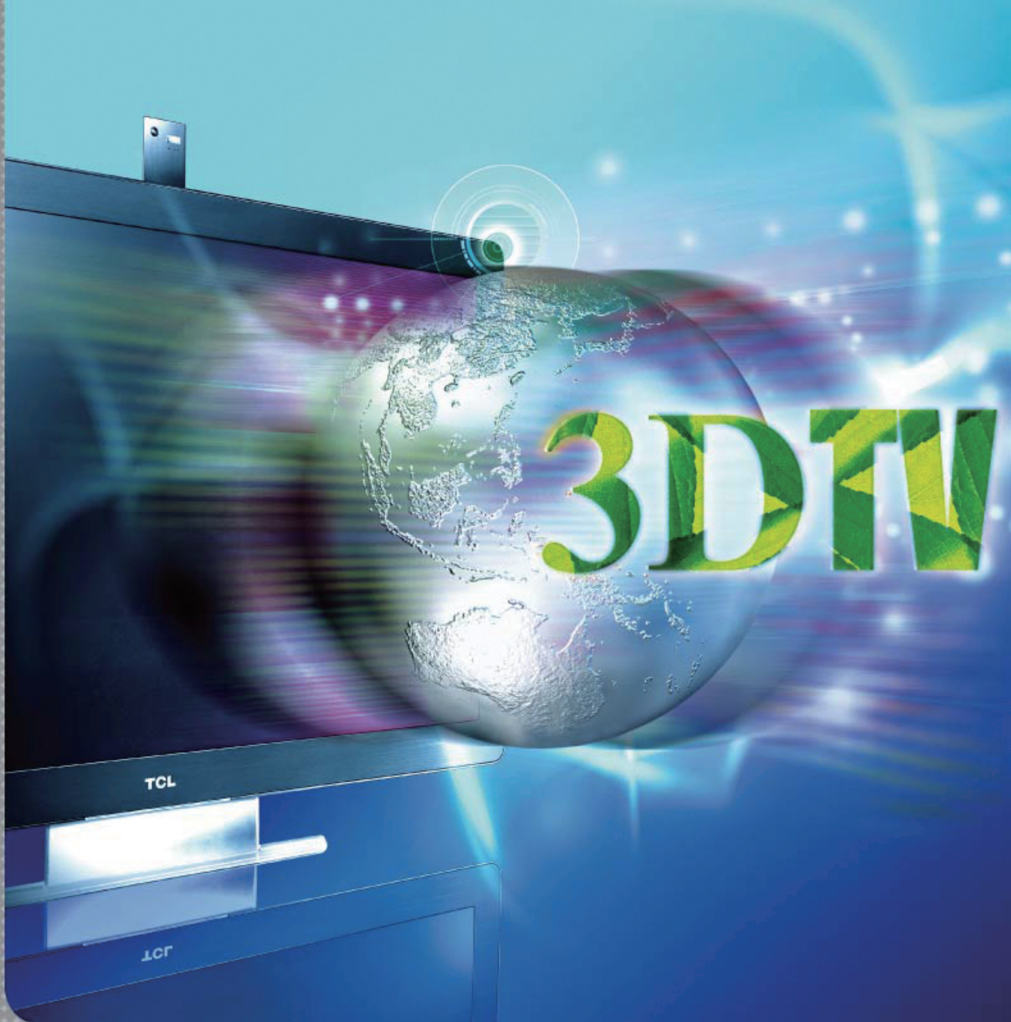


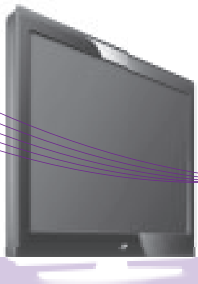
Interim Report 2009

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

创意感动生活
The Creative Life

The official partner of 2010 Guangzhou Asian Games



Interim Report 2009

TCL Multimedia Technology Holdings Limited

Contents

BOARD OF DIRECTORS

Chairman

Mr. LI Dongsheng

Executive Directors

Mr. LEONG Yue Wing (Chief executive officer)
Mr. YU Guanghui (appointed as an executive director and the president effective from 17 February 2009 and 15 July 2009, respectively)
Mr. SHI Wanwen
Mr. HUANG Xubin (appointment effective from 1 January 2009)
Ms. XU Fang (appointment effective from 24 July 2009)
Mr. YUAN Bing (resigned on 1 January 2009)
Ms. LU Zhongli (resigned on 17 February 2009)
Mr. WANG Kangping (resigned on 24 July 2009)

Non-Executive Director

Mr. Albert Thomas DA ROSA, Junior

Independent Non-Executive Directors

Mr. TANG Guliang
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISOR

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

PRINCIPAL REGISTRAR

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

BRANCH REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL OFFICE

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8 Tai Chung Road
Tsuen Wan
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

INVESTOR AND MEDIA RELATIONS

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

The Board of Directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009 with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June		Three months ended 30 June	
		2009	2008	**2009**	2008
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**11,391,350**	11,715,958	**6,377,040**	6,215,612
Cost of sales		**(9,307,924)**	(9,852,567)	**(5,203,946)**	(5,367,672)
Gross profit		**2,083,426**	1,863,391	**1,173,094**	847,940
Other revenue and gains	5	**137,450**	134,598	**99,851**	84,485
Selling and distribution costs		**(1,401,211)**	(1,313,807)	**(801,343)**	(569,667)
Administrative expenses		**(391,164)**	(344,081)	**(200,936)**	(171,425)
Research and development costs		**(101,824)**	(103,646)	**(48,782)**	(52,134)
Other operating expenses		**(53,259)**	(96)	**(34,955)**	117
		273,418	236,359	**186,929**	139,316
Finance costs (excluding finance costs on convertible bonds)	6	**(43,938)**	(65,962)	**(18,216)**	(38,029)
Share of profits and losses of:					
Jointly-controlled entities		**(6,610)**	(3,730)	**(3,505)**	1,800
Associates		**1,802**	656	**715**	574
		224,672	167,323	**165,923**	103,661
Fair value gain on the derivative component of convertible bonds		**–**	374,514	**–**	219,178
Loss on early redemption of convertible bonds		**–**	(610,883)	**–**	(610,883)
Finance costs on convertible bonds	6	**–**	(72,246)	**–**	(33,072)
PROFIT/(LOSS) BEFORE TAX		**224,672**	(141,292)	**165,923**	(321,116)
Tax	7	**(81,262)**	(52,308)	**(47,296)**	(42,741)
PROFIT/(LOSS) FOR THE PERIOD		**143,410**	(193,600)	**118,627**	(363,857)
Exchange differences on translation of foreign operations		**(61,260)**	100,597	**(30,031)**	36,137
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**82,150**	(93,003)	**88,596**	(327,720)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2009	2008	**2009**	2008
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Equity holders of the parent		**143,302**	(198,193)	**117,612**	(365,793)
Minority interests		**108**	4,593	**1,015**	1,936
		143,410	(193,600)	**118,627**	(363,857)
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:					
Equity holders of the parent		**82,231**	(104,419)	**87,539**	(332,392)
Minority interests		**(81)**	11,416	**1,057**	4,672
		82,150	(93,003)	**88,596**	(327,720)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10				
Basic		**HK14.04 cents**	HK(34.02) cents		
Diluted		**N/A**	N/A		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,434,997**	1,390,786
Prepaid land lease payments		**73,751**	49,977
Deposit paid for the acquisition of prepaid land lease payments		**–**	3,407
Goodwill		**119,638**	119,638
Other intangible assets		**3,728**	16,988
Interests in jointly-controlled entities		**109,218**	116,048
Interests in associates		**87,519**	85,834
Available-for-sale investments		**66,223**	1,008
Prepaid royalty		**27,435**	82,328
Deferred tax assets		**23,856**	17,213
Total non-current assets		**1,946,365**	1,883,227
CURRENT ASSETS			
Inventories		**3,023,782**	3,061,568
Trade receivables	11	**2,600,846**	2,111,306
Factored trade receivables	12	**1,271,737**	1,835,241
Bills receivable		**481,659**	674,688
Prepayments, deposits and other receivables		**758,425**	675,113
Tax recoverable		**6,537**	12,529
Pledged deposits		**212,571**	–
Cash and bank balances		**2,009,878**	2,157,768
		10,365,435	10,528,213
Non-current assets classified as held for sale		**–**	205,528
Total current assets		**10,365,435**	10,733,741
CURRENT LIABILITIES			
Trade payables	13	**3,913,472**	4,384,363
Bills payable		**439,906**	820,067
Tax payable		**140,603**	161,124
Other payables and accruals		**1,274,738**	1,399,208
Provisions		**121,906**	128,019
Bank advances as consideration for factored trade receivables	12	**1,131,872**	1,665,749
Interest-bearing bank and other borrowings	14	**1,188,562**	488,180
Due to TCL Corporation	15	**85,253**	4,694
Due to T.C.L. Industries	15	**117,525**	117,525
Total current liabilities		**8,413,837**	9,168,929
NET CURRENT ASSETS		**1,951,598**	1,564,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,897,963**	3,448,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2009 (unaudited) HK$'000	31 December 2008 (audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,897,963**	3,448,039
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**490,530**	–
Deferred tax liabilities		**10,024**	11,572
Pensions and other post-employment benefits		**23,780**	23,361
Total non-current liabilities		**524,334**	34,933
Net assets		**3,373,629**	3,413,106
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	**1,021,827**	1,021,827
Reserves		**2,286,762**	2,266,595
		3,308,589	3,288,422
Minority interests		**65,040**	124,684
Total equity		**3,373,629**	3,413,106

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Issued share capital (unaudited) *HK$'000*	Share premium account (unaudited) *HK$'000*	Treasury shares (unaudited) *HK$'000*	Shares held for the Award Scheme (unaudited) *HK$'000*	Awarded share reserve (unaudited) *HK$'000*	Share option reserve (unaudited) *HK$'000*	Capital reserve (unaudited) *HK$'000*	Reserve funds (unaudited) *HK$'000*	Exchange fluctuation reserve (unaudited) *HK$'000*	Accumulated losses (unaudited) *HK$'000*	Total (unaudited) *HK$'000*	Minority interests (unaudited) *HK$'000*	Total equity (unaudited) *HK$'000*
AT 1 JANUARY 2008	583,772	2,132,327	–	–	–	57,278	59,099	704,364	185,709	(1,563,493)	2,159,056	104,518	2,263,574
Exchange realignment	–	–	–	–	–	–	–	–	93,774	–	93,774	6,823	100,597
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	(198,193)	(198,193)	4,593	(193,600)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–	93,774	(198,193)	(104,419)	11,416	(93,003)
Equity-settled share option arrangements	–	–	–	–	–	11,541	–	–	–	–	11,541	–	11,541
Share options lapsed during the period	–	–	–	–	–	(4,658)	–	–	–	4,658	–	–	–
Shares repurchased	(248)	(745)	–	–	–	–	–	–	–	–	(993)	–	(993)
Transfer from accumulated losses	–	–	–	–	–	–	–	(1,336)	–	1,336	–	–	–
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(3,334)	(3,334)
Purchase of shares for the Award Scheme	–	–	–	(5,706)	–	–	–	–	–	–	(5,706)	–	(5,706)
At 30 JUNE 2008	583,524	2,131,582	–	(5,706)	–	64,161	59,099	703,028	279,483	(1,755,692)	2,059,479	112,600	2,172,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the parent												
	Issued share capital (unaudited) HK$'000	Share premium account (unaudited) HK$'000	Treasury shares (unaudited) HK$'000	Shares held for the Award Scheme (unaudited) HK$'000	Awarded share reserve (unaudited) HK$'000	Share option reserve (unaudited) HK$'000	Capital reserve (unaudited) HK$'000	Reserve funds (unaudited) HK$'000	Exchange fluctuation reserve (unaudited) HK$'000	Accumulated losses (unaudited) HK$'000	Total (unaudited) HK$'000	Minority interests (unaudited) HK$'000	Total equity (unaudited) HK$'000
AT 1 JANUARY 2009	1,021,827	2,885,594	-	(7,808)	-	41,022	59,099	784,342	373,919	(1,869,573)	3,288,422	124,684	3,413,106
Exchange realignment	-	-	-	-	-	-	-	-	(61,071)	-	(61,071)	(189)	(61,260)
Profit for the period	-	-	-	-	-	-	-	-	-	143,302	143,302	108	143,410
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(61,071)	143,302	82,231	(81)	82,150
Equity-settled share option arrangements	-	-	-	-	-	8,577	-	-	-	-	8,577	-	8,577
Share options lapsed during the period	-	-	-	-	-	(1,663)	-	-	-	1,663	-	-	-
Shares repurchased	-	-	(42,342)	-	-	-	-	-	-	-	(42,342)	-	(42,342)
Transfer from accumulated losses	-	-	-	-	-	-	-	4,350	-	(4,350)	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(22,397)	-	(22,397)	(59,563)	(81,960)
Purchase of shares for the Award Scheme	-	-	-	(19,201)	-	-	-	-	-	-	(19,201)	-	(19,201)
Vesting of shares for the Award Scheme	-	-	-	9,616	3,683	-	-	-	-	-	13,299	-	13,299
AT 30 JUNE 2009	1,021,827	2,885,594	(42,342)	(17,393)	3,683	47,936	59,099	788,692	290,451	(1,728,958)	3,308,589	65,040	3,373,629

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**(447,838)**	17,520
Net cash outflow from investing activities	**(270,815)**	(31,927)
Net cash inflow from financing activities	**577,136**	831,887
Net increase/(decrease) in cash and cash equivalents	**(141,517)**	817,480
Cash and cash equivalents at beginning of period	**2,157,768**	1,095,341
Effect of foreign exchange rate changes, net	**(6,373)**	7,649
Cash and cash equivalents at end of period	**2,009,878**	1,920,470
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**2,009,878**	1,920,470

Notes:

1. BASIS OF PREPARATION

These unaudited interim financial statements are in compliance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and the basis of preparation adopted in the preparation of these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2008, except for the adoption of the new HKFRSs as disclosed in note 2 below.

2. IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new interpretations and amendments to HKFRSs for the current period's financial statements.

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*
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*
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*
Amendments to HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" and HKAS 39 "Financial Instruments: Recognition and Measurement"	Embedded Derivatives
Amendments to HKFRS 7 "Financial Instruments: Disclosures"	Improving Disclosures about Financial Instruments

Apart from the above, the Group has also adopted Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs contains amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements, except for the followings:

HKFRS 8 *Operating Segments*

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reporting segments (see note 4), but has had no impact on the reported results or financial position of the Group.

HKAS 1 (revised) *Presentation of Financial Statements*

HKAS 1 (revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised) has had no impact on the reported results or financial position of the Group.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 2 Amendments	*Group Cash-settled Share-based Payment Transactions*[3]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[2]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for transfer of assets from customers received on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2010.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

In addition, improvements to HKFRSs were issued in May 2009 by HKICPA which contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendices to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer ("CEO") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of product types. However, information reported to the Group's CEO for the purpose of resource allocation and assessment of performance focuses more specifically on geographical television segments and other product types. The Group's reportable segments under HKFRS 8 are therefore as follows:

(a) Television segment manufactures and sells television sets and trades related components in:

- the People's Republic of China market (the "PRC market")
- the Overseas markets

(b) Home Networking segment manufactures and sells audio-visual ("AV") products; and

(c) Others segment comprises information technology and other businesses, including sales of white goods, mobile phones and air conditioners.

Transfer prices between operating segments are on arm's-length basis in a manner similar to transactions with third parties.

4. SEGMENT INFORMATION (continued)

Information regarding these segments is presented below. Accounts reported for the prior period has been restated to conform to the requirements of HKFRS 8.

The following table presents revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 June 2009 and 2008.

	Segment revenue		Segment results	
	2009 (unaudited) ***HK$'000***	2008 (unaudited) *HK$'000*	**2009 (unaudited)** ***HK$'000***	2008 (unaudited) *HK$'000*
TV – PRC market	**5,992,719**	5,045,207	**312,852**	268,319
TV – Overseas markets	**3,748,101**	5,017,835	**(27,155)**	(55,650)
Home Networking	**1,551,449**	1,296,093	**61,271**	47,803
Others	**99,081**	356,823	**(31,061)**	1,637
	11,391,350	11,715,958	**315,907**	262,109
Bank interest income			**5,000**	7,715
Corporate expenses			**(47,489)**	(33,465)
Finance costs (excluding finance costs on convertible bonds)			**(43,938)**	(65,962)
Share of profits and losses of:				
Jointly-controlled entities			**(6,610)**	(3,730)
Associates			**1,802**	656
			224,672	167,323
Fair value gain on the derivative component of convertible bonds			**–**	374,514
Loss on early redemption of convertible bonds			**–**	(610,883)
Finance costs on convertible bonds			**–**	(72,246)
PROFIT/(LOSS) BEFORE TAX			**224,672**	(141,292)
Tax			**(81,262)**	(52,308)
PROFIT/(LOSS) FOR THE PERIOD			**143,410**	(193,600)

5. OTHER REVENUE AND GAINS

On 7 January 2009, the Group entered into a framework agreement (the "Disposal Agreement") with Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd., an associate of TCL Corporation ("TCL Corporation"), to dispose of its entire interests in TCL Digital Science and Technology (Wuxi) Company Limited, a 70%-owned subsidiary of the Group, for an aggregate consideration of RMB159,249,312 (equivalent to HK$180,616,210) after adjustment. The Disposal Agreement was completed on 26 June 2009, gain of approximately HK$45,333,000 was therefore included in "other revenue and gains".

6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**38,612**	49,159
Loan from TCL Corporation	**1,412**	3,850
Loan from T.C.L. Industries	**384**	348
Loan from an associate	**4,474**	4,401
Interest on subscription monies received	**–**	8,204
	44,882	65,962
Less: interests on bank loans capitalized	**(944)**	–
Finance costs (excluding finance costs on convertible bonds)	**43,938**	65,962
Finance costs on convertible bonds:		
Interest on liability component of convertible bonds	**–**	72,246
TOTAL	**43,938**	138,208

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	9,138
Current – Elsewhere	**89,458**	43,036
Deferred	**(8,196)**	134
Total tax charge for the period	**81,262**	52,308

8. DEPRECIATION AND AMORTIZATION

During the period, depreciation of HK$112,057,000 (2008: HK$128,639,000) was charged to the statement of comprehensive income in respect of the Group's property, plant and equipment; and amortization of HK$2,920,000 (2008: HK$3,661,000) and HK$921,000 (2008: HK$1,301,000) were charged to the statement of comprehensive income in respect of the Group's other intangible assets and prepaid land lease payments, respectively.

9. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the period.

10. 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:

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	**143,302**	(198,193)

	Number of shares	
	Six months ended 30 June	
	2009	2008
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic and diluted earnings/(loss) per share calculation	**1,020,765,220**	582,653,948*

* The weighted average number of ordinary shares in 2008 for the purposes of calculating the basic and diluted loss per share has been retrospectively adjusted for the ten-to-one share consolidation which took place on 23 January 2009.

A diluted earnings per share amount for the period ended 30 June 2009 has not been disclosed as the share options outstanding during the current period did not have a dilutive effect.

A diluted loss per share amount for the period ended 30 June 2008 had not been disclosed as the share options and convertible bonds outstanding had anti-dilutive effects on the basic loss per share and were therefore ignored in the calculation of diluted loss per share.

11. TRADE RECEIVABLES

The majority of the Group's sales in the PRC was made on the cash-on-delivery basis and on commercial bills guaranteed by banks with credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were also made on open-account basis with credit terms of no more than 180 days. The Group also entered into certain receivables purchase agreements with its banks and pursuant to the related agreements, the trade receivables of certain major customers were factored to the relevant banks (note 12).

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2009 (unaudited) ***HK$'000***	31 December 2008 (audited) *HK$'000*
Current to 90 days	**2,472,290**	1,944,217
91 days to 180 days	**63,110**	64,263
181 days to 365 days	**41,270**	53,383
Over 365 days	**24,176**	49,443
	2,600,846	2,111,306

12. FACTORED TRADE RECEIVABLES AND BANK ADVANCES AS CONSIDERATION FOR FACTORED TRADE RECEIVABLES

As at 30 June 2009, the Group's trade receivables of approximately HK$1,271,737,000 (31 December 2008: HK$1,835,241,000) (the "Factored Receivables") were factored to certain banks under certain receivables purchase agreements. The Group continued to recognize the Factored Receivables in the statement of financial position because, in the opinion of the directors, the Group has retained substantially all the risks and rewards of ownership of the Factored Receivables, either the risks in respect of default payments or the time value of money, as at the end of the reporting period.

Accordingly, the advances from the relevant banks of approximately HK$1,131,872,000 (31 December 2008: HK$1,665,749,000) received by the Group as consideration for the Factored Receivables at the end of the reporting period were recognized as liabilities.

The entire balance of the Factored Receivables is aged within 90 days. None of the Factored Receivables is either past due or impaired and the Factored Receivables are related to customers with no recent history of default.

13. TRADE PAYABLES

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

	30 June 2009 (unaudited) ***HK$'000***	31 December 2008 (audited) *HK$'000*
Current to 90 days	**3,803,602**	4,180,605
91 days to 180 days	**20,648**	111,857
181 days to 365 days	**36,927**	38,991
Over 365 days	**52,295**	52,910
	3,913,472	4,384,363

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2009 (unaudited) ***HK$'000***	31 December 2008 (audited) *HK$'000*
Bank loans – secured	**212,505**	–
Bank loans – unsecured	**1,023,596**	113,572
Trust receipt loans – unsecured	**129,271**	125,628
Loans from an associate	**248,505**	248,980
Loan from an associate of TCL Corporation	**65,215**	–
	1,679,092	488,180
Bank and other borrowings repayable:		
Within one year	**1,188,562**	488,180
In the second year	**178,633**	–
In the third to fifth year, inclusive	**311,897**	–
	1,679,092	488,180
Portion classified as current liability	**(1,188,562)**	(488,180)
Non-current portion	**490,530**	–

Notes:

(a) Certain bank loans of the Group are secured by the pledge of certain time deposits of the Group amounting to HK$212,571,000 (31 December 2008: Nil).

(b) As at 30 June 2009, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(c) The loan due to the associate of TCL Corporation is secured by certain available-for-sale investments of the Group amounting to HK$65,215,000 (31 December 2008: Nil), interest bearing at the lending rate offered by the People's Bank of China and repayable on 26 October 2010.

15. DUE TO TCL CORPORATION/T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the direct controlling shareholder of the Company and TCL Corporation is the holding company of T.C.L. Industries.

Certain loan of the Group due to TCL Corporation are secured by the pledge of certain items of property, plant and equipment and prepaid land lease payments, amounting to HK$96,218,000 (31 December 2008: Nil) and HK$32,475,000 (31 December 2008: Nil) respectively.

16. SHARE CAPITAL

	30 June 2009 (unaudited) ***HK$'000***	31 December 2008 (audited) *HK$'000*
Authorized:		
2,200,000,000 shares of HK$1.00 each (31 December 2008: 22,000,000,000 shares of HK$0.10 each)	**2,200,000**	2,200,000
Issued and fully paid:		
1,021,826,634 shares of HK$1.00 each (31 December 2008: 10,218,266,345 shares of HK$0.10 each)	**1,021,827**	1,021,827

Note:

On 23 January 2009, 10 ordinary shares of HK$0.10 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$1.00 each. The authorised share capital of the Company remained at HK$2,200,000,000 but was divided into 2,200,000,000 shares of HK$1.00 each.

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Jointly-controlled entities:		
Sales of raw materials	**5,730**	212,678
Sales of finished goods	**42,960**	33,497
Purchases of finished goods	**25,064**	265,471
TCL Corporation:		
Interest expense	**1,412**	3,850
T.C.L. Industries:		
Interest expense	**384**	348
Interest on subscription monies received	**–**	6,386
An associate:		
Interest income	**1,555**	205
Interest expense	**4,474**	4,401
Other financial services fee	**166**	143
Companies controlled by TCL Corporation:		
Sales of raw materials	**7,878**	–
Sales of finished goods	**48,944**	4,652
Purchases of raw materials	**644,567**	393,945
Purchases of finished goods	**65,464**	34,240
Subcontracting fee expense	**5,642**	4,875
Interest income	**–**	112
Rental, maintenance fees and facilities usage fee	**1,152**	1,329
Rental expenses	**13,013**	19,836
Reimbursement of brand advertising cost	**56,173**	36,521
Transportation fee expense	**14,946**	11,803
Calling service fee expense	**8,090**	7,583
Sales of mobile phones	**3,975**	143,791
Purchases of materials for manufacturing of mobile phones	**66**	118,126
Directors:		
Interest on subscription monies received	**–**	101

17. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2009 (unaudited) ***HK$'000***	31 December 2008 (audited) *HK$'000*	**30 June 2009 (unaudited)** ***HK$'000***	31 December 2008 (audited) *HK$'000*
Jointly-controlled entities	**24,484**	14,709	**172,573**	171,809
TCL Corporation and its affiliates	**70,552**	38,770	**662,619**	236,472

BUSINESS REVIEW

Although the turnover of the Group slightly decreased by 2.8% to HK$11,391 million for the six months ended 30 June 2009, the gross profit and the gross profit margin increased by 11.8% and 2.4% year-on-year respectively. With the synergy of optimized cost structure and favorable government policies, the Group successfully achieved a turnaround and recorded net profit of HK$143 million for the period under review. At the same time, operating profit increased by 15.7% year-on-year to HK$273 million in the first half of 2009 as compared with HK$236 million in the first half of 2008.

The global economy was recovering gradually from the recession caused by the financial tsunami. However, the business environment and consumer sentiment were adversely impacted by lingering uncertainty, resulting in a slowdown in demand for the consumer electronic industry. At the same time, distributors began to replenish their inventory as they expected a recovery towards the second half of 2009. This had intensified the shortage in LCD panels supply which led to a sharp increase in panel prices. Under the pressure of external crisis and internal challenges, small to medium size TV manufacturers were more vulnerable to risks, leading to further consolidation of the industry. In contrast, the Group and other leading TV manufacturers with advantages in brand, technology, management and financial position had strengthened their market position.

The Group believes opportunities always co-exist with challenges. The Group has successfully leveraged on its strong brand, industry leadership, innovative products and optimized cost structure to expand its LCD TV business amidst the challenging environment due to the financial tsunami. The Group continued to implement strict margin, cost and risk management over each step of the supply chain and inventory control in order to improve operational efficiency and effectiveness to manage its product quality. Meanwhile, the Group has been very cautious in taking new orders as part of its risk control initiatives while aggressively introducing new product lines. On the other hand, the Group consolidated the CRT TV teams into one business unit which led to quicker response to the changes in market environment.

According to statistics released by Displaysearch, TCL has been ranked as the top TV brand in terms of sales volume for six consecutive years in the PRC Market since 2003, and ranked 5th globally with market share of 5% in the first quarter of 2009 in terms of sales volume.

TV Sales

Global LCD TV shipment rebounded strongly as distributors had began to replenish their inventory, according to GfK, sales in unit terms for the first five months of 2009 increased by 40% as compared to the same period last year. For the six months ended 30 June 2009, the Group's LCD TV sales volume grew by 93.0% year-on-year from approximately 1.52 million sets in the first half of 2008 to approximately 2.93 million sets in the first half of 2009, outpacing the average industry growth rate. LCD TV sales volume accounted for approximately 56.0% of the Group's overall TV sales volume as compared to 21.9% of the same period last year, the significant increase indicates that the Group has successfully made its business transition to LCD TV and become one of the leading players in the global market.

During the period under review, the Group reinforced its product lineup by introducing over 80 new models under the P10, F19, M19 and S9 series. The major enhancements including blue laser disc player capability, Natural Light, internet source direct broadcasting and digital photo frame functionalities. Not only did the Group record strong growth in the PRC market, but also recognized increasing orders from the overseas markets, especially larger screen models in North America and MPEG-4 models in Europe. Apart from personal consumer segment, the Group also established a foothold on commercialized usage of its revolutionary 3D LCD TVs, which were installed at Shenzhen Bao'an International Airport and Guangzhou Baiyun International Airport, and were highly acclaimed by the market.

Sales volume by region is indicated below:

	1H 2009 ('000 sets)	1H 2008 ('000 sets)	Change
LCD TVs	**2,930**	1,518	+93.0%
– PRC	**1,591**	456	+248.9%
– Overseas	**1,339**	1,062	+26.1%
CRT TVs	**2,305**	5,407	(57.4%)
– PRC	**1,426**	2,771	(48.5%)
– Overseas	**879**	2,636	(66.7%)
Total TV sales volume	**5,235**	6,925	(24.4%)
AV products	**9,029**	8,154	+10.7%

The PRC Market

The Group's TV sales revenue in the PRC Market for the period under review was HK$5,993 million, recorded a 18.8% increase as compared with the same period last year. In terms of sales volume, the Group shipped approximately 1.59 million sets of LCD TVs, attaining an increase of 248.9% comparing with the first half of 2008. The strong growth in the PRC Market was largely driven by the market transition of CRT TV to LCD TV and the PRC Government's continuous expansion of the "Household Appliances Subsidy Scheme". With extended demand penetrating into the 3rd and 4th tier cities, small-to-middle sized LCD TVs gained a sizeable share in the market. Benefiting from the Group's strong brand power and competitive product offering, a total of 76 TV products of the Group were approved as the subsidized items during the three phases of bidding.

The raised subsidy cap of the PRC Government's "Household Appliances Subsidy Scheme" policy from RMB2,000 to RMB3,500 in May 2009 further boosts the demand for LCD TVs in the 3rd and 4th tier cities. At the same time, other supportive policies including "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances" were promulgated to create new demand for LCD TVs and to accelerate transition of LCD TV business, providing ample growth potential for the Group. In response to the growing demand, the Group's LCD TV Integration Plant with annual capacity of 3 million LCD TVs and 2 million of semi-finished LCD kits will commence full operation in September this year. By adopting this vertical integration strategy, the Group will streamline its operational structure and significantly reduce its production costs, such as transportation and packaging expenses, stabilize panel supply while assuring quality. In addition, the Group implements an end-to-end supply chain management to better control the inventory turnover and increases operation efficiency which further enhances price competitiveness.

During the period under review, the Group initiated a large scale spring sales and "Old for New" promotion, which resulted in an increase in sales, market share and brand recognition, and promoted wider adoption of the next generation digital TV. During the Labour Day holiday, the Group launched two core products – internet TV ("MiTV") and blue laser high definition TV which were well received by consumers. MiTV truly brings entertainment and information together onto the same platform as audience can enjoy high definition films while receive wide range of information like weather updates directly through the internet. Incorporating the technologies of "Natural Light" and "blue laser H.264", the Group's blue laser high definition TV is designed to complement with a wide range of video and audio formats, which provides easy access to multimedia contents and incredible high definition experience.

The Overseas Markets

European Markets

For the six months ended 30 June 2009, the Group's LCD TV sales volume doubled in Western Europe as compared to the same period of last year with core growth drivers in France, Italy and Spain. Meanwhile, the Group started introducing TCL brand LCD TVs in other areas of Western Europe with good selling-out performance. In Northern Europe, LCD TV sales volume also recorded tremendous growth during the period under review. However, the Group continued its prudent development plan in European Markets, especially in Eastern Europe where TV manufacturers were facing drastic foreign exchange risk. In addition, the Group restarted sales in Germany and Czech Republic, where recovery from economic recession was more obvious than that in their neighboring countries. In order to seize opportunities from market transitions to LCD business, the Group introduced 52" models and new products with Digital Video Broadcasting – Terrestrial ("DVB-T") HD (MPEG-4) technology which received good responses from the market. This showed the Group's ability to position its brand at higher end of the market.

North American Markets

In North American Markets, the Group's strong brand presence and successful marketing efforts resulted in expanding sales from leading retail chain customers. Despite the rising panel cost, the Group's North American Markets achieved operating profit in the second quarter of 2009 while operating loss decreased significantly year-on-year in the first half of 2009, as transportation costs and various fixed costs were lowered through successful contract renegotiations and business restructuring. By moving 32" size LCD TV production from Mexico to Huizhou in the PRC, the Group was able to improve supply chain efficiencies, which contributed to a higher profit margin on LCD TV sales. In addition, the Group began transition of after-sales support function from Thomson to Data Exchange Corporation, a leading supply chain solutions provider in the U.S., to further reduce warranty costs and enhance consumer satisfaction.

Emerging Markets

Currency depreciation during the period under review negatively impacted OEM sales demand in some regions of the Emerging Markets. Amidst difficult business environment, sales for the Group's own brand have exceeded expectation and the Group has made significant progress on LCD TV products upgrade and recorded overall operating profit in the second quarter of 2009. Benefiting from significant appreciation of Australian dollars and the launch of new LCD TV products during the period under review, Australia branch achieved its LCD TV upgrade targets and significantly increased its gross profit margin. Vietnam branch achieved solid progress on its LCD TV sales and preliminarily met product upgrade targets. In the second quarter of 2009, gross profit margin for Vietnam branch's CRT TV also improved which reflected the sustainability of this business region. Philippine branch's LCD TV sales also expanded with margin significantly increased. Cost for this branch reduced by 20% year-on-year with its efficient cost control. Thailand branch enhanced its partnership with chain supermarkets and exercised stringent expenses management which recorded good results. Meanwhile, India branch underwent business model restructuring in early 2009 and expected to achieve improvements in its operating results. The Group proactively provided value-added service to OEM clients and launched regional marketing and sales campaigns in Asia (especially for 2010 Guangzhou Asian Games), to enhance brand awareness and product recognition. Operating costs were reduced mainly due to successful implementation of stringent cost control measures and turnaround strategy. The economy in the Emerging Markets has been generally recovering which benefits in boosting profitability.

Strategic OEM

For the six months ended 30 June 2009, turnover contributed by this segment increased year-on-year due to the business shift from CRT TV to LCD TV. For the period under review, Strategic OEM continued to be an important business segment for the Group as it gained economy of scale, and lowered cost on volume leverage, it brought very stable profit to the Group despite its lower margin. Other achievements relating to Strategic OEM business during the period under review include adopting "Electronic Industry Citizenship Coalition Code of Conduct" and enhancing co-development projects according to customers' requirements.

AV Products

The Group's AV Products segment started to gain economy of scale and achieved growth in both sales and customer base during the period under review. Sales volume reached approximately 9.03 million sets, increased by 10.7% year-on-year as compared to approximately 8.15 million sets for the same period last year. The Group had constant negotiation with suppliers to optimize its cost structure in response to margin pressures from surging commodity costs. The Group planned to upgrade the ERP system to optimize its supply chain management while shortening the raw material order cycle.

R&D

Leveraged on the co-design concept, which was introduced during the first quarter of 2009, the Group's R&D efficiency and product competitiveness were significantly enhanced. During the period under review, the Group placed great emphasis on optimization of cost structure through strategic alliances with players in upstream and downstream industries and cooperation with TCL Optoelectronics Technology (Huizhou) Co., Ltd, an assembly process enterprise and a wholly-owned subsidiary of TCL Corporation in cooperation with Samsung. In addition, after the successful launching of P10 internet TV series in the PRC and MPEG-4 products in France, the Group gained the confidence that it can further enhance its product competitiveness.

Disposal of equity interest in a subsidiary in Wuxi

The Group has completed the disposal of TCL Digital Science and Technology (Wuxi) Company Limited on 26 June 2009. As a result of the completion, the Group will have a total cash inflow of approximately RMB159 million. The Group recorded an unaudited gain of approximately HK$45 million. This transaction is part of the Group's strategy of assets and operation optimization taking into account of having LCD TV Integration Plant established in Huizhou in September 2009.

OUTLOOK

Looking ahead to the rest of 2009, consumer sentiment will remain weak in many key markets and business environment will continue to be challenging. With the RMB 4 trillion economy stimulus plans initiated by the PRC Government and the fact that the PRC was less impacted by the financial tsunami, it is believed that the PRC economy will outperform other major economies in the second half of 2009. Demand for TV products will continue to increase at a much faster pace with sector specific stimulating policies introduced by the PRC Government. The Group's strong financial position, innovative product lines, expanding customer base, high operating efficiency and domestic market leadership will continue to be key factors for the Group's growth despite the global economic recession.

The transition of analog broadcasting to digital signals in the U.S. has commenced in June 2009. In Europe, MPEG-4 format and Digital Video Broadcasting System are fast developing and becoming new broadcasting standards. The Group will continue to strengthen its sales and market intelligence by closely monitoring market development, obtaining an in-depth understanding of existing and potential customer needs and trends, and strengthening relationships with key customers while acquiring new clients to broadening customer base. At the same time, the Group will strive towards performance optimization through decisive and swift reactions to adjust its cost structure. As the Group is expected to be exposed to fluctuations in currency exchange rates, it adopts prudent financial measures and natural hedging to minimize its exchange risk exposure.

The Group will continue to expand and strengthen its research, design and development team while fostering closer collaboration with suppliers under the co-design concept to strengthen product competitiveness. The Group will continue to seize opportunities in the TV industry in order to enhance its profitability.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

Please refer to note 5 to the financial statements.

Liquidity and Financial Resources

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

The cash and bank balance as at the period end amounted to HK$2,009,878,000, of which 0.5% was maintained in Hong Kong dollars, 21.7% in US dollars, 71.1% in Renminbi, 1.6% in Euro and 5.1% held in other currencies for the overseas operations.

There was no material change in available credit facilities when compared with the year ended 31 December 2008 and there was no asset held under finance lease at the period end.

At the end of the reporting period, the Group's gearing ratio was 21.1% which is calculated based on the Group's net borrowing of approximately HK$698,687,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to equity holders of the parent of approximately HK$3,308,589,000. The maturity profile of the borrowings is from one to five years.

Pledge of Assets

Please refer to notes 14 and 15 to the financial statements.

Capital Commitments and Contingent Liabilities

As at 30 June 2009, the Group had capital commitments of approximately HK$288,925,000 (31 December 2008: HK$33,083,000) which was contracted, but not provided for. Except for this, there was no significant change in capital commitments and contingent liabilities of the Group compared to the position outlined in the annual report for 2008.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

The Group had a total of 28,161 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and the Company's performance. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing a total of 40,343,026 shares remained outstanding at the end of the reporting period.

A Restricted Share Award Scheme (the "Award Scheme") was also adopted by the Company pursuant to which existing shares would 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 Award Scheme.

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 set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(i) Long positions in shares of the Company

Directors	Capacity	Number of shares held	Percentage of issued share capital of the Company
LI Dongsheng	Beneficial owner	29,225,731	2.860%
LEONG Yue Wing	Beneficial owner	2,355,944	0.231%
YU Guanghui	Beneficial owner	230,946	0.023%
WANG Kangping	Beneficial owner	15,000	0.001%

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

SHARE OPTION SCHEMES

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

Name or category of participant	Number of share options							Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares	
	At 1 January 2009	Reclassi-fication	Granted during the period	Adjustment⊕	Expired during the period	Lapsed during the period	At 30 June 2009				At grant date# HK$	At exercise date HK$
Directors												
Executive directors												
LI Dongsheng	17,990,028	–	–	(16,191,027)	–	–	1,799,001	4-Jul-07	6.300	Note 1	0.600	N/A
	13,957,543	–	–	(12,561,787)	–	–	1,395,756	25-Aug-08	2.450	Note 2	0.237	N/A
	31,947,571	–	–	(28,752,814)	–	–	3,194,757					
LEONG Yue Wing	18,675,714	–	–	(16,808,142)	–	–	1,867,572	25-Aug-08	2.450	Note 2	0.237	N/A
YU Guanghui *	–	1,012,451	–	–	–	–	1,012,451	4-Jul-07	6.300	Note 1	0.600	N/A
	–	537,211	–	–	–	–	537,211	25-Aug-08	2.450	Note 2	0.237	N/A
	–	1,549,662	–	–	–	–	1,549,662					
SHI Wanwen	8,858,955	–	–	(7,973,061)	–	–	885,894	4-Jul-07	6.300	Note 1	0.600	N/A
	7,323,701	–	–	(6,591,330)	–	–	732,371	25-Aug-08	2.450	Note 2	0.237	N/A
	16,182,656	–	–	(14,564,391)	–	–	1,618,265					
HUANG Xubin *	–	72,249	–	–	–	–	72,249	4-Jul-07	6.300	Note 1	0.600	N/A
	–	222,980	–	–	–	–	222,980	25-Aug-08	2.450	Note 2	0.237	N/A
	–	295,229	–	–	–	–	295,229					
WANG Kangping	836,200	–	–	(752,580)	–	–	83,620	25-Aug-08	2.450	Note 2	0.237	N/A
YUAN Bing @	1,820,033	(182,003)	–	(1,638,030)	–	–	–	4-Jul-07	6.300	Note 1	0.600	N/A
	4,498,050	(449,805)	–	(4,048,245)	–	–	–	25-Aug-08	2.450	Note 2	0.237	N/A
	6,318,083	(631,808)	–	(5,686,275)	–	–	–					
LU Zhongli @	1,300,033	(130,002)	–	(1,170,031)	–	–	–	4-Jul-07	6.300	Note 1	0.600	N/A
	1,552,400	(155,242)	–	(1,397,158)	–	–	–	25-Aug-08	2.450	Note 2	0.237	N/A
	2,852,433	(285,244)	–	(2,567,189)	–	–	–					
	76,812,657	927,839	–	(69,131,391)	–	–	8,609,105					

Name or category of participant	Number of share options							Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares At grant date# HK$	Price of Company's shares At exercise date HK$
	At 1 January 2009	Reclassi-fication	Granted during the period	Adjustment⊕	Expired during the period	Lapsed during the period	At 30 June 2009					
Non-Executive directors												
Albert Thomas DA ROSA, Junior	300,000	–	–	(270,000)	–	–	30,000	25-Aug-08	2.450	Note 2	0.237	N/A
TANG Guliang	300,000	–	–	(270,000)	–	–	30,000	25-Aug-08	2.450	Note 2	0.237	N/A
Robert Maarten WESTERHOF	300,000	–	–	(270,000)	–	–	30,000	25-Aug-08	2.450	Note 2	0.237	N/A
WU Shihong	300,000	–	–	(270,000)	–	–	30,000	25-Aug-08	2.450	Note 2	0.237	N/A
	1,200,000	–	–	(1,080,000)	–	–	120,000					
Other employees and those who have contributed or may contribute to the Group	192,875,107	(772,695)	–	(171,832,661)	–	(2,693,534)	17,576,217	4-Jul-07	6.300	Note 1	0.600	N/A
	146,736,246	(155,144)	–	(131,051,317)	–	(1,492,081)	14,037,704	25-Aug-08	2.450	Note 2	0.237	N/A
	339,611,353	(927,839)	–	(302,883,978)	–	(4,185,615)	31,613,921					
	417,624,010	–	–	(373,095,369)	–	(4,185,615)	40,343,026					

* Mr. YU Guanghui and Mr. HUANG Xubin were appointed as executive directors of the Company on 17 February 2009 and 1 January 2009, respectively.

@ Mr. YUAN Bing and Ms. LU Zhongli resigned as executive directors of the Company on 1 January 2009 and 17 February 2009, respectively.

\# The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange of Hong Kong Limited ("Stock Exchange") closing price on the trading day immediately prior to the date of grant of the options.

⊕ On 23 Janurary 2009, the share consolidation on the basis that every ten issued and unissued shares of HK$0.10 each consolidated into HK$1.00 ("Consolidated Shares") of the Company became effective.

Note 1

One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 3 July 2012.

Note 2

One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013.

(iii) Long positions in shares of associated corporations of the Company

Directors	Name of capital associated corporation	Capacity	Number of shares held	Percentage of issued share in associated corporation
LI Dongsheng	TCL Corporation	Beneficial owner	160,662,400	5.470%
LI Dongsheng	TCL Communication	Beneficial owner	15,464,080	2.163%
SHI Wanwen	TCL Corporation	Beneficial owner	1,712,599	0.058%
WANG Kangping	TCL Communication	Beneficial owner	8,000	0.001%

Notes:

1. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

2. TCL Communication Technology Holdings Limited ("TCL Communication") is a subsidiary of TCL Corporation.

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

Directors	Name of capital associated corporation	Capacity	Number of underlying shares held	Percentage of issued share in associated corporation
LI Dongsheng	TCL Communication	Beneficial owner	2,651,024	0.371%
YU Guanghui	TCL Communication	Beneficial owner	60,000	0.008%
SHI Wanwen	TCL Communication	Beneficial owner	65,454	0.009%
HUANG Xubin	TCL Communication	Beneficial owner	418,954	0.059%
WANG Kangping	TCL Communication	Beneficial owner	302,727	0.042%

Save as disclosed above, as at 30 June 2009, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 the 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:

(i) Long positions in shares of the Company

Name of Shareholder	Nature of interest	Number of shares held	Approximate Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	556,399,284 *(note)*	54.451%

Note:

TCL Corporation was deemed to be interested in 556,399,284 shares held by T.C.L. Industries, its direct wholly owned subsidiary, for the purpose of the SFO.

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.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the period under review, the Company repurchased 15,454,000 shares on the Stock Exchange at an aggregate price of HK$42,190,460. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company. The shares had been cancelled subsequently on 3 July 2009.

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company has through the trustee purchased from the market a total of 12,805,600 shares as shares awarded under the Award Scheme (the "Awarded Shares") for the benefit of its employees, out of which 9,224,000 shares at an aggregate amount of about HK$19,201,000 were purchased by the Company during the period under review. As at 30 June 2009, 4,734,235 Awarded Shares at an amount of about HK$9,616,000 were vested and 112,788 Awarded Shares at an amount of about HK$243,000 were granted but not yet vested to the awardees.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2009, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended 30 June 2009, including the accounting principles adopted by the Group, with the Company's management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code.

Specific enquiry has been made with all directors who have confirmed that throughout the six months ended on 30 June 2009, they have complied with the required standards set out in the Model Code and the Company's mode code of conduct regarding securities transactions.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 18 August 2009