2007. In the second quarter of 2007, the Group continued its effort on cost control across the board, with particularly impressive cost savings at the Huizhou production base. The Group's initiatives were to concentrate all production activities in the Huizhou production base as far as possible.

Logistics costs were also significantly reduced in the second quarter of 2007, mainly as a result of the reshuffling of logistics arrangements following the closing of the EMEA logistics division. The Group triggered re-negotiation with its service vendors to further reduce logistics and transportation costs. Direct shipment from Huizhou factory to Latin America was also developed.

To pave the way for new product development, the Group cleared inventories of end-of-life models. Inventory level was reduced considerably, thereby improving the Group's working capital.

Review of Operations

Total handset sales in the first half of 2007 declined by 23% to about 4.2 million units. It was due to the impact of the sales of end-of-life products, in particular in Latam where the effort has been mainly focused on cleaning all EOL inventory. In addition, owing to certain delay in new product launches, sales of new models which were mostly launched in June 2007 were not reflected.

Sales performance in China continued to be affected by the restructuring of the sales and distribution channel, while new products roll-out was slower than expected. Unit sales in the 2Q2007 rose quarter-on-quarter, despite TCL-branded handsets decreased in year-on-year sales volume.

Average product selling price was maintained at a stable level in the second quarter, and it contributed to protect the bottom line on a reduced volume of sales, despite clearance of end-of-life products. The clearance of end-of-life products led to the decrease in gross profit margin quarter-on-quarter from 17% in the first quarter of 2007 to 14% in the second quarter of 2007.

Management Discussion and Analysis

Sales Volume Breakdown by Geography

<i>(in '000 units)</i>	Handset Unit Sales		
	For the Six Months Ended 30 June		
	2007	2006	Change (%)
Overseas	3,767	4,843	-22%
The PRC	442	601	-26%
Total	4,209	5,444	-23%

EMEA¹

Competition in EMEA continued to intensify as an increased number of ODM handset makers from China entered these markets with the offering of either very entry level handsets or entry level 3G phones.

Unit shipment of EMEA in the second quarter amounted to approximately 0.6 million units, a decrease of 30% year-on-year and 31% quarter-on-quarter. The Group saw satisfactory performance in Spain, Portugal, Italy and the Netherlands, growth of which was mainly driven by sales to major operators. Sales in other EMEA markets such as Russia and CIS countries, however, declined as a result of intense competition in end-of-life products in the entry level range segments.

The Group's key focus during the period under review was mainly on two aspects – clearing inventories of existing models and launching new products of the very entry level and entry level multimedia handsets.

LATAM¹

Competition was particularly keen in the entry camera segment in LATAM markets. The Group's sales performance was impacted by global over-inventory of operators and distributors. The clearing of pile-up inventories exerted pressure on pricing to the industry as a whole.

Unit shipment of LATAM in the second quarter declined 13% year-on-year and raised 10% quarter-on-quarter. The Group successfully completed clearance of its end-of-life products in the inventories.

¹Note: The 7 S&M/CS centres are:

Europe, Middle East and Africa ("EMEA");
Latin America ("LATAM");
Asia Pacific ("APAC");
India ("India");
ODM ("ODM");
Alcatel and TCL brand in the PRC ("Alcatel PRC") and ("TCL PRC")

Management Discussion and Analysis

Meanwhile, the Group made further inroad in fostering partnership with major operators. To lower operating costs, the Group arranged direct shipment from Huizhou factory to LATAM.

Brazil operations continued to ramp-up, and preparation for new product introduction in the third quarter of 2007 will be done.

The PRC¹

Sales performance of the PRC market continued to be affected by the restructuring of the sales and distribution channel, while new products roll-out was slower than expected. Unit shipment of the TCL-brand handsets decreased 18% year-on-year and increased 35% quarter-on-quarter to about 0.3 million units in the second quarter of 2007.

Other Markets

The Group established a new CDMA business unit in the second quarter of 2007. This unit encompasses various functions including sales, production and R&D. Sharing resources and platform of the GSM business units, the Group tapped opportunities in Vietnam, Bangladesh and Mongolia. Two new CDMA models were introduced in the second quarter, but unit shipment was still insignificant.

The Group has been making progressive developments in the APAC market. The Group maintained stable market in Philippines and established business in Taiwan and Malaysia. 7 Alcatel models, mainly low to mid range models, were launched during the period under review in APAC.

In India, the Group continued to expand its operator clientele by offering attractive entry level handsets. The Group also adopted a similar strategy in respect of its ODM business to drive operator sales.

PRODUCT DEVELOPMENT

The Group launched 8 Alcatel handset models, of which two were CDMA handsets, and 14 TCL handset models in the first half of 2007. New product features the Group rolled out during the second quarter included touch screen, touch keypad, EL backlight and power saving functions. The TCL brand launched multimedia handsets with innovative 2M auto-focus camera, Wepzone and motion sensor features. These multimedia handsets, offering good feature at competitive price, were well received by mainstream operators.

The Group's research and development focus for Alcatel products will be placed on entry level products with slim and trendy design at affordable price range, such as sporty and water proof hand phone models, multimedia handsets with touch screen, full html browsing, power management functions. 7 new Alcatel brand models will be launched in the second half of 2007, of which 1 will be 3G phone.

Meanwhile, the TCL brand will offer new products with dual GSM function, long stand-by and solar battery, large display and one-key phones. 24 models are planned for launch in the second half of 2007.

Management Discussion and Analysis

FUTURE OUTLOOK

The Group remains confident in achieving its annual unit sales target of 13 million in 2007. This volume increase will be driven by the worldwide ramp-up of 3 new product families, namely U7 Entry level Bar, U7C entry level clamshell and C7 entry to mid level multi-media.

These new products have received highly positive feed-back from customers, and production capacity has already been fully booked for the second half of 2007. Hence, the outlook for the second half of 2007 is promising.

PRC market will be healthy at end of the year after the restructure of sales and distribution channels.

In LATAM, the Group is currently reassessing its industrial strategy to reduce significantly the cost. As part of the new strategy, the Group will ship majority of handsets directly from China.

For CDMA markets, in addition to the newly entered markets such as Vietnam, Bangladesh and Mongolia, the Group will further explore opportunities in Indonesia, Nigeria, Angola, Sudan and New Zealand.

It is expected that average selling price will decrease in the second half of 2007, as a result of more aggressive pricing strategies and increased sales of entry level in the total product mix. However, the Group expects that profit margins will be significantly improved on a quarter-on- quarter basis, as new products are coming with much better cost structure. Therefore, the Group expects to perform better in the second half year than in the first half year of 2007. Increased sales volume will also enhance the Group's competitiveness, thereby contributing to its goal of achieving a profitable year in 2007.

FINANCIAL REVIEW

Results

For the six months ended 30 June 2007, the Group's unaudited consolidated revenue amounted to HK\$2,077 million (2006: HK\$2,505 million), representing a year-on-year decrease of 17% as compared to the same period last year.

The Group's gross profit margin rose to 16% from 12% in the same period last year, despite the keen competition and general declining product prices.

EBITDA and Profit attributable to equity holders of the parent improved to approximately HK\$60 million and HK\$2 million respectively (2006: LBITDA and loss attributable to shareholders was HK\$18 million and HK\$71 million respectively). Basic earnings per share was HK0.04 cents (2006: basic loss per share were HK 1.4 cents).

Management Discussion and Analysis

Inventory

The Group's inventory turnover period was 24 days (same period 2006: 28 days).

Trade Receivables

Credit period was 60-90 days on average and the trade receivable turnover was 85 days (same period 2006: 72 days).

Significant Investments and Acquisition

Subsequent to the balance sheet date, on 3 July 2007, the Group has completed the acquisition of JRDC, in accordance with the conditions precedent to the Subscription Agreement and the Share Purchase Agreement dated 18 April 2007. For further details, please refer to the announcements of the Company dated 18 April 2007 and 3 July 2007.

Except for the significant investments and acquisition as disclosed above, there was no significant investments and acquisition for the six months ended 30 June 2007.

Fund Raising

On 2 April 2007 and 1 June 2007, the Company issued a zero coupon Convertible Bonds with an aggregate principal amount of US\$27 Million and US\$18 Million respectively. The five-year Convertible Bonds was issued with conversion price of HK\$0.3275 and will mature on 2 Apr 2012.

Due to several terms in the Convertible Bonds (including price reset, cash settlement option, and the functional currency of the Group is HK\$ while the conversion of the Convertible Bonds denominated in US\$), the conversion will not result in the exchange of a fixed number of the Company's shares. In accordance with the requirements of HKAS 39, Financial Instruments-Recognition and Measurement, the Convertible Bond contract must be separated into two component elements: a derivative component consisting of the conversion option and a liability component of the straight debt element of the bonds. The conversion option is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the income statement in the period when the change occurs. The fair value of derivative component of the Convertible Bonds is calculated using the Black-Scholes Model, which considers various factors including exercise price, expected life of options, volatility, risk free rate and the closing price of our share at valuation date. Due to the change in our share price from HK\$0.25 as at 2 April 2007 and HK\$0.36 as at 1 June 2007 to HK\$0.31 as at 30 June 2007, the fair value of the derivative component in respect of the Convertible Bonds has increased and therefore resulted in an unrealised loss on changes of fair value of derivative component of Convertible Bonds amounting to HK\$6.8 million recognised in the income statement. The unrealised loss had no effect on our cash flows or other aspects of our operations in 2007.

Except for fund raising as disclosed above, there was no fund raising for the six months ended 30 June 2007.

Management Discussion and Analysis

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the period. The cash and cash equivalents balances as at 30 June 2007 amounted to HK\$867 million, of which 14% were in Renminbi, 46% in US dollars, 6% in Euro and 34% in Hong Kong dollars & others for the operations. The Group's financial position remains healthy, with total assets of HK\$3,289 million and a gearing ratio of 17.4% at the end of the period under review. The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledge of Deposits

Deposit balance of approximately HK\$39,584,000 (31 December 2006: HK\$36,603,000) represented the retention guarantee for factored trade receivables.

Capital Commitment and Contingent Liabilities

As at 30 June 2007, the Group had capital commitments contracted, but not provided for of approximately HK\$277,000 (31 December 2006: nil).

The Group had the following contingent liabilities:

In October 2006, two subsidiaries of the Group, T&A Mobile Phones Europe SAS and T&A Mobile Phones International Limited, were involved in an European claim for disputed amount for patent royalty payment brought by a GSM essential patents holder (the "Plaintiff"). The case is proceeding in the European courts as of the date of this report. No judgment or decision has been made in favor of or against either party on the merit of the case.

In preparation for the potential claims against T&A Mobile Phones Europe SAS and T&A Mobile Phones International Limited, the Group has made sufficient provisions to meet the demands pleaded by the plaintiff. The parties have engaged in settlement discussions and continue to settle the disputed royalty amounts amicably.

The directors have estimated that the maximum financial impact to the Group relating to the above claim and have accrued in the Group's financial statements for the six months ended 30 June 2007 to provide for the claims and proceedings. In the opinion of the directors, based on legal advice from the Company's lawyers engaged in this action, any resulting liabilities to the subsidiary of the Group regarding the aforesaid claims would not have material adverse impact on the Group's financial position given the current provisions provided to date. Therefore, no further provision in respect of royalty payment was considered necessary to be made in the financial statements.

Management Discussion and Analysis

Foreign Exchange Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency, where the revenue is predominately in Euro, USD and RMB. The Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sales contracts. The Group takes rolling forecast on foreign currency revenue and expenses, matches the currency and amount incurred, so as to alleviate the impact to business due to exchange rate fluctuation.

Employees and Remuneration Policy

The Group had approximately 3,408 employees as at 30 June 2007. Total staff costs for the period under review were approximately HK\$110 million. The remuneration policy was in line with current legislation, market conditions and both individual and company performance.

Other Information

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

At 30 June 2007, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(A) Long positions in shares of the Company:

Name of director	Type of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. BO Lianming	Beneficial owner	438,000	0.007%
Mr. LI Dongsheng	Beneficial owner	77,788,800	1.304%
Mr. LIU Fei	Beneficial owner	80,000	0.001%
Mr. WONG Toe Yeung	Family interest (<i>Note</i>)	548,953,000	9.205%

Note: Mr. Wong Toe Yeung was deemed to be interested in 548,953,000 shares of the Company which are beneficially owned by his spouse, Ms Leung Lai Bing. The said shares are held by Norrell Overseas Invest Ltd. as the beneficial owner for the benefit of The MAG Foundation and Ms Leung is beneficially interested in the interest owned by the foundation.

Other Information

(B) Long positions in the underlying shares of the Company – share options:

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

Name or category of participant	Number of share options				At 30 June 2007	Date of grant	Exercise period (both dates inclusive)	Exercise price (HK\$)	Closing price immediately before the Date of Grant (HK\$)
	At 1 January 2007	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified					
Directors									
Mr. LI Dongsheng	5,454,550	-	-	-	5,454,550	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	5,000,000	-	-	-	5,000,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	5,000,000	-	-	-	5,000,000	30 June, 2006	1 April 2007 to 31 December 2009	0.232	0.228
	15,454,550	-	-	-	15,454,550				
Dr. LIU Fei	1,745,456	-	-	-	1,745,456	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	7,900,000	-	-	-	7,900,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	15,500,000	-	-	-	15,500,000	30 June, 2006	1 April 2007 to 31 December 2009	0.232	0.228
	25,145,456	-	-	-	25,145,456				
Mr. YAN Yong	1,145,456	-	-	-	1,145,456	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	1,000,000	-	-	-	1,000,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	2,145,456	-	-	-	2,145,456				

Other Information

(B) Long positions in the underlying shares of the Company – share options: (continued)

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

Name or category of participant	Number of share options					At 30 June 2007	Date of grant	Exercise period (both dates inclusive)	Exercise price (HK\$)	Closing price immediately before the Date of Grant (HK\$)
	At 1 January 2007	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified	At					
Mr. WANG Kangping (Note 2)	1,527,274	-	-	(1,527,274)	-	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41	
	1,500,000	-	-	(1,500,000)	-	30 June, 2006	1 April 2007 to 31 December 2009	0.232	0.228	
	3,027,274	-	-	(3,027,274)	-					
Mr. ZHAO Zhicheng (Note 2)	654,546	-	(218,182)	-	436,364	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41	
	1,000,000	-	-	-	1,000,000	30 June, 2006	1 April 2007 to 31 December 2009	0.232	0.228	
	1,654,546	-	(218,182)	-	1,436,364					
Mr. LAU Siu Ki	327,273	-	-	-	327,273	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41	
	800,000	-	-	-	800,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22	
	1,127,273	-	-	-	1,127,273					
Mr. SHI Guiming	327,273	-	-	-	327,273	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41	
	800,000	-	-	-	800,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22	
	1,127,273	-	-	-	1,127,273					

Other Information

(B) Long positions in the underlying shares of the Company – share options: (continued)

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

Name or category of participant	Number of share options					Date of grant	Exercise period (both dates inclusive)	Exercise price (HK\$)	Closing price immediately before the Date of Grant (HK\$)
	At 1 January 2007	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified	At 30 June 2007				
Mr. WANG Chongju (Note 2)	327,273	-	(109,091)	-	218,182	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	800,000	-	-	-	800,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	1,127,273	-	(109,091)	-	1,018,182				
Mr. BO Lianming (Note 1)	-	-	-	818,183	818,183	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
Mr. WONG Toe Yeung (Note 1)	-	-	-	5,454,550	5,454,550	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	-	-	-	5,000,000	5,000,000	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	-	-	-	5,000,000	5,000,000	30 June, 2006	1 April 2007 to 31 December 2009	0.252	0.228
	-	-	-	15,454,550	15,454,550				
Sub-Total	50,809,101	-	(327,273)	13,245,459	63,727,287				

Other Information

(B) Long positions in the underlying shares of the Company – share options: (continued)

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

Name or category of participant	Number of share options					Date of grant	Exercise period (both dates inclusive)	Exercise price (HK\$)	Closing price immediately before the Date of Grant (HK\$)
	At 1 January 2007	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified	At 30 June 2007				
Employees	30,641,840	-	(2,769,093)	-	27,872,747	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	92,406,999	7,568,666	(17,382,332)	-	82,593,333	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	167,160,000	1,017,333	(9,501,335)	-	158,675,998	30 June, 2006	1 April 2007 to 31 December 2009	0.232	0.228
Sub-Total	290,208,839	8,585,999	(29,652,760)	-	269,142,078				
Those who have contributed or may contribute to the Group	53,198,228	58,000	(3,759,644)	(4,745,459)	44,751,125	31 May, 2005	1 March 2006 to 30 November 2008	0.3804	0.41
	46,368,000	3,277,332	(9,874,667)	(5,000,000)	34,770,665	16 January, 2006	17 July 2006 to 15 January 2008	0.2108	0.22
	16,000,000	-	(450,000)	(3,500,000)	12,050,000	30 June, 2006	1 April 2007 to 31 December 2009	0.232	0.228
Sub-Total	115,566,228	3,335,332	(14,084,311)	(13,245,459)	91,571,790				
Total	436,584,168	11,921,331	(44,064,344)	-	424,441,155				

Other Information

(B) Long positions in the underlying shares of the Company – share options: (continued)

Notes:

1. Mr. Bo Lianming and Mr. Wong Toe Yeung were appointed as non-executive director and executive director of the Company respectively on 30 May 2007 and their share options under the share option scheme were re-classified under “Directors”.
2. Mr. Wang Kangping and Mr. Zhao Zhicheng retired as non-executive directors and Mr. Wang Chongju retired as independent non-executive director of the Company on 30 May 2007. The share options of Mr. Wang Kangping under the share option scheme were re-classified under “Those who have contributed or may contribute to the Group”.
3. The share options granted on 31 May 2005 are exercisable from the commencement of the exercise periods until the expiry of the share options which is on 30 November 2008. 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.
4. The share options granted on 16 January 2006 are exercisable from the commencement of the exercise period until the expiry of the share options which is on 15 January 2008 (save for the share options granted to the French employees which will expire on 15 April 2010). One-third of such share options are exercisable after the expiry of 6 months from the date of grant, a further one-third is exercisable after the expiry of 12 months from the date of grant, and the remaining one-third is exercisable after the expiry of 18 months from the date of grant.
5. The share options granted on 30 June 2006 are exercisable from the commencement of the exercise period until the expiry of the share options which is on 31 December 2009 (save for the share options granted to the French employees which will expire on 30 September 2010 and the share options granted to certain grantees as mentioned below). Save for the share options granted to certain grantees including Mr. Wang Kangping and Mr. Zhao Zhicheng, which are all exercisable from 1 April 2007 to 30 June 2008, the share options have three exercisable periods: one-third of such share options are exercisable after the expiry of 9 months from the date of grant, a further one-third are exercisable after the expiry of 18 months from the date of grant, and the remaining one-third are exercisable after the expiry of 27 months from the date of grant.

Other Information

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

Name of director	Name of associated corporation <i>(Notes)</i>	Type of interest	Interest in shares held	Approximate percentage of the relevant associated corporation's issued share capital	Notes
Mr. Bo Lianming	TCL Corp	Beneficial owner	713,192	0.03%	1
Mr. Li Dongsheng	TCL Corp	Beneficial owner	121,953,000	4.72%	1
Mr. Li Dongsheng	TCL Multimedia	Beneficial owner	21,988,000	0.56%	2
Mr. Yan Yong	TCL Corp	Beneficial owner	2,109,596	0.08%	1

Notes:

1. TCL Corporation ("TCL Corp"), a company incorporated in the People's Republic of China, is the ultimate controlling shareholder of the Company.
2. TCL Multimedia Technology Holdings Limited ("TCL Multimedia"), a company controlled by TCL Corp, is a subsidiary of TCL Corp.

Other Information

(D) Long positions in underlying shares of associated corporations of the Company – share options:

Name of director	Name of associated corporation	Type of interest	Interest in underlying shares held	Approximate percentage of the relevant associated corporation's issued share capital
Mr. BO Lianming	TCL Multimedia	Beneficial owner	750,000	0.02%
Mr. LI Dongsheng	TCL Multimedia	Beneficial owner	5,000,000	0.13%
Mr. LIU Fei	TCL Multimedia	Beneficial owner	400,000	0.01%
Mr. WONG Toe Yeung	TCL Multimedia	Beneficial owner	3,000,000	0.08%
Mr. YAN Yong	TCL Multimedia	Beneficial owner	3,450,000	0.09%

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interests or short positions 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the interests and short positions of the persons other than a director or chief executive of the Company in shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO (the "Register") were as follows:

Name	Type of interest	Interest in shares and underlying shares held	Approximate percentage of the issued share capital	Notes
TCL Corp	Interest of controlled corporation	3,245,496,960	54.42%	1
Leung Lai Bing	Beneficial owner	564,407,550	9.46%	2
The MAG Foundation	Other	548,953,000	9.21%	3
Norrell Overseas Invest Ltd.	Beneficial owner	548,953,000	9.21%	3
Nomura Holdings, Inc.	Interest of controlled corporation	441,667,863	7.41%	4

Notes:

- Under the SFO, TCL Corp was deemed to be interested in the 3,245,496,960 shares of the Company held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly-owned subsidiary of TCL Corp.
- Ms Leung Lai Bing is deemed to be interested in (a) 548,953,000 shares of the Company which are held by Norrell Overseas Invest Ltd. as the beneficial owner for the benefit of The MAG Foundation and Ms Leung is beneficially interested in the interest owned by the foundation; and (b) 15,454,550 share options held by her spouse, Mr. Wong Toe Yeung.
- Norrell Overseas Invest Ltd. is the beneficial owner of 548,953,000 shares of the Company which are held for the benefit of The MAG Foundation and Ms Leung Lai Bing is beneficially interested in the said interest owned by the foundation.
- Nomura Holdings, Inc. is deemed to be interested in (a) derivative interest in 322,037,863 shares of the Company owned by Nomura International Plc., its indirect wholly owned subsidiary; and (b) 119,630,000 shares of the Company owned by Bounty Reward Investments Limited, its associate corporation.

Save as disclosed above, as at 30 June 2007, no persons, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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 2007, complied fully with the codes set out in the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiry have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.

AUDIT COMMITTEE

The interim results have been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code. The Audit Committee comprises three members including Messrs. Lau Siu Ki (Chairman) and Shi Cuiming, independent non-executive directors of the Company, and Mr. Bo Lianming, a non-executive director of the Company.

On behalf of the Board

Li Dongsheng
Chairman

Hong Kong
7 August 2007

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