

2011 Q3 Results Presentation



追梦
30年



TCL Multimedia Technology Holdings Limited

Stock Code: 01070

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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



TCL Multimedia Technology Holdings Limited



Results Overview

- **Strong improvement in Q1-Q3 financial results was attributable to significant improvement in operating efficiency**
 - Turnover: HK\$22,517 million, ↑ 17.9%
 - Gross Profit: HK\$3,514 million, ↑ 44.3%
 - Operating Profit: HK\$691 million
 - Profit Attributable to Owners of the Parent: HK\$391 million, successfully turned around from loss to profit
- **LCD TV sales volume reached 7.160 million sets, ↑ 37.9%**
 - PRC Market: ↑ 25.3%
 - Emerging Markets: ↑ 136.4%
- **Sales volume of the LED backlight LCD TVs accounted for 37.8% and 40.6%, respectively, of the overall LCD TV sales volume and LCD TV sales volume in the PRC Market**
 - In September 2011, the proportion of LED backlight LCD TVs for the overall LCD TV sales volume and LCD TV sales volume in the PRC Market reached 47.2% and 50.5%, respectively, setting historical highs
- **2011 Q2 TV market share increased***
 - Global LCD TV market share: ranking up from No.8 in 2011 Q1 to No.7
 - PRC TV market share: 16.1%, ↑ 0.5 percentage points (pp) over the end of 2010 and ranked No.2
 - PRC LCD TV market share: 15.3%, ↑ 1.2pp over the end of 2010 and ranked No.2

*Source: DisplaySearch



Financial Highlights



TCL Multimedia Technology Holdings Limited



Consolidated Results

(For the 9 months ended 30 September 2011)

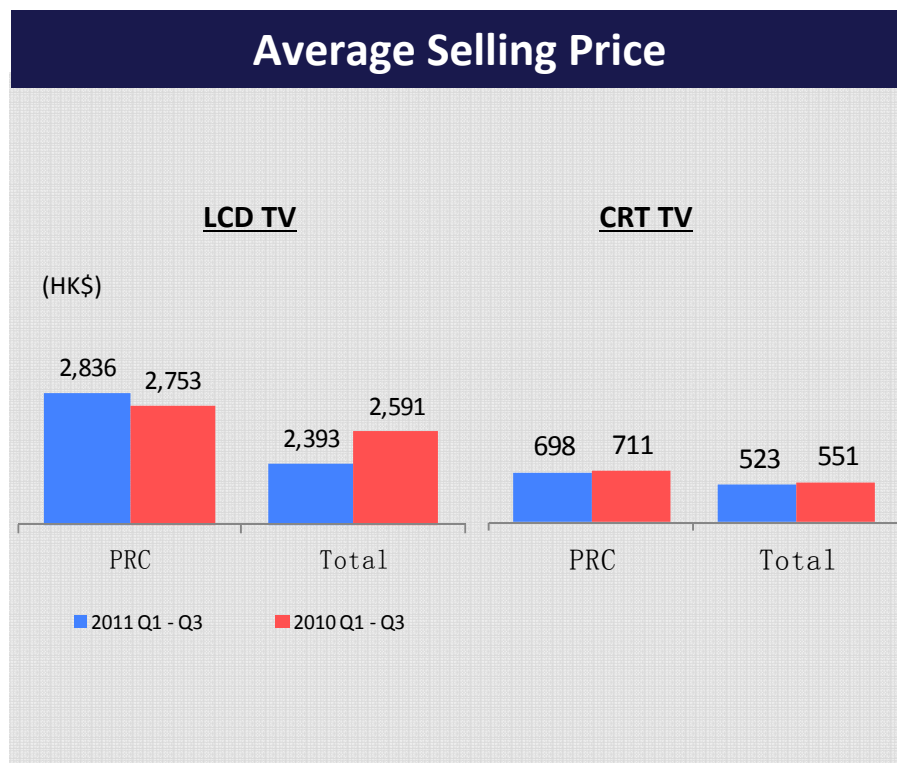
(HK\$ million)	2011 Q1 – Q3	2010 Q1 – Q3	Change
Turnover	22,517	19,095	+17.9%
Gross profit	3,514	2,435	+44.3%
Operating profit/(loss)	691	(733)	N/A
Profit /(loss) attributable to owners of the parent	391	(991)	N/A
Basic earnings/(loss) per share (HK cents)	35.99	(99.34)	N/A

Consolidated Results

(For the 3 months ended 30 September 2011)

(HK\$ million)	2011 Q3	2010 Q3	Change
Turnover	9,360	6,854	+36.6%
Gross profit	1,453	714	+103.5%
Operating profit/(loss)	348	(560)	N/A
Profit/(loss) attributable to owners of the parent	260	(657)	N/A
Basic earnings/(loss) per share (HK cents)	23.93	(60.52)	N/A

Average Selling Price & Margin



Margin

	2011 Q1 - Q3	2010 Q1 - Q3	Change
Gross profit margin	15.6%	12.8%	+2.8% points
Expense ratio*	14.3%	17.2%	(2.9)% points
Operating margin	3.1%	(3.8%)	+6.9% points

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

Balance Sheet Highlights

(HK\$ million)	2011 30 September	2010 31 December
Non-current assets	1,811	1,931
Current assets	20,286	16,569
- Inventories	3,561	4,925
- Cash and bank balances	4,294	2,133
Current liabilities	17,710	14,966
Net current assets	2,576	1,603
Non-current liabilities*	823	284
Net assets	3,564	3,250

*As of 30 September 2011, the Group complied with all the financial covenants according to the loan agreement (the Group breached of certain financial covenants on 31 December 2010), therefore, an aggregate carrying amount of HK\$618 million syndicated loan was reclassified as non-current liabilities.

Key Financial Indicators

	30 September 2011	31 December 2010
Inventory turnover (days)*	52	68
A/R turnover (days)*	36	47
A/P turnover (days)*	67	72
Current ratio	1.2	1.1
Gearing ratio**	48.0%	38.5%

*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

(For the 9 months ended 30 September 2011)

(HK\$ million)		2011 Q1 – Q3	2010 Q1 – Q3	Change
PRC TV Business	Turnover	13,020	10,751	+21.1%
	Gross Profit	2,699	1,606	+68.1%
	Operating Results	437	(693)	N/A
Overseas TV Business	Turnover	5,861	5,111	+14.7%
	Gross Profit	542	490	+10.6%
	Operating Results	(83)	(184)	+54.9%
AV Products	Turnover	3,194	2,638	+21.1%
	Gross Profit	252	289	(12.8%)
	Operating Results	83	148	(43.9%)

Segment Results

(For the 3 months ended 30 September 2011)

(HK\$ million)		2011 Q3	2010 Q3	Change
PRC TV Business	Turnover	5,535	4,238	+30.6%
	Gross Profit	1,111	549	+102.4%
	Operating Results	92	(511)	N/A
Overseas TV Business	Turnover	2,460	1,486	+65.5%
	Gross Profit	237	89	+166.3%
	Operating Results	(45)	(106)	+57.5%
AV Products	Turnover	1,267	996	+27.2%
	Gross Profit	100	70	+42.9%
	Operating Results	28	9	+211.1%



Business Review

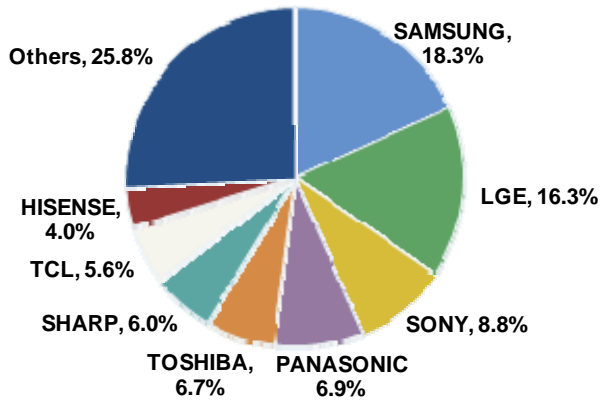


TCL Multimedia Technology Holdings Limited



TV Market Share and Ranking

2011 2Q TV global market share (TCL ranked No.7)



2011 2Q LCD TV global market share (TCL ranked No.7)

Brand	2011 2Q LCD Market Share	2010 LCD Market Share
SAMSUNG	17.8%	17.5%
LGE	12.8%	11.8%
SONY	11.0%	12.4%
TOSHIBA	7.7%	7.9%
SHARP	7.4%	7.9%
PANASONIC	7.0%	5.5%
TCL	4.8%	3.3%
HISENSE	4.4%	3.6%
PHILIPS	3.0%	3.5%
VIZIO	3.0%	4.6%

2011 2Q TV PRC market share (TCL ranked No.2)

Brand	2011 2Q TV Market Share	2010 TV Market Share
HISENSE	17.4%	16.8%
TCL	16.1%	15.6%
SKYWORTH	13.8%	15.3%
CHANGHONG	12.8%	13.5%
KONKA	11.6%	11.6%
HAIER	5.8%	5.3%
SONY	4.3%	4.0%
SAMSUNG	4.2%	3.2%
SHARP	3.5%	4.8%
LGE	3.4%	3.7%

資料來源: DisplaySearch

2011 2Q LCD TV PRC market share (TCL ranked No.2)

Brand	2011 2Q LCD Market Share	2010 LCD Market Share
HISENSE	19.0%	18.0%
TCL	15.3%	14.1%
SKYWORTH	15.1%	16.7%
KONKA	10.8%	11.3%
CHANGHONG	10.5%	11.5%
HAIER	6.4%	5.9%
SONY	4.7%	4.4%
SAMSUNG	4.1%	3.4%
SHARP	3.8%	5.3%
LGE	3.8%	4.1%

Improving Results and Key Financial Indicators

- Management is dedicated to enhancing its operating strategies with “speed and efficiency” for operation and sales strategies

Robust sales growth in the PRC and Emerging Markets continued

- The PRC Market: 4.388 million sets, ↑ 25.3%
- Emerging Markets: 1.697 million sets, ↑ 136.4%

(y-o-y comparison)

Optimized product structure and product competitiveness

- Sales proportion of LED backlight LCD TV, internet TV and 3D TV continued to increase in September:
LED: overall 47.2%; the PRC Market 50.5%
Internet: the PRC Market 30.1%
3D: the PRC Market 10.7%

Profitability significantly improved

- Gross profit margin ↑ 2.8pp
- Expense ratio ↓ 2.9pp
- Operating profit margin ↑ 6.9 pp
- Business turned around with profit attributable to owners of the parent of HK\$391 million

(y-o-y comparison)

Accelerated inventory and receivables turnover

- Inventory ↓ HK\$1,364 million
- Inventory turnover day ↓ 16 days
- Account receivables ↑ HK\$277 million
- Account receivable turnover days ↓ 11 days

(Compared against 2010 full year)

Solid financial position

- Cash and bank balance: approximately HK\$4,294 million, ↑ HK\$2,161 million (net debt to equity ratio ↑ from 38.5% to 48.0%)
- Current ratio improved from 1.1 to 1.2

(Compared against 2010 full year)

TV and LCD TV Sales Volume

(For the 9 months ended 30 September 2011)

Total TV Sales Volume ('000 sets)	2011 Q1 - Q3	2010 Q1 - Q3	Change
Total	10,503	9,566	+9.8%
PRC	5,209	5,064	+2.9%
Overseas	5,294	4,502	+17.6%
LCD TV Sales Volume ('000 sets)	2011 Q1 - Q3	2010 Q1 - Q3	Change
Total	7,160	5,191	+37.9%
Of which: LED backlight LCD TVs	2,709	339	+699.1%
PRC	4,388	3,502	+25.3%
Overseas	2,772	1,689	+64.1%
CRT TV Sales Volume ('000 sets)	2011 Q1 - Q3	2010 Q1 - Q3	Change
Total	3,343	4,375	(23.6%)
PRC	821	1,562	(47.4%)
Overseas	2,522	2,813	(10.3%)

TV and LCD TV Sales Volume

(For the 3 months ended 30 September 2011)

Total TV Sales Volume ('000 sets)	2011 Q3	2010 Q3	Change
Total	4,227	3,476	+21.6%
PRC	2,081	2,016	+3.2%
Overseas	2,146	1,460	+47.0%
LCD TV Sales Volume ('000 sets)	2011 Q3	2010 Q3	Change
Total	3,127	1,937	+61.4%
Of which: LED backlight LCD TVs	1,330	339	+292.3%
PRC	1,861	1,447	+28.6%
Overseas	1,266	490	+158.4%
CRT TV Sales Volume ('000 sets)	2011 Q3	2010 Q3	Change
Total	1,100	1,539	(28.5%)
PRC	220	569	(61.3%)
Overseas	880	970	(9.3%)

TV – PRC Market

Product structure, September:

- Sales of LED backlight LCD TVs as a percentage of its total LCD TV sales in September reached a historical high of 50.5%
- Sales volume of 3D TVs grew rapidly, accounting for 10.7% of the total LCD TV sales volume
- Streamlined product portfolio with product lines reduced to 145

Marketing: supply chain enhancement and inventory control

- Inventory turnover reduced by 8 days with inventory reduced by 6.4% y-o-y
- Established approximately 23,846 points of sales (“POS”) at the end of September , up 7,374 points from the end of last year

Product competitiveness: cost reduction through vertical integration

- Launched 23 products in Q3: 12 were 3D products and 11 were LED products
- Gross profit margin of TV business increased to 20.7%

Back-end operating capabilities

- Operating profit margin improved 9.8pp y-o-y, to 3.4%

■ LCD TV sales volume reached 4.388 million sets, up 25.3% y-o-y

■ Operating results turned around with HK\$437 million operating profit

TV – Overseas Markets

Product Mix Optimization, in September:

- LCD TV sales proportion: 59.1%
- LED backlight LCD TVs sales proportion: 40.8%

Sales volume of LCD TVs in Emerging Markets surged 136.4% y-o-y:

- Latin America, The Middle East and Southeast Asia, Brazil in particular : recorded rapid y-o-y growth

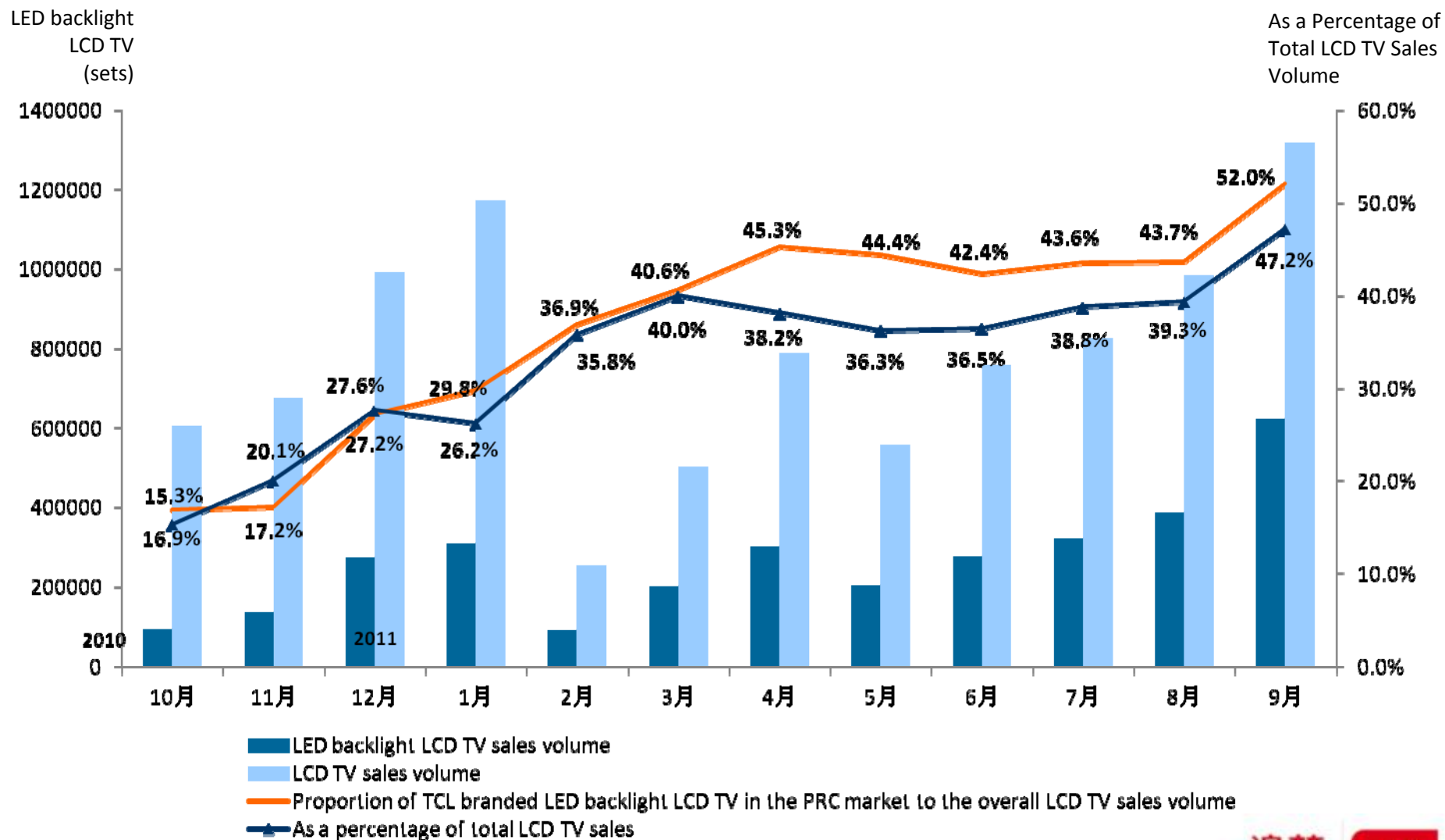
Strategic OEM:

- Adjusted customer base started to show results with sales volume of LCD TVs amounting to 0.583 million sets, up 65.2% y-o-y

■ Sales volume of LCD TVs reached 2.772 million sets, up 64.1% y-o-y

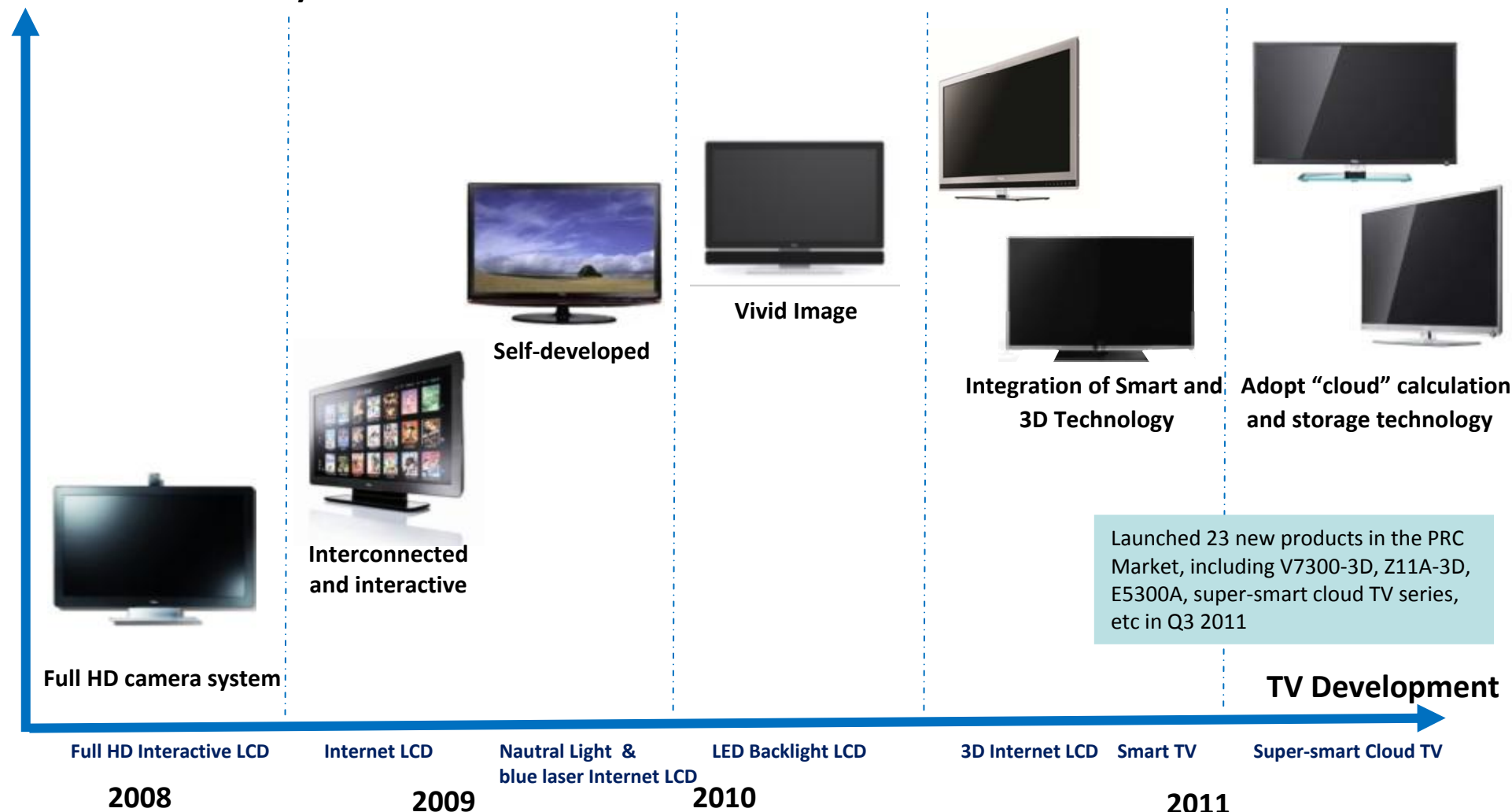
■ Operating results significantly improved with operating loss reduced by HK\$101 million

Sales Volume of LED Backlight LCD TVs as a Percentage of Total LCD TV Sales Volume Increased



Continuous Enhancement of Product Competitiveness

Product Functionality



New Products Launched in 2011 Q3

- The Group launched 4 series of super-smart cloud TVs that recognize seven core cloud applications, namely, “cloud identification, cloud search, cloud control, cloud sharing, cloud community, cloud games and cloud office”, hence drawing extensive market attention

Cloud-Yi Z11



Cloud-BoV8200



Cloud-ZhuoV7300



Cloud-ShangE5300



New Marketing and Promotional Campaigns to Strengthen Brand Image



Carried out a series of promotional activities with the theme of “Celebrating the 30th Anniversary of TCL” to fortify and expand customer relationships and strengthen brand image



Carried out a series of promotional activities on super-smart cloud TVs and drew extensive market attention; boosted sales volume of its LED backlight LCD TVs and 3D TVs, and further strengthened brand image and market share for high-end TVs



A series of marketing and promotional campaigns were carried out with the effect of “Transformers 3” to improve brand image and boost sales



AV Business

Gross profit was under pressure due to rising production and labour costs

Actively engaged in the development of new products and launched 6 new product series as well as new Super DVD (SDVD) products

As Q3 was the peak sales period for AV products, sales volume of the AV products in the third quarter recorded prominent growth to 6.085 million sets

■ Sales volume of AV products reached 15.589 million sets, up 29.3% y-o-y



Outlook

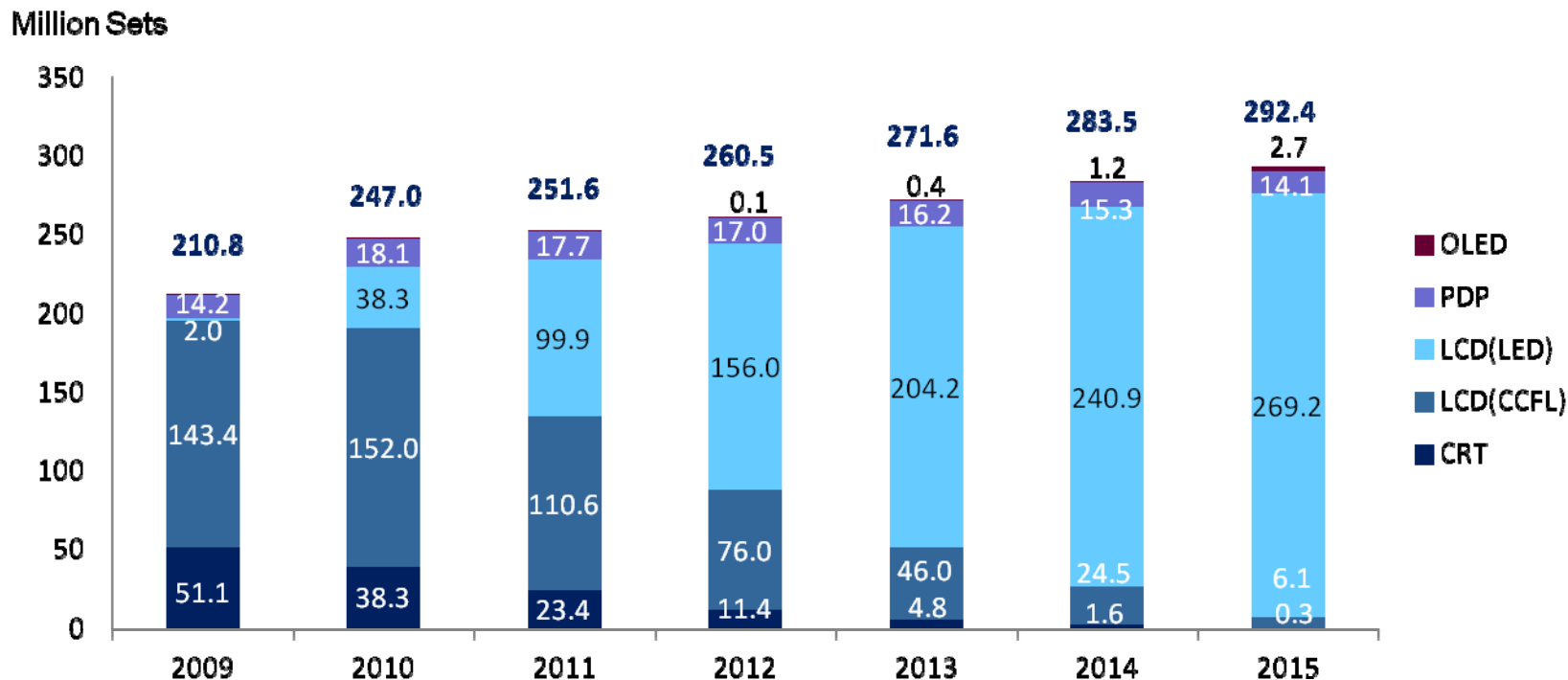


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Industry Analysis – Global TV Market Capacity

Global Shipment by Product



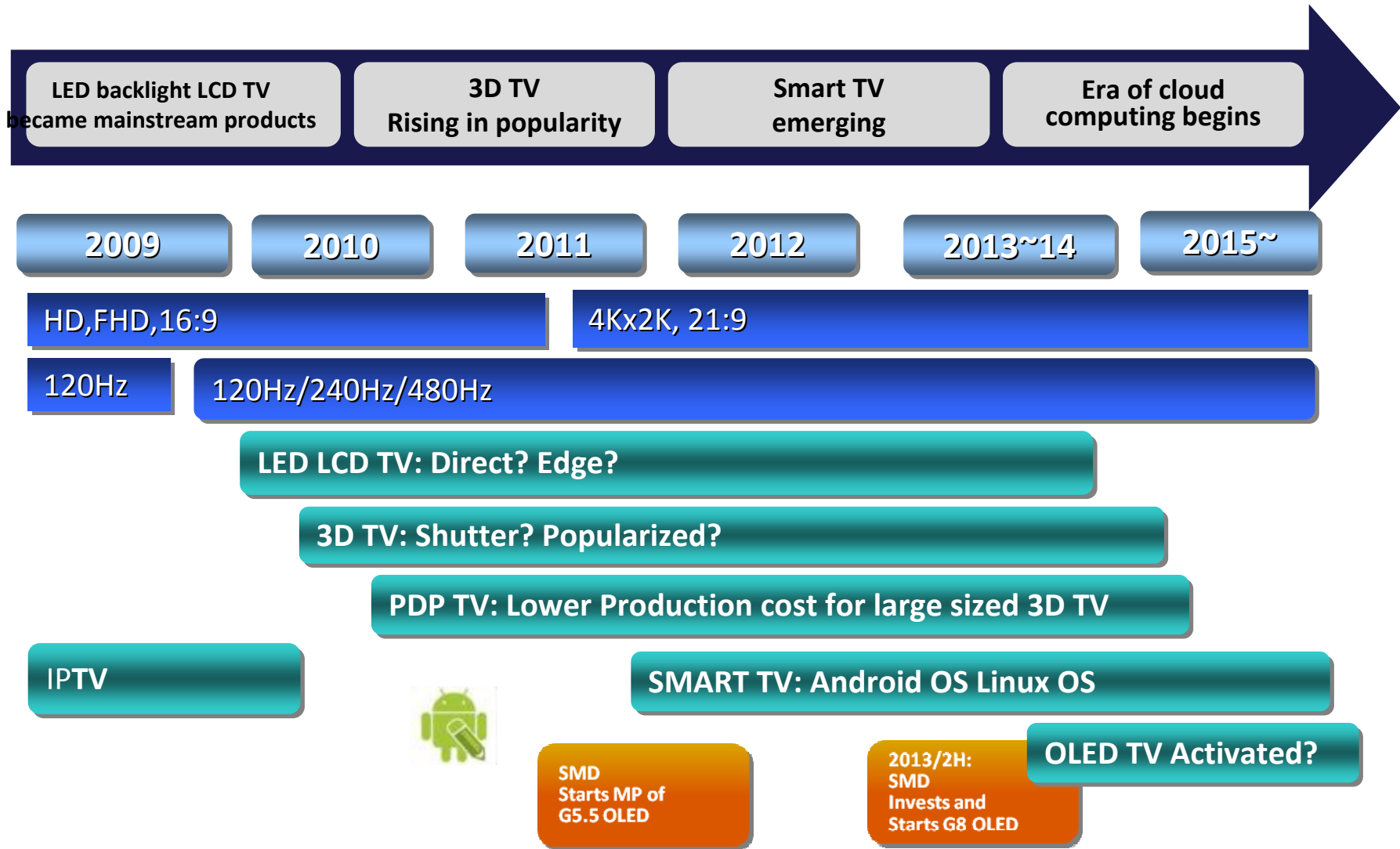
Sources: DisplaySearch, Q2'11

**With sophisticated 3D and Smart Internet TV production technology,
LED backlight LCD TVs have become mainstream products**

* DisplaySearch lowered the 2H global TV shipments forecast by 2.9% in its report in June 2011



Industry Analysis – Product Development Trend



Outlook – TV – PRC Market

**Enhance speed and efficiency in operations and marketing strategies
LCD TV sales target of 2011 up from 9.6 million sets to 10.2 million sets**

**PRC Market
Consolidating
Leading
Position**

Continue to improve operational efficiency:

- Reduce expense ratio
- Speed up turnover of inventory and trade receivables

Continue to strengthen sales channels

- Establish 500 integrated specialty stores and set up 800 specialty stores in fourth-tier and fifth-tier cities
- Strengthen sales channels in third- to fifth-tier cities and rural markets and aim to achieve 21,000 POS by the end of this year
- Fully develop new businesses such as e-commerce

Optimize product mix

- Further expand the sales volume of LED backlight LCD TVs and 3D TVs
- Focus on development of smart TVs with “cloud concept” under the Android+ platform as well as high-performance and cost-effective 3D TVs in order to improve its overall competitiveness and profitability

Outlook – TV – Oversea Markets

**Overseas Markets
Boost Sales Growth**

1. **Adopt prudent marketing strategy**
2. **Continue to strengthen TCL brand building and promotion**
3. **Increase sales proportion of LCD TVs and LED backlight LCD TVs**

Increase volume to generate profits

- Strategic adjustment starting to bear fruit
- Further optimize the OEM customer mix
- Strengthen strategic partnerships

**Strategic
OEM**

**Emerging
Markets**

Further develop rapidly-growing emerging markets: Latin America, the Middle East and SE Asia

- Seize opportunities in the traditional peak sales period and TV replacement cycle
- Strengthen channel management
- Enhance brand promotion

Innovative Business Model

- TCL brand development
- Strategically strengthen engagement with clients
- Explore national sales channels

**North
America**

Europe

Build healthy business and reduce losses

- Dual-brand strategy
- Supply chain optimization

Outlook – AV Business

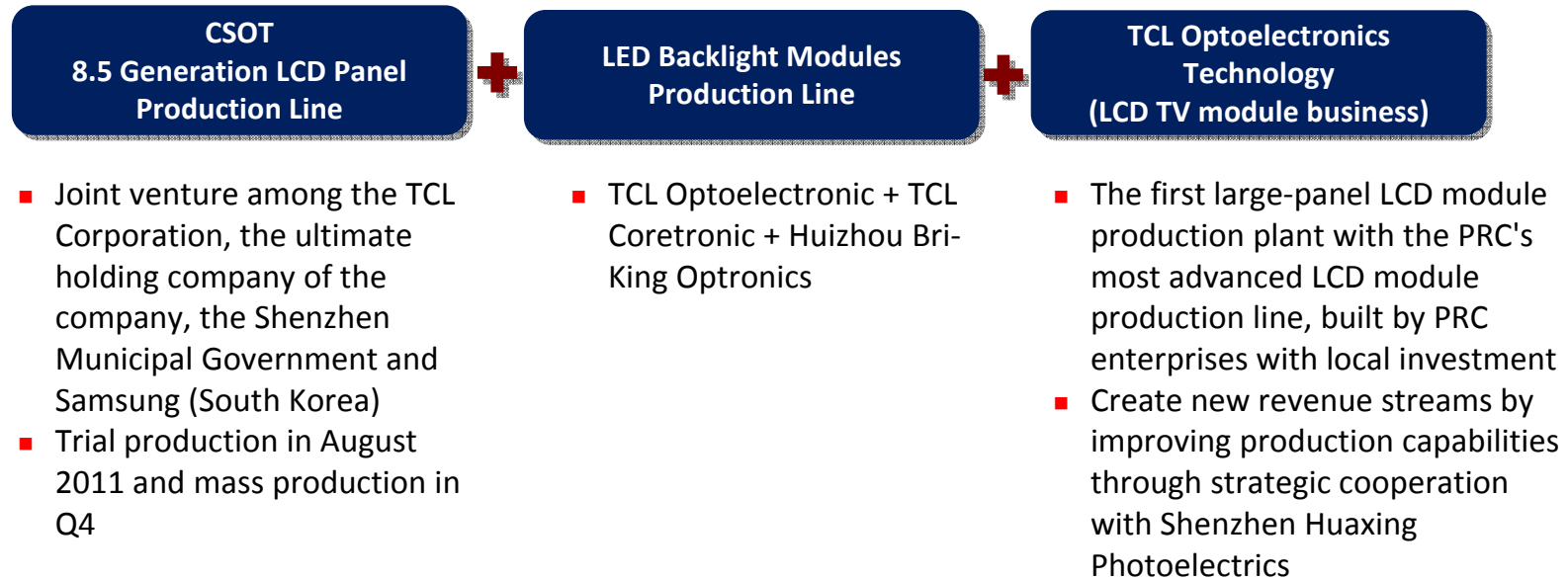
AV Business



Step up R&D efforts in order to explore new product lines such as Internet media players and to develop TCL-branded products such as satellite boxes

Lower production costs to improve product competitiveness

Integration of Upstream and Downstream Industry Chain to Capture Market Growth in LCD TVs

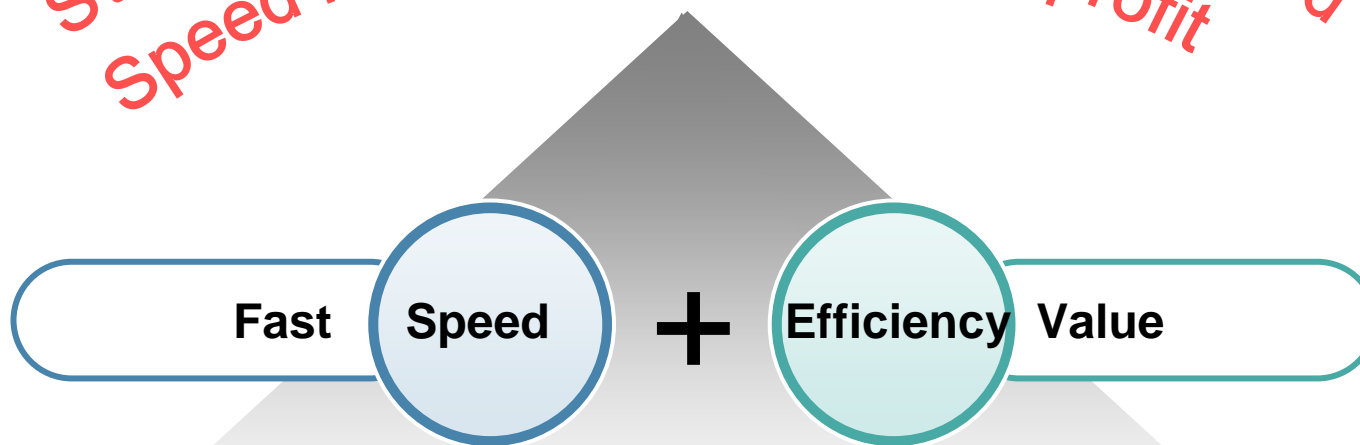


Entering a new phase of the Group's vertical integration at both up- and down-stream of the industry to deliver strategic support for a stable supply of raw materials and cost control

TCL will become the only PRC TV manufacturer with a fully integrated supply chain and sales capabilities

Keys to Succeed: Speed and Efficiency

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





Thank You



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