

# 2010 Interim Results Presentation



**TCL Multimedia Technology Holdings Limited**



# Agenda

- Results Overview
- Financial Highlights
- Business Review
- Outlook

*The financial results referred to in this presentation for the 6 months ending 30 June are unaudited .*

# Results Overview



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# Results Overview

- LCD TV sales volume maintained steady growth and increased 11.1% year-on-year, reaching 3.25 million sets.
- The Group's LCD TV sales volume soared in Emerging Markets (up 294.1% year-on-year) and European Markets (up 124.9% year-on-year), which was attributable to its successful sports marketing strategy, including the World Cup promotion, and the proactive expansion of its customer base.
- Compared to the same period last year, turnover increased by 7.5% year-on-year to HK\$ 12,241 million; gross profit decreased by 17.4% year-on-year. The Group recorded an operating loss of HK\$173 million and a net loss attributable to owners of the parent of HK\$334 million.
- The Group raised net proceeds of approximately HK\$523 million from a share placement and subscription completed in April 2010, strengthening its financial position and therefore fostering business development.
- The Group's financial position was healthy, with cash and bank balances amounting to HK\$2,069 million as of 30 June 2010.

# TV Sales Volume and LCD TV Sales Volume Growth

**LCD TV sales volume increased 11.1% year-on-year to 325 million sets**

('000 sets)	LCD TV Sales Volume 1H 2010	LCD TV Sales Volume 1H 2009	LCD TV Sales Volume year-on-year growth (%)	TV Sales Volumes Total 1H 2010	TV Sales Volume Total 1H 2009
<b>Total</b>	<b>3,254</b>	2,930	<b>+11.1</b>	6,090	5,235
PRC	<b>2,055</b>	1,591	<b>+29.2</b>	3,048	3,017
Overseas	<b>1,199</b>	1,339	<b>(10.5)</b>	3,042	2,218

# Financial Highlights



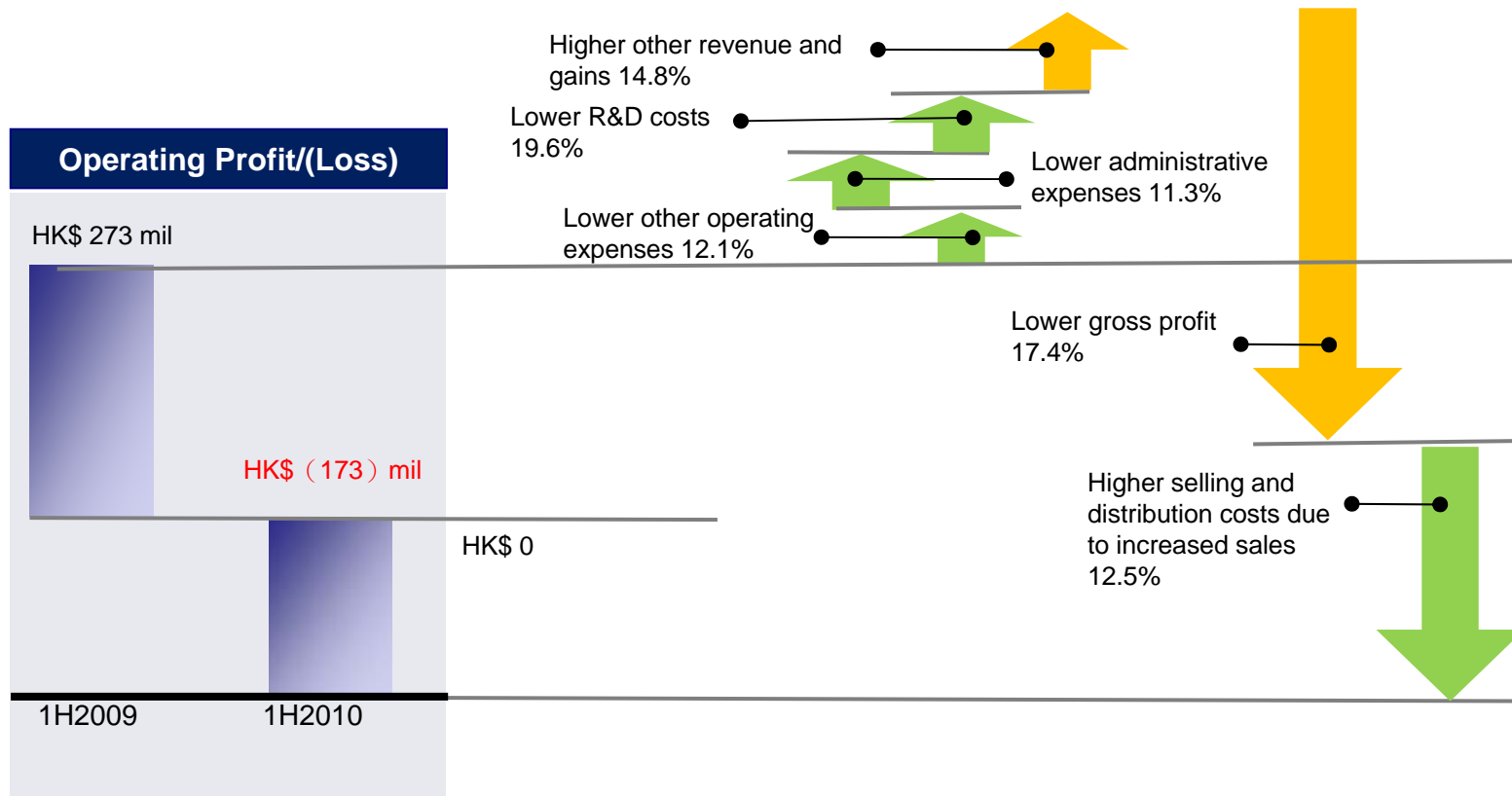
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# Consolidated Results

(HK\$ million)	1H 2010	1H 2009	Change(%)
Turnover	12,241	11,391	+7.5
Gross profit	1,721	2,083	(17.4)
Operating profit/(loss)	(173)	273	N/A
Profit/(loss) attributable to equity holders of the parent	(334)	143	N/A
Basic EPS profit/(loss) (cents)	(31.80)	14.04	N/A

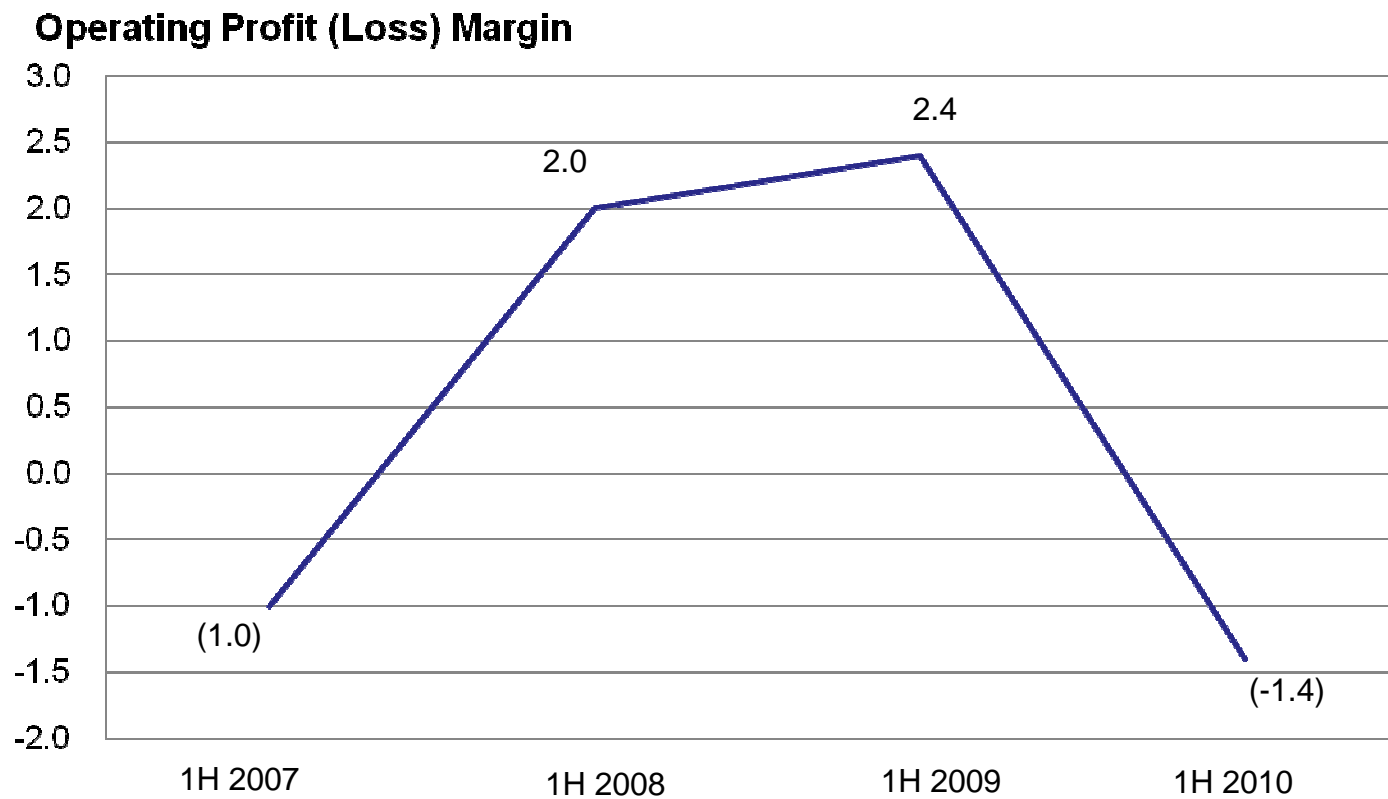
# Major Factors for Change in Operating Profit



 Revenue  
 Expense



# Operating Profit (Loss) Margin



# Balance Sheet Highlights

(HK\$ million)	30 June 2010	31 December 2009
Non-current assets	1,938	2,026
Current Assets	12,918	12,895
- Inventories	4,650	4,918
- Cash and bank balances	2,069	2,079
Current liabilities	10,687	10,804
Net current assets	2,231	2,091
Non-current liabilities	345	405
Net assets	3,824	3,712

# Key Financial Indicators

	30 June 2010	31 December 2009
Inventory turnover (FG) (days)*	38	31
A/R turnover (days)*	56	48
A/P turnover (days)*	73	65
Current ratio	1.2	1.2
Gearing ratio**	8.8%	2.6%

\*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

# Interim Segment Results

(HK\$ million)		1H 2010	1H 2009	Y-o-Y Change(%)
PRC TV business	Turnover	6,513	5,993	+8.7
	Gross Profit	1,057	1,477	(28.4)
	Operating Results	(182)	313	N/A
Overseas TV business	Turnover	3,626	3,748	(3.3)
	Gross Profit*	401	427	(6.1)
	Operating Results*	(78)	(27)	(188.9)
AV Products	Turnover	1,641	1,551	+5.8
	Gross Profit	219	151	+45.0
	Operating Results	139	61	+127.9

\*1H 2010 gross profit and operating results for Overseas TV business included royalty expense reversal of HK\$ 40 million from cessation of using the RCA brand



# Business Review

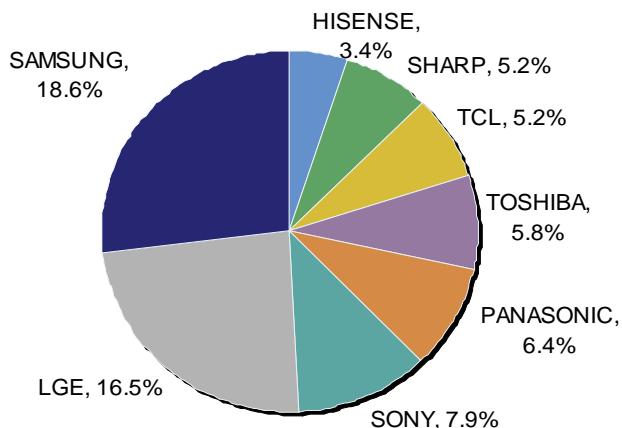


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# TV Market Shares and Global Ranking

2010 1H TV global market share (TCL ranked No. 6)



2010 1H LCD TV global market share (TCL ranked No.9)

Brand	2010 1H LCD Market Share	2009 1H LCD Market Share
SAMSUNG	18.6%	18.6%
LGE	12.5%	11.7%
SONY	10.7%	11.4%
TOSHIBA	7.3%	5.8%
SHARP	6.6%	7.6%
PANASONIC	4.6%	3.7%
PHILIPS	4.2%	4.6%
HISENSE	4.1%	3.5%
<b>TCL</b>	<b>3.6%</b>	<b>3.9%</b>
SKYWORTH	3.3%	3.3%

2010 1H TV PRC market share (TCL ranked No. 2)

Brand	2010 1H TV Market Share	2009 1H TV Market Share
HISENSE	18.1%	16.4%
<b>TCL</b>	<b>15.7%</b>	<b>17.3%</b>
SKYWORTH	14.9%	16.3%
CHANGHONG	11.8%	15.0%
KONKA	11.3%	14.1%
HAIER	4.8%	4.2%
SONY	4.5%	2.1%
SHARP	4.2%	2.6%
SAMSUNG	4.0%	2.2%
LGE	3.5%	2.6%

Source: DisplaySearch

2010 1H LCD TV PRC market share (TCL ranked No. 3)

Brand	2010 LCD Market Share	2009 1H LCD Market Share
HISENSE	19.5%	19.4%
SKYWORTH	16.4%	18.0%
<b>TCL</b>	<b>12.7%</b>	<b>15.4%</b>
KONKA	10.6%	11.3%
CHANGHONG	9.8%	8.8%
SONY	5.5%	3.5%
HAIER	5.3%	3.8%
SHARP	4.5%	3.5%
SAMSUNG	4.0%	2.2%
LGE	4.2%	4.3%



# R&D

Held a press conference in March 2010 to announce TCL's rollout of the first 3D Internet TVs in the world



## LED backlight Internet TV – P11 Series



Online Upgrade



Online Replay



Online Karaoke



Movie Downloads



Sensory Fitness Games



Express News

## 3D TV



# TV – PRC Market

- In the first half of 2010, the Group sold a total of 2.06 million LCD TV sets, an increase of 29.2% year-on-year
- Sales were below expectations due to an overly optimistic outlook of the PRC TV industry early this year, resulting in high inventory levels at the beginning of this year
- Overall sales structure was sub-optimal, the Group was unable to benefit from incremental market and missed profit opportunities
  - Sales of LED backlight LCD TV products only accounted for 1.5% of overall sales in the first half of 2010, well below the market average of 6.8%\*
  - Excessive product proliferation of CCFL LCD TVs; less competitiveness of mainstream products; lack of flagship products
- The Group's focus on adjusting its product mix and clearing old inventory, along with the growing penetration of international brands into the PRC Market and the narrowing price differences between international and domestic brand products, caused the Group's gross profit margin in the PRC Market to decline to 16.2% during the first half of 2010, in comparison to 24.6% in the same period last year. An operating loss of HK\$182 million was recorded.

\*Source: AVC



# TV – PRC Market

- The Group continued to benefit from the PRC government's "Household Appliances Subsidy Scheme." Revenue generated from the scheme as a proportion of the Group's total revenue in the PRC Market increased to 37% during the period under review, compared to the 15% in the same period last year. The Group expects to increase its market share in third, fourth, and fifth-tier cities
- The industry chain was upgraded – mass production began at the Group's LCD TV integration plant
- As one of the earlier entrants into research and development of the Internet TV business, the Group launched the "MiTV" Internet TV and secured a leading position in the market; it accounted for 25.09% of total LCD TV sales volume in the PRC market during 1H 2010
  - Online upgrades for a constant stream of new features were provided to customers
  - The Group's partnership with the PRC's largest video content provider, Wasu Digital TV Media Group, enables it to provide a huge library of copyrighted video content, which enhances its competitiveness

# TV – Emerging Markets

- Strong growth was seen in LCD TV and CRT TV sales volumes, with year-on-year increases of 294.1% and 148.0% respectively
- Operating results were turnaround
- The Group continued to benefit from opportunities in the transition from CRT TVs to LCD TVs, with a flexible product mix and optimal supply chain. With the success of the “World Cup” promotional marketing strategy, the Group not only increased brand awareness but also enlarged its market share
  - Actively explored new customer base, and successfully saw a sales volume breakthrough in India and Brazil
- Launched E10 and M9 series of integrated digital LCD TVs in order to seize market share in Brazil and Argentina, and continuously enhanced the promotion of TCL branded products with a positive development. The sales volume in these markets as a proportion of the Group’s total sales volume continued to rise

# TV – European Markets

- Implemented effective marketing strategies to promote TCL-branded LCD TVs in Western European Markets; LCD TV sales volume in European Markets grew 124.9% year-on-year
- Sales in European Markets slowed down from second quarter of 2010 due to the European debt crisis, which created supply chain inventory, and the sharp depreciation of the Euro resulted in the Group's operating loss in this market
- Continued to adopt a conservative and product market development strategy in this market and increased channels of cooperation in major markets such as France, Spain and Italy; and reduced foreign exchange risk through hedging
- Implemented a strategy of localizing procurement to effectively reduce operating costs and improve market competitiveness
- Promoted TCL branded TVs in the European Markets while the foundation of TCL brand in European Markets has gradually been established, which creates synergies between TCL and the THOMSON brand

# TV – North American Markets

- In line with its own brand development strategy, the Group ceased selling RCA-branded TVs in the second quarter of 2010 in the North American Markets; it is expected that sales volume will be negatively impacted in the short term but this course of action is beneficial to the Group's long term development and interest
- The Group completed business reorganization in the North American Markets and basic inventory liquidation in the first half of 2010
- During the period under review, new online sales channel was successfully opened in partnership with Amazon, the largest Internet retailer in the United States by the Group

## TV – Strategic OEM

- The Group devoted more resources to promoting its own branded products since the first quarter of 2010, further reducing the proportion of the strategic OEM business in the Group's overall TV business.
- The Group continued to keep pace with market demand and maintain stringent cost control, while actively exploring more opportunities to cooperate with established international brands

# AV Products

- Traditional DVD market continued to shrink, resulting in sales volume decrease of AV products of the Group by 13.9% to 7.77 million sets in the first half of 2010 as compared to last year
- Despite the intensified competitive environment, the Group's AV business continued to contribute to a notable profit; operating profit margin recorded a substantial increase from the same period last year
- We have maintained our market share and competitive advantage through maximizing economies of scale generated from our production capacity and effective cost control, such as extending collaboration with strategic suppliers

# Outlook



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# Outlook – TCL Multimedia

- To complete operational restructuring across a spectrum of functions from marketing, sales, R&D, to supply chain management, production and cost control within this year; and continue to clear inventory to pave a solid foundation for the next phase development
- Continued efforts in strengthening operational efficiency will bring about performance improvements in the fourth quarter
- To increase LED backlight LCD TV in proportion of total TV sales, especially in the PRC and Emerging Markets





# Outlook – PRC Market

- In the second half of 2010, LCD TV sales volume target is 3.4 to 3.6 million units, of which 0.8 to 1 million are LED backlight LCD TV
- A market-demand oriented business model
- Well-planned inventory clearance with improving inventory turnover days
- Adjust product lines to meet demands of various channels and improve efficiency
- Expand new sales channels

# Outlook – Overseas Markets

## Emerging Markets:

- As the market leader in CRT TVs, the Group will capitalize on the opportunity presented in the replacement cycle from CRT TVs to LCD TVs to garner greater LCD TV market share
- Strengthen information and resource coordination on global screen supply resources, and adjust product strategy and enhance efficiency to drive sales breakthrough of LED backlight LCD TV products
- Leverage on the platform and customer resources of overseas subsidiaries to further expand corporate sales

## European Markets:

- Improve Thomson brand market share for the short term and gradually increase the sales of TCL branded products (mainly TCL branded LED backlight LCD TV product lines)
- Complete inventory clearance by September and consolidate product series (products to be developed based on the “Design to Market” principle)
- Effectively control foreign exchange risk

## North American Markets:

- In line with its adjusted brand strategy, the Group will introduce TCL branded products in the second half 2010; also, to expand the US market by developing new business models in partnership with Amazon, the world’s largest internet retailer

# Outlook – Strategic OEM and AV Products

## Strategic OEM Business :

- Overall OEM business volume will decrease from the same period last year
- As a result of increased partnership with established international brands, ODM business volume is expected to increase in the second half of 2010

## AV Products :

- With decreasing demand in the traditional DVD player market, sales target for AV products in the second half of 2010 remains challenging
- Maintain industry leading position, actively develop Blue Ray and home theater system products and continue to expand product lines to win orders for new customers
- Enhance competitiveness of Blue Ray products: function innovation + cost reduction

Thank you



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