

# TCL Multimedia Technology Holdings Limited

Stock Code: 01070



2012 Q3 Results Presentation



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- A number of forward-looking statements may be made during this presentation. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of the Company and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, the Company's actual results could differ materially from these statements.

# Agenda

- **Results Overview**
- **Financial Highlights**
- **Business Review**
- **Outlook**



*The financial results used in the presentation are unaudited results for the nine months ended 30 September*



## Results Overview

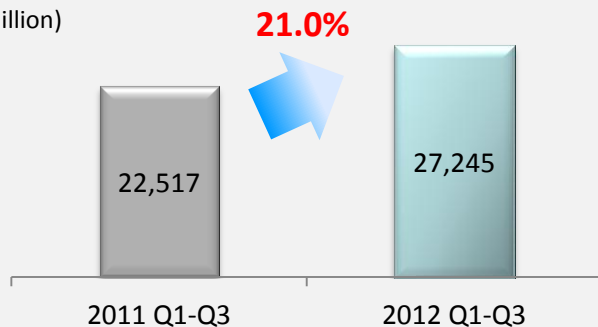


# Results Overview (For the 9 months ended 30 September 2012)

- Turnover and gross profit margin improved and satisfactory results achieved

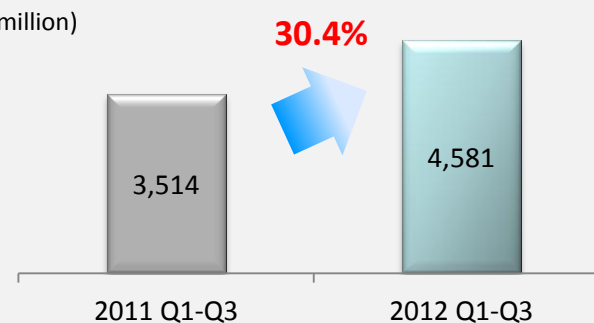
## Turnover

(HK\$ million)



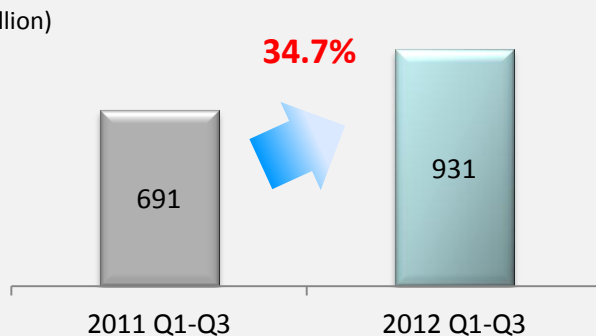
## Gross Profit\*

(HK\$ million)



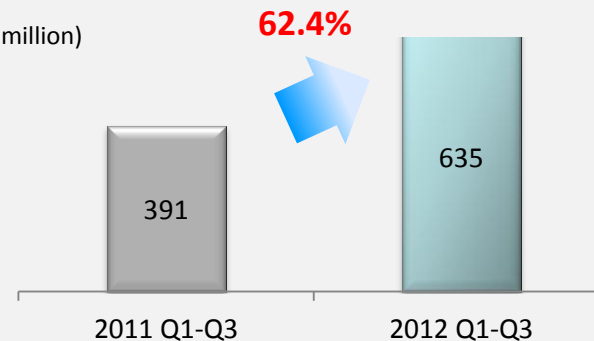
## Operating Profit#

(HK\$ million)



## Profit attributable to owners of the parent#

(HK\$ million)



\*Gross profit margin improved to 16.8% from 15.6% in the same period of last year

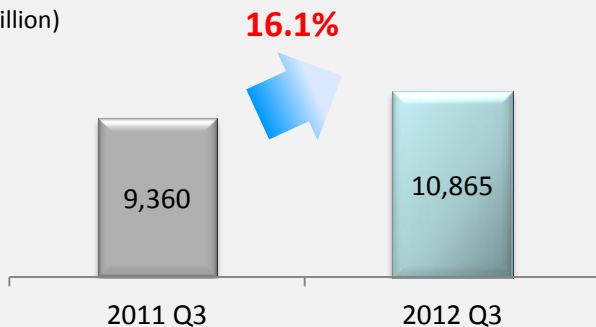
# Including the one-off gain of HK\$144 million arising from the acquisition of entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% owned-subsiary, Huizhou TCL Coretronic Co., Ltd. The acquisition was completed on 18 January 2012

# Results Overview (For the 3 months ended 30 September 2012)

- Turnover and gross profit margin improved

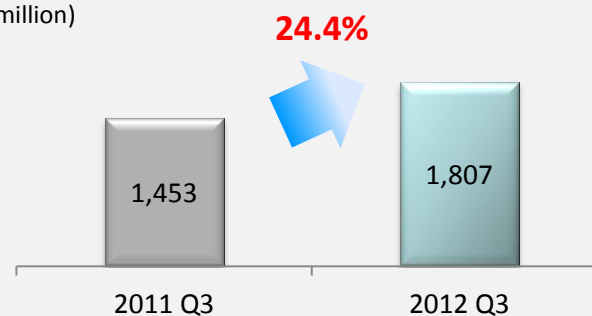
## Turnover

(HK\$ million)



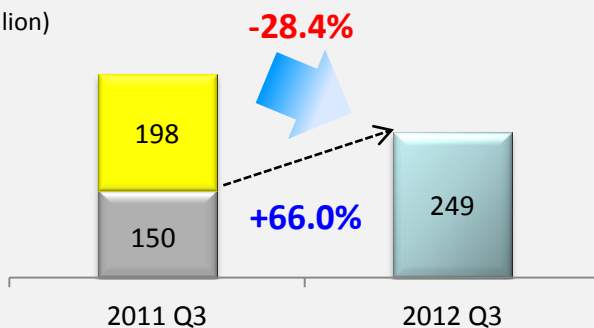
## Gross Profit\*

(HK\$ million)



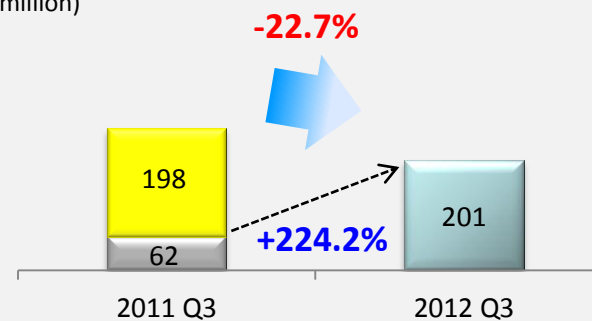
## Operating Profit #

(HK\$ million)



## Profit attributable to owners of the parent #

(HK\$ million)

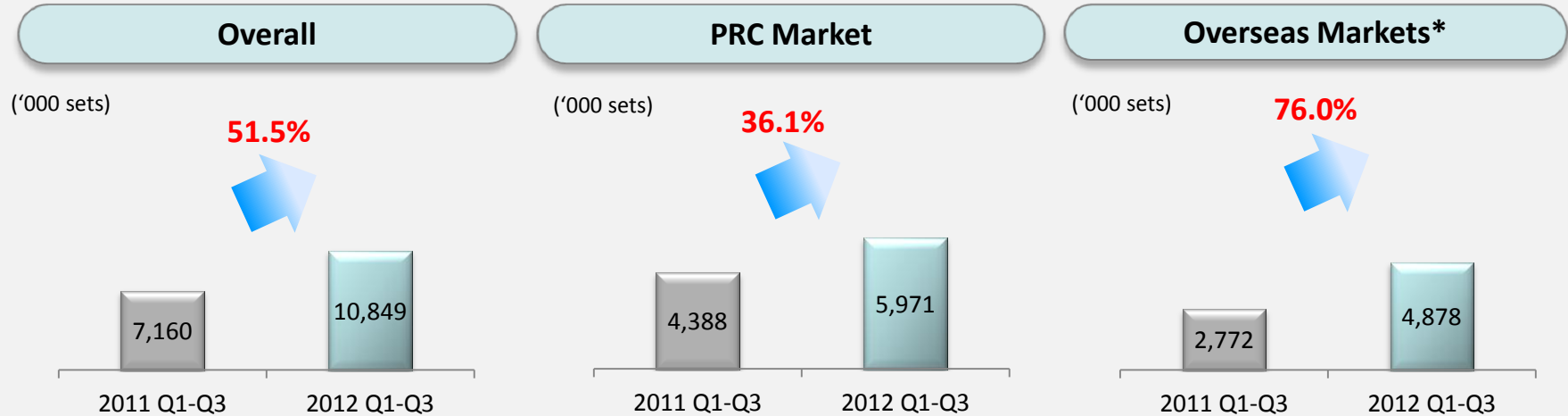


\*Gross profit margin improved to 16.6% from 15.5% in the same period of last year

# Including the one-off gain of HK\$198 million on disposal of subsidiaries in 2011 Q3

# Results Overview (Cont'd)

## LCD TV Sales Volume in The First Three Quarters of 2012



\*Of which: Emerging Markets ↑ 76.3 % y-o-y

- Monthly sales volume of LCD TVs in September 2012 achieved a record high of 1.90 million sets after December 2011, up 43.8% year-on-year
- Product mix has continuously been optimized. Sales volume of smart & internet TVs and 3D TVs accounted for 42.9% and 21.1% of LCD TV sales volume in the PRC Market, respectively. Sales volume of LED backlight LCD TVs accounted for 71.3% and 75.0% of overall LCD TV sales volume and LCD TV sales volume in the PRC Market, respectively
- The Group and Tencent Holdings jointly launched iCE SCREEN, the world's first large screen mobile entertainment smart "cloud" product, creating a new form of consumer electronic product



## Financial Highlights





# Consolidated Results (For the 9 months ended 30 September 2012)

| (HK\$ million)                              | <b>2012<br/>Q1-Q3</b>  | 2011<br>Q1-Q3 | Change |
|---|------------------------|---------------|--------|
| Turnover                                    | <b>27,245</b>          | 22,517        | +21.0% |
| Gross profit                                | <b>4,581</b>           | 3,514         | +30.4% |
| Operating profit                            | <b>931<sup>#</sup></b> | 691           | +34.7% |
| Profit attributable to owners of the parent | <b>635<sup>#</sup></b> | 391           | +62.4% |
| Basic earnings per share (HK cents)         | <b>48.72</b>           | 35.99         | +35.4% |

<sup>#</sup> Including the one-off gain of HK\$144 million arising from the acquisition of entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% owned subsidiary, Huizhou TCL Coretronic Co., Ltd. The acquisition was completed on 18 January 2012

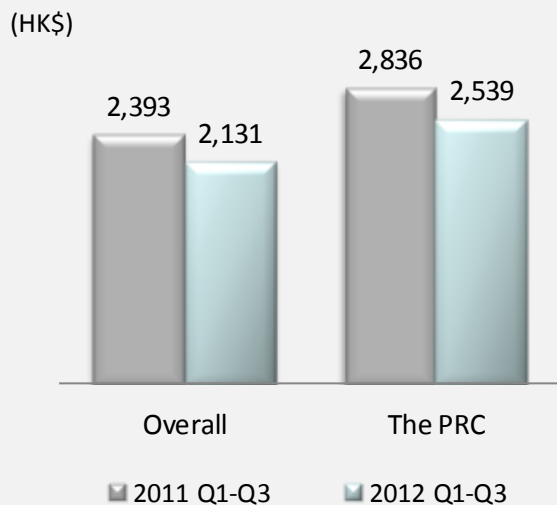
# Consolidated Results (For the 3 months ended 30 September 2012)

| (HK\$ million)                              | <b>2012<br/>Q3</b> | 2011<br>Q3       | Change  |
|---|--------------------|------------------|---------|
| Turnover                                    | <b>10,865</b>      | 9,360            | +16.1%  |
| Gross profit                                | <b>1,807</b>       | 1,453            | +24.4%  |
| Operating profit                            | <b>249</b>         | 348 <sup>#</sup> | (28.4%) |
| Profit attributable to owners of the parent | <b>201</b>         | 260 <sup>#</sup> | (22.7%) |
| Basic earnings per share (HK cents)         | <b>15.39</b>       | 23.93            | (35.7%) |

<sup>#</sup> Including the one-off gain of HK\$198 million on disposal of subsidiaries in 2011 Q3

# Average Selling Prices & Profit Margins

## LCD TV Average Selling Prices



## Profit Margins

|                         | 2012 Q1-Q3   | 2011 Q1-Q3 | Change    |
|-------------------------|--------------|------------|-----------|
| Gross profit margin     | <b>16.8%</b> | 15.6%      | +1.2p.p.  |
| Expense ratio *         | <b>13.9%</b> | 14.3%      | (0.4p.p.) |
| Operating profit margin | <b>3.4%</b>  | 3.1%       | +0.3p.p.  |

\*Expense ratio = (Selling and distribution costs + administrative expenses) / turnover

# Balance Sheet Highlights

| (HK\$ million)           | 30 September<br>2012 | 31 December<br>2011 | Change  |
|--------------------------|----------------------|---------------------|---------|
| Non-current assets       | 2,730                | 1,797               | +51.9%  |
| Current assets           | 19,287               | 22,335              | (13.6%) |
| - Inventories            | 4,065                | 4,298               | (5.4%)  |
| - Cash and bank balances | 3,399                | 4,452               | (23.7%) |
| Current liabilities      | 16,961               | 19,749              | (14.1%) |
| Net current assets       | 2,326                | 2,586               | (10.1%) |
| Non-current liabilities  | 475                  | 730                 | (34.9%) |
| Net assets               | 4,581                | 3,653               | +25.4%  |

# Key Financial Indicators

|                              | 30 September<br>2012 | 31 December<br>2011 | Change    |
|------------------------------|----------------------|---------------------|-----------|
| Inventory turnover (days)*   | 45                   | 48                  | ↓ 3 days  |
| A/R turnover (days)*         | 36                   | 35                  | ↑ 1 day   |
| A/P turnover (days)*         | 66                   | 65                  | ↑ 1 day   |
| Cash conversion cycle (days) | 15                   | 18                  | ↓ 3 days  |
| Current ratio (times)        | 1.1                  | 1.1                 | Unchanged |
| Gearing ratio**              | 0#                   | 0                   | Unchanged |

\*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

#As at 30 September 2012, as the Group's total pledged deposits and cash and bank balances of HK\$4,192 million were higher than total interest bearing borrowings of HK\$2,153 million, the Group's gearing ratio was zero

# Segment Results (For the 9 months ended 30 September 2012)

| (HK\$ million)   |                   | 2012<br>Q1-Q3 | 2011<br>Q1-Q3 | Change  |
|------------------|-------------------|---------------|---------------|---------|
| TV Business      | Turnover          | 15,242        | 13,020        | +17.1%  |
| PRC Market       | Gross Profit      | 3,363         | 2,699         | +24.6%  |
|                  | Operating Results | 613           | 389           | +57.6%  |
| TV Business      | Turnover          | 8,657         | 5,861         | +47.7%  |
| Overseas Markets | Gross Profit      | 889           | 542           | +64.0%  |
|                  | Operating Results | 152           | (53)          | N/A     |
| AV Business      | Turnover          | 2,403         | 3,194         | (24.8%) |
|                  | Gross Profit      | 270           | 252           | +7.1%   |
|                  | Operating Results | 77            | 56            | +37.5%  |

# Segment Results (For the 3 months ended 30 September 2012)

| (HK\$ million)                  |                   | 2012<br>Q3 | 2011<br>Q3 | Change  |
|---------------------------------|-------------------|------------|------------|---------|
| TV Business<br>PRC Market       | Turnover          | 6,601      | 5,536      | +19.2%  |
|                                 | Gross Profit      | 1,348      | 1,111      | +21.3%  |
|                                 | Operating Results | 140        | 82         | +70.7%  |
| TV Business<br>Overseas Markets | Turnover          | 2,873      | 2,460      | +16.8%  |
|                                 | Gross Profit      | 271        | 236        | +14.8%  |
|                                 | Operating Results | 44         | 10         | +340.0% |
| AV Business                     | Turnover          | 969        | 1,267      | (23.5%) |
|                                 | Gross Profit      | 127        | 100        | +27.0%  |
|                                 | Operating Results | 33         | (9)        | N/A     |



## Business Review



# Continuously Optimizing Results and Key Financial Indicators

- Remained committed to “speed and efficiency” as a focus and implemented its core development strategy of achieving “sales volume growth, transformation and sustainable profit growth” with remarkable results



# TV Market Shares and Rankings

## 2012 1H LCD TV global market share (TCL ranked No.5)

| Ranking | Brand     | 2012 1H<br>LCD TV Market Share | 2011<br>LCD TV Market Share |
|---------|-----------|--------------------------------|-----------------------------|
| 1       | Samsung   | 20.3%                          | 18.8%                       |
| 2       | LGE       | 13.5%                          | 12.1%                       |
| 3       | Sony      | 8.3%                           | 9.9%                        |
| 4       | Toshiba   | 6.1%                           | 7.2%                        |
| 5       | TCL       | 5.3%                           | 4.9%                        |
| 6       | Panasonic | 5.3%                           | 6.2%                        |
| 7       | Hisense   | 4.7%                           | 4.5%                        |
| 8       | Sharp     | 4.4%                           | 6.6%                        |
| 9       | Skyworth  | 3.5%                           | 3.5%                        |
| 10      | AOC       | 3.2%                           | 3.5%                        |

## 2012 1H LCD TV PRC market share (TCL ranked No.2)

| Ranking | Brand     | 2012 1H<br>LCD TV Market Share | 2011<br>LCD TV Market Share |
|---------|-----------|--------------------------------|-----------------------------|
| 1       | Hisense   | 17.3%                          | 18.2%                       |
| 2       | TCL       | 17.1%                          | 14.9%                       |
| 3       | Skyworth  | 15.3%                          | 15.8%                       |
| 4       | Konka     | 10.9%                          | 10.7%                       |
| 5       | Changhong | 10.5%                          | 11.4%                       |
| 6       | Haier     | 6.7%                           | 5.9%                        |
| 7       | Sony      | 4.3%                           | 4.8%                        |
| 8       | Samsung   | 3.4%                           | 3.3%                        |
| 9       | Sharp     | 3.4%                           | 4.8%                        |
| 10      | Panasonic | 2.5%                           | 2.1%                        |

Source: DisplaySearch

# TV Sales Volume (For the 9 months ended 30 September 2012)

| Total TV Sales Volume ('000 sets) | 2012 Q1-Q3 | 2011 Q1-Q3 | Change  |
|-----------------------------------|------------|------------|---------|
| Total                             | 12,507     | 10,503     | +19.1%  |
| PRC                               | 6,121      | 5,209      | +17.5%  |
| Overseas                          | 6,386      | 5,294      | +20.6%  |
| LCD TV Sales Volume ('000 sets)   | 2012 Q1-Q3 | 2011 Q1-Q3 | Change  |
| Total                             | 10,849     | 7,160      | +51.5%  |
| Of which: LED backlight LCD TVs   | 7,731      | 2,709      | +185.4% |
| Smart & Internet TVs              | 2,613      | 894        | +192.3% |
| 3D TVs                            | 1,295      | 193        | +571.0% |
| PRC                               | 5,971      | 4,388      | +36.1%  |
| Overseas                          | 4,878      | 2,772      | +76.0%  |
| CRT TV Sales Volume ('000 sets)   | 2012 Q1-Q3 | 2011 Q1-Q3 | Change  |
| Total                             | 1,658      | 3,343      | (50.4%) |
| PRC                               | 150        | 821        | (81.7%) |
| Overseas                          | 1,508      | 2,522      | (40.2%) |

# TV Sales Volume (For the 3 months ended 30 September 2012)

| Total TV Sales Volume ('000 sets) | 2012 Q3 | 2011 Q3 | Change  |
|-----------------------------------|---------|---------|---------|
| Total                             | 4,759   | 4,227   | +12.6%  |
| PRC                               | 2,639   | 2,081   | +26.8%  |
| Overseas                          | 2,120   | 2,146   | (1.2%)  |
| LCD TV Sales Volume ('000 sets)   | 2012 Q3 | 2011 Q3 | Change  |
| Total                             | 4,372   | 3,127   | +39.8%  |
| Of which: LED backlight LCD TVs   | 3,424   | 1,330   | +157.4% |
| Smart & Internet TVs              | 1,311   | 505     | +159.6% |
| 3D TVs                            | 703     | 153     | +359.5% |
| PRC                               | 2,633   | 1,861   | +41.5%  |
| Overseas                          | 1,739   | 1,266   | +37.4%  |
| CRT TV Sales Volume ('000 sets)   | 2012 Q3 | 2011 Q3 | Change  |
| Total                             | 387     | 1,100   | (64.8%) |
| PRC                               | 6       | 220     | (97.3%) |
| Overseas                          | 381     | 880     | (56.7%) |

# TV – PRC Market

- ✚ Operating profit amounted to HK\$613 million in the first three quarters, up 57.6 % y-o-y
- ✚ Sales volume of LCD TVs reached 5.97 million sets in the first three quarters, up 36.1 % y-o-y

## Product mix has continuously been optimized

- In Q3, 7 series featuring 18 new products were launched, including high-end product series such as the large-size 3D “cloud” TVs and edgeless 3D “cloud” TVs
- In Q3, sales volume of 3D TVs and smart & internet TVs as a proportion of LCD TV sales volume reached 26.5% and 48.8%, respectively
- In Q3, sales volume of LED backlight LCD TVs as a percentage of total LCD TV sales volume increased to 84.3%
- Gross profit margin in the first three quarters increased by 1.4p.p. from 20.7% to 22.1% y-o-y

## Enhanced “speed and efficiency”

- Inventory turnover days decreased by 12 days y-o-y
- Operating profit margin in the first three quarters increased to 4.0% from 3.0% in the same period of last year

## Enhanced establishment of sales channels and points of sales

- The number of points of sales in the first three quarters of 2012 increased to approximately 28,500 in third-tier to sixth-tier markets and rural markets, an increase of approximately 2,500 points of sales compared to the beginning of 2012

# TV – Overseas Markets

- ✚ Operating profit amounted to HK\$152 million in the first three quarters
- ✚ Sales volume of LCD TVs reached 4.88 million sets in the first three quarters, up 76.0 % y-o-y

## Product mix has continuously been optimized

- In Q3, proportion of LCD TV sales volume to overall TV sales volume: 82.0%
- In Q3, proportion of LED backlight LCD TV sales volume to LCD TV sales volume continuously increased to 69.3%

## Sales volume of LCD TVs in Emerging Markets in the first three quarters surged by 76.3% y-o-y

- Seized the opportunity of product transformation in Emerging Markets by quickly launching new products, including various LED backlight LCD TVs, and proactively introducing 3D TVs and smart & internet TVs
- Expanded sales channels and explore new media marketing via the internet
- Strong sales performance in regions such as Thailand, Central America and South America

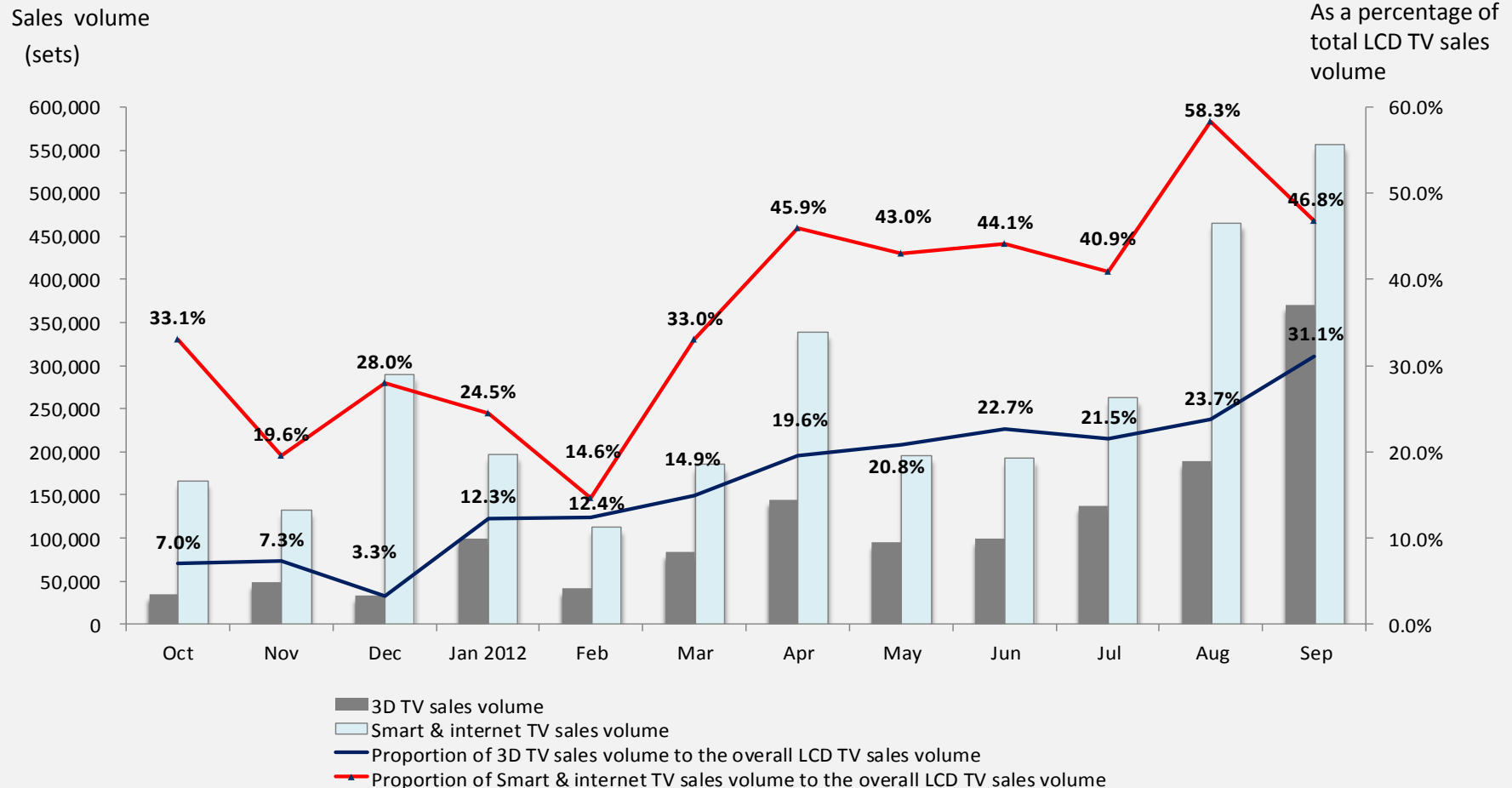
## Sales volume of LCD TVs in European Market in the first three quarters rose by 37.7% y-o-y

- Actively explored markets in Central and Northern Europe, as well as Poland, and launched movie and television marketing campaigns through “Batman” movie

## Strategic OEM’s customer base optimization strategy showed positive results

- Recorded continuous growth in LCD TV sales volume in strategic OEM business after attracting new customers

# Proportion of 3D TV, Smart & Internet TV Sales Volume Increased Stably in the PRC Market



# Continuous Enhancement of Product Competitiveness



Integration of smart and 3D Technology



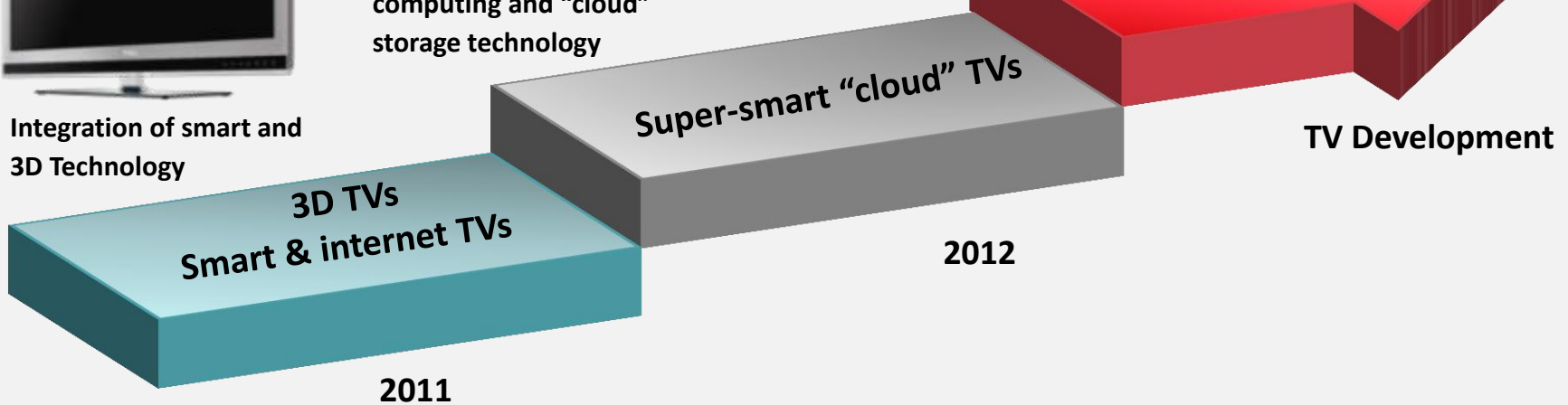
Adoption of "cloud" computing and "cloud" storage technology



Full series upgrade of its 3D smart "cloud" TVs with dual-core processors and the Android 4.0+ operating systems, dual-display technology



iCE SCREEN





# Continuous Enhancement of Product Competitiveness (Cont'd)

## Both software and hardware enhancements in 3D Smart “Cloud” TVs and new products launch

Full series of 3D smart “cloud” TVs equipped with the world’s top dual-core CPUs, dual-core GPUs and the Android 4.0+ operating systems

Cloud • Ping<sup>2</sup> V6500 series, the world’s first smart “cloud” TVs with dual-core 4D dual-display function



Cloud • Chang E4500 series, the world’s first smart “cloud” TVs with dual-core processors featuring KTV function



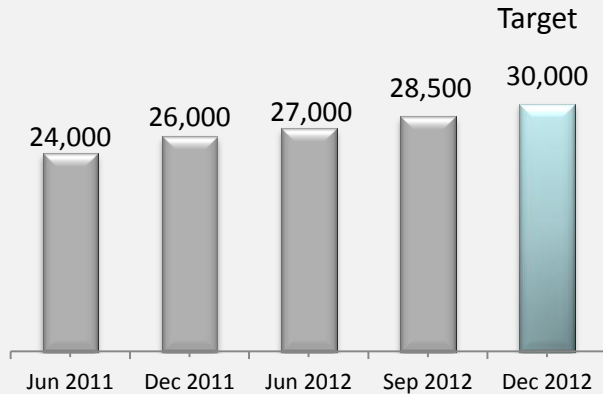
# Improved Innovation Capability

Jointly launched the world's first large screen mobile entertainment smart "cloud" product with Tencent Holdings – iCE SCREEN

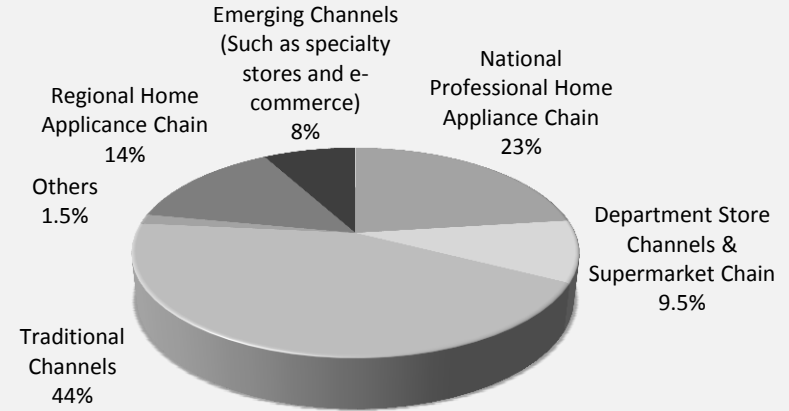


# Developed Sales Channels to Raise Sales Volume And Strengthen Brand Influence

Number of Points of Sales in third-tier to sixth-tier markets and rural markets in the PRC



Distribution of Sales Channels In the PRC Market



- The Group has 29 sales branches as well as 183 operation departments in the PRC Market
- First-tier and second-tier cities accounted for 30% of the PRC Market sales volume, while third-tier to sixth-tier markets and rural markets accounted for 70% of the PRC Market sales volume



# Strengthened Marketing Efforts to Enhance Brand Influence

Participated in 2012 Consumer Electronics Fair in Berlin, Germany ("IFA 2012")



Movie and television marketing campaigns through "Batman" movie



Participated in 2012 International Consumer Electronics Fair in Las Vegas, USA ("2012 International CES")



Sponsored Shenzhen satellite TV's popular TV programme, "The Generation Show"



# Integration of Upstream and Downstream Industry Chain Synergy Effects from Vertical Integration Become More Apparent

China Star Optoelectronics Technology  
8.5-Generation LCD Panel Project

- Ensure supply of raw materials and effective cost control

TCL Optoelectronics Technology  
(LCD Module Business)

- Own the PRC's most advanced LCD module production lines
- Create new revenue streams by improving production capabilities through strategic cooperation with China Star Optoelectronics Technology

LED Backlight Modules Production Line

- TCL Optoelectronic Technology + TCL Coretronic + Huizhou Bri-King Optronics
- Quality control on whole process

- Stable supply of raw materials and cost control
- Synergy effects from vertical integration become more apparent

TCL has become the only TV manufacturer and distributor with a fully integrated industry chain and sales capabilities in the PRC

# AV Business

- ✚ Sales volume of AV products reached 11.12 million sets in first three quarters, down 28.7% y-o-y

Due to the impact of volatile global economy and the constantly shrinking traditional DVD player market, the total sales volume of AV products recorded a decline

Continued to maintain stable profitability through proactively improving supply chain efficiency, accelerating inventory turnover rate and optimizing product mix

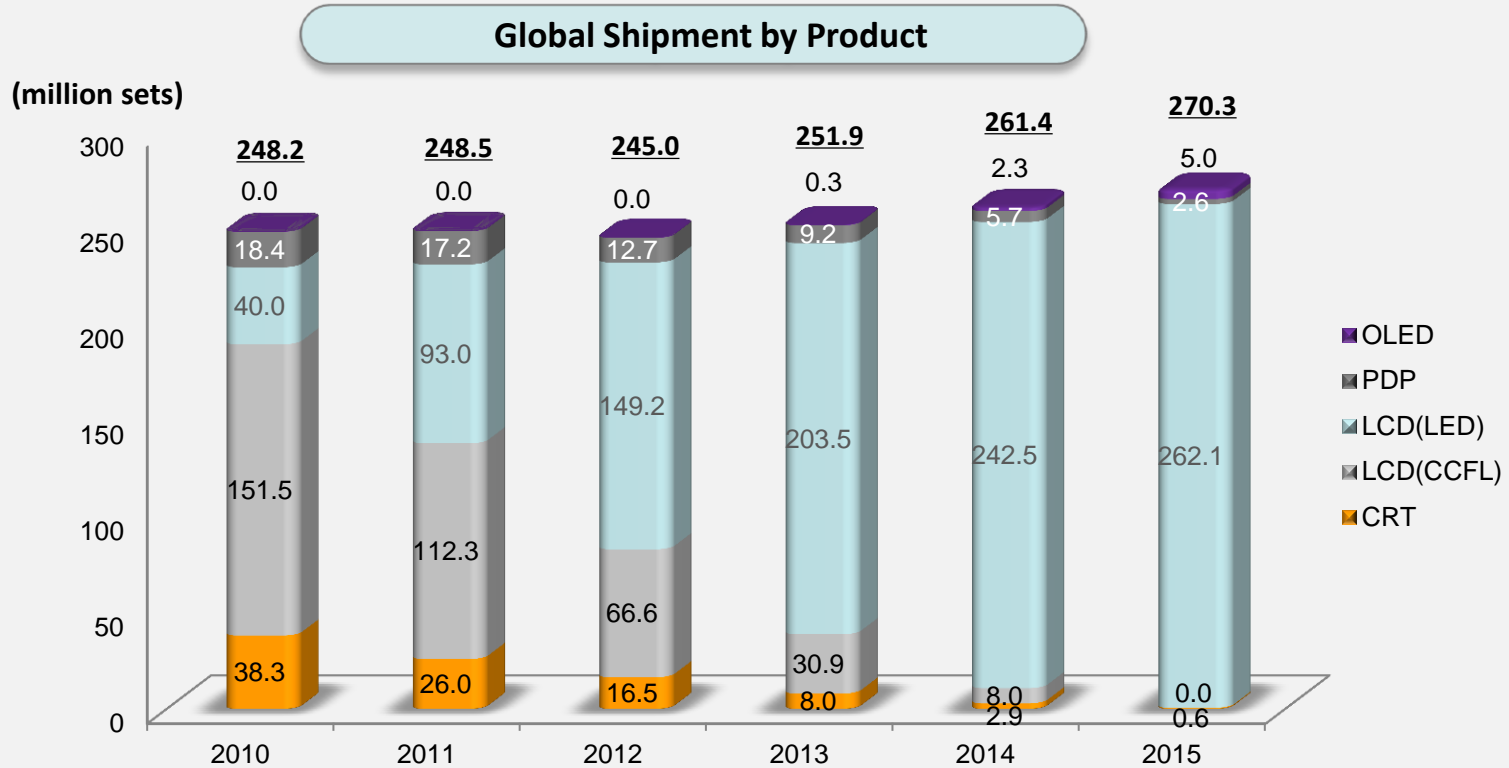
Launched intelligent accessories and high-end home theatre system products to optimize its product mix, achieving new breakthrough in product transformation



## Outlook



# Industry Analysis – Forecast on Global TV Market Capacity



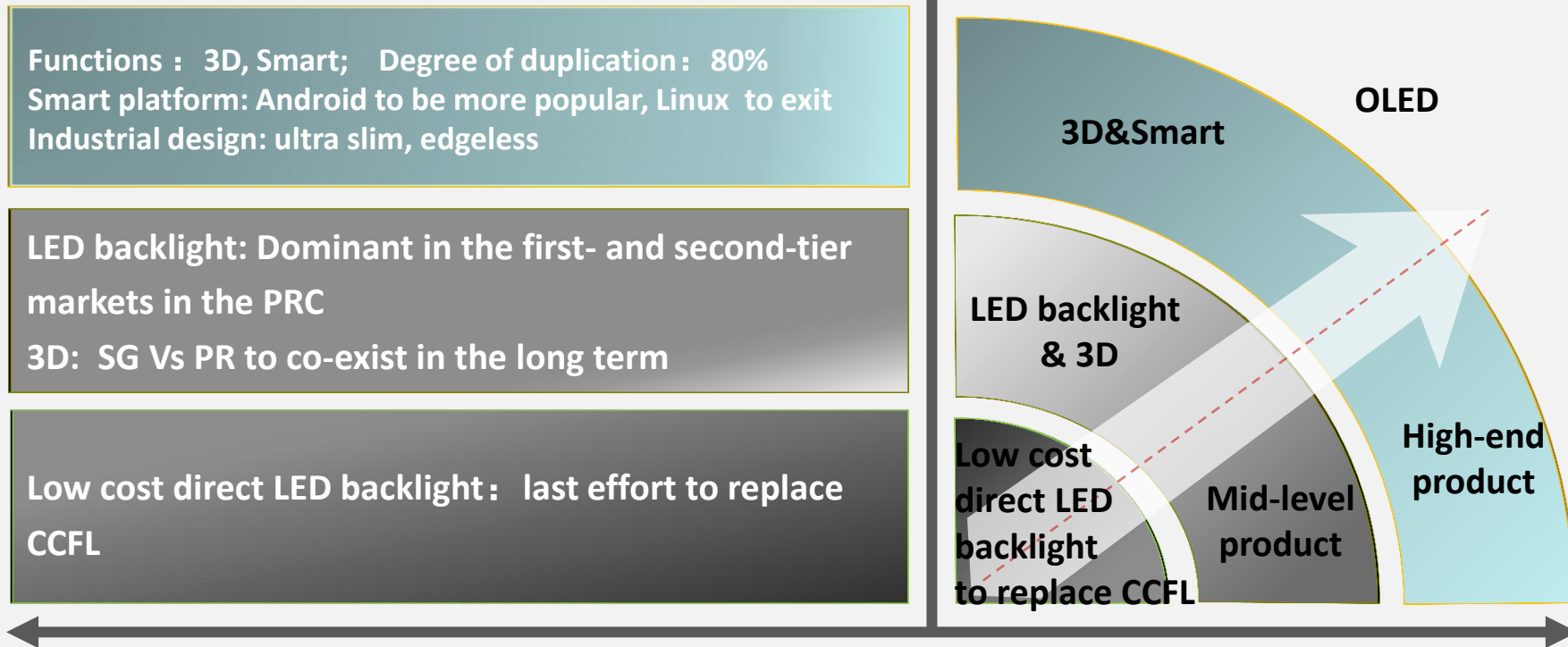
The popularity of 3D TVs and smart & internet TVs has been growing, LED backlight LCD TVs have become mainstream products

Source: DisplaySearch



# Industry Analysis – Product Development Trend

## Three layers of products in 2012



Source: China Market Monitor

# Outlook – TV Business

## Global Industry Chain Integration

Remain committed to “speed and efficiency” as its core development strategy

## Global Sales & Marketing System Establishment

Actively produce value-for-money products through strategies including product innovation, cost optimization and price adjustment, and actively expand its sales channels and improve operational efficiency

## Product Mix Optimization

**15.20 million sets**

2012 global sales volume target of LCD TVs with an expected y-o-y increase of 40%

# Outlook – TV Business in the PRC Market

## PRC Market Consolidating Market Leading Position

Remain committed to “speed and efficiency”  
as its core development strategy

Enlarge market share and strengthen  
profitability

### Constantly strengthen its “full cloud strategies”

- Full series of 3D smart “cloud” TVs equipped with dual-core CPUs, dual-core GPUs and the Android 4.0+ operating system with an aim to increase the proportion of sales volume of high-end products

### Continue to strengthen sales channels development

- Continue to strengthen the establishment of its sales channels in third-tier to sixth-tier markets and rural markets, and fully expand its e-commerce business in order to further increase its share of the PRC Market

### Enhance overall competitiveness

- Committed to lowering production costs through industry chain integration to enhance overall competitiveness

# Outlook – “Full cloud strategies”

Tie up with 3D smart “cloud” TVs and focus on the four major areas – products, price, place and promotion to fully build up core competitive advantages in the “cloud ” age



Cloud•Ping<sup>2</sup>  
V6500



Cloud•Chang  
E4500



Cloud•Bo  
V8200S



Cloud•Feng  
V7500



Cloud•Yue  
E5390



Cloud•Zhuo  
V7300



Cloud•Ya  
F3390



Cloud•Shang  
E5300

# Outlook – TV Business in the Overseas Markets

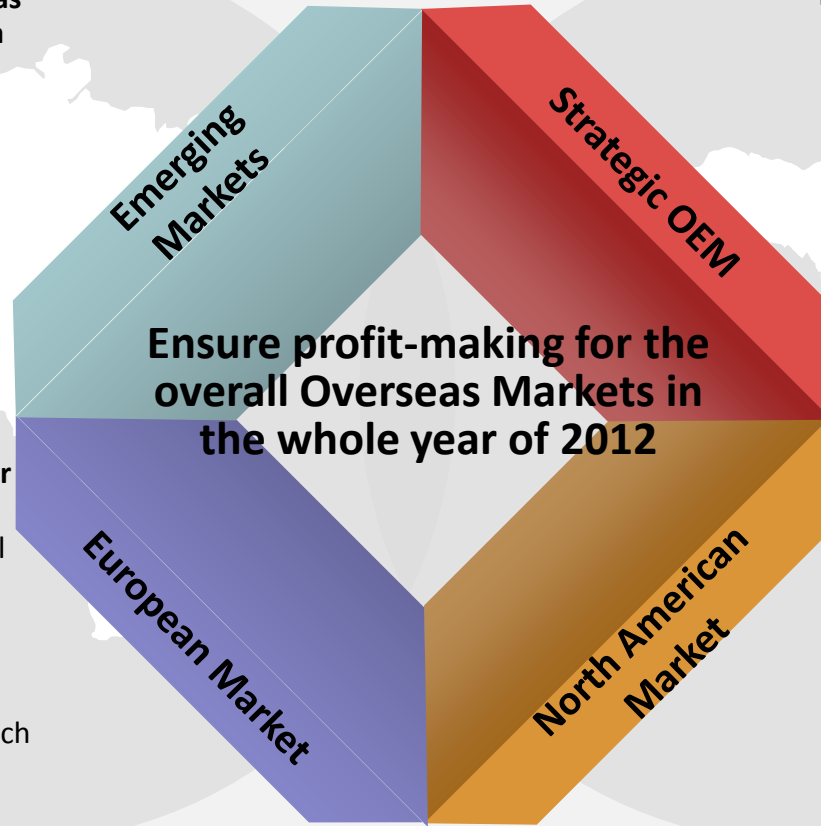
1. Continue to implement a prudent operational strategy
2. Focus to develop the Emerging Markets and other profitable markets and rapidly increase TCL brand's market share in key regions
3. Seize the opportunity of product transformation and continue to increase the proportion of sales volume of high-end products

**Dedicated to boosting sales in areas such as Central America and Africa**

- Promote TCL brand
- Optimize product mix and sales channels
- Enhance brand promotion and marketing, particularly in developing online promotion channels

**Build healthy business with further improvement**

- Continue to improve operational efficiency
- Endeavor to adjust product mix and improve inventory management
- Speed up the new products launch and increase the proportion of sales volume of TCL-branded products



**Increase volume and generate profits**

- Optimize the strategic OEM clients mix
- Synergize resource of supply chain and industry chain and optimize cost

**Innovative Business Model**

- TCL brand development
- Strengthen strategic partnership with e-commerce sales channel customers
- Further explore national sales channels

# Outlook – AV Business

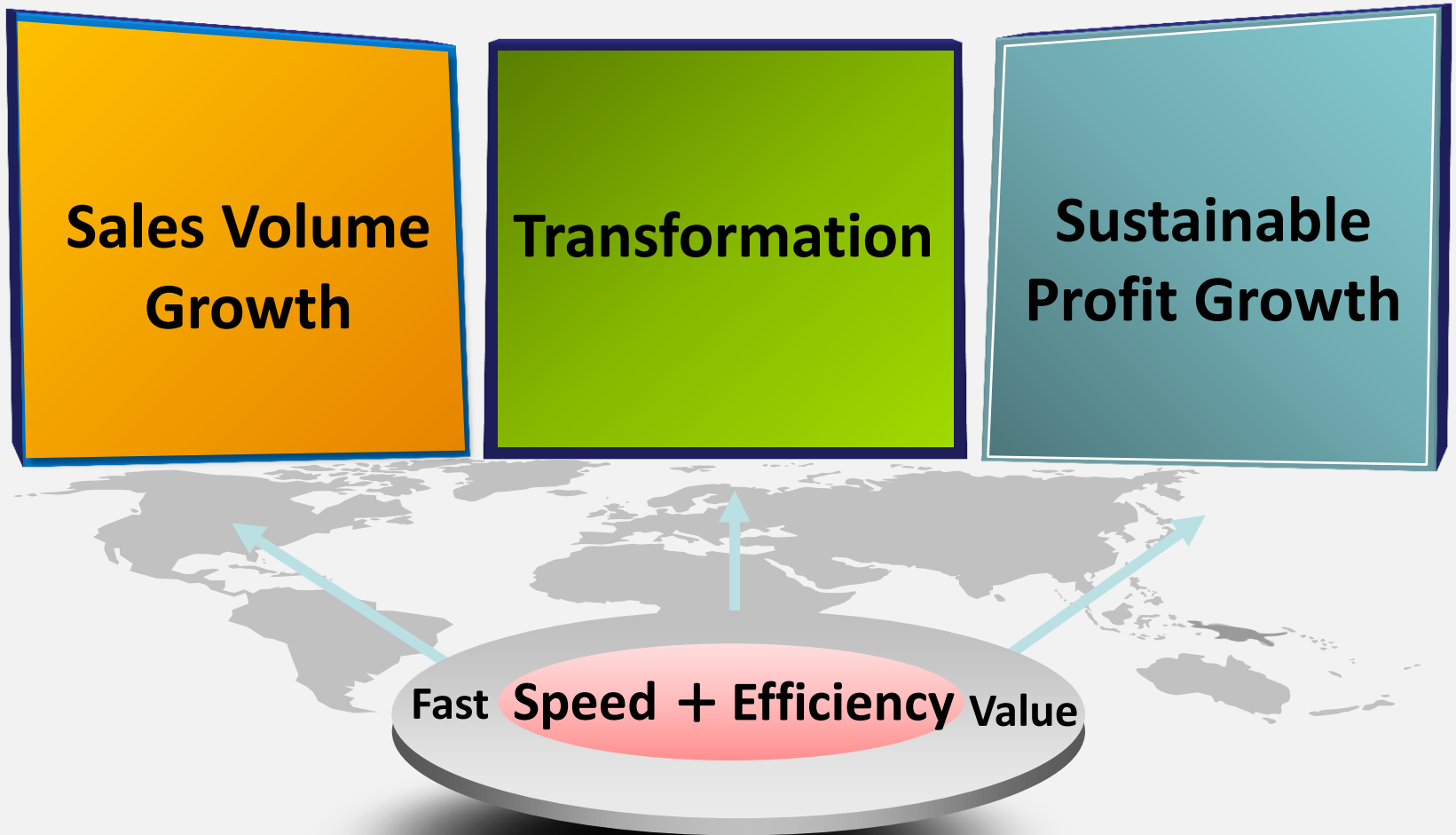
## AV Business

- Diversify product portfolio and proactively launch intelligent accessories and development of smart TV-related Sound Bar products

- Further enhance technical design capabilities and step up investment in software development and in the R&D of electro-acoustic technology

- Optimize global supply chain
- Lower production costs to enhance product competitiveness

# Keys to Success: Speed and Efficiency





**Thank You**

