

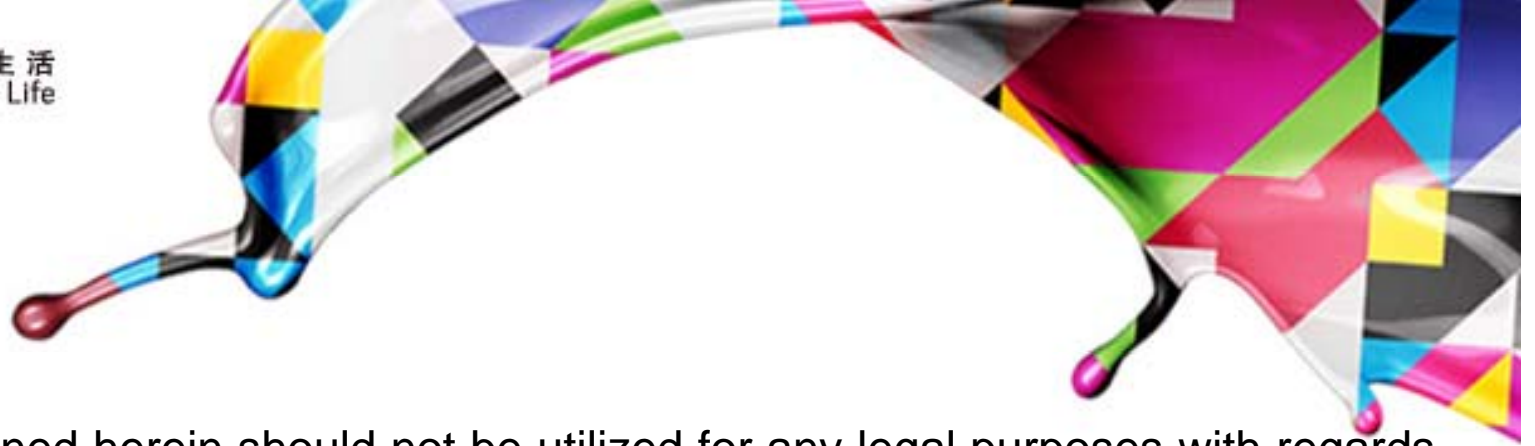


# TCL Multimedia Technology Holdings Limited

Stock Code: 01070

## 2013 Interim Results Presentation





## Disclaimer

The information contained herein should not be utilized for any legal purposes with regards to any investor's investment decision or results. In particular, this document does not constitute any recommendation or invitation for subscribing for or sale and purchase of any securities of TCL Multimedia Technology Holdings Limited ("the Company"). The Company hereby expressly disclaims any liability for any loss or damage resulting from or in connection with any reliance by any investor on the information contained herein.

A number of forward-looking statements may be made from this presentation. Forward-looking statements are 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

- 1. Results Overview**
- 2. Financial Highlights**
- 3. Business Review**
- 4. Outlook**

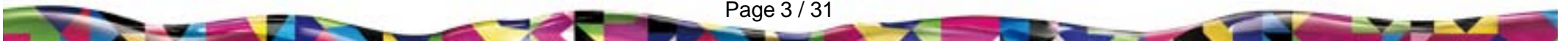
*The financial results used in the presentation are unaudited results for the six months ended 30 June*



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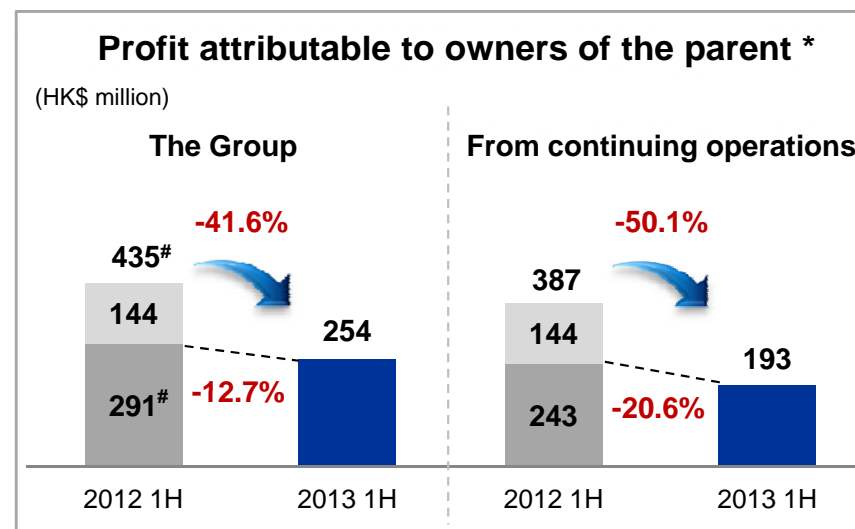
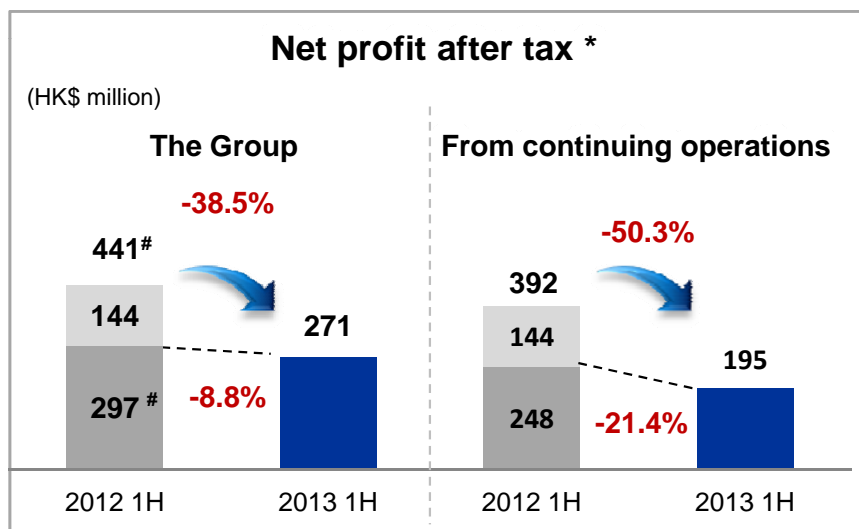
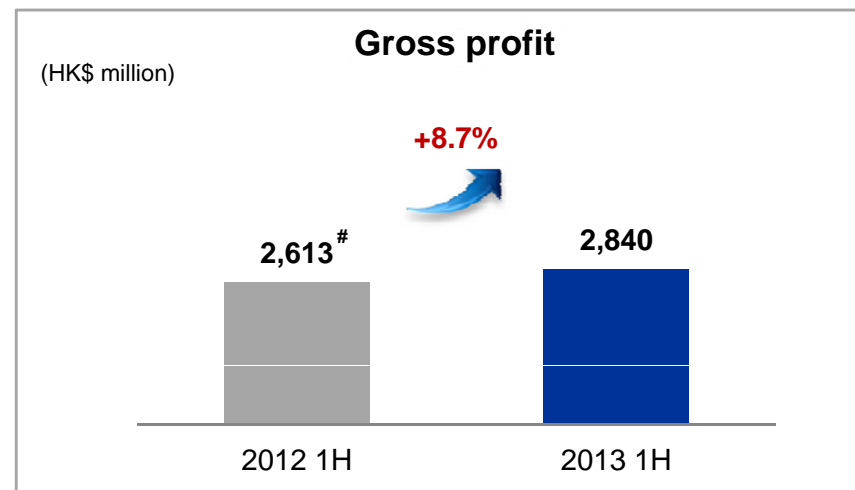
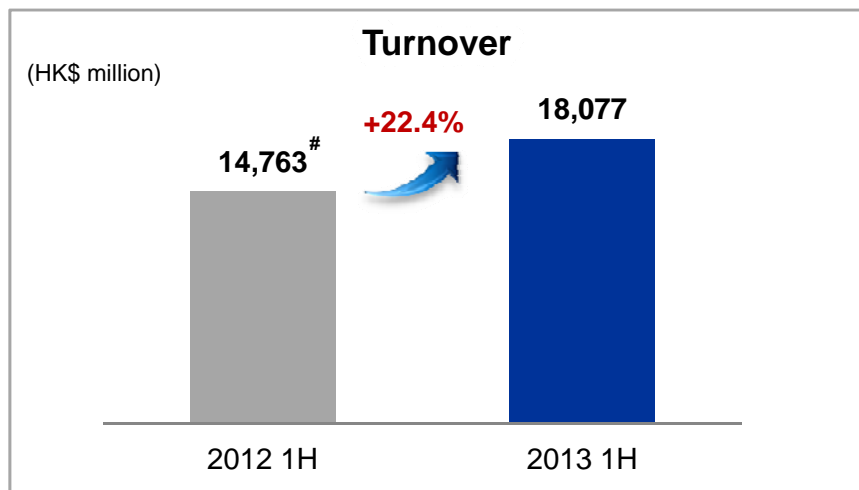
# Results Overview



# Results Overview (For 6 months ended 30 June 2013)

2013 Interim Results

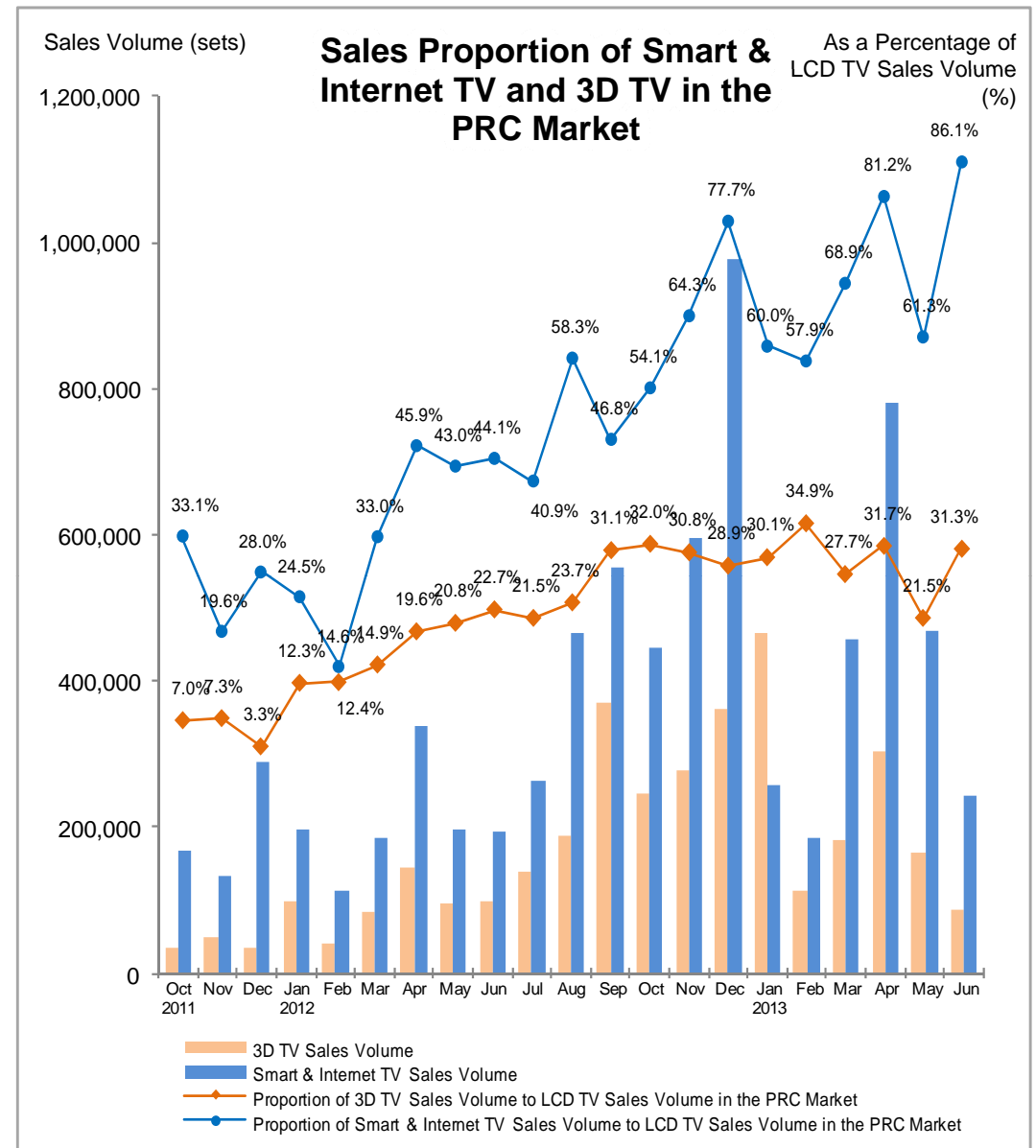
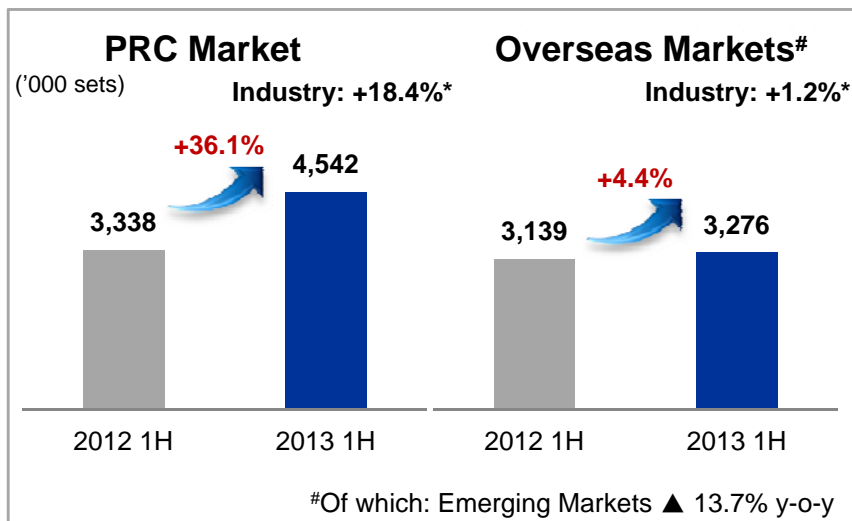
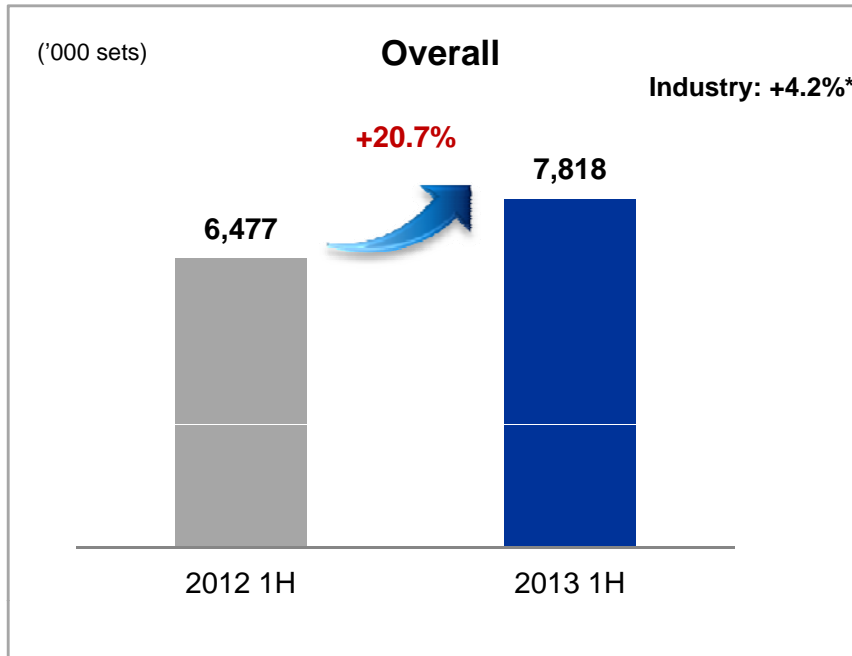
- ▶ Declared a conditional special interim dividend which will be made and satisfied by the distribution in specie by the Group of the entire issued share capital of Tonly Holdings for every ten shares of the Group to one share of Tonly Holdings
- ▶ On 15 August 2013, Tonly Holdings was granted by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") to list on the Main Board of the Stock Exchange under the stock code 01249



<sup>#</sup> Restated (Turnover and gross margin excluding Tonly Holdings, Tonly Holdings's results was classified as "profit from discontinued operation", included in the overall results of the Group)

\* Including an 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

# 2013 1H LCD TV Sales Volume



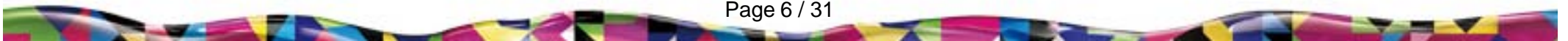
\*Source: DisplaySearch 2Q2013



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# Financial Highlights



## Consolidated Results (For 6 months ended 30 June 2013)

(HK\$ million)	2013 1H	2012 1H	Change
<b>Turnover</b>	<b>18,077</b>	14,763 <sup>#</sup>	<b>+22.4%</b>
<b>Gross profit</b>	<b>2,840</b>	2,613 <sup>#</sup>	<b>+8.7%</b>
<b>Operating profit</b>	<b>331</b>	483 <sup>#*</sup>	<b>(31.5%)</b>
<b>Profit attributable to owners of the parent</b>			
- For profit for the period <sup>^</sup>	<b>254</b>	291 <sup>#*</sup>	<b>(12.7%)</b>
- For profit from continuing operations	<b>193</b>	243 <sup>*</sup>	<b>(20.6%)</b>
<b>Basic earnings per share (HK cents)</b>			
- For profit for the period <sup>^</sup>	<b>19.11</b>	33.58 <sup>#</sup>	<b>(43.1%)</b>
- For profit from continuing operations	<b>14.51</b>	29.84	<b>(51.4%)</b>
<b>Cash interim dividend per share (HK cents)</b>	<b>-</b>	10.00	<b>N/A</b>

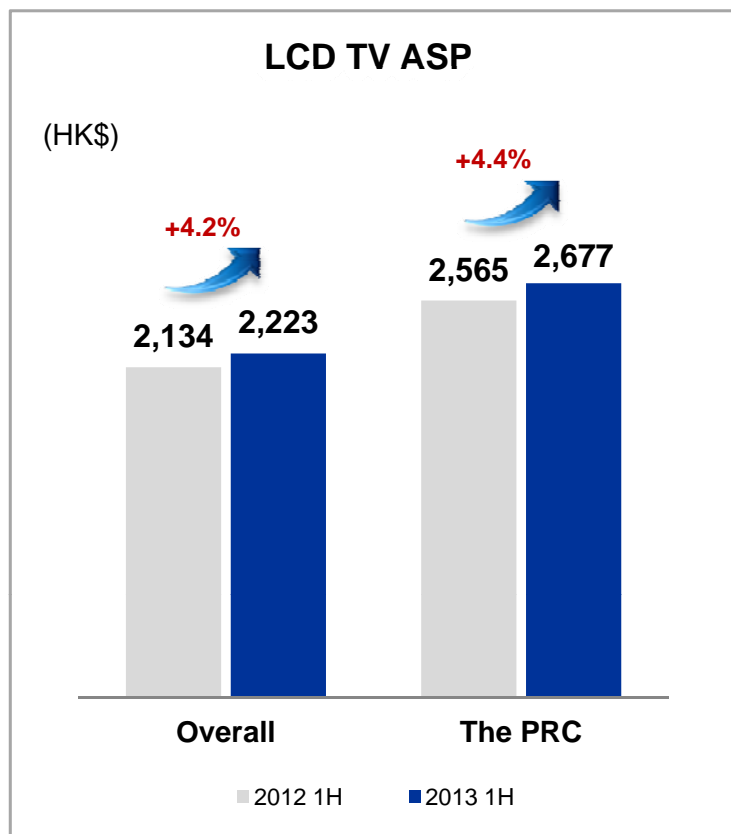
<sup>#</sup>Restated

<sup>\*</sup> Excluding an 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

<sup>^</sup>Including Tonly Holdings. The Group has successfully spun off Tonly Holdings for a separate listing on the Main Board of the Stock Exchange on 14 August 2013



# Average Selling Prices (“ASP”) & Profit Margins



**Profit Margins**

	2013 1H	2012 1H	Change (p.p.)
Gross profit margin	15.7%	17.7% <sup>#</sup>	(2.0)
Expense ratio*	14.6%	14.8% <sup>#</sup>	(0.2)
Operating profit margin	1.8%	3.3% <sup>##</sup>	(1.5)

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

<sup>#</sup> Restated

<sup>\*\*</sup> Excluding an 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

## Balance Sheet Highlights

(HK\$ million)	30 June 2013	31 December 2012 (Restated)*	Change	31 December 2012
<b>Non-current assets</b>	<b>2,914</b>	2,847	<b>+2.4%</b>	3,078
<b>Inventories</b>	<b>6,975</b>	6,387	<b>+9.2%</b>	6,732
<b>Cash and bank balances</b>	<b>4,740</b>	2,434	<b>+94.7%</b>	3,431
<b>Current assets</b>	<b>25,085</b>	25,173	<b>(0.3%)</b>	24,942
- Continuing operations	21,656	21,735	<b>(0.4%)</b>	N/A
- Discontinued operation (Tonly Group)	3,429	3,438	<b>(0.3%)</b>	N/A
<b>Current liabilities</b>	<b>22,427</b>	22,583	<b>(0.7%)</b>	22,580
- Continuing operations	19,998	19,987	<b>+0.1%</b>	N/A
- Discontinued operation (Tonly Group)	2,429	2,596	<b>(6.4%)</b>	N/A
<b>Net current assets</b>	<b>2,658</b>	2,590	<b>+2.6%</b>	2,362
<b>Non-current liabilities</b>	<b>350</b>	445	<b>(21.3%)</b>	448
<b>Net assets</b>	<b>5,222</b>	4,992	<b>+4.6%</b>	4,992

\* For illustration purpose only, the amounts as at 31 December 2012 have been reclassified to conform with the current period's presentation

## Key Financial Indicators

	30 June 2013	31 December 2012	Change
<b>Inventory turnover (days)*</b>	<b>58</b>	51 <sup>#</sup>	<b>▲ 7 days</b>
<b>A/R turnover (days)*</b>	<b>31</b>	31 <sup>#</sup>	<b>Unchanged</b>
<b>A/P turnover (days)*</b>	<b>67</b>	67 <sup>#</sup>	<b>Unchanged</b>
<b>Cash conversion cycle (days)</b>	<b>22</b>	15 <sup>#</sup>	<b>▲ 7 days</b>
<b>Current ratio (times)</b>	<b>1.1</b>	1.1	<b>Unchanged</b>
<b>Gearing ratio (%)**</b>	<b>0<sup>##</sup></b>	0	<b>Unchanged</b>

# Restated

\*The above turnover days are calculated based on 12-month average balances

\*\*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 June 2013, as the Group's (including Tonly Holdings' business) total pledged deposits and cash and cash balances of HK\$6,190 million was higher than the total interest bearing borrowings of HK\$2,302 million, the Group's gearing ratio was zero

## Segment Results (For 6 months ended 30 June 2013)

(HK\$ million)		2013 1H	2012 1H	Change
<b>TV Business PRC Market</b>	<b>Turnover</b>	12,162	8,641	<b>+40.7%</b>
	<b>Gross Profit</b>	2,361	2,015	<b>+17.2%</b>
	<b>Operating Results</b>	439	473	<b>(7.2%)</b>
<b>TV Business Overseas Markets</b>	<b>Turnover</b>	5,546	5,784	<b>(4.1%)</b>
	<b>Gross Profit</b>	442	614 <sup>#</sup>	<b>(28.0%)</b>
	<b>Operating Results</b>	(113)	106 <sup>#</sup>	<b>N/A</b>
<b>Tonly Holdings Business</b> <small>(Formerly known as AV Business)</small>	<b>Turnover</b>	1,864	1,647 <sup>#</sup>	<b>+13.2%</b>
	<b>Gross Profit</b>	239	162 <sup>#</sup>	<b>+47.5%</b>
	<b>Operating Results</b>	75	48 <sup>#</sup>	<b>+56.3%</b>

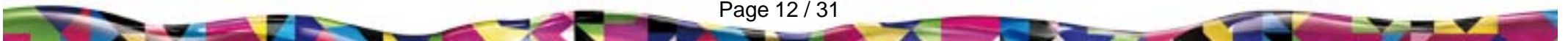
<sup>#</sup>Restated



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# Business Review



## Steadily gaining in global and the PRC TV market share

### 2013 Q1 LCD TV global market share (TCL ranked No. 3)

Ranking	Brand	2013 Q1	2012 FY
1	Samsung	20.4%	20.0%
2	LGE	14.6%	13.1%
<b>3</b>	<b>TCL</b>	<b>7.3%</b>	<b>5.8%</b>
4	Sony	5.0%	7.4%
5	Toshiba	5.0%	5.5%
6	Hisense	5.0%	4.7%
7	Skyworth	4.7%	4.1%
8	Sharp	4.3%	4.1%
9	Panasonic	4.1%	5.0%
10	AOC	3.9%	4.0%

### 2013 Q1 LCD TV PRC market share (TCL ranked No. 1)

Ranking	Brand	2013 Q1	2012 FY
<b>1</b>	<b>TCL</b>	<b>20.2%</b>	<b>18.0%</b>
2	Hisense	16.3%	16.3%
3	Skyworth	16.0%	16.6%
4	Konka	12.5%	11.7%
5	Changhong	8.3%	10.7%
6	Haier	6.1%	6.5%
7	Sharp	3.5%	3.2%
8	Samsung	3.3%	3.1%
9	LGE	2.5%	1.6%
10	Sony	2.4%	3.8%

Source: DisplaySearch

## TV Sales Volume (For the 6 months ended 30 June 2013)

Total TV Sales Volume ('000 sets)	2013 1H	2012 1H	Change
Total	8,487	7,748	+9.5%
PRC	4,551	3,482	+30.7%
Overseas	3,936	4,266	(7.7%)

LCD TV Sales Volume ('000 sets)	2013 1H	2012 1H	Change
Total	7,818	6,477	+20.7%
Of which: LED backlight LCD TVs	7,328	4,307	+70.1%
Smart TVs	1,138	324	+251.2%
3D TVs	1,335	592	+125.5%
PRC	4,542	3,338	+36.1%
Overseas	3,276	3,139	+4.4%

CRT TV Sales Volume ('000 sets)	2013 1H	2012 1H	Change
Total	669	1,271	(47.4%)
PRC	9	144	(93.8%)
Overseas	660	1,127	(41.4%)

## TV Business – PRC Market

**1H operating profit: HK\$439 million ▼ 7.2% y-o-y**  
**1H LCD TV sales volume: 4.54 million sets ▲ 36.1% y-o-y**

### Continuous launch of new products

- ▶ 30 product series featuring total 85 new products
- ▶ Sales volume proportion of smart TVs and 3D TVs in LCD TV sales volume in June 2013 rose to 31.5% and 31.3%, respectively
- ▶ ASP for LCD TVs up 4.4% y-o-y

### Expense ratio dropped y-o-y

- ▶ Through effective cost control, expense ratio dropped y-o-y

### Improved sales channels & points of sales (“POS”) establishment

- ▶ Formed comprehensive strategic partnerships with large-scale home appliance chain stores and online sales channels
- ▶ Continued to step up efforts in building sales channels and established 1,150 specialty stores
- ▶ Improved store efficiency and market penetration rate



## TV Business – Overseas Markets

**1H operating loss: HK\$113 million**  
**1H LCD TV sales volume: 3.28 million sets ▲ 4.4% y-o-y**

### Continuous optimization of product mix

- ▶ In the European Markets, sales volume of smart TVs contributed to 22.1% of LCD TV sales volume in the first half of 2013
- ▶ Successfully introduced the smart TVs which are based on the Android platform in the Emerging Markets
- ▶ Proportion of LED backlight LCD TV sales volume in LCD TV sales volume increased to 91.5%

### Emerging Markets & Strategic OEM

- ▶ LCD TV sales volume rose 13.7% y-o-y in the Emerging Markets
- ▶ LCD TV sales volume in Brazil rose 91.0% y-o-y
- ▶ LCD TV market share was further enhanced in Australia, rising from 2.4%\* to 4.7%#. LCD TV market share in Thailand rose from 5.7%\* to 6.5%# (Source: GfK)
- ▶ Strategic OEM recorded strong growth in sales volume in the second quarter

### European & North American Markets

- ▶ LCD TV market share further increased in France, rising from 5.5%\* to 6.2%# (Source: GfK)
- ▶ TCL's brand awareness has improved in North American Markets

\* Jan 2012 - Jun 2012

# Jan 2013 - Jun 2013

# Continuous Enhancement of Product Competitiveness



New sub-brand “Viveza” for high-end TVs

ICE SCREEN

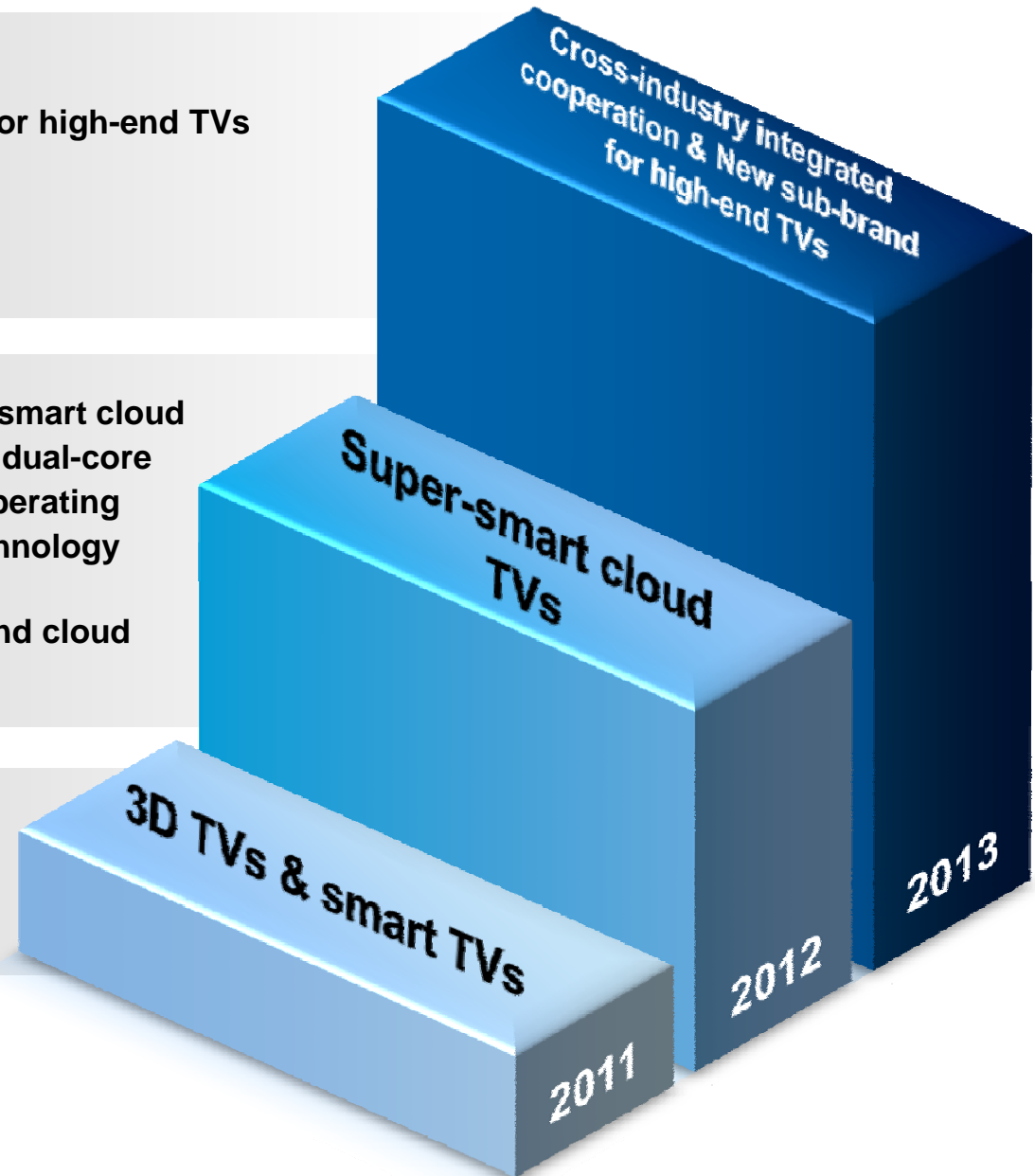


Full series upgrade of 3D smart cloud TVs with dual-core CPUs, dual-core GPUs and Android 4.0+ operating systems, dual display technology

Adopt cloud computing and cloud storage technology



Integration of smart and 3D technologies



## Enhanced Innovation Capability

Hosted a press conference “It’s Real Different! TCL Press Conference in Spring 2013” in Beijing on 26 March 2013 to announce brand enhancement strategies that target at projecting a “young, fashionable and internationalized” image

A jointly announcement of full product lines in consumer electronics industry

- ▶ Announced “Fireball Plan”. Simultaneously plan, design, produce, announce and introduce into the markets a new product collection of smart cloud TV in 8 major series
- ▶ Launched a new sub-brand Viveza for high-end TVs and debuted its first high-end TV product, Viveza V101, which is the first state-of-the-art ultra-slim high-end TV
- ▶ Two products won the “2013 CITE innovative product and application” gold award



# Strengthened Marketing Efforts to Enhance Brand Influence

Participated in 2013 International Consumer Electronics Fair in Las Vegas, USA



COLOR YOUR WORLD

TCL obtained the naming rights – “TCL Chinese Theatre”



Collaborated with “Iron Man 3” through brand placement, joint promotions and authorized usage of creative elements



Became the first Chinese television enterprise with its TV products featured at Hong Kong International Airport



# Integration of Upstream & Downstream Industry Chain Synergy Advantages from Vertical Integration Will Become More Apparent

**Stable supply of raw materials & cost control  
Synergy advantages from vertical integration will become more apparent**

**China Star  
Optoelectronics  
Technology (“CSOT”)  
8.5-Generation LCD  
Panel Project**

- ▶ Continue to create synergy gain in planning, manufacturing, cost control, quality control and transportation
- ▶ 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



**Has become the only  
LCD TV manufacturer &  
distributor with a fully  
integrated industry chain  
in the PRC**



## Tonly Holdings

- ▶ Successfully spun off AV business, Tonly Holdings for a separate listing on the Main Board of the Stock Exchange on 15 August 2013



**TONLY**

Stock code: 01249

- ▶ Through the spin-off of Tonly Holdings for a separate listing, delineated clearly the TV and AV businesses through establishing for each of them a separate business platform

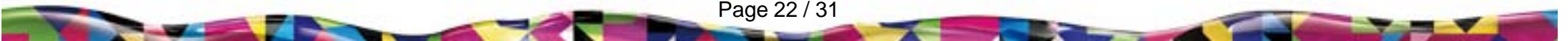
- ▶ Will continue to focus on development of the core business and enhance decision making process and ability to accommodate changes in the market



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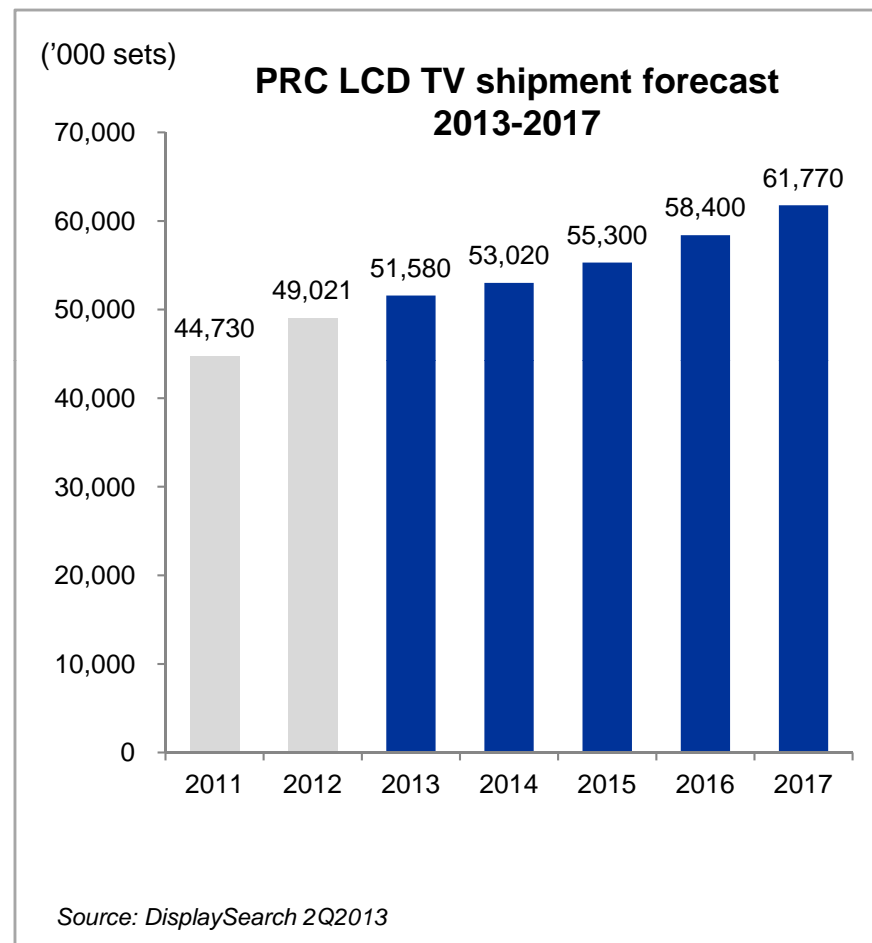
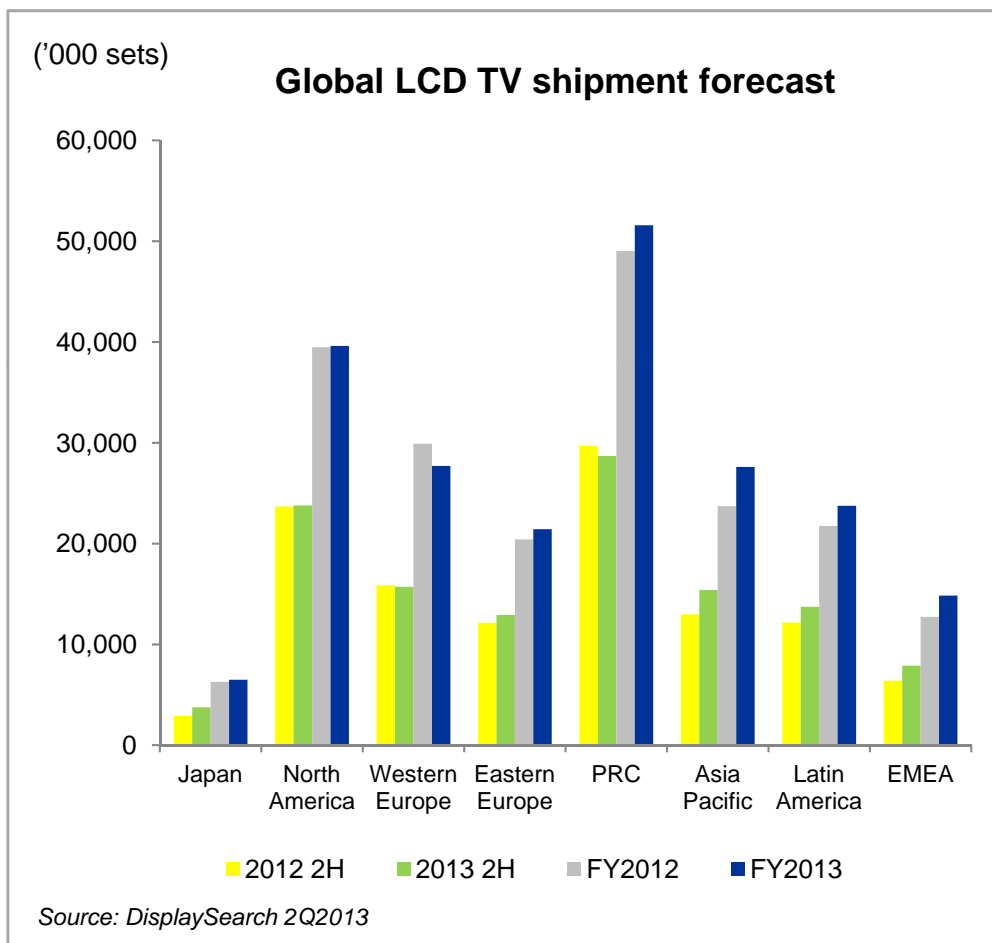


# Outlook



# Outlook – Global & The PRC LCD TV Shipment Forecasts

- ▶ Global LCD TV shipments expect to increase 5.2% y-o-y to 122 million sets in the second half of 2013, while full-year forecast for 2013 is 213 million sets, up 4.9% y-o-y
- ▶ The PRC LCD TV shipments expect to shrink by 3.4% y-o-y in the second half of 2013, while growth in other markets (excluding Western Europe) will remain stable





# Outlook – The PRC Market Forecasts

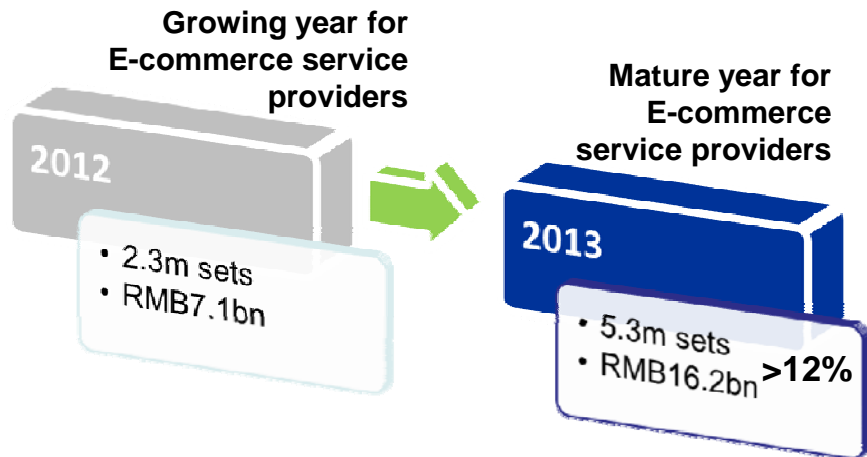
Large-panel TVs will be the trend over the next few years

Average size of LCD TV panels during 1 May 2012 #	Average size of LCD TV panels during 1 May 2013 ##
39.9"	41.4"

# Week 18 to 20 in 2012

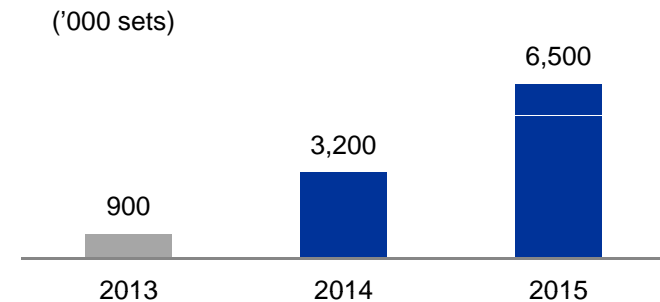
## Week 18 to 20 in 2013

Sales networks shift to e-commerce in 1st & 2nd tier markets

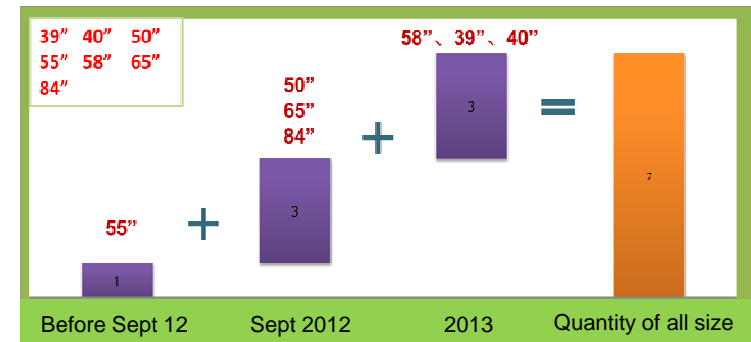


Price, content, product and panel supply, etc will determine the ultra high-definition (“UHD”) TV development in 2013

Market size of UHD TV – Retail sales volume



Breakdown of UHD TV by size



Source: China Market Monitor

## Outlook - TV Business

**2013 global sales volume target of LCD TVs:  
18.00 million sets, up 15.9%\* year-on-year**

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

Develop value-for-money  
products and actively expand  
sales channels and improve  
operational efficiency



\* Compared with actual sales volume of 15.53 million sets in 2012

## Outlook - TV Business in the PRC Market

### Reinforce market leadership in the PRC Market

*Enlarge market share of high-end segment* + *Accomplish steady growth* + *Maintain strong profitability*



#### Product strategy

- ▶ Strengthen “full cloud strategies” and focus on improving user experience
- ▶ Enhance competitiveness and sales volume proportion of high-end products
- ▶ Become a dominant player in UHD TV market by seizing opportunities of 4K product development

#### Brand & promotion strategy

- ▶ Develop an innovative sales and promotion model to sustain brand development
- ▶ Strengthen brand image and awareness

#### Channel strategy

- ▶ Continue to increase the number of specialty stores, target to reach 3,000 by the end of 2013
- ▶ Improve store efficiency and management level
- ▶ Promote the development of electronic commerce channels and integrate online and offline resources
- ▶ Enhance penetration in third-tier to sixth-tier markets

#### Operational strategy

- ▶ Improve operation management and overall competitiveness
- ▶ Reduce costs and expense ratio through integration of industrial chain and accelerate turnover rate

# Outlook – TV Business in Overseas Markets

- Increase investments in brand development and marketing in order to create “young, fashionable and internationalized” brand image
- Optimize product mix and launch high-end products, including smart TVs series, etc
- Continue to adopt prudent management approach with focus on “cost, speed and efficiency”



<p style="text-align: center;"><b>Emerging Markets</b></p> <p><b>Increase proportion of sales volume of high-end products</b></p> <ul style="list-style-type: none"> <li>▶ Increase the proportion of sales volume of LED backlight LCD TVs and smart TVs</li> </ul> <p><b>Explore sales channels and improve overall operational efficiency</b></p>	<p style="text-align: center;"><b>European Markets</b></p> <p><b>Improve operational efficiency</b></p> <ul style="list-style-type: none"> <li>▶ Continue to improve operational efficiency, proactively adjust product mix and strengthen inventory management</li> <li>▶ Accelerate introduction of new products and increase sales volume in mainstream channels of key markets</li> </ul>
<p style="text-align: center;"><b>North American Markets</b></p> <p><b>Increase investment in branding and adopt prudent management approach</b></p> <ul style="list-style-type: none"> <li>▶ Continue to enhance brand influence</li> </ul>	<p style="text-align: center;"><b>Strategic OEM</b></p> <p><b>Optimize strategic OEM customer base</b></p> <ul style="list-style-type: none"> <li>▶ Leverage supply chain and industry chain resources in order to optimize costs</li> </ul>

# Outlook – Smart Product Strategy | Vision of Smart Products

Smart TVs which offer the best user experience

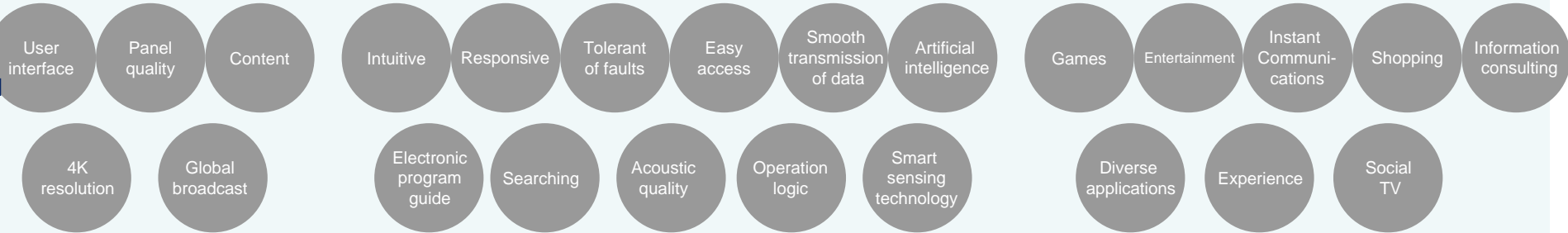
User Perception

Interesting

Useful

Entertaining

Technological Innovation



Strategies

User interface and experience

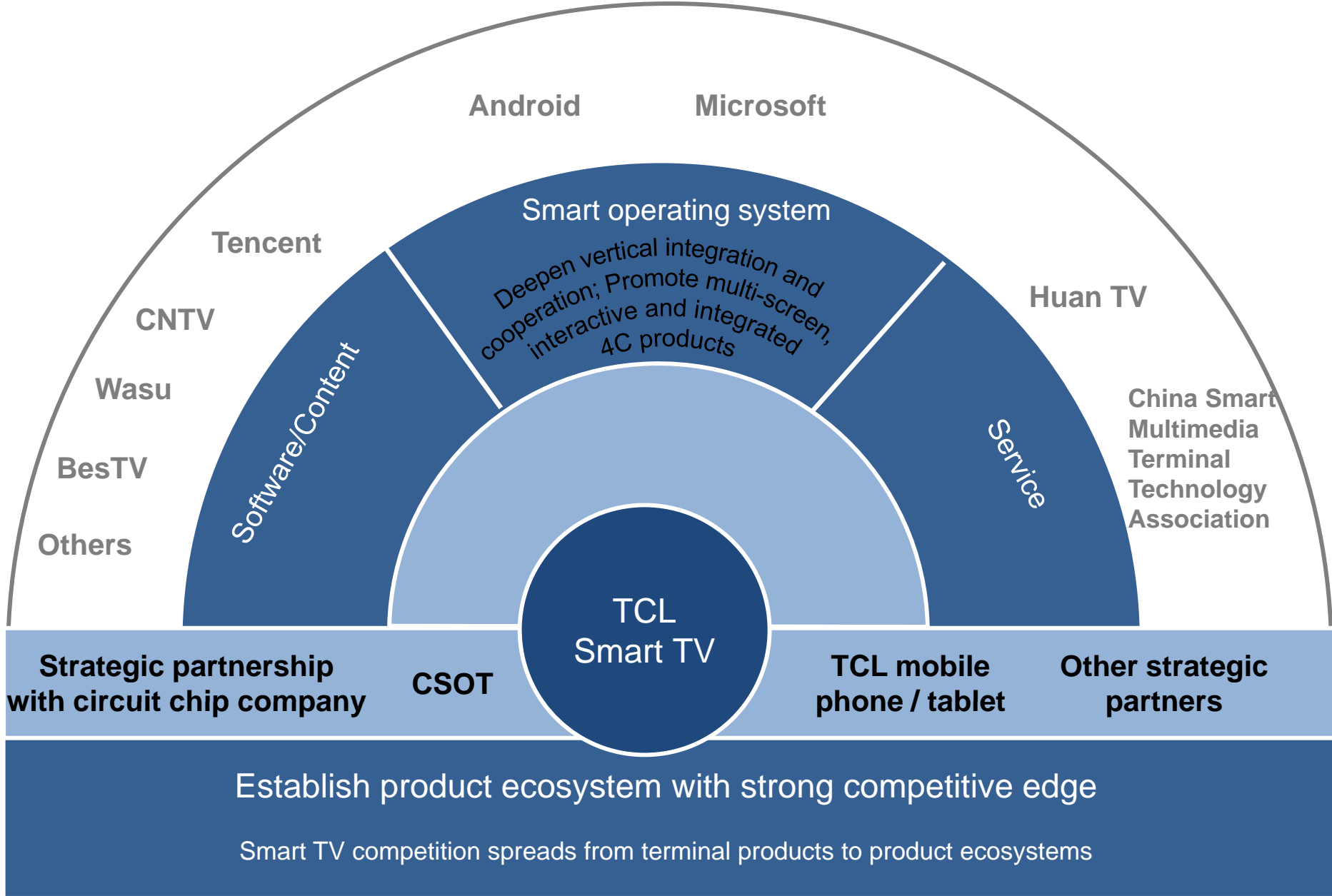
System-on-chip

Operating System

Systematic product planning

Ecosystem establishment

# Outlook – Smart Product Strategy | Establishment of Smart TV Ecosystem



# Operating philosophy

## Quality-driven growth

Maintain industry leadership in sales volume and revenue while maximizing profit

## Streamlined management

Further improve operational efficiency through improvement in industrial capabilities, information system enhancement and professional management

**High-Speed**

**Speed + Efficiency**

**Value**

# Thank you

TCL Multimedia Technology Holdings Limited

