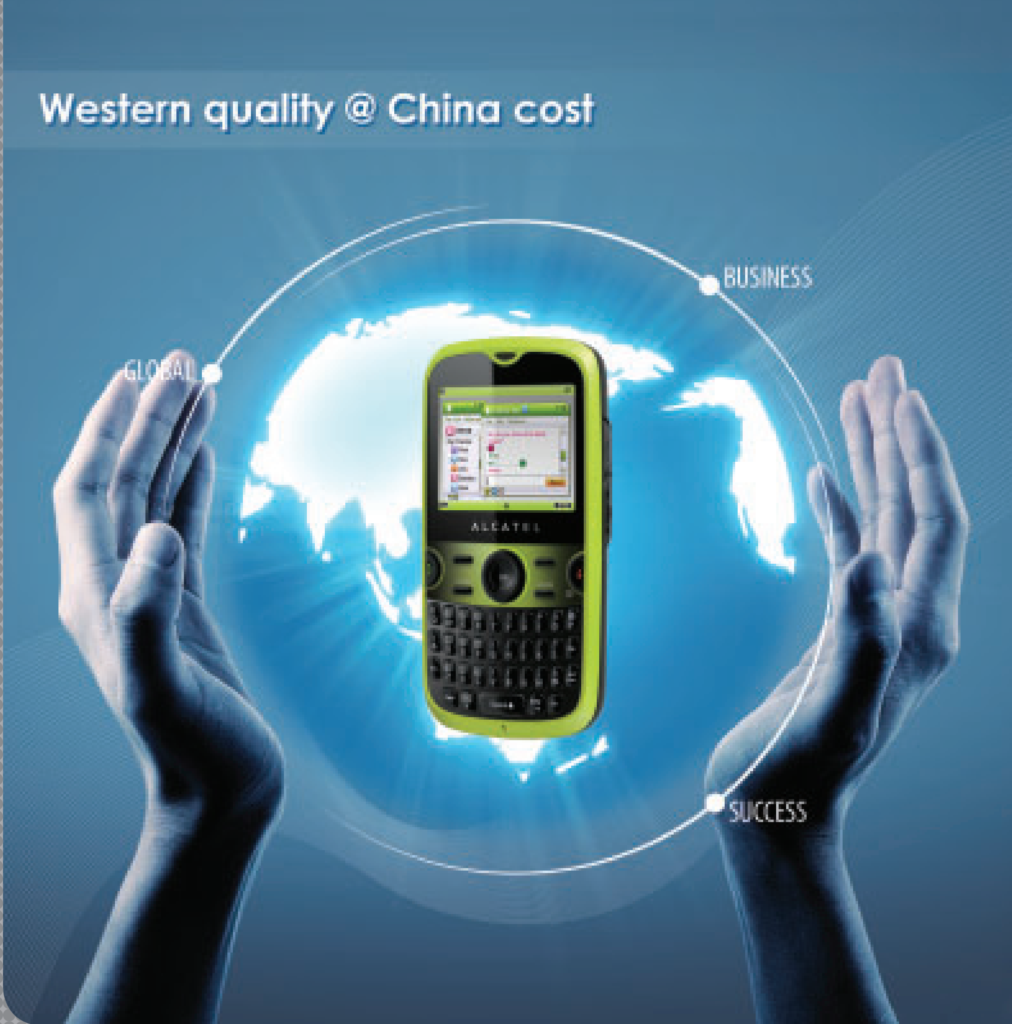

Interim Report 2009

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

Stock code: 02618

TCL
创意感动生活
The Creative Life

TCL COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

Interim Report 2009

Stock code: 02618

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. LI Dongsheng *(Chairman)*
Mr. YANG Charles Xinping *(Chief executive officer)*
(appointed on 1 April 2009)
Mr. GUO Aiping
(appointed on 15 July 2009)
Mr. LIU Fei *(Retired on 12 May 2009)*
Mr. YU Enjun *(Resigned on 15 July 2009)*

NON-EXECUTIVE DIRECTORS

Mr. BO Lianming
Mr. HUANG Xubin
Ms. XU Fang *(appointed on 15 July 2009)*
Mr. WONG Toe Yeung *(Resigned on 15 July 2009)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Siu Ki
Mr. SHI Cuiming
Mr. LIU Chung Laung

AUDIT COMMITTEE

Mr. LAU Siu Ki *(Chairman)*
Mr. SHI Cuiming
Mr. BO Lianming

REMUNERATION COMMITTEE

Mr. SHI Cuiming *(Chairman)*
Mr. LAU Siu Ki
Mr. BO Lianming

COMPANY SECRETARY

Ms. PANG Siu Yin

AUTHORISED REPRESENTATIVES

Mr. YANG Charles Xinping
(appointed on 12 May 2009)
Ms. PANG Siu Yin
Mr. LIU Fei *(Resigned on 12 May 2009)*

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
Level 38, 3 Pacific Place
1 Queen's Road East
Hong Kong

SOLICITORS

Cheung, Tong & Rosa
Room 501, 5/F.
Sun Hung Kai Centre
30 Harbour Road
Wanchai
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

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China Hong Kong City
33 Canton Road
Tsimshatsui, Kowloon
Hong Kong

INVESTOR AND MEDIA RELATIONS

PRChina Limited
Room 301, Wilson House
19-27 Wyndham Street
Central
Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong Limited
under the share ticker number 02618

WEBSITE

tclcom.tcl.com

Interim Results

The Board of Directors (the "Board") of TCL Communication Technology Holdings Limited (the "Company") announced the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2009, with comparative figures for the same period last year as follows and these condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2009

	Notes	**Six months ended 30 June 2009 (Unaudited) *HK$'000***	Six months ended 30 June 2008 (Unaudited) *HK$'000*	**Three months ended 30 June 2009 (Unaudited) *HK$'000***	Three months ended 30 June 2008 (Unaudited) *HK$'000*
REVENUE	2	**1,327,474**	2,340,047	**712,925**	1,125,708
Cost of sales		**(1,130,156)**	(1,901,997)	**(601,126)**	(902,063)
Gross profit		**197,318**	438,050	**111,799**	223,645
Other income and gains	3	**136,935**	76,285	**75,438**	53,499
Research and development costs		**(110,384)**	(99,414)	**(59,087)**	(58,028)
Selling and distribution costs		**(121,317)**	(199,821)	**(59,438)**	(112,148)
Administrative expenses		**(114,596)**	(177,232)	**(56,604)**	(75,812)
Other operating expenses		**(808)**	(3,922)	**(336)**	(3,466)
Finance costs excluding interest on convertible bonds	4	**(25,672)**	(16,823)	**(8,534)**	(11,602)
Share of losses of an associate		**(795)**	–	**(311)**	–
Share of losses of a jointly controlled entity		**(187)**	(386)	**(45)**	(178)
		(39,506)	16,737	**2,882**	15,910
Changes in fair value of the derivative component of convertible bonds	13	**(58,037)**	115,708	**(51,791)**	86,290
Interest on convertible bonds	4	**(6,839)**	(20,161)	**(2,122)**	(10,212)
PROFIT/(LOSS) BEFORE TAX	5	**(104,382)**	112,284	**(51,031)**	91,988
Tax	6	**(28)**	(613)	**(25)**	(487)
PROFIT/(LOSS) FOR THE PERIOD		**(104,410)**	111,671	**(51,056)**	91,501

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the three months and six months ended 30 June 2009

	Notes	**Six months ended 30 June 2009 (Unaudited) HK$'000**	Six months ended 30 June 2008 (Unaudited) HK$'000	**Three months ended 30 June 2009 (Unaudited) HK$'000**	Three months ended 30 June 2008 (Unaudited) HK$'000
Attributable to:					
Equity holders of the parent		**(104,410)**	111,671	**(51,056)**	91,501
DIVIDENDS	7				
Interim		**–**	–	**–**	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK cents) (as restated)	8				
Basic		**(14.60)**	15.76	**(7.14)**	12.91
Diluted		**(14.60)**	15.69	**(7.14)**	12.86

Interim Results

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2009 (Unaudited) ***HK$'000***	Six months ended 30 June 2008 (Unaudited) *HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(104,410)**	111,671
Exchange differences on translation of foreign operations	**(9,032)**	69,682
Gain on cash flow hedges	**3,237**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(5,795)**	69,682
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(110,205)**	181,353
Attributable to:		
Equity holders of the parent	**(110,205)**	181,353

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**233,916**	261,608
Prepaid land lease payments		**16,038**	16,404
Intangible assets		**53,836**	49,690
Deferred tax assets		**27,045**	26,789
Goodwill		**146,856**	146,856
Available-for-sale investment		**20,245**	20,244
Interest in an associate		**21,887**	–
Interest in a jointly controlled entity		**3,749**	3,934
Other non-current assets		**1,680**	2,367
Total non-current assets		**525,252**	527,892
CURRENT ASSETS			
Inventories		**291,108**	229,998
Trade receivables	9	**644,421**	836,819
Factored trade receivables		**39,174**	153,392
Notes receivable		**14,957**	16,958
Prepayments, deposits and other receivables		**217,262**	253,971
Due from related companies	19(b)	**15,878**	17,376
Tax recoverable		**2,904**	29,347
Derivative financial instruments		**104,858**	143,802
Pledged deposits		**1,099,866**	1,670,499
Cash and cash equivalents	10	**627,560**	684,382
Total current assets		**3,057,988**	4,036,544
CURRENT LIABILITIES			
Interest bearing bank and other borrowings	11	**963,971**	1,866,500
Trade and notes payables	12	**468,519**	590,654
Bank advances on factored trade receivables		**39,174**	153,392
Derivative financial instruments		**36,867**	68,897
Tax payable		**424**	440
Other payables and accruals		**499,384**	557,817
Provision for warranties		**40,583**	59,406
Due to related companies	19(b)	**566,906**	51,804
Total current liabilities		**2,615,828**	3,348,910
NET CURRENT ASSETS		**442,160**	687,634
TOTAL ASSETS LESS CURRENT LIABILITIES		**967,412**	1,215,526

Interim Results

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2009

	Notes	**30 June 2009 (Unaudited)** ***HK$'000***	31 December 2008 (Audited) *HK$'000* (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**967,412**	1,215,526
NON-CURRENT LIABILITIES			
Retirement indemnities		**2,756**	2,367
Long service medals		**1,032**	1,030
Convertible bonds	13	**–**	142,058
Interest bearing bank and other borrowings	11	**3,062**	5,268
Total non-current liabilities		**6,850**	150,723
Net assets		**960,562**	1,064,803
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	**715,050**	715,050
Shares held for Share Award Scheme		**(42,148)**	(47,823)
Reserves		**287,660**	397,576
Total equity		**960,562**	1,064,803

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the parent									
	Issued share capital HK$'000	Share premium account HK$'000	Shares held for Share Award Scheme HK$'000	Awarded Shares reserve HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Statutory reserves HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2008	718,689	1,584,738	(9,570)	3,766	48,909	232,555	119,951	82,685	(1,729,300)	1,052,423
Profit for the period	–	–	–	–	–	–	–	–	111,671	111,671
Other comprehensive income	–	–	–	–	–	–	–	69,682	–	69,682
Total comprehensive income	–	–	–	–	–	–	–	69,682	111,671	181,353
Issue of shares and exercise of share options	2,635	5,953	–	–	(2,782)	–	–	–	–	5,806
Equity-settled share option arrangements	–	–	–	–	8,860	–	–	–	–	8,860
Share repurchased	(6,274)	(13,574)	–	–	–	–	–	–	–	(19,848)
Shares purchased for Share Award Scheme	–	–	(44,991)	7,319	–	–	–	–	–	(37,672)
At 30 June 2008	715,050	1,577,117*	(54,561)	11,085*	54,987*	232,555*	119,951*	152,367*	(1,617,629)*	1,190,922

Interim Results

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2009

	Attributable to equity holders of the parent										
	Issued share capital HK$'000	Share premium account HK$'000	Shares held for Share Award Scheme HK$'000	Awarded Shares reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	Statutory reserves HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2009	715,050	1,576,958	(47,823)	6,608	68,607	(6,509)	232,555	119,951	101,464	(1,702,058)	1,064,803
Loss for the period	–	–	–	–	–	–	–	–	–	(104,410)	(104,410)
Other comprehensive loss	–	–	–	–	–	3,237	–	–	(9,032)	–	(5,795)
Total comprehensive loss	–	–	–	–	–	3,237	–	–	(9,032)	(104,410)	(110,205)
Equity-settled share option arrangements	–	–	–	–	3,052	–	–	–	–	–	3,052
Equity-settled Share Award Scheme	–	–	–	2,912	–	–	–	–	–	–	2,912
Reclassification of vested shares	–	–	5,675	(4,623)	–	–	–	–	–	(1,052)	–
At 30 June 2009	715,050	1,576,958*	(42,148)	4,897*	71,659*	(3,272)*	232,555*	119,951*	92,432*	(1,807,520) *	960,562

* These reserve accounts comprise the consolidated reserves of approximately HK$287,660,000 (30 June 2008: HK$530,433,000) in the consolidated balance sheet.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Net cash inflow/(outflow) from operating activities	**(22,257)**	125,250
Net cash outflow from investing activities	**(42,693)**	(83,303)
Net cash inflow/(outflow) from financing activities	**17,257**	(120,282)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(47,693)**	(78,335)
Cash and cash equivalents at beginning of period	**684,382**	767,557
Effect of foreign exchange rate changes, net	**(9,129)**	50,918
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**627,560**	740,140
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	**627,560**	740,140

Interim Results

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION AND 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 2008, except for the following changes in accounting estimations and 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:

Changes in accounting estimations

The Group has modified the depreciation treatment of certain fixed assets categories in order to better align this treatment with the observed economic behaviour of assets in these categories. As a result, the projected lives of machinery and office equipment have been extended respectively. These changes in accounting estimates have been applied prospectively. Beginning from May 2009, these modifications have changed depreciation in the aforementioned fixed assets categories, and the effect on the financial performance of the Group is approximately HK$1.6 million.

Impact of new HKFRSs and HKASs

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
Amendments to HKFRS 7	*Financial Instruments: Disclosures*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
Amendments to HK(IFRIC) – Int 9 and HKAS 39	*Reassessment of Embedded Derivative*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of this amendment has no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the adoption of the amendments has no significant implication on its accounting for share-based payments.

HKFRS 7 Amendments require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurement is now required, as well as significant transfer between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirement for liquidity risk disclosures.

HKFRS 8, which has replaced HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard did not have any effect on the financial position or performance of the Group. Additional disclosures about each of these segments are shown in note 2, including revised comparative information.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Interim Results

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the adoption of the revised standard has no financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfill a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the adoption of these amendments did not have any financial impact on the Group.

Amendments to HK(IFRIC) – 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

HK(IFRIC) – Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore the adoption of this standard did not have any financial impact on the Group.

HK(IFRIC) – Int 15 has replaced HK Interpretation 3 *Revenue-Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the adoption of this interpretation did not have any financial impact on the Group.

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

HK(IFRIC) – Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the adoption of this interpretation did not have any financial impact on the Group.

Improvements to HKFRSs

In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

(a) HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

(b) HKAS 1 *Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

(c) HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is calculated as the higher of an asset's fair value less costs to sell and its value in use. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

(d) HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

Interim Results

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Improvements to HKFRSs (continued)

(e) HKAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing cost' into one – the interest expense calculated using the effective interest rate method calculated in accordance with HKAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

(f) HKAS 27 *Consolidated and Separate Financial Statements:* Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

(g) HKAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

(h) HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

HKFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
HKAS 8	*Accounting Policies, Change in Accounting Estimates*
HKAS 10	*Events after the Reporting Period*
HKAS 18	*Revenue*
HKAS 19	*Employee Benefits*
HKAS 29	*Financial Reporting in Hyperinflationary Economics*
HKAS 31	*Interest in Joint Ventures*
HKAS 34	*Interim Financial Reporting*
HKAS 38	*Intangible Assets*
HKAS 39	*Financial Instruments: Recognition and Measurement*
HKAS 40	*Investment Property*
HKAS 41	*Agriculture*

2. SEGMENT INFORMATION

The management considers the performance of the business in China and overseas segments. The reportable operating segments derive their revenue from research, development, manufacturing 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.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group research and development cost, income taxes, fair value loss of the derivative component of convertible bonds and interest on convertible bonds are managed on a group basis and are not allocated to operating segments.

Six months ended 30 June 2009

	Overseas *HK$'000*	China *HK$'000*	Adjustments & eliminations *HK$'000*	Consolidated *HK$'000*
Revenue				
External customers	**1,124,241**	**203,233**	**–**	**1,327,474**
Results				
Depreciation and amortisation	**9,924**	**24,482**	**–**	**34,406**
Segment profit/(loss)[1]	**70,960**	**(82)**	**(110,384)**	**(39,506)**
Assets				
Capital expenditure[3]	**943**	**7,584**	**33,543**	**42,070**
Operating assets	**1,290,185**	**2,119,154**	**173,901**[2]	**3,583,240**
Operating liabilities	**1,205,205**	**1,417,473**	**–**	**2,622,678**
Non-current assets[4]	**53,248**	**190,441**	**44,063**	**287,752**

1 Segment operating loss is before fair value loss of the derivative component of convertible bonds HK$58,037,000 and interest on convertible bonds HK$6,839,000 and does not include research and development costs HK$110,384,000.

2 Segment assets do not include goodwill HK$146,856,000 and deferred tax assets HK$27,045,000.

3 Segment capital expenditure excludes additions of capitalised research and development cost HK$33,543,000.

4 Segment non-current assets for this purpose exclude capitalised research and development cost HK$44,063,000.

Interim Results

2. SEGMENT INFORMATION (continued)

Six months ended 30 June 2008

	Overseas *HK$'000*	China *HK$'000*	Adjustments & eliminations *HK$'000*	Consolidated *HK$'000*
Revenue				
External customers	2,094,079	245,968	–	2,340,047
Results				
Depreciation and amortisation	13,110	27,802	–	40,912
Segment profit/(loss)[1]	127,548	(11,397)	(99,414)	16,737
Assets				
Capital expenditure[4]	11,941	20,978	39,709	72,628
31 December 2008				
Operating assets	1,708,736	2,682,055	173,645[2]	4,564,436
Operating liabilities	1,316,577	2,040,998	142,058[3]	3,499,633
Non-current assets[5]	62,373	210,133	38,792	311,298

1 Segment operating profit is before fair value gain of the derivative component of convertible bonds HK$115,708,000 and interest on convertible bonds HK$20,161,000 and does not include research and development costs HK$99,414,000.

2 Segment assets do not include goodwill HK$146,856,000 and deferred tax assets HK$26,789,000.

3 Segment liabilities do not include convertible bonds HK$142,058,000.

4 Segment capital expenditure excludes additions of capitalised research and development cost HK$39,709,000.

5 Segment non-current assets for this purpose exclude capitalised research and development cost HK$38,792,000.

The largest customer accounted for approximately 12% of the total revenue for the six months ended 30 June 2009.

No customer accounted for 10% or more of the total revenue for the six month ended 30 June 2008.

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 consolidation.

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of mobile phones and related components	**1,327,474**	2,340,047
Other income and gains		
Interest income	**24,304**	13,496
Subsidy income	**7,951**	–
VAT refund#	**14,224**	17,205
Value-added services income	**1,921**	3,605
Exchange gain, net	**40,959**	40,339
Gain on disposal of items of property, plant and equipment	**685**	–
Gain on buyback of convertible bonds	**44,614**	–
Others	**2,277**	1,640
Other income and gains	**136,935**	76,285

During the six months ended 30 June 2009, JRD Communication (Shenzhen) Limited, being a designated software enterprise, was entitled to VAT refunds on the effective VAT rates in excess of 3% after the payment of statutory net output VAT of 17%.

Interim Results

4. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, and other loans wholly repayable within five years	**20,216**	5,162
Interest on discounted notes and factored trade receivables	**5,456**	11,661
Finance costs excluding interest on convertible bonds	**25,672**	16,823
Interest on convertible bonds*	**6,839**	20,161
Total finance costs	**32,511**	36,984

* According to HKAS 39 *Financial Instruments: Recognition and Measurement*, interest of convertible bonds is calculated based on effective interest rate. The effective interest rate of the convertible bonds is approximately 15% while the yield to maturity is 5.709%.

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**32,232**	38,532
Prepaid land lease recognised	**366**	366
Amortisation of computer software and intellectual property	**2,174**	2,380
Research and development costs:		
Deferred expenditure amortised	**28,272**	19,325
Current period expenditure	**82,112**	80,089
	110,384	99,414
Impairment loss/(write-back) of trade receivables	**(2,796)**	2,307
Write-back of other receivables	**(2,576)**	–
Gain on disposal of items of property, plant and equipment	**685**	–

6. TAX

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision:		
The PRC	**28**	33
Deferred:		
Mexico	**–**	580
Tax charge for the period	**28**	613

No Hong Kong profits tax has been provided (2008: 16.5%) since no assessable profits arose 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, was given 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. By the end of 2008, TCL Mobile obtained its high technology enterprise accreditation and hence was subject to a national income tax rate of 15% from 2008 to 2010.

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. 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% in 2007 and 25% from year 2008 onwards.

Interim Results

6. TAX (continued)

According to the Income Tax Law of the PRC on the newly established high technology software enterprises, JRD Communication (Shenzhen) Limited, 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% preferential tax treatment for the subsequent three years as being a newly established high technology software enterprise. JRD Communication (Shenzhen) Limited has taxable profit but exempt from corporate income tax in 2009 (2008: Nil).

Profits tax has been provided in the PRC as taxable income arose during the period.

In 2007, TCT Mobile SA DE CV (formerly known as T&A Mobile Phones S.A. de C.V Limited), a subsidiary of the Company in Mexico, was subject to tax on assets at a tax rate of 1.25% over its 2006 average specific assets balance. The business Flat Tax Law ("LIETU") went into effect on 1 January 2008. LIETU applies to the sale of goods, the provision of independent services and the granting of use or enjoyment of goods, less certain authorised deductions. LIETU payable is calculated by subtracting certain tax credits from the tax determined. Revenue, deductions and certain tax credits, are determined based on cash flows generated starting from 1 January 2008. The tax rate is 16.5% in 2008, 17% in 2009, and 17.5% in 2010. The assets tax law was repealed upon enactment of LIETU.

In 2008 and 2009, TCT Mobile-Telefones LTDA (formerly known as T&A Mobile Phones-Comercio de Telefones Ltda), a subsidiary of the Company in Brazil, is subject to a corporate income tax rate of 25% and a social contribution tax rate of 9% on the same taxable income (except for certain specific adjustments), according to Articles 220 and 221 of Income Tax Regulation in Brazil. No profit tax has been provided in Brazil as no taxable income arose during the period.

7. DIVIDEND

The Directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2009 (2008: 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	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	**(104,410)**	111,671

	Number of shares*	
	2009	2008
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**715,049,870**	708,583,562
Effect of dilution-weighted average number of ordinary shares:		
Assumed issuance upon the exercise of share options	**–**	3,123,805
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	**715,049,870**	711,707,367

* The number of ordinary shares has been adjusted as a result of the ten-to-one share consolidation effective on 23 January 2009.

The calculation of basic earnings/(loss) per share has included the impact on changes in fair value of the derivative component of convertible bonds.

For the six months ended 30 June 2009, the convertible bonds had no impact on the diluted earnings per share as the convertible bonds have been fully redeemed during the period.

Interim Results

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

The calculation of the diluted loss per share for the six months ended 30 June 2009 has taken into account the share options outstanding during the period. Since the exercise price of certain share options during the period was higher than the fair market value of the ordinary shares, the share options outstanding during the period had an anti-dilutive effect on the Company.

9. TRADE RECEIVABLES

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

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Within 3 months	**372,183**	643,608
From 4 to 12 months	**266,209**	195,604
Over 12 months	**22,416**	20,333
	660,808	859,545
Impairment loss of trade receivables	**(16,387)**	(22,726)
	644,421	836,819

10. CASH AND CASH EQUIVALENTS

At balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$321,654,000 (2008: HK$128,246,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Included in the Group's cash and bank balance are deposits of HK$14,245,000 (2008: HK$20,944,000) placed with TCL Finance, a financial institution approved by the People's Bank of China. The interest rate for these deposits was 0.36% – 1.17% (2008: 0.36% – 1.17%) per annum, being the saving rate offered by the People's Bank of China.

11. INTEREST BEARING BANK AND OTHER BORROWINGS

	30 June 2009		31 December 2008	
	Maturity (Year)	***HK$'000***	Maturity (Year)	*HK$'000* (Restated)
Current				
Finance lease payable	**2010**	**3,912**	2009	3,912
Loans from TCL Finance	**–**	**–**	2009	113,570
Bank borrowings				
Secured*	**2009-2010**	**960,059**	2009	1,749,018
		963,971		1,866,500
Non-current				
Finance lease payable	**2011**	**3,062**	2010-2011	5,268
		967,033		1,871,768

* The Group's secured borrowings are bank advances and are secured by the pledge of certain of the Group's time deposits or guaranteed by TCL Corporation.

12. TRADE AND NOTES PAYABLES

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

	30 June 2009 (Unaudited) ***HK$'000***	31 December 2008 (Audited) *HK$'000*
Within 6 months	**445,997**	377,280
From 7 to 12 months	**14,204**	211,484
More than 1 year	**8,318**	1,890
	468,519	590,654

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

No trade and notes payables are secured by the pledged deposits.

Interim Results

13. CONVERTIBLE BONDS

On 2 April 2007 and 1 June 2007, the Company issued zero coupon convertible bonds with an aggregate principal amount of US$27 million and US$18 million respectively (the "Convertible Bonds"). The five-year Convertible Bonds were issued with a conversion price of HK$0.3275 per share and will mature on 2 April 2012. The yield to maturity is 5.709%. The conversion price of the Convertible Bonds has been adjusted from HK$0.3275 per share to HK$0.32 per share with effect from 2 April 2008 in accordance with the terms and conditions of the Convertible Bonds. Furthermore, on 23 January 2009, as approved by the shareholders of the Company, every ten issued and unissued ordinary shares with par value HK$0.1 each in the share capital of the Company were consolidated into one ordinary share of par value HK$1.0 ("Share Consolidation"). Accordingly, the conversion price of the Convertible Bonds was adjusted to HK$3.2 per share.

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price was further adjusted to HK$1.84 per share with effect from 2 April 2009.

Due to several terms in the Convertible Bonds (including price reset, cash settlement option, and the functional currency of the Company being HK$ while the conversion of the Convertible Bonds being 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 32, *Financial Instruments: Disclosure and Presentation* and 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 statement of financial position with any change 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 the 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 related to the liability component and the carrying amounts of liability components is recognised in the income statement.

13. CONVERTIBLE BONDS (continued)

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 judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The valuation model requires the input of subjective assumptions, such as the volatility of the 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. The Convertible Bonds have been fully bought back on 15 May 2009, the fair value of the derivative component of the Convertible Bonds was calculated using the Black-Scholes model.

Any change 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 1 January 2009 to 30 June 2009 resulted in a fair value loss of approximately HK$58 million, which has been recorded as "Changes in fair value of derivative component of convertible bonds" in the income statement for the six months ended 30 June 2009.

The carrying values of the derivative component and liability component of the Convertible Bonds as at 30 June 2009 are as follows:

	Liability component	**Derivative Component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2009	108,725	33,333	142,058
Change in fair value of the derivative component of convertible bonds	–	58,037	58,037
Interest expense	6,839	–	6,839
Amortised issue expense of convertible bonds	376	–	376
Buyback during the period	(115,940)	(91,370)	(207,310)
As at 30 June 2009	–	–	–

Conversion of US$500,000 of the Convertible Bonds has occurred up to 30 June 2009.

Interim Results

13. CONVERTIBLE BONDS (continued)

The Company accepted the offers from the bondholders and fully bought back the Convertible Bonds during 2008 and for the six months ended 30 June 2009. On 25 September 2008, the Company bought back Convertible Bonds with a principal amount of US$13,000,000 at a redemption price of US$11,295,000. US$6,960,000 of the redemption price was paid on 1 October 2008 whilst US$4,335,000 of the redemption price was paid on 2 October 2008. On 10 October 2008, the Company bought back Convertible Bonds with a principal amount of US$3,500,000 at a redemption price of US$2,984,000. The payment was made on 15 October 2008. On 29 December 2008, the Company bought back Convertible Bonds with a principal amount of US$6,000,000 at a redemption price of US$4,155,000. The payment was made on 2 January 2009. On 16 February 2009, the Company bought back Convertible Bonds with a principal amount of US$6,547,000 at a redemption price of US$4,910,000. The payment was made on 19 February 2009. On 7 April 2009, the Company bought back Convertible Bonds with a principal amount of US$453,000 at a redemption price of US$339,750. The payment was made on 8 April 2009. On 15 May 2009, the Company bought back Convertible Bonds with a principal amount of US$15,000,000 at a redemption price of US$15,600,000. The payment was made on 19 May 2009.

The buybacks were financed by internal funding and the directors consider that the buybacks of Convertible Bonds provide good opportunities for the Company and its subsidiaries to reduce its liabilities and interest payment obligations and to improve its financial position.

As a result of the buybacks and conversion, there was no outstanding principal amount of the Convertible Bonds as at 30 June 2009.

14. SHARE CONSOLIDATION

Pursuant to the Share Consolidation effective on 23 January 2009, every 10 issued and unissued shares of HK$0.10 each have been consolidated into one consolidated share ("Consolidated Share") of HK$1.00 each and authorised ordinary share capital of the Company has become HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares, of which 715,049,870 Consolidated Shares were in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares rank pari passu in all respects with each other in accordance with the articles of association of the Company.

As a result of the Share Consolidation, the conversion price of the Convertible Bonds was adjusted from HK$0.32 per share to HK$3.2 per Share with effect from 23 January 2009.

14. SHARE CONSOLIDATION (continued)

In accordance with the rules of the share option scheme adopted by the Group and the supplementary guidance issued by the Stock Exchange of Hong Kong Limited ("Stock Exchange"), adjustments were made to the exercise price and the number of shares falling to be allotted and issued in respect of the share options, which took effect on 23 January 2009.

15. 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 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, equals to 29,688,750 shares after the Share Consolidation). 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.

Interim Results

15. SHARE OPTION SCHEME (continued)

As a result of the Share Consolidation, adjustments were made to the exercise price and the number of shares falling to be allotted and issued in respect of the share options in accordance with the rules of the share option scheme adopted by the Company and the supplementary guidance issued by the Stock Exchange, which took effect on 23 January 2009.

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 64,517,504 share options outstanding under the share option scheme. Further details of the share option scheme are set out in Other Information.

16. SHARE AWARD SCHEME

Share Award Scheme A

On 3 July 2007, the Board approved a share award scheme ("Share Award Scheme A") pursuant to which shares of the Company may be awarded to employees of a member of the Group with vesting period as follows: One-third of the shares of the Company awarded under the Share Award Scheme A is vested after the expiry of 9 months from the date of award, a further one-third vested after the expiry of 18 months from the date of award, and the remaining one-third vested after the expiry of 27 months from the date of award, providing that the awardees remain employed by the Group.

Pursuant to the rules of the Share Award Scheme A, the Group has set up a trust, for the purposes of administering the Share Award Scheme A and holding the shares of the Company thereunder before they are vested. Specifically when a fixed number of the Group's shares are to be awarded to eligible employees, the trustee is to purchase from the market out of cash contributed by the Group for such shares of the Company awarded.

On 24 September 2007, 72,500,000 Awarded Shares were awarded to a number of employees which would be transferred to the employees at nil consideration upon vesting between 3 April 2008 and 3 October 2009. The trustee purchased in aggregate 72,500,000 shares of the Company at a total cost (including related transaction costs) of approximately HK$21,092,000 during the period from 27 September 2007 to 31 December 2008.

16. SHARE AWARD SCHEME (continued)

Share Award Scheme B

On 11 March 2008, the Board resolved to adopt another restricted share award scheme B ("Share Award Scheme B") as an incentive to retain and encourage the employees for the continual operation and development of the Group, pursuant to which existing shares will be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Share Award Scheme B. The Board further resolved to award 120 million shares to about 100 selected employees to recognise their contribution to the Group and as an incentive for retaining them. On 24 December 2008, the Board approved the grant of 27,100,000 and 15,000,000 shares of the Company to be awarded under the Share Award Scheme B, and the shares of the Company were awarded to a number of employees on 25 December 2008 and 3 January 2009 respectively, which would be transferred to the employees by the trustee at nil consideration upon vesting between 3 October 2009 and 3 April 2011.

During 2008, the trustee purchased 105,898,000 shares at a total cost (including related transaction costs) of approximately HK$33,469,000.

During the period under review, the trustee transferred 19,506,666 shares to the awardees upon vesting of those shares awarded under the Share Award Scheme B. The total cost of the related vested shares was HK$5,675,000.

As a result of the Share Consolidation, adjustments were made to the number of shares awarded under the relevant Share Award Scheme which would be transferred to the employees at nil consideration upon vesting in accordance with the rules of the Share Award Scheme A and Share Award Scheme B respectively adopted by the Group, and adjustments were also made to the fair value per share on the date of the grant, which took effect on 23 January 2009.

Interim Results

16. SHARE AWARD SCHEME (continued)

The movements in the number of shares of the Company and their related average fair value were as follows:

Share Award Scheme A

	30 June 2009 Number of Shares
Outstanding at 1 January	39,013,332
Vested on 3 January	(19,506,666)
As adjusted after Share Consolidation	(17,556,000)
Outstanding at 23 January	1,950,666
Lapsed	(293,997)
Outstanding at 30 June	1,656,669

The remaining vesting period of the shares of the Company outstanding as at 30 June 2009 is as follows:

	30 June 2009	
	Remaining vesting period (both dates inclusive)	Number of Shares
Fair value HK$2.37 per share	1 July 2009 to 3 October 2009	1,656,669

16. SHARE AWARD SCHEME (continued)

Share Award Scheme B

	30 June 2009 Number of Shares
For the Shares Granted on 25 December 2008	
Outstanding at 1 January	27,100,000
As adjusted after Share Consolidation	(24,390,000)
Outstanding at 23 January	2,710,000
Lapsed	(90,000)
Outstanding at 30 June	2,620,000

	30 June 2009 Number of Shares
For the Shares Granted on 3 January 2009	
Granted at 3 January	15,000,000
As adjusted after Share Consolidation	(13,500,000)
Outstanding at 23 January	1,500,000
Lapsed	–
Outstanding at 30 June	1,500,000

Interim Results

16. SHARE AWARD SCHEME (continued)

Share Award Scheme B (continued)

The remaining vesting period of the shares of the Company outstanding as at 30 June 2009 is as follows:

	30 June 2009	
	Remaining vesting period (both dates inclusive)	**Number of Shares**
For the Shares Granted on 25 December 2008		
Fair value HK$0.70 per share	1 July 2009 to 25 December 2009	2,620,000
For the Shares Granted on 3 January 2009		
Fair value HK$0.72 per share	1 July 2009 to 3 October 2009	1,500,000

17. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

18. CAPITAL COMMITMENTS

As at 30 June 2009, the Group had no significant capital commitments contracted, but not provided for (31 December 2008: Nil).

19. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Transactions with the ultimate controlling shareholder		
Brand name management fee/TCL Brand Common Fund	**523**	4,520
Interest expenses	**777**	284
Short-term loan obtained	**2,740,893**	7,713,749
Purchase of raw materials*	**237,892**	188,213
Transactions with fellow subsidiaries		
Purchases of raw materials*	**38,842**	67,898
Short-term loan obtained	**–**	277,650
Interest expenses	**1,773**	2,497
Rental income	**153**	199
Rental charges	**2,494**	1,168
Provision of TD-SCDMA technology	**1,502**	888
Supply of raw materials	**3,968**	117,581
Purchase of products	**3,836**	66,463
Transactions with a jointly controlled entity		
Sales of products	**1,449**	3,635

* The purchases of raw materials with subsidiaries of the ultimate controlling shareholder were made according to prices mutually agreed between two parties.

Interim Results

19. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

Particulars of the outstanding balances with related companies disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

	Due from related companies		Due to related companies	
	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*	**30 June 2009 (Unaudited) *HK$'000***	31 December 2008 (Audited) *HK$'000* (Restated)
Ultimate controlling shareholder	**11,342**	11,357	**537,980**	6,585
Fellow subsidiaries	**4,443**	6,019	**28,926**	44,805
Jointly controlled entity	**93**	–	**–**	414
	15,878	17,376	**566,906**	51,804

Balances due to TCL Corporation, the ultimate controlling shareholder bear interest at floating rates. The other balances with related companies are mainly trading balances, and are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Short term employee benefits	**7,811**	11,379
Post-employment benefits	**59**	39
Equity-settled share based payment expense	**1,768**	2,791
Total compensation paid to key management personnel	**9,638**	14,209

20. COMPARATIVE AMOUNTS

During the reporting period, certain comparative amounts have been adjusted to conform with the current period's presentation.

21. APPROVAL OF THE INTERIM FINANCIAL REPORT

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 18 August 2009.

Management Discussion and Analysis

INDUSTRY OVERVIEW

Global demand for mobile handsets remained in the doldrums in the first half of 2009 as market sentiment remained subdued. Handset shipments slid due to the economic downturn which caused dampened consumers' desire to replace their existing handsets and that retailers were striving to clear out their inventories. Nevertheless, sales performance in the second quarter mildly improved following stabilization in the global economy as compared to the previous quarter.

The operating environment in Latin America and Europe was very challenging in the first half of 2009 while the economic crisis continued to take a bite out of consumers' spending. On the other hand, sales performance in the emerging markets, in particular China, remained buoyant.

Following the grant of 3G licenses by the Chinese Government, relevant 3G services have been launched gradually and drove the sustained growth of mobile industry in China.

BUSINESS REVIEW

In the first half of this year, the Group successfully completed its business restructuring. While maintaining the mature business in low end market, the Group has begun its trial to penetrate into mid to high-end markets. The rapid development of 3G technology significantly enlarges the bandwidth of wireless communications and supports more diverse software applications at a faster speed. To cater for ever-increasing market competition and the start of the 3G era, it has established a "3G + 4C" approach as guidance for its future business development.

The "3G + 4C" approach means the Group will leverage on its technological know-how in 3G communications to provide comprehensive integrated services to customers including Communication, Computer, Consumer Electronics and Content (4G services). This business model will generate continuous cash flow to the Group, as contrasted to the one-off cash flow from the mere provision of handsets and sales of accessories.

In preparation for the change in business strategy, the Group strengthened its product research and development as well as product design, with a number of new models to be launched in the second half of 2009.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Sales of the Group in the first half of 2009 were adversely affected leading to a decrease over the same period of last year, which is in line with the market due to the economic crisis. During the period under review, a total of 5.1 million units of handsets and accessories were sold in the first half of 2009, representing a decrease of 25% over the corresponding period in 2008.

Although the overall business environment in the first half of 2009 still remained difficult, the Group's operating performance showed significant improvement in the second quarter over the previous quarter. A total of 2.8 million units were sold in the second quarter of 2009, representing a significant increase of 22% over 2.3 million units in the first quarter. In particular, the single monthly sales volume in June 2009 reached 1.02 million units, representing a remarkable increase of 35% over the previous month, giving a salient sign of business recovery of the Group.

The significant improvement in the Group's operation performance and sales was primarily attributable to the Group's prompt response to the changes in market demand and the stabilization of the global economy. To strengthen its competitiveness, profitability and cost saving efficiency, the Group successfully applied a series of effective measures to improve the its operating condition, such as successful strategies of cost-down measures, the buyback of Convertible Bonds, and the high level cash maintenance strategy, so as to improve the health financial position and operation of the Group.

Overseas sales volume amounted to 3.96 million in the first half of 2009, decreasing by 35% from the same period last year. The decline in overseas sales was mainly due to sluggish demand resulting from the economic recession. However, the overseas sales volume in the second quarter of this year showed a sign of recovery with an increase of 22% over the previous quarter.

Sales volume in China reached 1.1 million units in the first half of 2009, representing a remarkable increase of 75% over the same period of last year. To face the fierce competition in the market, the Group was actively preparing for major product launches in the second half of 2009.

Sales volume breakdown by location:

	Handsets and Accessories Unit Sales For the six months ended 30 June		
('000 units)	**2009**	2008	**Change (%)**
Overseas	**3,955**	6,086	**–35%**
The PRC	**1,103**	630	**75%**
Total	**5,058**	6,716	**–25%**

Management Discussion and Analysis

EUROPE, MIDDLE EAST AND AFRICA ("EMEA")

Shipments in the markets in Europe, the Middle East and Africa ("EMEA") totaled 2.2 million units for the period under review, representing a 15% decrease over the same period last year. The decrease was primarily attributable to lesser sales volume in Africa in the second quarter of 2009. Meanwhile, sales in most of the European countries staged a steady growth.

Average selling prices of the products within the region were flat in the first half this year. While entry-level products such as the U81 series squeezed profit margins, the successful introduction of new low-end products such as the U91 series compensated for the lost margin.

During the period under review, the Group successfully re-entered the markets in Russia and Turkey. In the light of stabilization in the European economy, the Group is planning to expand its business development in the markets in Belgium, Switzerland and Ireland.

LATIN AMERICA ("LATAM")

In the first half of 2009, a total of 1.59 million units were sold in Latin America ("LATAM"), representing a decline of 49% from the same period last year. Weak consumer sentiment resulting from the economic recession was the dominant factor causing lower sales volume in the region.

Average selling prices in the region were slightly lower in the second quarter of 2009 than those in the first quarter, as the majority of products sold in the region were low-end products and the product life cycle of some products approached to a saturation stage. However, the status is expected to be better with the launch of mid to high-end products including the OT-800 ("Jade") and OT-708 ("Mini") series. in the second half of 2009.

THE PRC

During the period under review, sales volume in China increased by 75% year-on-year to 1.1 million units. Due to the emphasized effort on clearing out inventories, the average selling prices in the first half of 2009 slightly went down when compared with the corresponding period of last year.

The Group is well prepared for the coming of the 3G era in China, and will further strengthen the cooperation with the major operators in China.

Besides, the Group also actively bid under the government's "Household Appliance Subsidy Scheme in Rural Areas" to propel sales growth in rural areas. A total of 13 products of the Group won the bid in the first half of 2009.

OTHER MARKETS

Though the economic crisis had significant impact on the global handset sales, the Group's CDMA handsets sales for the period under review roughly maintained the same level as those for the corresponding period of last year. As low-end products contributed a significant portion to total sales, the average selling prices of CDMA handsets slid by 10% year-on-year in the first half of 2009.

During the period under review, the Group successfully penetrated into the Indonesian and Fiji market. Moreover, it has successfully gained a foothold in Thailand, Taiwan, Angola and Indonesia by partnering with key players in these regions. Taking into account the stabilizing global economy, the management believes CDMA sales are likely to improve in the second half of 2009.

Moreover, during the period under review, the Group has explored the market in the USA and Australia.

PRODUCT DEVELOPMENT

In the first half of 2009, the Group launched a series of Alcatel brand products to further diversify its product mix. Four voice-oriented models introduced in the first quarter, being, the OT-102, OT-103, OT-111 and OT-208 series, were developed under the existing technological platform of the Group and therefore their development cost was relatively low.

During the second quarter of 2009, series of products were launched to address the needs of customers from low to high-end markets. They included five ultra low cost handsets (OT-202, OT-203, OT-303, OT-360A and OT-363 series), two camera handsets (OT-600 and OT-660 series) and a mobile Internet device ("MID") product, i.e. OT-800 ("Jade"). The OT-800 ("Jade") series were the first mobile phones with concentrated Qwerty keypad designed for teenagers to access the Internet and messaging functions and were well received by key operators around the world. Meanwhile, the OT-203 series were popular in the emerging markets, and the OT-708 ("One Touch Mini") series with touch screen feature also received favorable response from the markets.

In addition, the Group launched three data cards in the second quarter of 2009, i.e., the 3G HSDPA USB dongle, the EVDO Rev A USB dongle and the 3G WIFI router. The 3G WIFI router, developed and designed by the Group based on customers' feedback, is a truly plug-and-play router which enables users to set up an instant wireless network to share a 3G connection. Therefore, it has received a positive response from the users after its launch to the market. Moreover, the 3G HSDPA USB dongle launched by the Group prevailed among cost sensitive customers while the launch of the EVDO Rev A USB dongle was well received in China, North Africa and the Asia Pacific.

Management Discussion and Analysis

OUTLOOK

As economic stimulus packages introduced in various parts of the world are taking effect, the global economy is expected to pick up gradually in the second half this year. Besides, the recent market data indicates that the handset industry has stabilized after the downturn starting from the third quarter last year.

The Group believes that the European and American market will recover gradually while the Asia Pacific market will remain the key driver for the growth in the handset industry. With a favorable economic environment and a rapid transformation of its telecommunication sector, China's handset industry will continue to expand at a healthy pace. The management believes that the Group's sales performance will gradually improve in the second half of this year.

To grasp the market opportunities arising from the burgeoning 3G sector, the Group will continue to push ahead with our "3G + 4C" business model and strengthen its efforts in product innovation and design. The Group's product research team has mastered 3G technology platforms and started to design more competitive products to be sold at competitive prices.

In addition, a mobile Internet device ("MID") product and three ultra low cost products under the Alcatel brand will be launched in second half which will help increase the overall sales volume of the Group this year.

Looking ahead, the management believes the second half of 2009 will be still be full of present challenges. However, as global economy appears to stabilize, the management is confident of meeting sales targets for the year.

FINANCIAL REVIEW

Results

For the six months ended 30 June 2009, the Group's unaudited consolidated revenue amounted to HK$1,327 million (same period in 2008: HK$2,340 million), representing a year-on-year decrease of 43% as compared to the same period last year.

The Group's gross profit margin dropped to 15% from 19% in the same period last year, because of the slump of global demand and general declining product prices.

LBITDA before effect of convertible bonds and loss attributable to equity holders of the parent were HK$4 million and HK$104 million respectively (same period in 2008: EBITDA before effect of convertible bonds and profit attributable to equity holders of the parent were HK$61 million and HK$112 million respectively). Loss before the effect of convertible bond[1] is HK$39 million. Basic loss per share was HK14.60 cents (same period in 2008(restated): basic earnings per share were HK15.76 cents).

Inventory

The Group's inventory (only included finished goods) turnover period was 21 days (same period in 2008: 24 days).

Trade Receivables

Credit period was 60-90 days on average and the trade receivables (including trade receivables and factored trade receivables) turnover was 72 days (same period in 2008 (restated): 73 days).

Significant Investments and Acquisitions

There was no significant investment and acquisition for the six months ended 30 June 2009.

Fund Raising

There was no fund raising for the six months ended 30 June 2009.

Liquidity and Financial Resources

The Group maintained a healthy liquidity position during the period under review. The Group's principal financial instruments comprise cash and cash equivalents, interest bearing bank and other borrowings and bank advances on factored trade receivables. The cash and cash equivalents balance as at 30 June 2009 amounted to HK$628 million, of which 51% were in Renminbi, 32% in United States dollars, 11% in Euro and 6% in Hong Kong dollars & other currencies. The Group's total interest-bearing borrowings as at 30 June 2009 were HK$1,003 million, in which the interest bearing bank and other borrowings were HK$964 million (which included those interest-bearing borrowing for RMB foreign exchange program amounting to HK$689 million) and bank advances on factored trade receivables were about HK$39 million. The Group's financial position remained healthy during the period under review, with total assets of HK$3,583 million. The Group had a gearing ratio of 28% at the end of the period under review (31 December 2008 (restated): 47%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets. Excluding the interest-bearing borrowing for RMB foreign exchange program, the gearing ratio was 13% (31 December 2008 (restated): 20%).

Note 1: The effects of convertible bonds included the changes in fair value of the derivative component of convertible bonds and interest.

Management Discussion and Analysis

Pledge of Deposits

Deposit balance of approximately HK$1,100 million (31 December 2008: HK$1,670 million) represented the pledged deposit for certain RMB foreign exchange program of approximately HK$1,076 million and retention guarantee for factored trade receivables of approximately HK$24 million.

Capital Commitment and Contingent Liabilities

As at 30 June 2009, the Group had no significant capital commitments which were contracted, but not provided for (31 December 2008: Nil).

The Group had no contingent liabilities for the six months ended 30 June 2009.

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. In line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employees and Remuneration Policy

The Group had approximately 3,700 employees as at 30 June 2009. Total staff costs for the period under review were approximately HK$195 million. The remuneration policy was reviewed in accordance with current legislations, 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

As at 30 June 2009, 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 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	Interest in shares held	Approximate percentage of the Company's issued share capital	Notes
Mr. LI Dongsheng	Beneficial owner	15,464,080	2.16%	
Mr. YANG Charles Xinping	Beneficial owner	1,500,000	0.21%	1
Mr. WONG Toe Yeung	Interest of spouse/ Interest held jointly with another person/ Beneficial owner	56,571,500	7.91%	2
Mr. YU Enjun	Beneficial owner	69,600	0.01%	
Mr. BO Lianming	Beneficial owner	43,800	0.01%	

Notes:

1. The said shares held by Mr. YANG Charles Xinping are restricted shares of the Company awarded on 3 January 2009 under the Share Award Scheme of the Group.

2. Mr. WONG Toe Yeung was deemed to be interested in 54,895,300 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. For the remaining 1,676,200 shares of the Company, Mr. WONG Toe Yeung and his spouse, Ms. LEUNG Lai Bing, are jointly the beneficial owners.

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								Date of grant	Exercise period (both dates inclusive) *(Notes 2, 3, 4 and 5)*	Exercise price *(HK$)* *(Note 6)*	Closing price immediately before the Date of Grant *(HK$)* *(Note 7)*
	At 1 January 2009	Share Consolidation Adjustment *(Note 6)*	At 23 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified	At 30 June 2009				
Directors												
Mr. LI Dongsheng	5,454,550	(4,909,096)	545,454	–	–	–	–	545,454	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	5,000,000	(4,500,000)	500,000	–	–	–	–	500,000	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	5,000,000	(4,499,999)	500,001	–	–	–	–	500,001	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	11,057,499	(9,951,750)	1,105,749	–	–	–	–	1,105,749	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
	26,512,049	(23,860,845)	2,651,204	–	–	–	–	2,651,204				
Mr. LIU Fei *(Note 1)*	1,745,456	(1,570,913)	174,543	–	–	–	(174,543)	–	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	7,900,000	(7,109,998)	790,002	–	–	–	(790,002)	–	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	15,500,000	(13,949,998)	1,550,002	–	–	–	(1,550,002)	–	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	22,114,998	(19,903,500)	2,211,498	–	–	–	(2,211,498)	–	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
	47,260,454	(42,534,409)	4,726,045	–	–	–	(4,726,045)	–				
Mr. YU Enjun	1,036,365	(932,730)	103,635	–	–	–	–	103,635	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	8,550,000	(7,694,997)	855,003	–	–	–	–	855,003	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	5,500,000	(4,950,000)	550,000	–	–	–	–	550,000	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	11,258,544	(10,132,692)	1,125,852	–	–	–	–	1,125,852	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
	26,344,909	(23,710,419)	2,634,490	–	–	–	–	2,634,490				
Mr. BO Lianming	818,183	(736,367)	81,816	–	–	–	–	81,816	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	5,629,300	(5,066,368)	562,932	–	–	–	–	562,932	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
	6,447,483	(5,802,735)	644,748	–	–	–	–	644,748				

(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 1 January 2009	Share Consolidation Adjustment *(Note 6)*	At 23 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified	At 30 June 2009	Date of grant	Exercise period (both dates inclusive) *(Notes 2, 3, 4 and 5)*	Exercise price *(HK$)* *(Note 6)*	Closing price immediately before the Date of Grant *(HK$)* *(Note 7)*
Mr. HUANG Xubin	654,546	(589,092)	65,454	–	–	–	–	65,454	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	800,000	(719,998)	80,002	–	–	–	–	80,002	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	2,735,000	(2,461,502)	273,498	–	–	–	–	273,498	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
	4,189,546	(3,770,592)	418,954	–	–	–	–	418,954				
Mr. LAU Siu Ki	327,273	(294,546)	32,727	–	–	–	–	32,727	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	800,000	(720,000)	80,000	–	–	–	–	80,000	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	1,127,273	(1,014,546)	112,727	–	–	–	–	112,727				
Mr. SHI Cuiming	327,273	(294,546)	32,727	–	–	–	–	32,727	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	800,000	(720,000)	80,000	–	–	–	–	80,000	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	1,127,273	(1,014,546)	112,727	–	–	–	–	112,727				
Mr. WONG Toe Yeung	5,454,550	(4,909,096)	545,454	–	–	–	–	545,454	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	5,000,000	(4,500,000)	500,000	–	–	–	–	500,000	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	5,000,000	(4,499,999)	500,001	–	–	–	–	500,001	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	11,057,499	(9,951,750)	1,105,749	–	–	–	–	1,105,749	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
	26,512,049	(23,860,845)	2,651,204	–	–	–	–	2,651,204				
Sub-Total	139,521,036	(125,568,937)	13,952,099	–	–	–	(4,726,045)	9,226,054				

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	At 1 January 2009	Share Consolidation Adjustment (Note 6)	At 23 January 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Re-classified	At 30 June 2009	Date of grant	Exercise period (both dates inclusive) (Notes 2, 3, 4 and 5)	Exercise price (HK$) (Note 6)	Closing price immediately before the Date of Grant (HK$) (Note 7)
	Number of share options											
Employees	21,190,929	(19,071,912)	2,119,017	–	–	(262,902)	–	1,856,115	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	66,155,000	(59,539,500)	6,615,500	–	–	(1,070,000)	–	5,545,500	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	123,668,000	(111,301,200)	12,366,800	–	–	(1,768,000)	–	10,598,800	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	230,501,538	(207,451,391)	23,050,147	–	–	(2,599,810)	–	20,450,337	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
Sub-Total	441,515,467	(397,364,003)	44,151,464	–	–	(5,700,712)	–	38,450,752				
Those who have contributed or may contribute to the Group	35,620,213	(32,058,296)	3,561,917	–	–	(92,173)	174,543	3,644,287	31 May, 2005	1 March 2006 to 30 May 2010	3.804	4.1
	16,764,000	(15,087,600)	1,676,400	–	–	(228,000)	790,002	2,238,402	16 January, 2006	17 July 2006 to 15 January 2011	2.108	2.2
	11,250,000	(10,125,000)	1,125,000	–	–	–	1,550,002	2,675,002	30 June, 2006	1 April 2007 to 30 June 2011	2.32	2.28
	61,159,950	(55,043,956)	6,115,994	–	–	(44,485)	2,211,498	8,283,007	5 July, 2007	5 April 2008 to 4 July 2012	3.1	3.1
Sub-Total	124,794,163	(112,314,852)	12,479,311	–	–	(364,658)	4,726,045	16,840,698				
Total	705,830,666	(635,247,792)	70,582,874	–	–	(6,065,370)	–	64,517,504				

Notes:

1. Mr. LIU Fei retired as an executive Director of the Company on 12 May 2009. The share options of Mr. LIU Fei under the share option scheme were re-classified under "Those who have contributed or may contribute to the Group".

2. 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 May 2010. 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.

(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)

Notes: (continued)

3. 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 2011. 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.

4. 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 30 June 2011. 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.

5. The share options granted on 5 July 2007 are exercisable from the commencement of the exercise period until the expiry of the share options which is on 4 July 2012. 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.

6. As a result of the ten-to-one Share Consolidation effective on 23 January 2009, adjustments were made on the same day to the exercise price and the number of shares falling to be allotted and issued in respect of the share options in accordance with the rules of the share option scheme adopted by the Company and the supplementary guidance issued by the Stock Exchange.

7. The respective closing price immediately before the Date of Grant was adjusted as a result of the Share Consolidation.

Other Information

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

Name of Director	Name of associated corporation	Type of interest	Interest in shares held	Approximate percentage of the relevant associated corporation's issued share capital	Notes
Mr. LI Dongsheng	TCL Corp	Beneficial owner	160,662,400	5.47%	1
Mr. LI Dongsheng	TCL Multimedia	Beneficial owner	29,225,731	2.86%	2
Mr. WONG Toe Yeung	TCL Multimedia	Beneficial owner	5,234,472	0.51%	2
Mr. BO Lianming	TCL Corp	Beneficial owner	713,192	0.02%	1
Mr. BO Lianming	TCL Multimedia	Beneficial owner	517,807	0.05%	2

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 with its shares listed on the Stock Exchange, controlled by TCL Corp, and is a subsidiary of TCL Corp.

(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. LI Dongsheng	TCL Multimedia	Beneficial owner	3,194,757	0.31%
Mr. BO Lianming	TCL Multimedia	Beneficial owner	419,533	0.04%
Mr. HUANG Xubin	TCL Multimedia	Beneficial owner	295,229	0.03%

Save as disclosed above, as at 30 June 2009, 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 2009, 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 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	332,097,696	46.44%	1
Ms. LEUNG Lai Bing	Beneficial owner/ Interest of spouse/ Interest held jointly with another person	59,222,704	8.28%	2
The MAG Foundation	Other	54,895,300	7.68%	2
Norrell Overseas Invest Ltd.	Beneficial owner	54,895,300	7.68%	2

Notes:

1. Under the SFO, TCL Corp was deemed to be interested in 332,097,696 shares of the Company held by T.C.L. Industries Holdings (H.K.) Limited, a direct wholly-owned subsidiary of TCL Corp.

2. Ms. LEUNG Lai Bing is deemed to be interested in (a) 56,571,500 shares of the Company among which 54,895,300 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, and 1,676,200 shares which are jointly held by Ms. LEUNG Lai Bing and her spouse, Mr. WONG Toe Yeung; and (b) 2,651,204 share options of the Company held by her spouse, Mr. WONG Toe Yeung.

Save as disclosed above, as at 30 June 2009, no person, 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 2009, 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 Mr. LAU Siu Ki (Chairman) and Mr. SHI Cuiming, independent non-executive Directors, and Mr. BO Lianming, a non-executive Director.

Other Information

CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of the Directors have been changed in the following respects which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Ms. XU Fang was appointed as an executive Director of TCL Multimedia and a member of the remuneration committee thereof effective from 24 July 2009 and 3 August 2009 respectively;

2. Mr. HUANG Xubin was appointed as a member of the audit committee of TCL Multimedia effective from 3 August 2009;

3. Mr. LIU Chung Laung was appointed as an independent non-executive Director of Powerchip Semiconductor Corp. (a company with its shares listed on the Taiwan GreTai Securities Market and the Luxembourg Stock Exchange) effective from 26 June 2009. He was no longer an independent non-executive Director of Macronix International Co., Ltd. ("Macronix", a company with its shares listed on the Taiwan Stock Exchange) but was nominated by Hui Ying Investment, Ltd., a corporate director of Macronix, to sit on the board of Macronix; and

4. Mr. LAU Siu Ki was appointed with effect from 23 March 2009 as an independent non-executive Director of a company now known as Binhai Investment Company Limited (previously known as Wah Sang Gas Holdings Limited and with its shares listed on the Stock Exchange).

On behalf of the Board
Li Dongsheng
Chairman

Hong Kong
18 August 2009