



For Immediate Release

TCL Communication Announces 2013 Interim Results

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**“Step-up” Product Strategy Pays off as Company Successfully Turned Around
in the Second Quarter of 2013**

**Sales Volume of Smartphones and Other Smart Devices in the First Half Surged 113%
Year-on-year to
4.7 Million Units, Accounting for 22.8% of Total Shipments**

Financial Highlights:

	For the six months ended 30 June		
<i>(HK\$ million)</i>	2013	2012	Change (%)
Revenue	6,407	5,093	+26%
Gross profit	1,129	982	+15%
Gross profit margin	17.6%	19.3%	-1.7%
(Loss) / profit for the period	(209)	100	N/A
Basic (loss) / earnings per share (HK cents)	(18.3)	9.4	N/A

Geographical Breakdown of Revenue:

	Sales of handsets and other products For the six months ended 30 June		
<i>(HK\$ million)</i>	2013	2012	Change (%)
EMEA	2,830	1,650	+72%
Americas	2,338	2,300	+2%
APAC	673	297	+127%
China	566	846	-33%
Total	6,407	5,093	+26%
<i>Including: smartphones & other smart devices</i>	3,659	1,758	+108%

(HONG KONG, 15 August 2013) - **TCL Communication Technology Holdings Limited** (“TCL Communication” or the “Company”, together with its subsidiaries referred to as the “Group”; HKSE stock code: 02618) today announced the unaudited results of the Group for the six months ended 30 June 2013.

Despite the sluggish economy, the Group’s total sales volume of handsets and other products reached 20.6 million units, representing an increase of 11% year-on-year, including 18.2 million

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units in the overseas market and 2.4 million units in China market. Thanks to the Group's tremendous effort in developing its smartphone business, sales volume of smartphones and other smart devices rose significantly by 113% to 4.7 million units, accounting for 22.8% of the Group's total shipments. Therefore, the products' overall average selling price per unit increased to US\$40, up from US\$35 in the same period last year. The Group's revenue increased by 26% year-on-year to HK\$6.4 billion.

The Group's overall gross margin was 17.6%, decreasing from 19.3% for the same period in 2012. However, upon the completion of the launch of the first wave of competitive mid-range smartphones worldwide, the growth momentum started from the second quarter of 2013. The Group's overall gross margin rebounded to 18.4% quarter by quarter since it bottomed out at 15.6% in the fourth quarter of 2012 and 16.4% in the first quarter.

In the first half of 2013, the Group successfully launched its mid-range smartphone which has been very well received. Therefore, the Group also devoted more effort to promoting the brand. As a result, in the first half of 2013, the Group's R&D and selling and marketing expenses increased by 75% and 34% year-on-year to HK\$432 million and HK\$656 million respectively.

Although the overall situation improved, due to a loss was recorded in the first quarter of 2013, the Group still recorded a loss of HK\$209 million for the first half of 2013. Nevertheless, it was encouraging that the Group turned around with a net profit of HK\$38 million in the second quarter of 2013 from the loss of the previous three quarters.

Dr. Guo Aiping, the Chief Executive Officer of TCL Communication, said "The Group's "step-up" product strategy has been proven to be the right path and has begun to show results. In the future, the Group will continue to implement this "step-up" product strategy. At the same time, in order to capitalize on the rising popularity of low-to-mid-priced smartphones, the Group will continue to invest in development of mid-range smartphones to keep abreast of the ever-changing market trends and technology. With the outstanding product portfolio, TCL Communication is confident that it will gradually reach optimal economies of scale for smartphone production and the smartphone strategy will lead us to a prosperous future."

In the first half of 2013, the Group's shipments of handsets and other products to the EMEA region increased by 21% year-on-year to 7.2 million units, with revenue up by 72% year-on-year to HK\$2.8 billion, mainly attributable to the smartphone shipments growth. The revenue generated from the sales of smartphones and other smart devices in EMEA accounted for 51% of the

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Group's smartphone sales revenue. The Group actively conducted various marketing and promotional activities to boost the sales of its first wave of smartphone products and enhance the brand awareness. It achieved significant improvement in the Italian and Russian markets, with sales volumes up by 85% and 39% year-on-year respectively. The growth momentum in the EMEA market, especially the segment for mid-range smartphone, is expected to continue in the rest of 2013.

The Group's shipments of handsets and other products to Americas increased by 7% year-on-year to 9.3 million units in the first half of 2013, with revenue up 2% year-on-year to HK\$2.3 billion. To further boost the sales performance and enhance brand image in the region, the Group kept on promoting smartphones and increasing expenditure on advertising and marketing. Specifically, it participated in important international electronic shows and increased awareness of its brand through product placement in the Hollywood movie, Iron Man 3. The Group also explored business opportunities with new customers, including telecommunication operators and distributors in both North and South America in the first half of 2013, and expected the effort to pay off in the second half of the year.

During the period under review, shipment of handsets and other products across the APAC region increased by 50% year-on-year to 1.7 million units, with revenue up 127% year-on-year to HK\$673 million. The Group continued to strengthen its relationships with key telecom operators to stimulate smartphone sales growth. During the period under review, Malaysia, the Philippines and India were the fastest growing markets for the Group's smartphones in the region.

In the first half of 2013, due to fierce competition in the country's market, sales volume of handsets and other products in China declined by 15% year-on-year to 2.4 million units, with revenue down 33% year-on-year to HK\$566 million. In order to strengthen its competitiveness, the Group started to restructure its sales channels and sales team, paving the way for smartphone sales. In addition, the Group has strategically partnered with the biggest B2C electronic commerce company in China, 360 Buy to promote its 5-inch full high-definition display flagship product, TCL IDOL X. In spite of the weak sales performance in the country, the Group still achieved breakthroughs in collaborating with telecommunication operators there. A number of product models were selected by the country's three telecommunication operators for their bundled sales.

The Group has successfully achieved a breakthrough in extending its product portfolio from entry-level smartphone to mid-range smartphone and it clearly recognizes that the next challenge will be enhancing the brand value of ALCATEL ONE TOUCH/TCL, in order to support its mid-range

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smartphone segment. Therefore, the Group will continue to focus on improving the brand awareness in the second half of the year.

Dr. Guo concluded, "As the second half of the year is normally the peak season for the handset industry, the Group's smartphone shipment, especially for the mid-range smartphones, is expected to grow during the second half of 2013. As a result, the management is very confident about achieving a revenue growth target of 25% year-on-year for the full year of 2013. The Group will adopt stringent cost control to make the growth of expenses much lower than that of revenue does in 2013, and believe that the financial performance in the second half will be improved over the first half in 2013. It will continue to pursue its "step-up" product strategy, and proactively, yet prudently, address business challenges and create value for the shareholders in the long term."

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About TCL Communication

TCL Communication Technology Holdings Limited (HKSE stock code: 02618), together with its subsidiaries, designs, manufactures and markets an expanding portfolio of mobile and internet products worldwide under two key brands - TCL and ALCATEL ONE TOUCH. The Group's portfolio of products is currently sold in China and over 160 countries throughout the Americas, Europe, the Middle East, Africa and the Asia Pacific region. TCL Communication operates its highly efficient manufacturing plants and R&D centres in various provinces in the PRC, with a headquarters in Shenzhen, China. For more information, please visit the Group's website at <http://tclcom.tcl.com>

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