

# FY 2010 Results Presentation



The Creative Life

**TCL Multimedia Technology Company Limited**

Stock Code: 01070

# Agenda

- Results Overview
- Financial Highlights
- Business Review
- Outlook



# Results Overview



**TCL Multimedia Technology Company Limited**

# Results Overview

- In 2010, the Group recorded HK\$26,949 million in turnover, down 11.2% Y-o-Y. Gross profit was down 23.5% Y-o-Y. Operating loss amounted to HK\$591 million while loss attributable to owners of the parent company totalled HK\$983 million
- Operational and financial performance was improved in Q4, operating profit recorded HK\$143 million, mitigating the operating loss for the year
- In 2010, LCD TV sales volume dropped 10.9% Y-o-Y to 7.46 million sets. However, the PRC Market's LCD TV sales volume was up 10.7% Y-o-Y
- The Group maintained its leading position with a 23.5% market share in the PRC Internet TV market. The Group stepped up efforts to promote its LED backlight LCD TV products in the second half of the year, sales volume of LED backlight LCD TVs accounting 27.6% of total LCD TV sales in December
- The Group's LCD TV sales volume in Emerging Markets made a breakthrough with a significant year-on-year growth of 194.2%



# Financial Highlights



**TCL Multimedia Technology Company Limited**



# TV and LCD TV Sales Volume

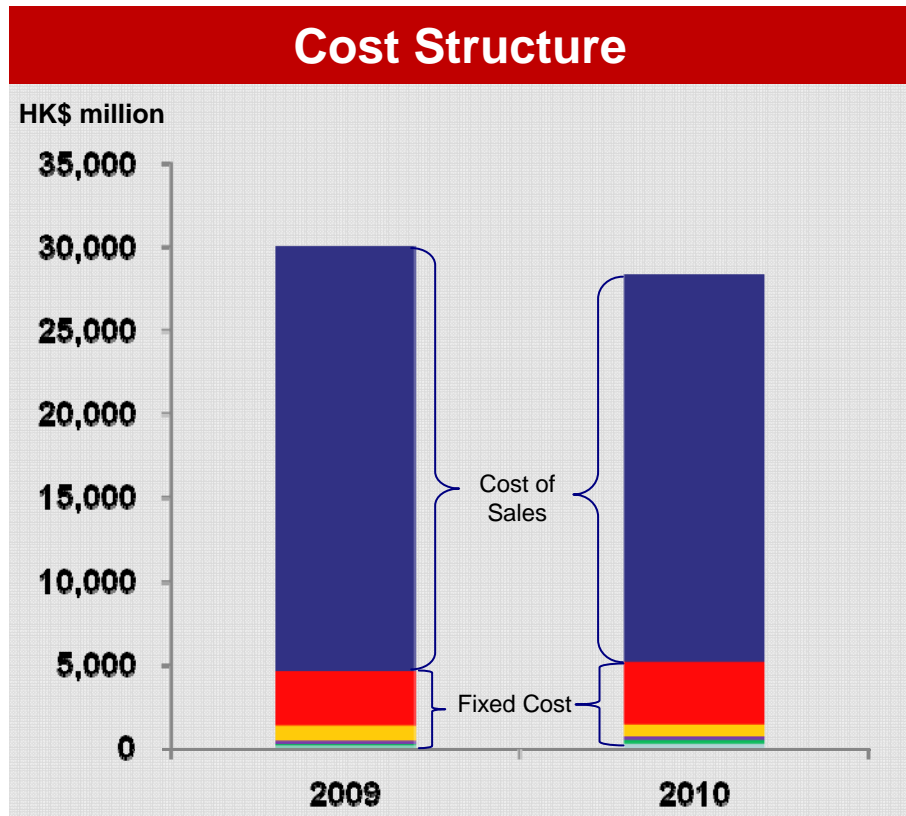
**LCD TV sales volume in the PRC Market up 10.7% Y-o-Y**

('000 sets)	LCD TV Sales Volume			TV Total Sales Volume		
	2010	2009	YoY (%)	2010	2009	YoY (%)
<b>Total</b>	<b>7,464</b>	8,373	(10.9)	<b>13,012</b>	14,238	(8.6)
Of which: LED backlight LCD TV	<b>843</b>	-	N/A	<b>843</b>	-	N/A
<b>PRC</b>	<b>5,124</b>	4,629	+10.7	<b>7,071</b>	7,597	(6.9)
<b>Overseas</b>	<b>2,340</b>	3,744	(37.5)	<b>5,941</b>	6,641	(10.5)

# Consolidated Results

(HK\$ million)	Q4 2010	Q4 2009	Change (%)	FY 2010	FY 2009	Change (%)
Turnover	7,854	9,245	(15.0)	26,949	30,343	(11.2)
Gross profit	1,330	1,307	+1.8	3,765	4,924	(23.5)
Operating profit/ (loss)	143	265	(46.0)	(591)	702	N/A
Profit/ (loss) attributable to owners of the parent	8	166	(95.2)	(983)	397	N/A
Basic earnings / (loss) per share (HK cents)	0.75	16.43	(95.4)	(92.05)	39.15	N/A

# Cost Structure



- Finance costs
- R&D costs
- Selling and distribution costs
- Others
- Administrative expenses
- Cost of sales

### Operating Profit / (Loss) Margin

(HK\$ million)	2008	2009	2010
Turnover	25,773	30,343	26,949
Operating Profit / (Loss)	331	702	(591)
Operating Profit / (Loss) Margin	1.3%	2.3%	(2.2%)



# Balance Sheet Highlights

(HK\$ million)	31 December 2010	31 December 2009
Non-current assets	1,931	2,026
Current assets	16,569	12,895
-Inventories	4,925	4,918
-Cash and bank balances	2,133	2,079
Current liabilities	14,966	10,804
Net current assets	1,603	2,091
Non-current liabilities	284	405
Net assets	3,250	3,712

# Key Financial Indicators

	31 December 2010	31 December 2009
<b>Inventory turnover (FG) (days)*</b>	<b>44</b>	<b>31</b>
<b>A/R turnover (days)*</b>	<b>64</b>	<b>48</b>
<b>A/P turnover (days)*</b>	<b>86</b>	<b>65</b>
<b>Current ratio</b>	<b>1.1</b>	<b>1.2</b>
<b>Gearing ratio**</b>	<b>38.5%</b>	<b>2.6%</b>

\*The above turnover days are calculated based on average balance of the year

\*\*Gearing ratio = Net Borrowing/Equity attributable to owners of the parent. Net Borrowing = total interest-bearing borrowings – cash and bank balances – pledged deposits

# Segment Results

(HK\$ million)		2010	2009	Change(%)
PRC TV Business	Turnover	15,790	15,865	(0.5)
	Gross Profit	2,662	3,225	(17.5)
	Operating Results	(492)	506	N/A
Overseas TV Business	Turnover	6,879	10,424	(34.0)
	Gross Profit	673	1,242	(45.8)
	Operating Results	(345)	96	N/A
AV Products	Turnover	3,574	3,819	(6.4)
	Gross Profit	387	424	(8.7)
	Operating Results	204	192	+6.3

# Segment Results in Q4

(HK\$ million)		Q4 2010	Q3 2010	Q-o-Q Change (%)	Q4 2009	Y-o-Y Change (%)
PRC TV Business	Turnover	5,039	4,238	+18.9	4,955	+1.7
	Gross Profit	1,056	549	+92.3	799	+32.2
	Operating Results	201	(511)	N/A	144	+39.6
Overseas TV Business	Turnover	1,768	1,485	+19.1	3,336	(47.0)
	Gross Profit	183	89	+105.6	405	(54.8)
	Operating Results	(161)	(106)	(51.9)	97	N/A
AV Products	Turnover	936	996	(6.0)	885	+5.8
	Gross Profit	98	70	+40.0	110	(10.9)
	Operating Results	56	9	+522.2	32	+75.0



# Business Review

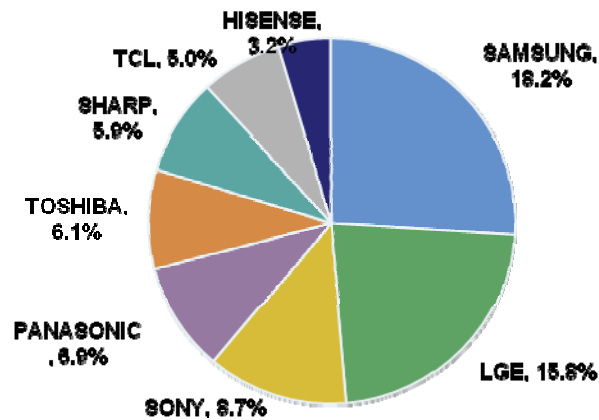


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# TV Market Shares and Ranking

## 2010 TV global market share (TCL ranked No.7)



## 2010 TV PRC market share (TCL ranked No.2)

Brand	2010 TV Market Share	2009 TV Market Share
HISENSE	16.7%	17.2%
<b>TCL</b>	<b>16.1%</b>	<b>18.3%</b>
SKYWORTH	15.0%	16.4%
CHANGHONG	12.5%	14.2%
KONKA	11.4%	12.7%
HAIER	4.8%	4.4%
SHARP	4.6%	2.4%
SONY	4.5%	2.2%
SAMSUNG	3.9%	2.7%
LGE	3.8%	2.7%

Source: DisplaySearch

## 2010 LCD TV global market share (TCL ranked No.10)

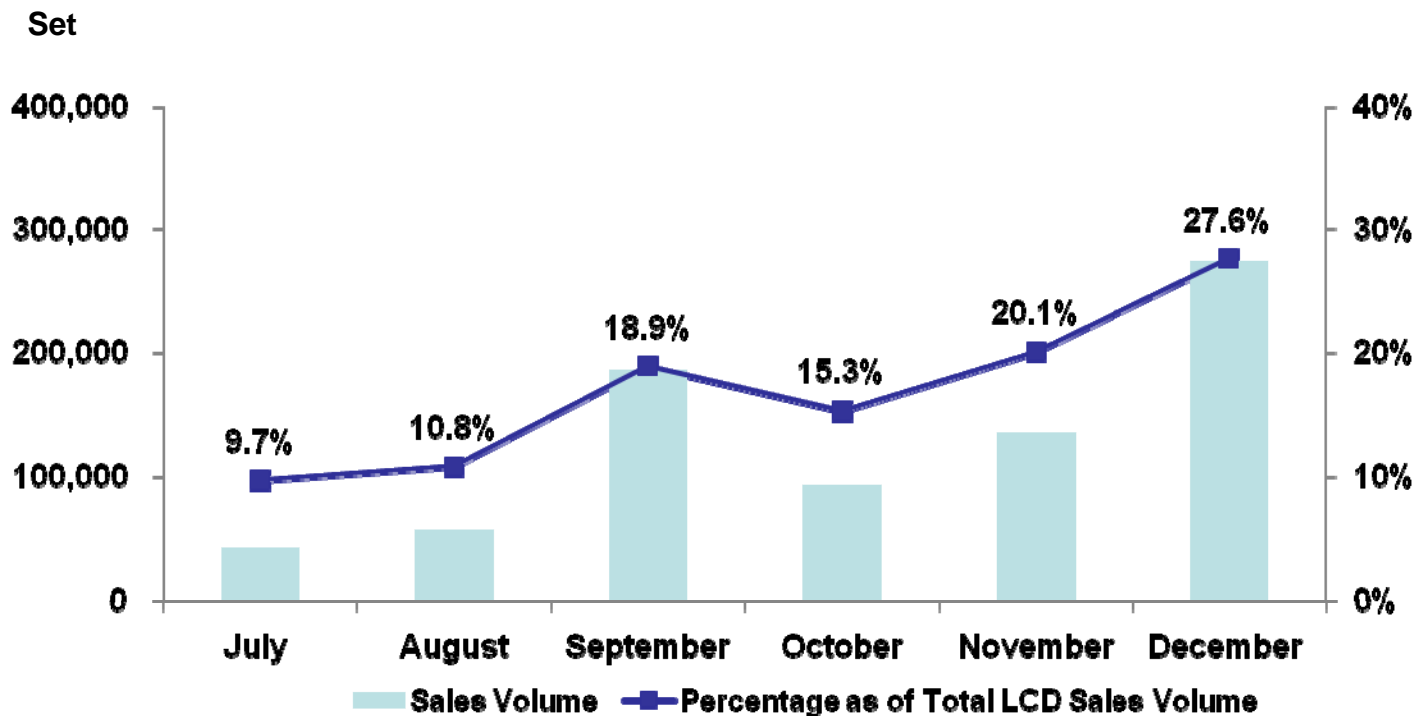
Brand	2010 LCD Market Share	2009 LCD Market Share
SAMSUNG	17.9%	18.8%
LGE	12.1%	11.2%
SONY	11.3%	10.5%
SHARP	7.4%	6.7%
TOSHIBA	7.3%	5.8%
PANASONIC	5.0%	4.4%
HISENSE	3.9%	4.1%
PHILIPS	3.8%	4.8%
VIZIO	3.7%	4.1%
<b>TCL</b>	<b>3.6%</b>	<b>4.6%</b>

## 2010 LCD TV PRC market share (TCL ranked No.3)

Brand	2010 LCD Market Share	2009 LCD Market Share
HISENSE	18.1%	19.8%
SKYWORTH	16.6%	18.5%
<b>TCL</b>	<b>13.6%</b>	<b>15.9%</b>
KONKA	10.8%	10.6%
CHANGHONG	10.5%	9.8%
HAIER	5.4%	4.5%
SHARP	5.3%	3.5%
SONY	5.2%	3.2%
LGE	4.4%	3.8%
SAMSUNG	4.3%	3.8%

# LED Backlight LCD TV Sales Volume Gradually Increased

Sales volume of LED Backlight LCD TVs hit record in December, accounted for 27.6% of total LCD TV sales



# Brand Value

**With a brand value of RMB45.8 billion,  
TCL maintained No. 1 TV brand position  
among the 2010 Most Valuable Brands in PRC**

## Award-winning Brand With Strong Market Recognition

- In the 44<sup>th</sup> International Consumer Electronics Show, TCL ranked 25<sup>th</sup> among the "Top 50 Global Consumer Electronics Brands" and No.6 on "Global TV Brands"
- "Top 10 Chinese Consumer Electronics Brands" and "Top 20 Global TV Brands" for the fifth consecutive years
- "Best Functional 3D TV Award of the Year"
- "The World's Quality Flat TV of the Year"

## Official Partner of the 2010 Guangzhou Asian Games



- Sponsored equipment and provided technical support for 3D shooting of major competitions in the Guangzhou Asian Games, including 110m hurdle competition which Liu Xiang participated. This was the first time that international sports events utilized 3D TV technology



# TV – PRC Market

- Benefited from stimulus policies such as the “Household Appliances Subsidy Scheme”, the “Home Appliances Replacement Scheme” and “Promotion of Energy Efficient Appliances Scheme” and grasped the opportunity brought by the TV transition in the PRC Market, total sales volume of LCD TVs for the year rose by 10.7% year-on-year to 5.12 million sets, accounting for 68.6% of the total sales volume of the Group's LCD TVs in 2010, up from 55.3% in 2009
- Sales volume of LED backlight LCD TV in the PRC market, accounted for 26.5% of the total LCD TV sales volume of products in December, gradually increased in the second half of the year as a result of efforts made to promote its LED backlight LCD TVs
- Inventory clearance of obsolete TV models completed in Q2 and Q3 resulted in decrease in gross margin for LCD TVs from 20.3% in 2009 to 16.9% in 2010. Nonetheless, gross margin improved in Q4
- Positive market response to three brand new Internet TV series launched in Q4, namely 3D Digital Internet TV P6100 series, Dark Crystal Internet TV V6200 series, and Super-Slim LED Internet TV E5200 series
- Fostered the Group's leading position in the industry with a 23.5% market share in the PRC Internet TV market

# TV – Overseas Markets

## Emerging Markets

- Became the key growth driver and revenue of the Group's overseas business, LCD TV sales volume rose sharply by 194.2% Y-o-Y
- Strong demand for LCD TVs and experienced rapid transition from LCD TVs to LED backlight LCD TVs in certain markets, the Group saw notable increase in its LED backlight LCD TV sales
- Successfully developed new clients in India, Brazil and Australia and achieved record-breaking sales growth in Asian, African and Latin American Market
- The success of its marketing and promotional strategies targeting major international sport events, including the Asian Games and the World Cup has strengthened its brand reputation

# TV – Overseas Markets

## European Markets

- LCD TV sales volume rose 27.5% Y-o-Y
- Inventory clearance largely completed in Q3, inventory maintained at a healthy level
- Promoted TCL-branded TV products by actively focusing on developing key markets and customers
- Keep pace with the market trend by introducing LED backlight LCD TV products in France, Spain and Switzerland. This resulted in a notable increase in TCL-branded TV

## North American Markets

- LCD TV sales volume decreased 90.2% Y-o-Y
- Since the Group ceased sales of RCA-branded TVs in line with the brand strategy adjustment in Q2, TV sales volume remained low in the North American Markets
- Focused on restructuring its North American operations during the period under review and maintained effective cost controls to be in line with its efforts to develop TCL branded TV products

# TV – Overseas Markets and AV Products

## Strategic OEM

- Diversify its customer base by collaborating with a variety of international brands and adjusted its client mix
- Set up a joint venture with Toshiba in the PRC to sell Toshiba TV sets

## AV Products

- Sales volume was down 25.4% Y-o-Y to approximately 15.89 million units; operating profit increased 6.0% Y-o-Y
- 30 new product series were launched, including DVD, BD, AV products, and portable products
- Reducing the impact of rising costs by enhancing product design and improving production efficiency, as well as strengthening strategic alliances with suppliers; actively develop new products and customers

# Strategic Measures to Enhance Operational Performance

## Strategic Measures

- Adopted effective inventory control and strengthened supply chain management
- Proactively promoted LED backlight LCD TVs
- Expanded customer base in Emerging Markets by leveraging the TV transition in the market and successful sales and distribution strategies
- Developed a new model that is customer-focused and market-oriented



## Results - Q4 Operational & Financial Performance Improved Gradually

- Inventory maintained at a healthy level
- Sales volume of LED backlight LCD TVs in proportion to total LCD TV sales volume gradually increased
- Emerging Markets became the key growth driver and source of revenue for the Group's overseas business
- Simplification, standardization, transparency and digitalization



# Outlook



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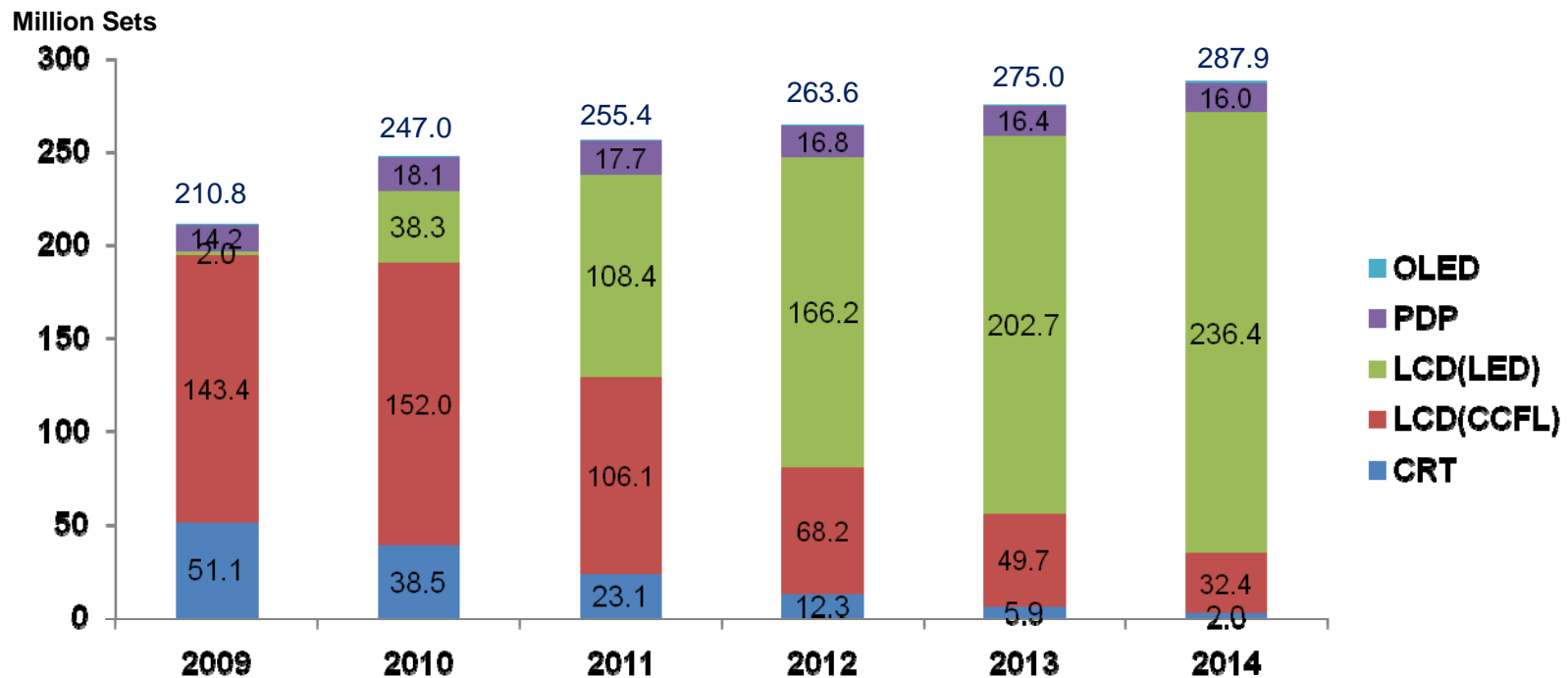
# Industry Analysis – Global TV Market Capacity

**Global TV Shipment will continue to grow.**

**LED backlight LCD TVs will become the mainstream products**

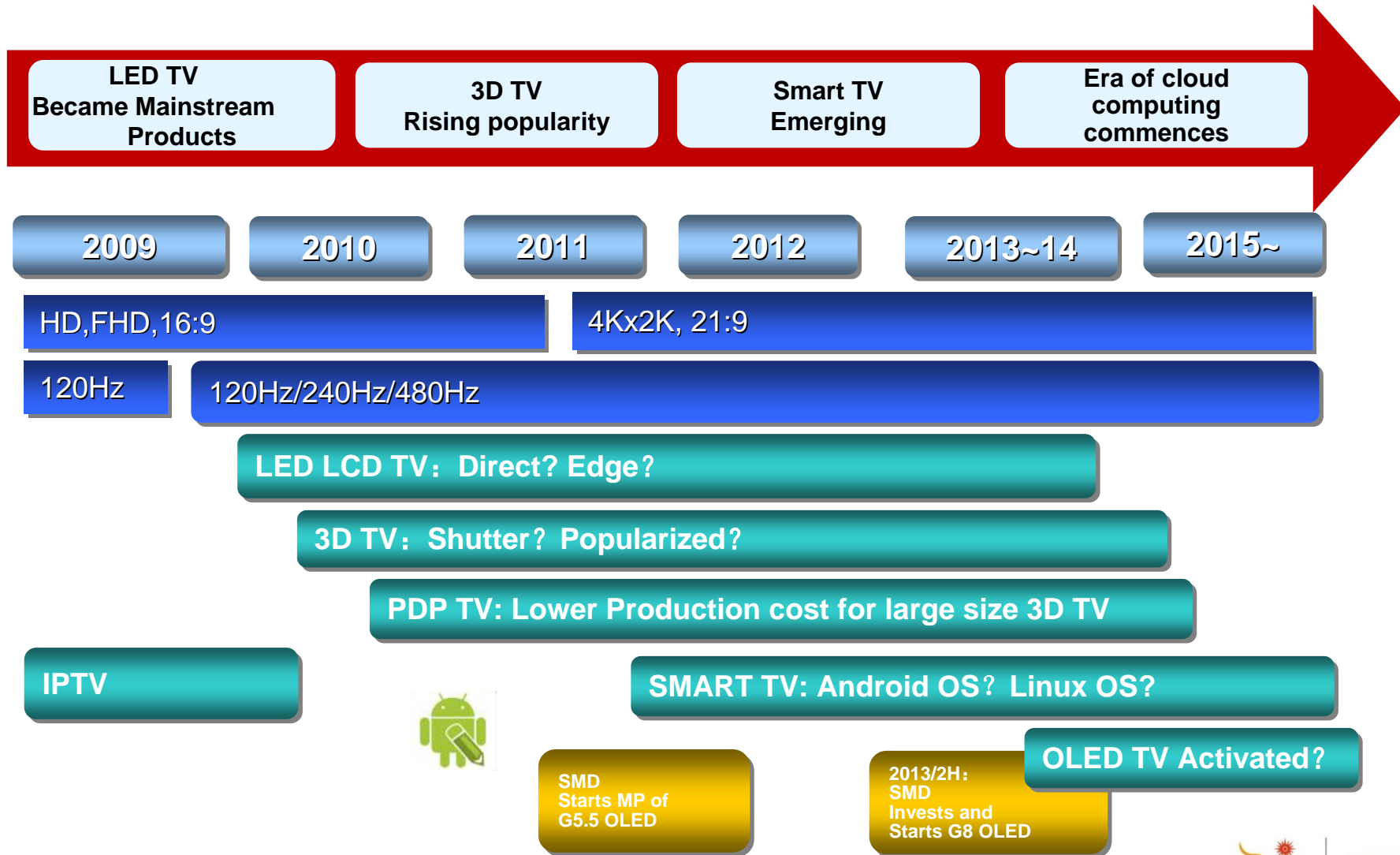
- ✓ In 2011, global TV sales volume is expected to exceed 250 million units. LED backlight LCD TV sales volume will grow rapidly and account over 50% of total TV sales volume
- ✓ In 2011, global sales of PDP will remain stable, with average annual sales of about 16 million units

## Global Shipment by Products



Sources: DisplaySearch, Q4'10

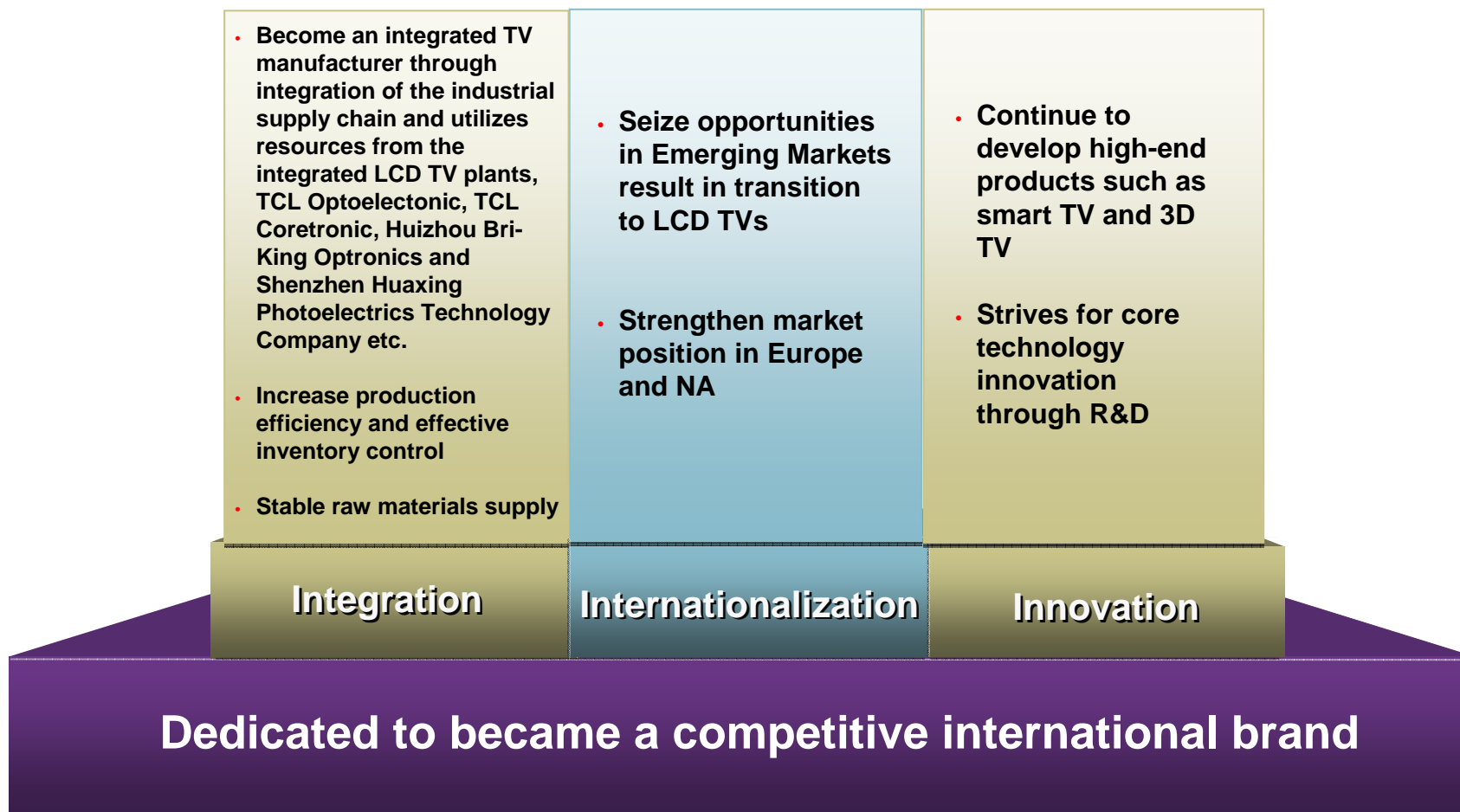
# Industry Analysis – Product Development Trend





# Development Strategy

- **Dedicated to become a respectable and highly innovative corporate that leads the global industry** through innovation, vertical integration and strategic expansion in overseas markets



# Vertical Integration of the Industry Chain

**Shenzhen Huaxing  
Photoelectronics Company Limited  
8.5 generation LCD Panel  
Production Line**

**LED Backlight Modules  
Production Line**

**LCD TV  
Integration Plant**

<b>Background</b>	<ul style="list-style-type: none"> <li>Joint venture between TCL Corporation and the Shenzhen Municipal Government</li> <li>Mass production expects in 2011 Q4</li> </ul>	<ul style="list-style-type: none"> <li>TCL Optoelectronic + TCL Coretronic + Huizhou Bri-King Optronics</li> </ul>	<ul style="list-style-type: none"> <li>Located in Huizhou</li> </ul>
<b>Production/ Annual Capacity</b>	<ul style="list-style-type: none"> <li>26 to 32 inches, 46 inches and 55 inches LCD TV panel</li> </ul>	<ul style="list-style-type: none"> <li>5 million units</li> </ul>	<ul style="list-style-type: none"> <li>15 to 55 inches LCD TV</li> </ul>

**Become the first TV manufacturer in the PRC to develop its LCD panels**

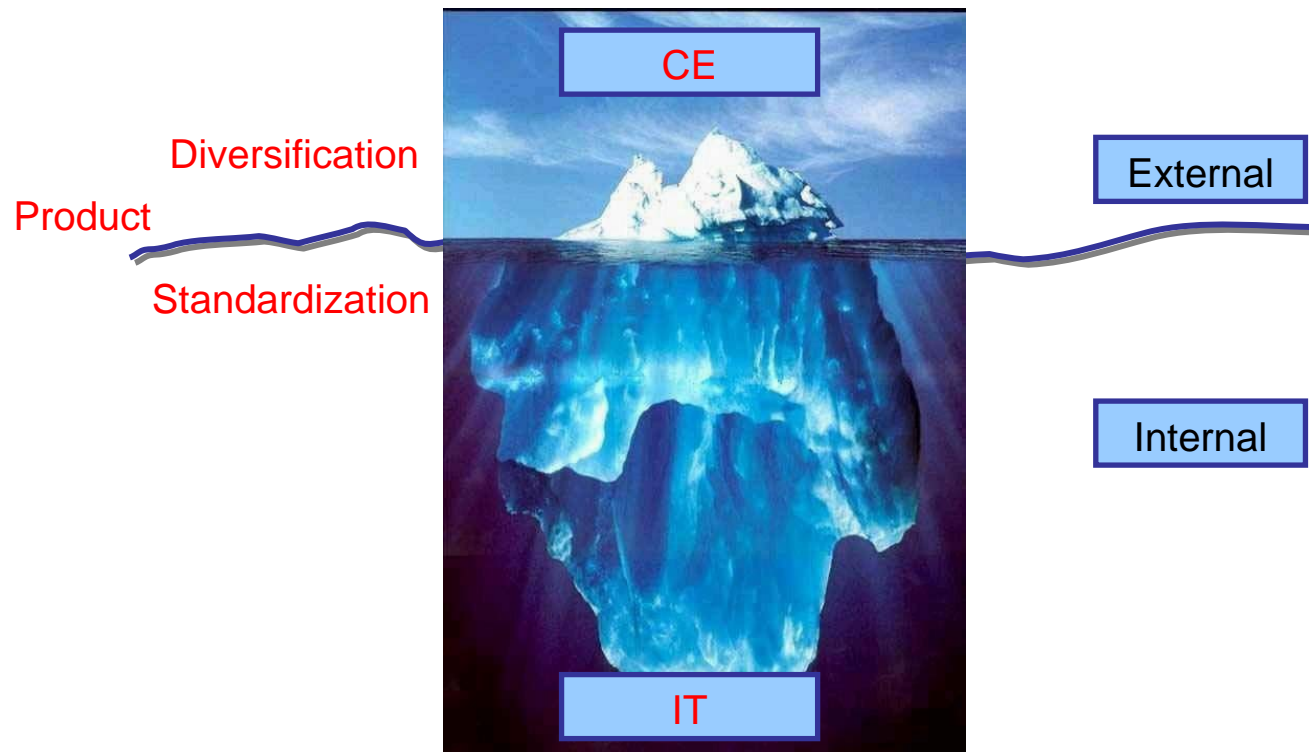
**Significantly improve production capacity, reduce production costs and enhance operation efficiency through vertical integration**

**Integration of upstream and downstream of industry chain to strengthen cost efficiency, ensure steady supply of raw materials and enhance competitiveness**

# Industry Analysis – Adopt CE and IT for Sales & Marketing and Operation

Industry : Adopt CE and IT for sales & marketing and operation

Challenges: How to achieve profitability amid a low gross margin environment?



# Outlook – PRC Market

## Strategy

- Develop high-end TV products
- Continue to increase sales proportion of LED backlight LCD TV products
- Further invest in Internet TV and 3D TV
- Develop markets in the 3<sup>rd</sup> and 4<sup>th</sup>-tier cities and rural counties through optimizing sales distribution channels in county level and building up emerging, market-oriented sales channels

**The PRC market remains the main growth driver. The Group will continue to benefit from market opportunities arising from the PRC government's stimulus policies**

# Outlook – Overseas Markets

## Emerging Markets

- Asian, African and Latin American markets are set to become major revenue contributors and growth drivers for the Group's overseas businesses
- Devote more resources to increase its LCD TV market share

## European Markets

- Continue its prudent business development plans and create a more diversified product portfolio

## North American Markets

- Enhance the brand awareness of TCL brand, in line with its brand adjustment strategy and new business model

**Integrated supply chain and localized sourcing and manufacturing to optimize cost structure and maintain stable business development in long-term**

# Outlook – Overseas Markets and AV Business

## Strategic OEM

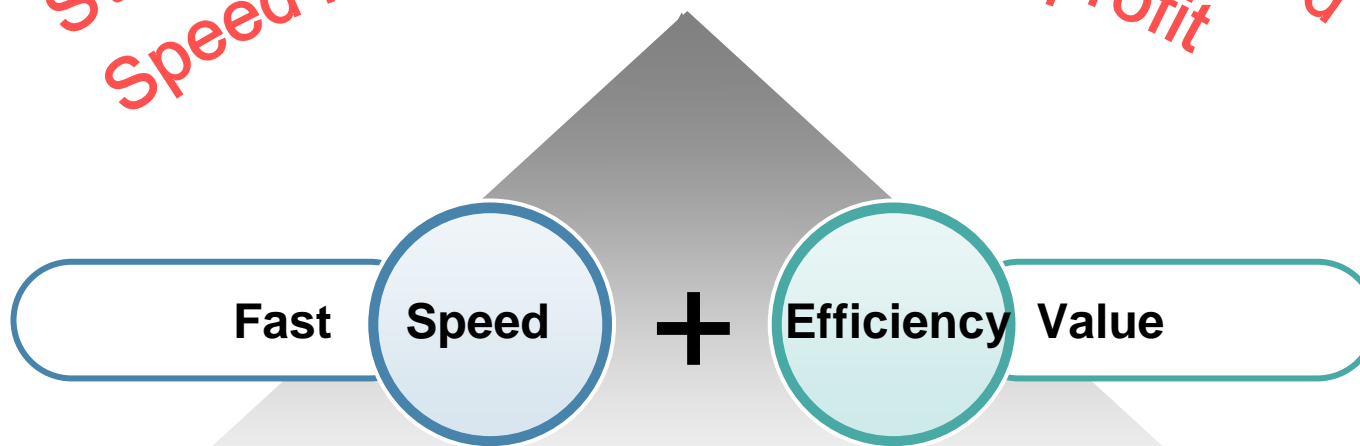
- Seek for partnership with established international brands

## AV Products

- Expand its BD business and AV business
- Launch mid-to-high end products to enhance its leading position in the market

# Keys to Succeed: Speed and Efficiency

Strategy is more important than speed  
Speed is more important than profit





**Thank You**



**TCL Multimedia Technology Company Limited**

