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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 Company pursuant to Rule 13.09 (1) of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that the Group is expected to record a net profit for the three months and six months ended 30 June 2012 significantly lower than that recorded for the corresponding periods of 2011. Nevertheless, the Group is expected to record an increase in its net profit for the three months ended 30 June 2012 as compared to that recorded for the first quarter of 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 (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 (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 net profit for the three months and six months ended 30 June 2012 (the “Period”) significantly lower than that recorded for corresponding periods of 2011. Nevertheless, the Group is expected to record an increase in its net profit for the three months ended 30 June 2012 as

compared to that recorded for the first quarter of 2012. However, given the generally unfavourable economic environment and that the factors causing the expected profit decline in the Period may persist, the management still expects that significantly less profit may be recorded for the nine months ended 30 September 2012 and the year ended 31 December 2012.

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

- (1) a decrease in gross profit margin of featured phones caused by persistent weakened market demand as a result of the European debt crisis and global economic downturn, as well as decreasing price of featured phones attributed to more affordable price of smartphones;
- (2) the sales of smartphones is still undergoing the ramp-up period and has not yet achieved the economies of scale, which results in lower gross profit margin of smartphones; and
- (3) an increase in research and development resources to keep up with the technology to launch advanced products and to improve the competitiveness and time-to-market of new products; meanwhile, more effort in advertising and promotional activities to strengthen brand and channel building in China and overseas market.

## **Outlook**

With a challenging economic and business environment and industry competition, the year 2012 will remain to be challenging for our industry in both China and overseas market. In the anticipation of these challenges, the Group will continue to focus on the followings: (i) launching more new models of smartphones from the third quarter of 2012, including the models W989 and S500, both of which have been successfully selected by China Unicom ; (ii) establishing more points of sales in China to increase the number of points of sales from existing 6,000 to 10,000 by the end of 2012; (iii) expanding our footprints to overseas market by cooperating with more major operators overseas by launching price competitive and good quality smartphones in the coming quarters; (iv) enhancing the style, functions, quality and competitiveness of its products, especially smartphones; and (v) improving the operational efficiency of its product value chain and speeding up the time-to-market of new products.

The smartphones business is expected to continue in its direction of growth as new smartphone models are launched successively. Besides, the Board believes that our efforts in research and development will lay a solid foundation for the launch of competitive smartphone models and improve the competitiveness and time-to-market of new products. Further, the advertising and promotional activities held will help

building our brand in China and overseas market.

Despite the decline in net profit for the Period as compared to that recorded for the corresponding period of 2011, 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 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 interim results announcement of the Company for the Period which is expected to be published by 9 August 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  
15 July 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.*