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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 (1) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to report a net profit for the three months ended 31 March 2012 significantly lower than that as compared to the corresponding period of 2011.

Shareholders of the Company 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 (1) 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 and potential investors that based on the management’s preliminary assessment of the unaudited consolidated management accounts, the Group is expected to report a net profit for the three months ended 31 March 2012 (the “Period”) significantly lower than that as compared to the net profit for the corresponding period of 2011.

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

- (1) a slight decrease in gross profit margin of feature phones caused by weakened market demand as a result of the European debt crisis and global economic downturn, as well as keen competition in the handset industry;
- (2) the sales of smartphone is still undergoing the ramp-up period and it only accounted for approximately 10% of overall shipment in the first quarter of 2012; in addition, due to prolonged product certification process, the time-to-market of new products has been affected, and accordingly, the Group failed to achieve the smartphone sales target for the Period;
- (3) an increase in research and development costs, which laid a solid foundation for the launch of competitive smartphone models in the coming quarters; and
- (4) an increase in selling and distribution costs arising from an increase in advertising and promotional activities in response to the intensified market competition and our efforts in brand building.

Outlook

With a gradually serious economic and business environment and industry competition, the year of 2012 will remain to be challenging for our industry in both China and overseas market. In view of this, the Group will continue to focus on the followings: (i) launching more new models of smartphones from the second quarter of 2012, including the models successfully selected by China Unicom (Models W939 and W969) and China Mobile (Model E906). Growth momentum for smartphones is expected to commence gradually from the second quarter of 2012 onwards when new smartphone models start to be launched; (ii) establishing more points of sales in China, and it is expected that the number of points of sales will be increased from 4,200 to 6,000 by the end of the second quarter of 2012; (iii) continuously enhancing the style, functions, quality and competitiveness of its products, especially smartphones; and (iv) improving the operational efficiency of its product value chain and speeding up the time-to-market of new products.

Despite the decline in net profit for the Period, the Board considers that the Group's overall financial position remains solid and the Board remains positive on the long term prospect of the Group.

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 of the

Company and potential investors are advised to read carefully the quarterly results announcement of the Company for the Period which is expected to be published by the end of April 2012.

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
12 April 2012

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.