

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

PROFIT WARNING

This announcement is made by Company pursuant to Rule 13.09(2)(a) of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that the Group is expected to record a loss in the financial results for both the three months and the year ended 31 December 2012.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by TCL Communication Technology Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 (2) (a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that based on the management’s preliminary assessment of the unaudited consolidated management accounts, the Group is expected to record a loss in the financial results for both the three months and the year ended 31 December 2012 (the “Period”).

Based on the information currently available, the expected loss was primarily attributable to the following reasons:

- (1) general decrease in the average unit selling price and gross profit margin for feature phones, which was brought by the price war amongst the entry-level smartphones;

- (2) the majority of smartphones products of the Group at present consists of entry-level smartphones, which selling prices are currently under extraordinary pressure due to aggravating product-homogeneity in the market. In addition, the sales volume of the Group's smartphones has not achieved the economies of scale, which resulted in lower gross profit margin of smartphones; and
- (3) in order to ensure sustainable development of the Group, the Group has been continuously increasing its investment in product research and development and brand building, which in turn has resulted in corresponding growth in the expenses related to research and development, sales and marketing.

Outlook

With a challenging economic and business environment and industry competition, the year 2013 will remain to be challenging for our industry in both China and overseas market. In the anticipation of these challenges and rapidly changing industry trend, the Group will focus particularly on the following to further improve its operation:

- (1) in terms of product competitiveness, the Group will focus on optimising product structure and research and development processes, and through elevating the efficiency of product research and development and strengthening cooperation with major component suppliers, the Group expects to further improve product supply chain, seize the pace of market and speed up the time-to-market of new products. With the launch of new mid-end smartphones in the market starting from the first quarter of the year 2013, the smartphones of the Group is expected to reach the economies of scale, reduce operation costs and in turn improve the average unit selling price and gross profit margin of the products accordingly;
- (2) in terms of the Group's operation efficiency, the Group will further optimize organization structure and business processes, strengthen cooperation, improve overall executive efficiency and establish operational mechanisms with quick response to market demand; and
- (3) in addition, while there is a constant increase in the costs relating to product research and development and brand building, the Group will exercise a more cautious control on cost and expenditure with a major focus on the development of key products and market promotion in order to realize maximum benefit.

The information as contained in this announcement is only based on the preliminary estimate of the unaudited consolidated management accounts prepared by the management of the Group for the Period and is not based on any figures or information audited or reviewed by the Company's auditors. Shareholders and

potential investors are advised to read carefully the annual results announcement of the Company for the year 2012 which is expected to be published by 26 February 2013.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong
8 January 2013

As at the date of this announcement, the Board comprises Mr. LI Dongsheng, Mr. GUO Aiping and Mr. WANG Jiyang, being the executive directors; Mr. BO Lianming, Mr. HUANG Xubin and Ms. XU Fang, being the non-executive directors; Mr. LAU Siu Ki, Mr. LOOK Andrew and Mr. KWOK Hoi Sing, being the independent non-executive directors.