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TCL Communication Technology Holdings Limited TCL 通訊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02618)

RESULTS ANNOUNCEMENT

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2009

FINANCIAL HIGHLIGHTS			
<i>Unaudited results for the three months ended 30 September</i>			
	2009	2008	Change
	(HK\$ million)	(HK\$ million)	
Turnover	1,073.1	1,118.8	-4%
Gross Profit	235.7	197.9	+19%
EBITDA before effect of convertible bonds* (as restated)	30.1	49.6	-39%
Profit before changes in fair value of the derivative component of convertible bonds and interest on convertible bonds	13.9	24.0	-42%
Changes in fair value of the derivative component of convertible	-	(20.4)	N/A
Interest on convertible bonds	-	(3.3)	N/A
Profit Attributable to Equity Holders of the Parent	13.9	0.3	+4533%
Basic Earnings per share (HK cents) (as restated)	1.9	-	N/A

* Effect of convertible bonds represents changes in fair value of the derivative component of convertible bonds and interest on convertible bonds.

OPERATIONAL HIGHLIGHTS

- Total sales volume of the Group's handsets and accessories amounted to 4.24 million units in the third quarter 2009, up 20% from the same period of 2008. The Group's operating performance has continued to improve, as demonstrated by the increase in its sales volume to levels before the financial tsunami.
- Benefiting from the economic recovery, overseas shipments in the third quarter 2009 reached 3.49 million units, an increase of 20% over the same period of 2008. Shipments to the PRC market totaled 750,000 units, an increase of 16% over the corresponding period of 2008.
- The Group reported a net profit of HK\$13.9 million for the third quarter 2009, as compared to a gain of HK\$0.3 million in the same period last year.
- The Group will proceed with a "3G + 4C" business approach and enhance efforts in research and development so as to increase operational efficiency.

The board of directors (the “Board”) of TCL Communication Technology Holdings Limited (“TCT” or the “Company”) announced the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (the “Group”) for three months and nine months ended 30 September 2009, with comparative figures for the same period last year as follows and these condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended 30 September 2009 (Unaudited) HK\$'000	Nine months ended 30 September 2008 (Unaudited) HK\$'000	Three months ended 30 September 2009 (Unaudited) HK\$'000	Three months ended 30 September 2008 (Unaudited) HK\$'000
	Notes				
REVENUE	2	2,400,575	3,458,888	1,073,101	1,118,841
Cost of sales		(1,967,538)	(2,822,957)	(837,382)	(920,960)
Gross profit		433,037	635,931	235,719	197,881
Other income and gains	3	154,486	158,026	17,551	81,741
Research and development costs		(193,352)	(164,038)	(82,968)	(64,624)
Selling and distribution costs		(209,846)	(297,057)	(88,529)	(97,236)
Administrative expenses		(173,697)	(266,065)	(59,101)	(88,833)
Other operating expenses		(2,440)	(4,251)	(1,632)	(329)
Finance costs excluding interest on convertible bonds	5	(32,475)	(20,158)	(6,803)	(3,335)
Share of losses of an associate		(1,102)	-	(307)	-
Share of losses of a jointly controlled entity		(225)	(1,289)	(38)	(903)
		(25,614)	41,099	13,892	24,362
Changes in fair value of the derivative component of convertible bonds	10	(58,037)	95,304	-	(20,404)
Interest on convertible bonds	5	(6,839)	(23,497)	-	(3,336)
PROFIT/(LOSS) BEFORE TAX	4	(90,490)	112,906	13,892	622
Tax	6	(31)	(930)	(3)	(317)
PROFIT/(LOSS) FOR THE PERIOD		(90,521)	111,976	13,889	305
Attributable to:					
Equity holders of the parent		(90,521)	111,976	13,889	305
DIVIDENDS					
Interim		-	-	-	-
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK cents) (as restated)	7				
Basic		(12.7)	15.6	1.9	-
Diluted		(12.7)	15.6	1.9	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine months ended 30 September 2009 (Unaudited) HK\$'000	Nine months ended 30 September 2008 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>(90,521)</u>	<u>111,976</u>
Exchange differences on translation of foreign operations	(3,244)	41,440
Gain on cash flow hedges	<u>2,785</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(459)</u>	<u>41,440</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(90,980)</u></u>	<u><u>153,416</u></u>
Attributable to:		
Equity holders of the parent	<u><u>(90,980)</u></u>	<u><u>153,416</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		229,383	261,608
Prepaid land lease payments		15,855	16,404
Intangible assets		47,124	49,690
Deferred tax assets		26,895	26,789
Goodwill		146,856	146,856
Available-for-sale investments		20,245	20,244
Interest in an associate		21,580	-
Interest in a jointly controlled entity		3,709	3,934
Other non-current assets		152	2,367
		<u>511,799</u>	<u>527,892</u>
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		595,845	229,998
Trade receivables	8	643,522	836,819
Factored trade receivables		163,123	153,392
Notes receivable		18,468	16,958
Prepayments, deposits and other receivables		251,725	253,971
Due from related companies		13,093	17,376
Tax recoverable		3,012	29,347
Derivative financial instruments		52,139	143,802
Pledged deposits		993,993	1,670,499
Cash and cash equivalents		667,790	684,382
		<u>3,402,710</u>	<u>4,036,544</u>
TOTAL current assets			
CURRENT LIABILITIES			
Interest bearing bank and other borrowings		1,060,546	1,866,500
Trade and notes payables	9	835,951	590,654
Bank advances on factored trade receivables		163,123	153,392
Derivative financial instruments		16,287	68,897
Tax payable		424	440
Other payables and accruals		540,356	557,817
Provision for warranties		58,277	59,406
Due to related companies		248,998	51,804
		<u>2,923,962</u>	<u>3,348,910</u>
TOTAL current liabilities			
NET CURRENT ASSETS		<u>478,748</u>	<u>687,634</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>990,547</u>	<u>1,215,526</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 September 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000 (Restated)
	Notes		
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>990,547</u>	<u>1,215,526</u>
NON-CURRENT LIABILITIES			
Retirement indemnities		3,054	2,367
Long service medals		1,070	1,030
Convertible bonds	10	-	142,058
Interest bearing bank and other borrowings		<u>3,062</u>	<u>5,268</u>
Total non-current liabilities		<u>7,186</u>	<u>150,723</u>
Net assets		<u>983,361</u>	<u>1,064,803</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	11	715,050	715,050
Shares held for Share Award Scheme		(42,148)	(47,823)
Reserves		<u>310,459</u>	<u>397,576</u>
Total equity		<u>983,361</u>	<u>1,064,803</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation adopted in the preparation of these 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\$4 million.

Impact of new HKFRSs and HKASs

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

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.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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.

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.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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.

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.

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

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.

Nine months ended 30 September 2009

	Overseas HK\$'000	China HK\$'000	Adjustments & eliminations HK\$'000	Consolidated HK\$'000
Revenue				
External customers	2,060,264	340,311	-	2,400,575
Results				
Depreciation and amortisation	14,861	34,624	-	49,485
Segment profit/(loss) ¹	158,978	8,760	(193,352)	(25,614)
Assets				
Capital expenditure ³	4,135	21,415	49,933	75,483
Operating assets	1,604,297	2,136,461	173,751 ²	3,914,509
Operating liabilities	1,577,779	1,353,369	-	2,931,148
Non-current assets⁴	36,408	188,387	51,712	276,507

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\$193,352,000.

² Segment assets do not include goodwill HK\$146,856,000 and deferred tax assets HK\$26,895,000.

³ Segment capital expenditure excludes additions of capitalised research and development cost HK\$49,933,000.

⁴ Segment non-current assets for this purpose exclude capitalised research and development cost HK\$51,712,000.

2. SEGMENT INFORMATION (continued)

Nine months ended 30 September 2008

	Overseas HK\$'000	China HK\$'000	Adjustments & eliminations HK\$'000	Consolidated HK\$'000
Revenue				
External customers	3,057,895	400,993		3,458,888
Results				
Depreciation and amortisation	17,434	41,781	-	59,215
Segment profit/(loss) ¹	189,874	15,263	(164,038)	41,099
Assets				
Capital expenditure ⁴	20,929	26,449	58,016	105,394
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 assets⁵	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\$95,304,000 and interest on convertible bonds HK\$23,497,000 and does not include research and development costs HK\$164,038,000.

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\$58,016,000.

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

No customer accounted for 10% or more of the total revenue for the nine months ended 30 September 2009 and 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 revenue, other income and gains is as follows:

	For the nine months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of mobile phones and related components	<u>2,400,575</u>	<u>3,458,888</u>
Other income and gains		
Interest income	30,181	10,412
Subsidy income	8,412	-
VAT refund #	26,368	32,593
Value-added service income	2,825	5,259
Exchange gain, net	35,283	81,827
Gain on disposal of items of property, plant and equipment	721	-
Gain on buyback of convertible bonds	44,614	22,106
Others	<u>6,082</u>	<u>5,829</u>
Other income and gains	<u>154,486</u>	<u>158,026</u>

During the nine months ended 30 September 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%.

4. PROFIT/(LOSS) BEFORE TAX

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

	For the nine months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Depreciation of property, plant and equipment	46,482	55,564
Prepaid land lease recognised	550	550
Amortisation of computer software and intellectual property	3,003	3,651
Research and development costs:		
Deferred expenditure amortised	52,094	33,127
Current period expenditure	141,258	130,911
	<u>193,352</u>	<u>164,038</u>
Impairment loss/(write back) of trade receivables	(5,454)	3,069
Write back of other receivables	(2,603)	-
Gain on disposal of items of property, plant and equipment	721	-
	<u>721</u>	<u>-</u>

5. FINANCE COSTS

	For the nine months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, and other loans wholly repayable within five years	24,528	12,372
Interest on discounted notes and factored trade receivables	7,947	7,786
Finance costs excluding interest on convertible bonds	32,475	20,158
Interest on convertible bonds*	6,839	23,497
Total finance costs	<u>39,314</u>	<u>43,655</u>

* 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% whilst the yield to maturity is 5.709%.

6. TAX

	For the nine months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current period provision:		
The PRC	31	59
Mexico	-	871
	<hr/>	<hr/>
Tax charge for the period	31	930
	<hr/> <hr/>	<hr/> <hr/>

No Hong Kong profits tax has been provided (2008: 16.5%) since no assessable profit 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.

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.

6. TAX (continued)

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. 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 nine months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) 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	<u>(90,521)</u>	<u>111,976</u>
Shares		
	Number of shares*	
	2009	2008 (Restated)
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	715,049,870	716,020,720
Effect of dilution - weighted average number of ordinary shares: Assumed issuance upon the exercise of share options	<u>-</u>	<u>3,028,515</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	<u>715,049,870</u>	<u>719,049,235</u>

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

The calculation of the diluted loss per share for the nine months ended 30 September 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.

8. 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 September 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 3 months	494,783	643,608
From 4 to 12 months	110,632	195,604
Over 12 months	<u>51,831</u>	<u>20,333</u>
	657,246	859,545
Impairment loss of trade receivables	<u>(13,724)</u>	<u>(22,726)</u>
	<u>643,522</u>	<u>836,819</u>

9. 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 the invoice date, is analysed as follows:

	30 September 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within 6 months	829,324	377,280
From 7 to 12 months	266	211,484
More than 1 year	<u>6,361</u>	<u>1,890</u>
	<u>835,951</u>	<u>590,654</u>

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.

10. 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 Convertible 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.

Fair value of the 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.

10. CONVERTIBLE BONDS (continued)

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the conversion option from 1 January 2009 to 30 September 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 nine months ended 30 September 2009.

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

	Liability component HK\$'000	Derivative component HK\$'000	Total 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	<u>(115,940)</u>	<u>(91,370)</u>	<u>(207,310)</u>
As at 30 September 2009	<u>-</u>	<u>-</u>	<u>-</u>

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

The Company accepted the offers from the bondholders and fully bought back the Convertible Bonds during 2008 and for the nine months ended 30 September 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 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 Convertible Bonds as at 30 September 2009.

11. 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.

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.

12. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The global economy rejuvenated in the third quarter of 2009 (the “Review Period”) as a result of loose monetary policies. Consumer demand picked up gradually and the investment environment also improved. The global handset industry reversed its downtrend of the previous two quarters and resumed growth momentum. The progress in Europe and the Asia Pacific markets was particularly encouraging.

Sales performance in emerging markets, particularly China, remained brisk. Development of 3G services in China propelled the growth of the domestic handset industry.

Business Review

In the first half, we reinforced our operating efficiency and competitiveness with a business restructuring, enabling us to promptly capture market opportunities that could arise from a market recovery or from changes in demand and to increase our income sources. During the Review Period, while continuing to sell entry-level products, the Group also launched a number of mid to high-end handsets and accessories. These products were not only warmly received by major global telecommunications operators and users, but also boosted the competitiveness of our products.

The Group proceeded with a “3G + 4C” business model in the Review Period to achieve business diversification. We strengthened research and development in order to offer more value-added products to customers. In the second quarter, we launched the OT-800 (“Jade”) series which was highly acclaimed by the market. With a full QWERTY keypad, this product gives users a platform of social networking and rich-text messaging, allowing them to enjoy smartphone services at a budget price. It was well received by the market.

Review of Operations

In the third quarter of 2009, a total of 4.24 million units of handsets and accessories were sold, an increase of 20% over the corresponding period of 2008 and a reversal of the downtrend in the first two quarters. The Group's sales volume returned to the levels before the financial tsunami, demonstrating that the business restructuring and optimization carried out this year was effective. Overseas shipments amounted to 3.49 million units, an increase of 20% year-on-year, indicating a recovery in overseas markets.

During the first nine months, the Group sold 9.3 million units of handsets and accessories, down 9% from the corresponding period of 2008. It was mainly due to lower sales volume in the first two quarters resulting from weak demand in overseas markets amid the financial tsunami. Nevertheless, the sales performance in the third quarter showed clear signs of improvement.

Sales volume breakdown by location:

	Handsets and Accessories Unit Sales		
	For the nine months ended 30 September		
<i>('000 units)</i>	2009	2008	Change (%)
Overseas	7,448	8,991	-17%
The PRC	1,850	1,273	+45%
Total	9,298	10,264	-9%

Europe, Middle East and Africa (“EMEA”)

Shipments of handsets and accessories to Europe, the Middle East and Africa (“EMEA”) for the Review Period totaled 1.81 million units, up 26% from the same period last year. Sales performance in Britain and Russia were better than expected and drove a remarkable growth in sales volume in the European market.

During the Review Period, the Group rolled out a number of mid to high-end products in the region, including the OT-708 (“One Touch Mini”) and OT-800 (“Jade”) series. They were proved to be highly popular and helped raise the overall profit margin. However, as entry-level products also experienced brisk sales, the overall average selling price remained flat.

Looking ahead, the Group intends to extend sales of the OT-708 (“One Touch Mini”) and OT-800 (“Jade”) series to the entire EMEA markets in the fourth quarter. On the other hand, launches of low-end products will be confined mainly to Africa.

Latin America (“LATAM”)

The Group reported sales of 1.54 million units in the Latin America market during the Review Period, up 12% from the same period last year. Response of the market to the OT-708 (“One Touch Mini”) and OT-800 (“Jade”) series was very positive, giving rise to satisfactory sales growth in Mexico.

The Latin America market is envisaged to stage a remarkable recovery in the fourth quarter, underpinned by an improvement in the local economy.

The PRC

The Group’s sales volume in China market made a remarkable improvement in the Review Period and increased by 16% to 750,000 units from the same period last year. It clearly showed that our “Perfecting strategy” and the launch of mid to high-end products produced satisfactory results.

With the rapid progress of 3G technology, services are being further enhanced and the market competition is ever increasing. The Group is gearing up to strengthen research on 3G terminals and cooperation with major domestic operators so as to ensure our sustainable growth in the 3G era.

Other Markets

In the third quarter of 2009, the Group achieved stable growth of sales volume in the Asia and Pacific region. Thanks to the introduction of a series of mid to high-end products such as the OT-708 (“One Touch Mini”) and OT-800 (“Jade”) in the market, our profit margin rose during the Review Period. The Group anticipates a promising sales performance in the region for the fourth quarter.

The sales volume of CDMA handsets in the Review Period improved significantly when compared with the same period last year. The improvement was primarily driven by a robust growth of business in Indonesia. However, as the majority of the handsets sold were low-priced products, the average selling price of CDMA phones fell slightly from the previous quarter.

As the Group has already established closer partnerships with key operators in Thailand, Taiwan, Angola and Indonesia and has actively explored other emerging markets such as Papua New Guinea, we believe that prospects for CDMA sales in the fourth quarter are rosy.

Moreover, during the Review Period, the Group actively explored the markets in Australia and New Zealand.

Product Development

During the third quarter, the Group launched 4 models of Alcatel brand mobile phones, including OT-106, OT-206, OT-222 and OT-203E series, and a TCL brand mobile phone V300. Moreover, the Group continued to extend the sales of OT-800 (“Jade”) and OT-708 (“One Touch Mini”). The OT-800 (“Jade”) series was very popular and we had orders from various major telecommunications operators. In addition, OT-708 (“One Touch Mini”) series, an entry-level touch screen handset, has received an enthusiastic response and helped raise the overall sales volume for the Review Period.

At the end of the third quarter, the Group introduced the HSUPA 3G USB dongle. With an ultra slim design, it features a foldable USB connector and faster transmission rates. Moreover, it incorporates a GPS function. The product is expected to contribute to the Group’s profit in the fourth quarter. We are also planning to launch a HSDPA dongle and a HSUPA USB dongle in the fourth quarter.

OUTLOOK

We believe that sales volume in the fourth quarter will stay at levels achieved before the financial tsunami as the global economy continues to improve. The Europe and Latin America markets will continue to recover gradually, while the Asia Pacific region will also be one of the important driver of our business growth. At the same time, the PRC market is expected to bode well amid fierce competition for 3G handsets.

Strategically, in order to enhance competitiveness and strengthen its market position, the Group plans to develop ODM businesses and tap into new markets. Additional working capital may hence be required and this may involve upgrading and expansion of existing production facilities. Therefore, the Group may wish to explore the opportunities for obtaining additional funding from different platforms. The Group will comply with the relevant regulatory requirements if it proceeds with such exercise.

In order to capture opportunities brought about the emerging 3G era and to ensure sustainable growth, we will stick to our “3G + 4C” strategy, actively strengthen efforts in research and development, enhance the cooperation with key operators, and offer users more value added services by providing them with competitive and innovative products. We will strive hard to become a leading provider of mobile terminals and services in the 3G era.

Looking ahead, although 2009 is a challenging year for the handset industry, the management is confident to achieve our annual sales target with the efforts of all staff members and a stabilizing global economy.

Financial Review

Results

For the nine months ended 30 September 2009, the Group's unaudited consolidated revenue amounted to HK\$2,401 million (same period in 2008: HK\$3,459 million), representing a year-on-year decrease of 31% as compared to the same period last year.

The Group's gross profit margin remained at 18%, despite the keen competition and general declining product prices.

EBITDA before effect of convertible bonds and loss attributable to equity holders of the parent were HK\$27 million and HK\$91 million respectively (same period in 2008(restated): EBITDA before effect of convertible bonds and profit attributable to equity holders of the parent were HK\$111 million and HK\$112 million respectively). Loss before the effect of convertible bonds¹ is HK\$26 million. Basic loss per share was HK12.70 cents (same period in 2008(restated): basic earnings per share were HK15.60 cents).

Inventory

The Group's inventory (only included finished goods) turnover period was 26 days (same period in 2008(restated): 23 days).

Trade Receivables

Credit period was 60-90 days on average and the trade receivables (including trade receivables and factored trade receivables) turnover was 86 days (same period in 2008 (restated): 71 days).

Significant Investments and Acquisitions

There was no significant investment and acquisition for the nine months ended 30 September 2009.

Fund Raising

There was no fund raising for the nine months ended 30 September 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 September 2009 amounted to HK\$668 million, of which 29% were in Renminbi, 55% in United States dollars, 10% in Euro and 6% in Hong Kong dollars & other currencies. The Group's total interest-bearing borrowings as at 30 September 2009 were HK\$1,224 million, in which the interest bearing bank and other borrowings were HK\$1,061 million (which included those interest-bearing borrowing for RMB foreign exchange program amounting to HK\$755 million) and bank advances on factored trade receivables were about HK\$163 million. The Group's financial position remained healthy during the period under review, with total assets of HK\$3,915 million. The Group had a gearing ratio of 31% 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 16% (31 December 2008 (restated): 20%).

1: Note :

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

Pledge of Deposits

Deposit balance of approximately HK\$994 million (31 December 2008: HK\$1,670 million) represented the pledged deposit for certain RMB foreign exchange program of approximately HK\$961 million and retention guarantee for factored trade receivables of approximately HK\$33 million.

Capital Commitment and Contingent Liabilities

As at 30 September 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 nine months ended 30 September 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 3,800 employees as at 30 September 2009. Total staff costs for the period under review were approximately HK\$291 million. The remuneration policy was reviewed in accordance with current legislations, market conditions and both individual and company performance.

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 nine months ended 30 September 2009, complied fully with the codes set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("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 for Securities Transactions by Directors of Listed Issuers ("Model Code"). Specific enquiry has 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 unaudited consolidated results for the three months and nine months ended 30 September 2009 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 of the Company, and Mr. Bo Lianming, a non-executive director of the Company.

On behalf of the Board
TCL Communication Technology Holdings Limited
Li Dongsheng
Chairman

Hong Kong, 28 October 2009

As at the date of this announcement, the Board comprises Mr. Li Dongsheng, Mr. Yang Charles Xinping and Mr. Guo Aiping, being the executive directors; Mr. Bo Lianming, Mr. Huang Xubin and Ms. Xu Fang, being the non-executive directors; Mr. Lau Siu Ki, Mr. Liu Chung Laung and Mr. Shi Cuiming, being the independent non-executive directors.