

TCL Multimedia Technology Holdings Limited

(Stock Code: 01070)



2014 Q3 Results Presentation

Unaudited results for the nine months ended 30 September

Disclaimer

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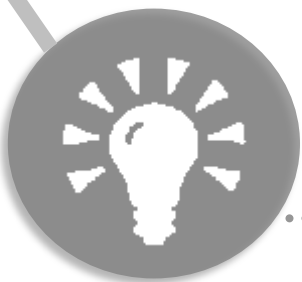
A number of forward-looking statements may be made from this presentation. Forward-looking statements are statements that are not historical facts. These forward-looking statements are based on the current expectations of the Company and there can be no assurance that such expectations will prove to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



1. Financial Highlights



2. Business Review

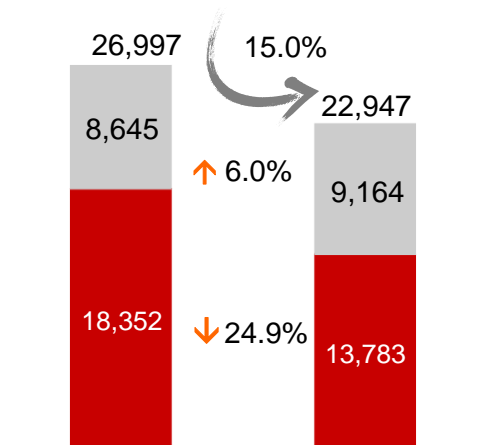


3. Outlook

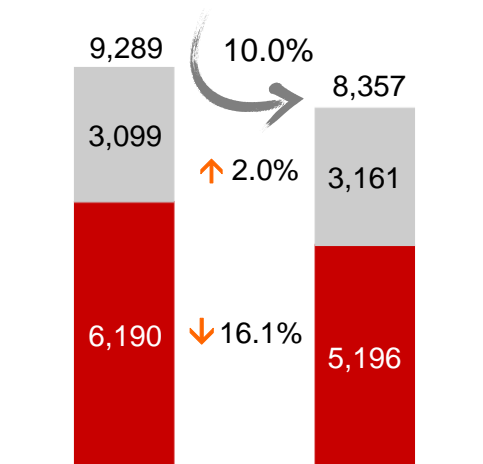
Consolidated Results (For the three months ended 30 September 2014 and nine months ended 30 September 2014)

TV Turnover

(HK\$ million)



2013 Q1-Q3 2014 Q1-Q3
 ■ PRC Market ■ Overseas Markets



2013 Q3 2014 Q3
 ■ PRC Market ■ Overseas Markets

(HK\$ million)	2014 Q3	2013 Q3	Change	2014 Q1-Q3	2013 Q1-Q3	Change
LCD TV sales volume ('000 sets)	4,346	4,370 [^]	(0.5%)	11,903	12,085 [^]	(1.5%)
LCD TV average selling price (HK\$)	1,917	2,099	(8.7%)	1,920	2,197	(12.6%)
Turnover	8,398	9,811	(14.4%)	23,601	27,888	(15.4%)
Gross profit	1,448	1,260	+14.9%	3,831	4,100	(6.6%)
Gross profit margin (%)	17.2%	12.8%	+4.4 p.p.	16.2%	14.7%	+1.5 p.p.
Net profit / (loss) after tax (From continuing operations)	71	(150)	N/A	239 [*]	45	+431.1%
Net profit / (loss) after tax margin (%) (From continuing operations)	0.8%	(1.5%)	N/A	1.0% [*]	0.2%	+0.8 p.p.
Profit / (loss) attributable to owners of the parent (From continuing operations)	59	(152)	N/A	228 [*]	40	+470.0%
Basic earnings / (loss) per share (HK cents) (From continuing operations)	4.44	(11.42)	N/A	17.21 [*]	3.04	+466.1%

* Including the one-off gain of approximately HK\$159 million from closure of certain subsidiaries

[^]Restated

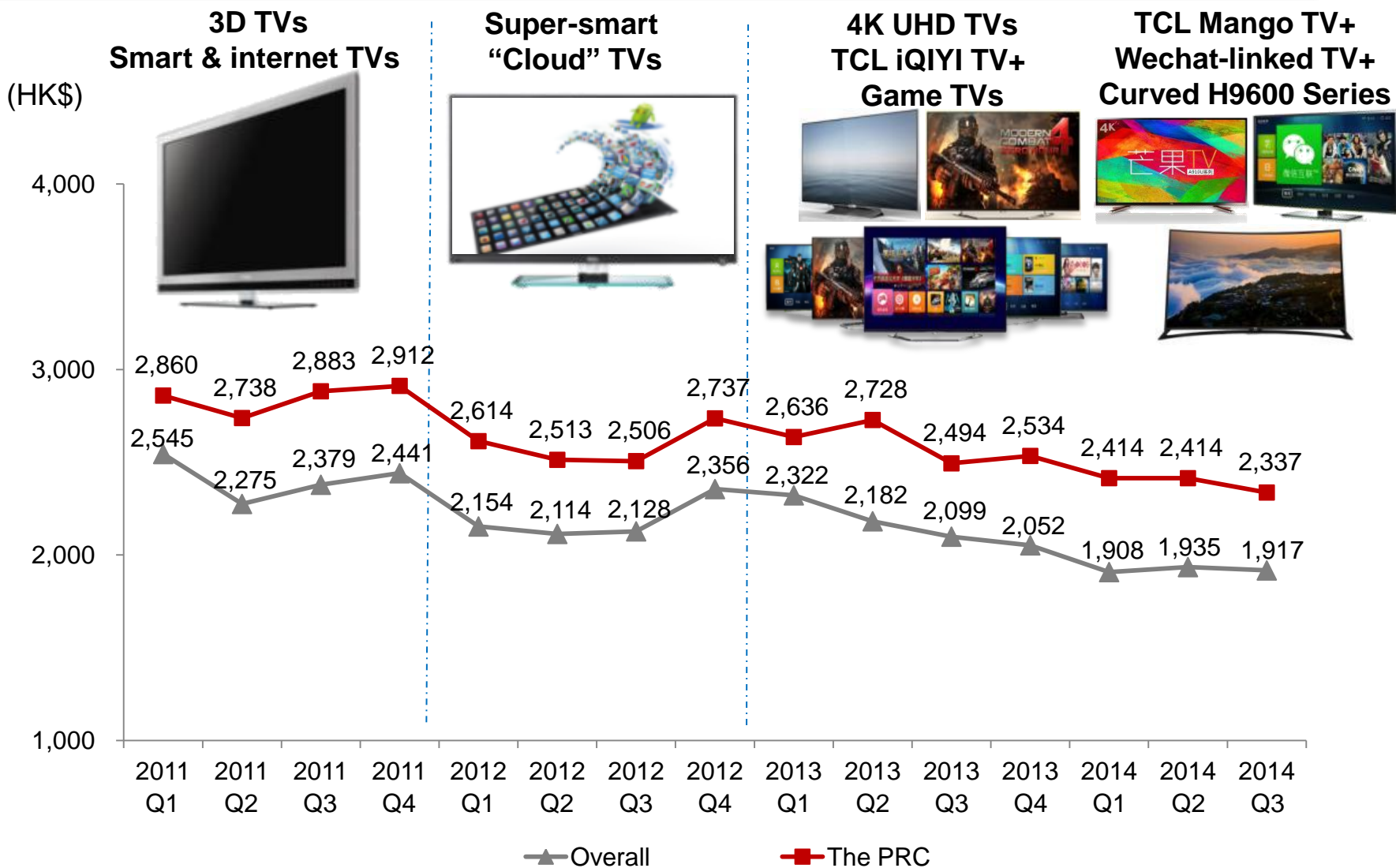
Segment Results

(For the three months ended 30 September 2014 and nine months ended 30 September 2014)

(HK\$ million)		2014 Q3	2013 Q3	Change	2014 Q1-Q3	2013 Q1-Q3	Change
TV Business PRC Market	Turnover	5,196	6,190	(16.1%)	13,783	18,352	(24.9%)
	Gross profit	1,131	976	+15.9%	2,878	3,337	(13.8%)
	Operating results	251	(42)	N/A	449	397	+13.1%
TV Business Overseas Markets	Turnover	3,161	3,099	+2.0%	9,164	8,645	+6.0%
	Gross profit	323	295	+9.5%	968	737	+31.3%
	Operating results	(48)	(16)	(200.0%)	(7)	(129)	+94.6%

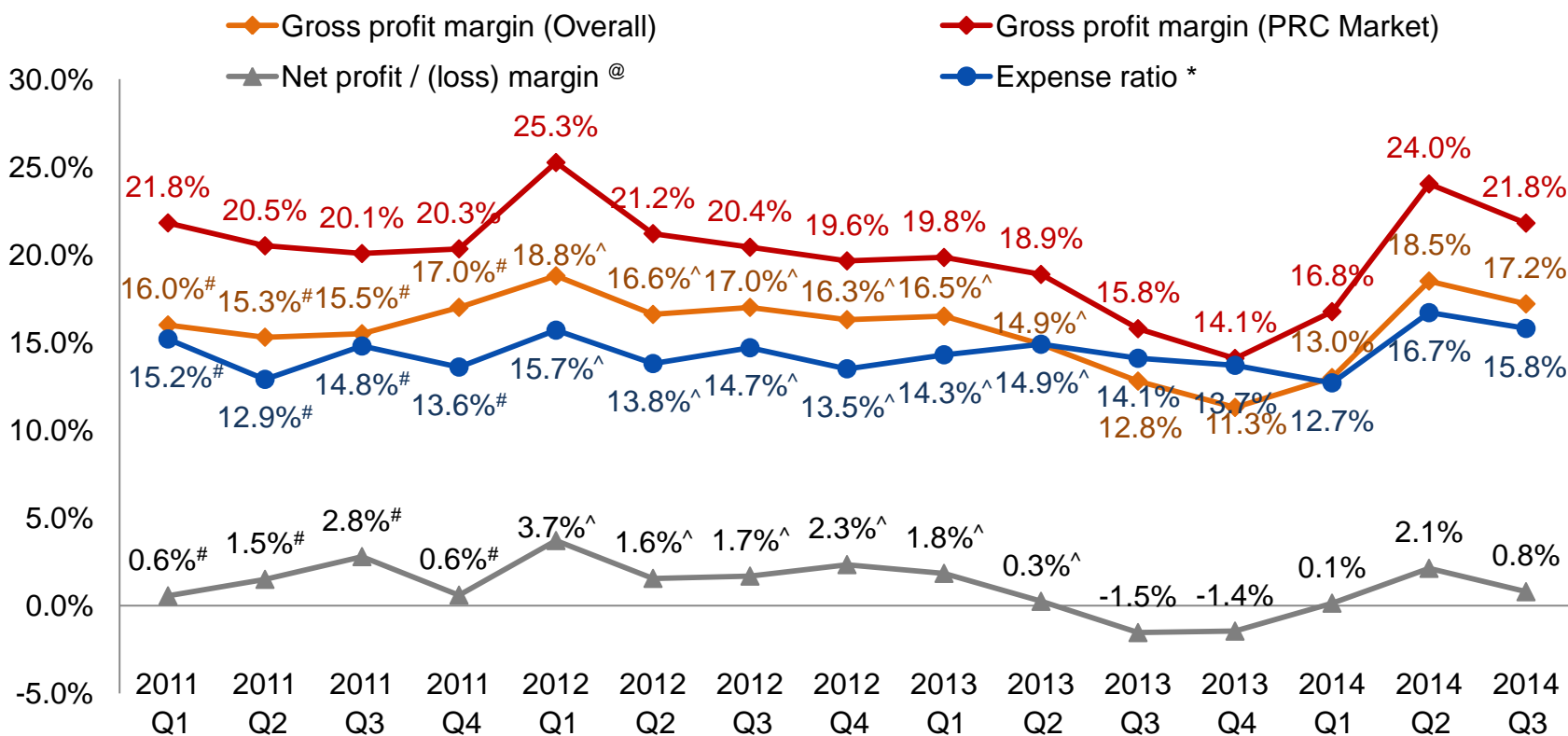
Average Selling Prices (“ASPs”)

Overall ASPs of LCD TVs (By quarter)



Profit Margins and Expense Ratios

Profit Margins and Expense Ratios (By quarter)



Including AV business

^ Restated

* Expense ratio = (Selling and distribution expenses + Administrative expenses) / Turnover

@ Net profit/(loss) margin = Net profit/(loss) from continuing operations / Turnover



Key Financial Indicators

	30 Sep 2014	31 Dec 2013	Change
Inventory turnover (days)*	50	64	(14 days)
A/R turnover (days)*	38	34	+4 days
A/P turnover (days)*	62	62	Unchanged
Cash conversion cycle (days)	26	36	(10 days)
Current ratio (times)	1.1	1.1	Unchanged
Gearing ratio (total)(%)**	92.7	55.4	+37.3 p.p.
Gearing ratio (net)(%)***	15.3	0	+15.3 p.p.

* The above turnover days are calculated based on the average balances for a 12-month period

** Gearing ratio (total) = Total interest-bearing borrowings / Equity attributable to owners of the parent

*** Gearing ratio (net) = Net Borrowing / Equity attributable to owners of the parent. Net Borrowing = Total interest-bearing borrowings - Cash and bank balances - Pledged deposits

Balance Sheet Highlights

(HK\$ million)	30 Sep 2014	31 Dec 2013	Change
Non-current assets	3,386	3,230	+4.8%
Current assets	17,892	18,925	(5.5%)
- Inventory	3,763	4,972	(24.3%)
- Cash and bank balance	3,458	3,048	+13.5%
Current liabilities	15,561	16,510	(5.7%)
Net current assets	2,331	2,415	(3.5%)
Non-current liabilities	1,066	1,163	(8.3%)
Net assets	4,651	4,482	+3.8%



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2. Business Review



3. Outlook

LCD TV Global Market Share

Ranking	Brand	2014 1H	FY2013
1	Samsung	22.6%	20.8%
2	LGE	14.9%	14.0%
3	Sony	6.6%	6.3%
4	TCL	5.5%	6.5%
5	Hisense	5.3%	4.8%
6	Panasonic	4.1%	4.0%
7	Skyworth	4.1%	4.5%
8	Toshiba	3.9%	4.2%
9	Sharp	3.9%	3.8%
10	AOC/TP Vision	3.6%	4.1%

LCD TV PRC Market Share

Ranking	Brand	2014 1H	FY2013
1	TCL	17.1%	18.1%
2	Hisense	17.0%	15.1%
3	Skyworth	16.2%	16.1%
4	Konka	11.0%	11.3%
5	Changhong	9.7%	11.9%
6	Haier	5.7%	5.7%
7	Samsung	5.5%	4.1%
8	Sharp	3.6%	3.5%
9	Sony	3.3%	3.4%
10	AOC/TP Vision	2.2%	1.6%

TV Sales Volume

(For the three months ended 30 September 2014 and nine months ended 30 September 2014)

Total TV Sales Volume ('000 sets)	2014 Q3	2013 Q3	Change	2014 Q1-Q3	2013 Q1-Q3	Change
Total	4,387	4,596	(4.5%)	12,056	12,980	(7.1%)
PRC	2,224	2,489	(10.6%)	5,781	7,040	(17.9%)
Overseas	2,163	2,107	+2.7%	6,275	5,940	+5.6%
LCD TV Sales Volume ('000 sets)	2014 Q3	2013 Q3	Change	2014 Q1-Q3	2013 Q1-Q3	Change
Total	4,346	4,370	(0.5%)	11,903	12,085	(1.5%)
Of which: LED backlight LCD TVs	4,311	4,241	+1.7%	11,869	11,569	+2.6%
Smart TVs	1,063	644	+65.1%	2,475	1,782	+38.9%
PRC	2,224	2,480	(10.3%)	5,781	7,022	(17.7%)
Overseas	2,122	1,890	+12.3%	6,122	5,063	+20.9%

TV Business in the PRC Market

Business Performance

- Turnover declined by 24.9% y-o-y to HK\$13,783 million
- Continued to launch a series of high-end new products, gross profit margin for Q3 increased from 15.8% for the same period last year to 21.8%, up by 6.0 percentage points y-o-y
- Operating results increased from HK\$397 million for the same period last year to HK\$449 million, up by 13.1% y-o-y

Operational Performance

- Sales volume of LCD TVs was 5.78 million sets, down by 17.7% y-o-y
- Launch of TCL Mango TV+ and Wechat-linked TV+, sales volume of smart TVs was 623,000 sets in September, accounting for 64.0% to the LCD TV sales volume in the PRC Market for September, a sharp increase of 91.8% y-o-y
- TV+ became the “Exclusive Collaborative Partner from the TV industry for The Voice of China – Season 3”, accelerating the rapid rise of popularity of TV+
- Number of TCL activated smart TV users*:
 - Accumulated for Jan-Sep 2014: 1,768,842
 - Historical accumulated total as at Sep 2014: 6,041,181
- Daily average number of active users for 7 days#:
 - Sep: 2,000,923

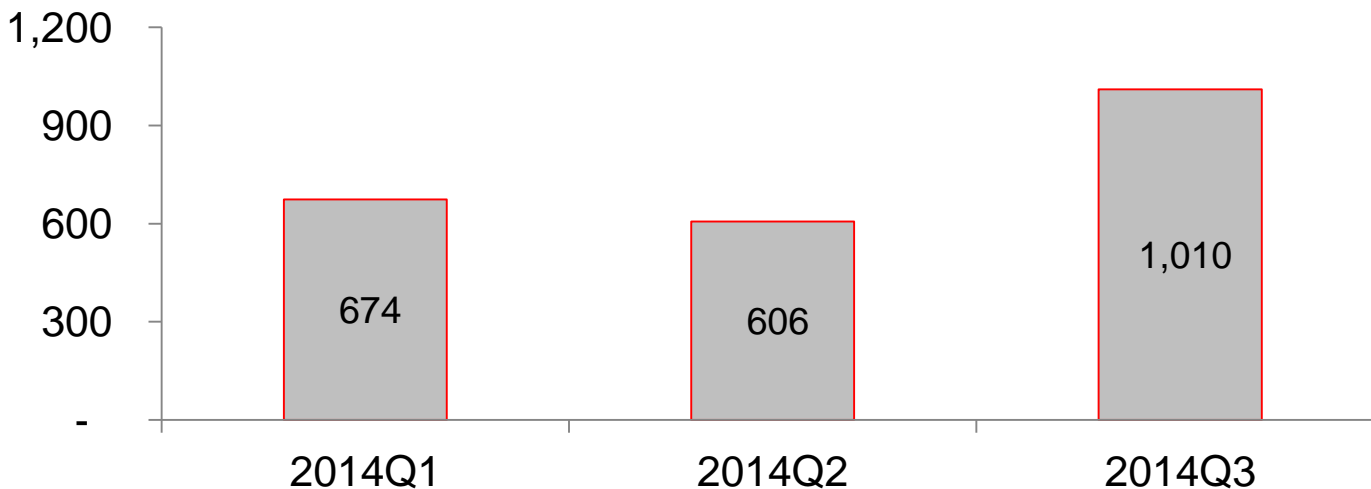
* From TCL Corporation’s Huan, one of the largest internet smart TV service providers in the PRC. Activated smart TV users refers to users who have used Internet TV web service more than once

#Daily average number of active users for 7 days refers to average daily number of active users for 7 days for the month (The number of unrepeated users visiting within the past 7 days of the day, single or multiple visits from the same user was counted as one user)

Continued increase in sales volume of smart TVs (TV+) in the PRC Market

Gross profit margin in the PRC Market	2014	2013	Change (p.p.)
Q1	16.7%	19.8%	(3.1)
Q2	24.0%	18.9%	+5.1
Q3	21.8%	15.8%	+6.0

(’000 sets) **Sales volume of smart TVs (TV+) in the PRC Market**



TV Business in the Overseas Markets

Business Performance

- Turnover achieved steady growth with 6.0% y-o-y increase to HK\$9,164 million
- Gross profit margin grew from 8.5% for the same period last year to 10.6%, up by 2.1 percentage points y-o-y
- Operating loss narrowed from HK\$129 million for the same period last year to HK\$7 million

Operational Performance

- Sales volume of LCD TVs reached 6.12 million sets, up by 20.9% y-o-y
 - Emerging Markets: 3.34 million sets, up by 0.6% y-o-y
 - Strategic OEM business: 1.95 million sets, up by 89.4% y-o-y
- TCL Roku smart TVs were officially launched in the North American Market in August 2014 and received good response from the market

Implementation of the “double +” strategy has steadily progressed



Feb

“Double +” strategy press conference



Feb

Launched brand new TCL iQIYI TV+ with iQIYI



Apr

Developed the world’s first double-screen integrated game platform and game console T²



Jun

Completed capital injection in Kuyu online-to-offline (“O2O”) platform



Aug

Launched TV Box

Jan

Feb

Mar

Apr

May

Jun

Jul

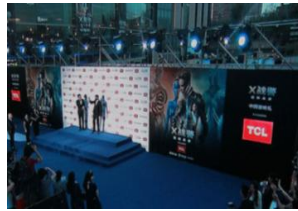
Aug

Sep



Mar

Launched “TCL Game TV Ecosystem Strategic Alliance”



May

Rolled out entertainment marketing activities through “X-Men: Days of Future Past”



Jul

Became the “Exclusive Collaborative Partner from the TV industry for The Voice of China – Season 3”



Sep

Launched the world’s first TCL Wechat-linked TV+, TCL Mango TV+ and Curved H9600 series



Jul

Participated in China Digital Entertainment Expo & Conference (“China Joy”)



Sep

Hosted the first TCL “T-fans Festival”



Became the “Exclusive Collaborative Partner from the TV industry for The Voice of China – Season 3”



Participated in China Digital Entertainment Expo & Conference (“China Joy”)

2014 Q3 Results



Joined forces with Hunan Broadcasting System, the most powerful entertainment platform in the PRC, to launch TV+ Home Entertainment TV new product – TCL Mango TV+



Launched the world's first Wechat-linked TV+

- “We-social” enables real-time interaction between users and Wechat friends when users are watching TV via pop-up screens and screen-capture sharing functions;
- “We-operation” enables control of TV via Wechat voice commands;
- “We-video” allows users to choose and watch video contents directly and check out TV series information of all channels within a week;
- “We-channel” allows users to have tailor-made programme schedule;
- “We-home” allows users to share wonderful moment with family members anytime and anywhere;
- “We-service” offers simpler, prompter and efficient after-sale service for users

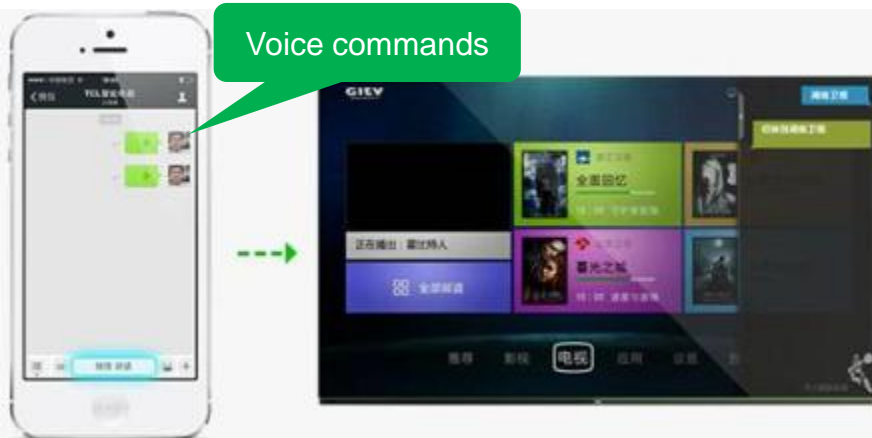
Screen-capture sharing



Pop-up screens



Voice commands



Won the “Quantum Dot Display Tech Gold Award” in the “2014 IFA Product Technical Innovation Awards“ at the 54th International Consumer Electronics Fair in Berlin, Germany



Hosted the first TCL “T-fans Festival”





1. Financial Highlights



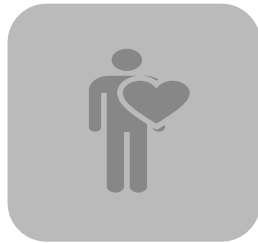
2. Business Review



3. Outlook

Strategic Goals

To be a global entertainment technology enterprise



Provide audio-visual products and services that exceed users' expectations



**Leading brand in the PRC
Top 3 in the world for TV business**

Target for 2014

Due to weak market demand and the global shortage of screen supply of the PRC Market, annual sales volume target of LCD TVs was lowered to 17.00 million sets

- **The PRC Market: 8.70 million sets**
- **Overseas Market: 8.30 million sets**

Continues to increase market shares in the PRC Market and Overseas Markets with an orientation to BUS (Big Screen, UHD, Smart)

The PRC Market

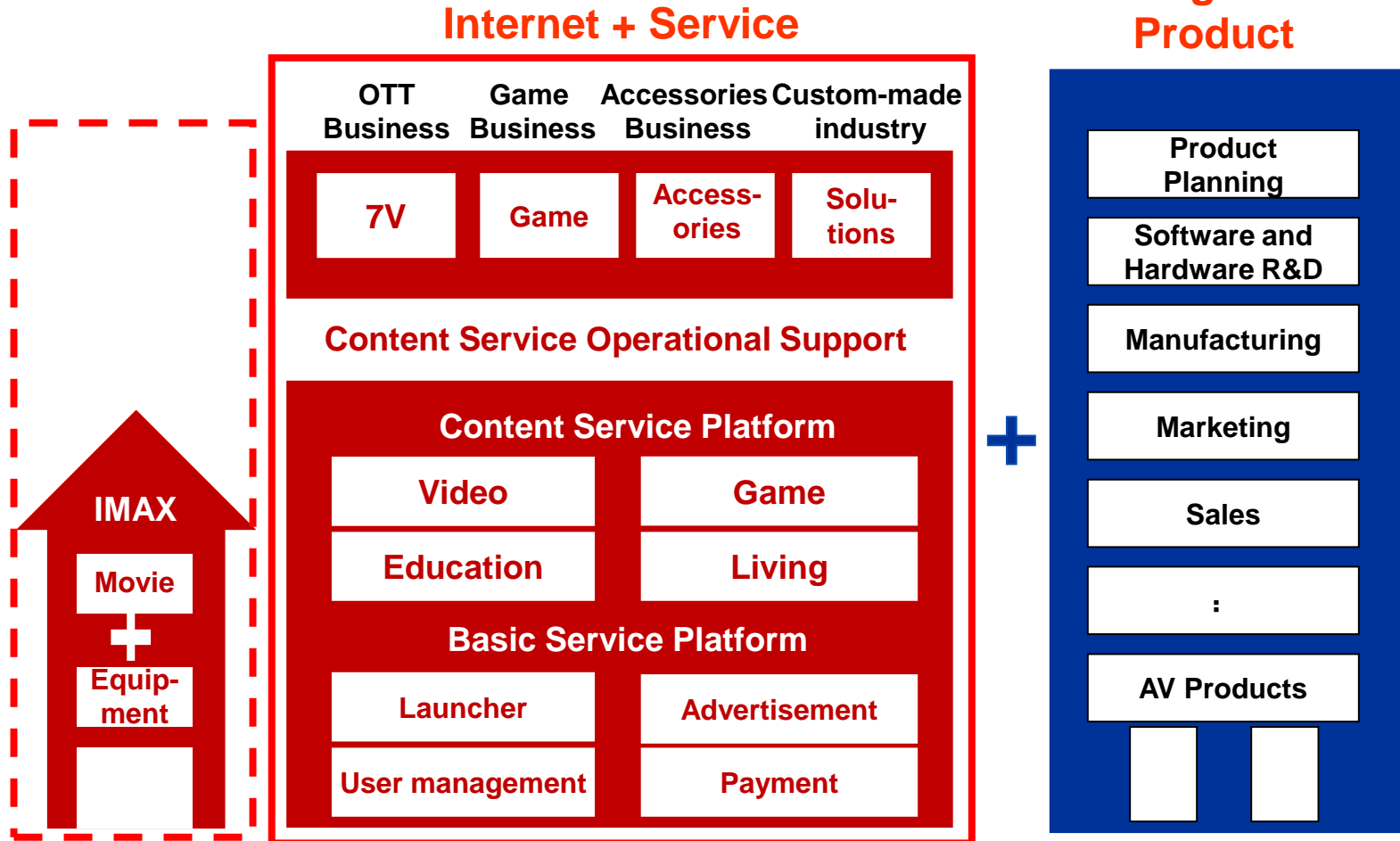
- Promote home entertainment TVs: strengthen TV+ and the planning of innovative internet products, e.g. TCL Mango TV+ and Wechat-linked TV+, etc.
- Expand integration along the industry chain, lower costs and expense ratio, and speed up turnover rate
- Facilitate development of electronic commerce channels and continue integration of O2O resources
- Continue to implement sales channel reforms
- Streamline staff and tighten cost control

Overseas Markets

- Continue to implement steady operational strategy focusing on speed, efficiency and cost control
- Increase the proportion of sales volume of high-end products in the Emerging Markets, expand sales channels and improve overall operating efficiency
- Increase investments in branding, expedite new product launches and drive sales volume
- Proactively exploit synergies with other businesses of TCL Corporation, such as introduction of TCL branded mobile phones and air-conditioners, etc. in markets in Southeast Asia, etc., to raise the overall influence of the TCL brand
- Optimize strategic OEM customer portfolio and cost structure
- Streamline staff and tighten cost control

Implement “double +” Strategy – Establishment of An Initial Development Framework for New Business for Strategic Transformation

- Better-defined core duties, operational models and structure of the Internet Business Unit



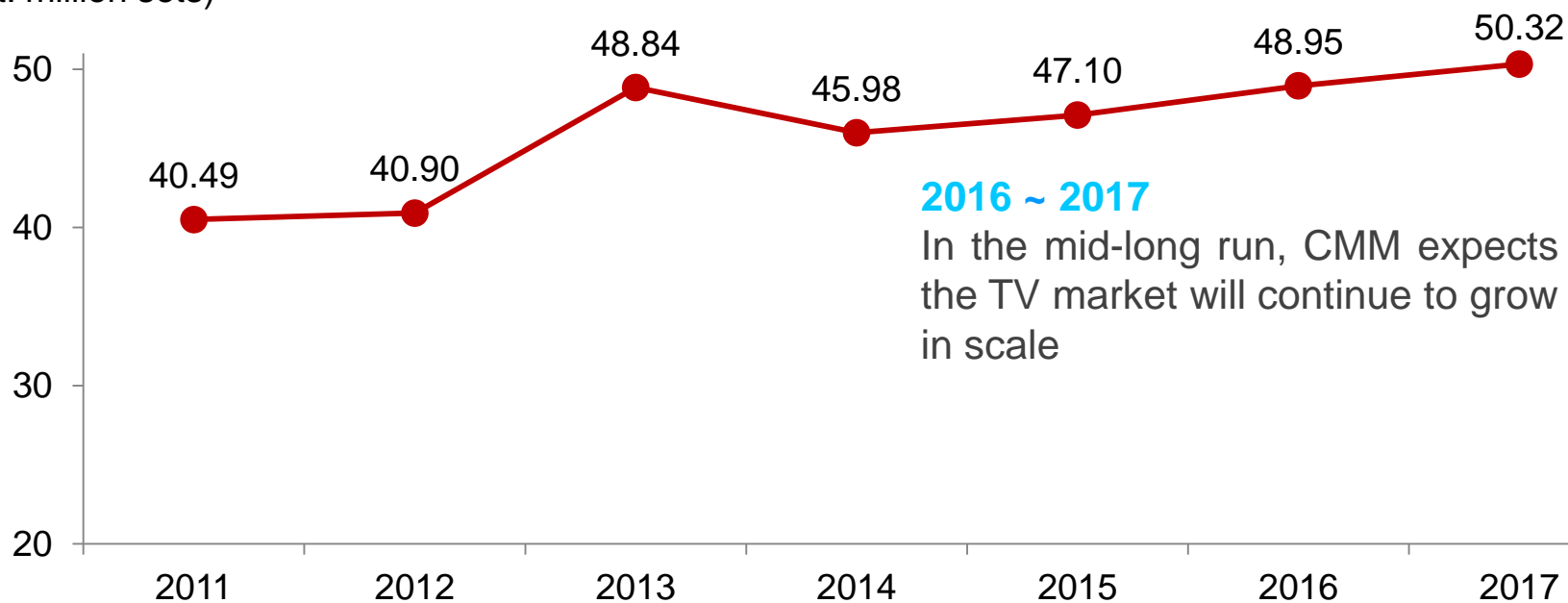
Trend of Sales Volume of LCD TV Market in the PRC

- The growth of LCD TV Market in the PRC has become more rational

2014 ~ 2015

The sales volume of LCD TVs was 48.84 million sets during 2013, projecting modest growth in the coming 2 years to a scale within 46.00-48.00 million sets

(Unit: million sets)



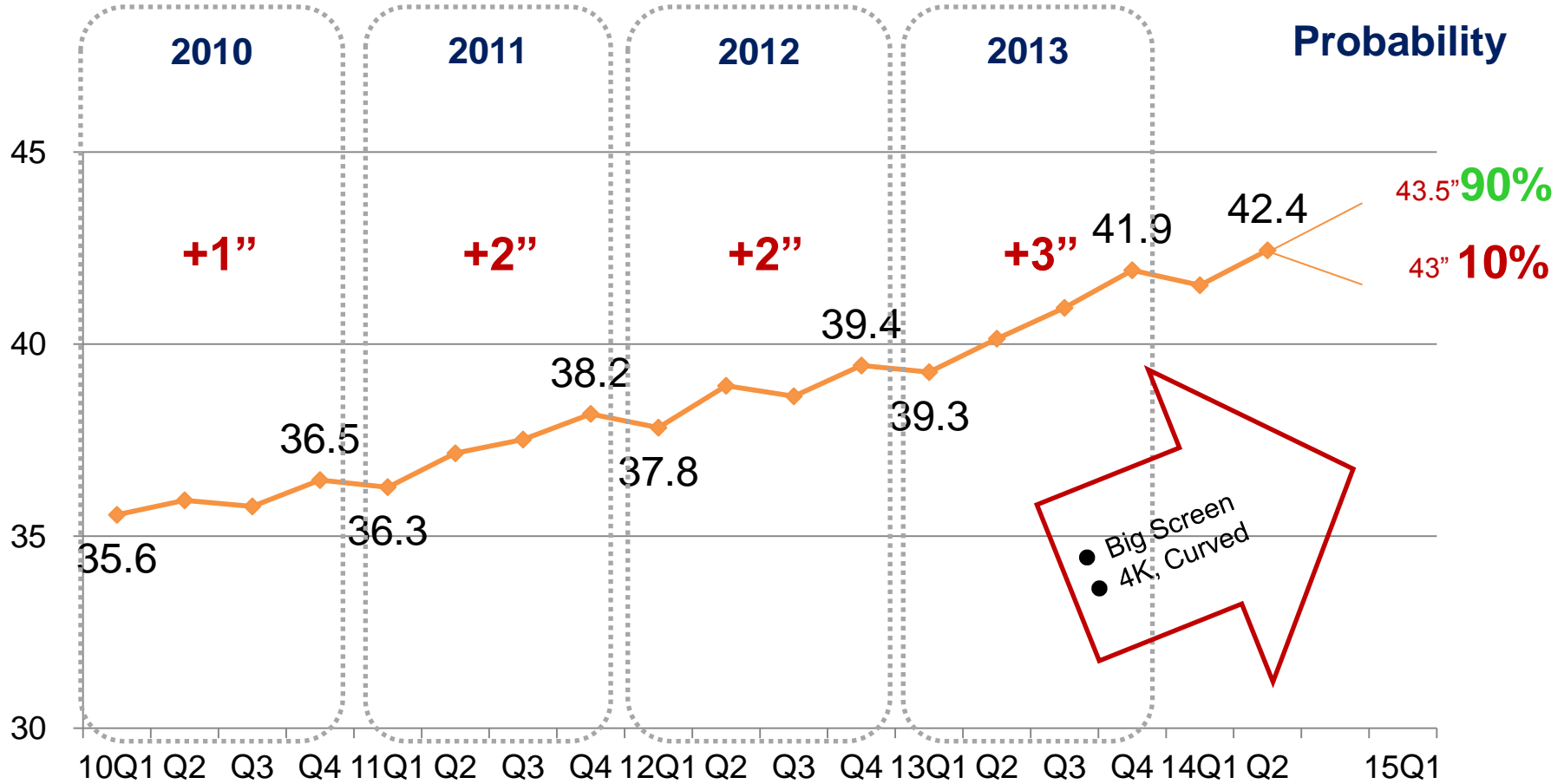
2016 ~ 2017

In the mid-long run, CMM expects the TV market will continue to grow in scale

BUS-oriented (Big Screen, UHD, Smart – BUS)

- **Big Screen:** CMM expects the average size LCD TVs in the PRC Market will exceed 45" by the end of 2015

(Unit: Inches)



Source: CMM

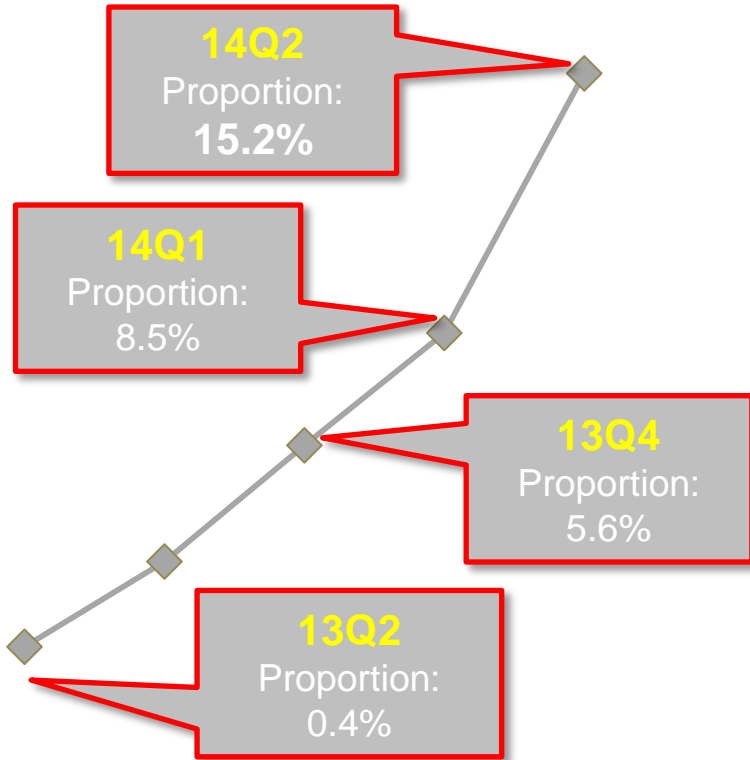


BUS-oriented (Big Screen, UHD, Smart – BUS)

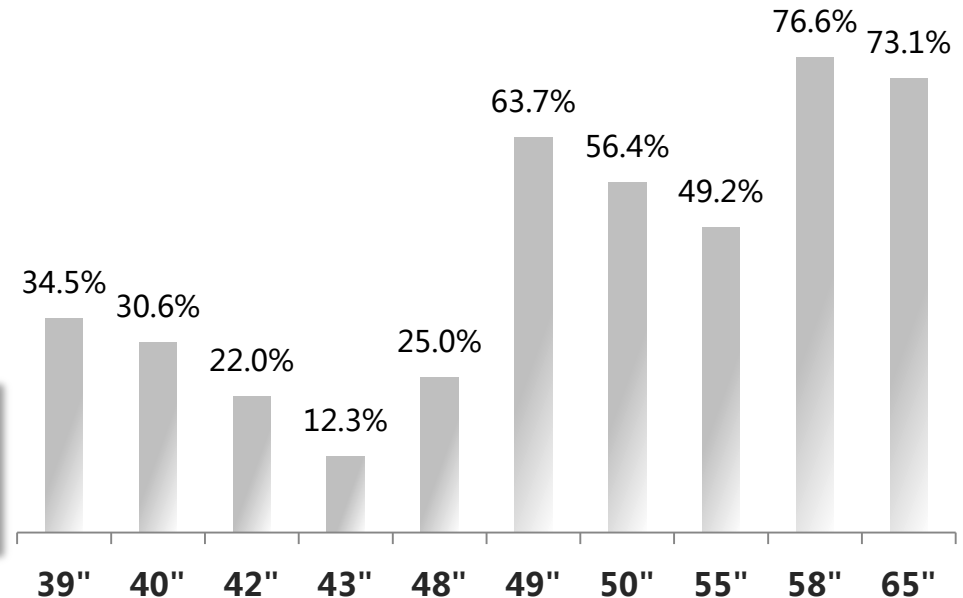
- **UHD**: CMM forecasted the scale of the 4K TV Market in the PRC to reach 14.00 million sets in 2015

- Expected sales volume for 4K TVs this year is **8.00 -10.50 million sets** with a 17-22% penetration rate

Penetration rate of 4K TVs in the LCD TV market by quarter (% of Retail Volume)



Forecast of penetration rate of major size of 4K TVs in the LCD TV market in 2015 (% of Retail Volume)



BUS-oriented (**B**ig Screen, **U**HD, **S**mart – BUS)

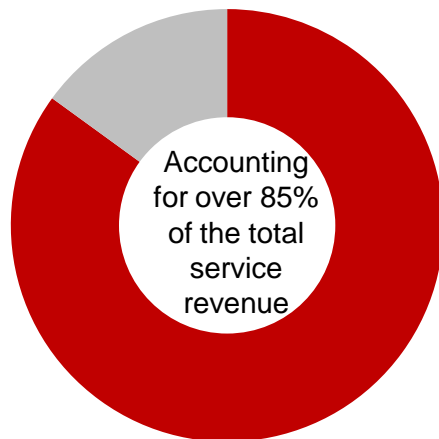
- **Smart** : TCL continues to strengthen the layout of the 4 smart service platforms

- The initial stage of TCL Multimedia's transformation to internet and service starts from 2014 until 2015 1H, it is expected that after video advertising, the contribution of average revenue per user ("ARPU") value will experience strong breakthrough

Revenue from Advertising (Not paid by users)

TCL joins forces with iQIYI and Youku, respectively, to enhance the video content of TV+; As iQIYI is the largest video content supplier in the PRC, if an user watches TV for 3 hours each day, about 10 advertisements can be placed. Pop-up video advertising, business information and sharing of big data/real-time surveys will be the direction of development

Expected revenue from pop-up video advertising during the initial stage



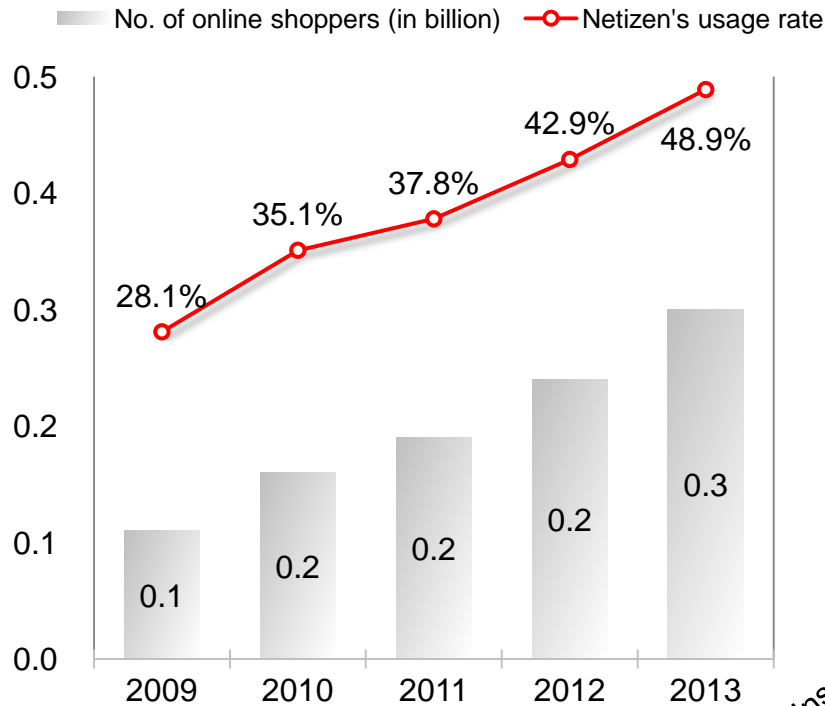
Revenue from service and content (Paid by users)

- Movie:** Youth aged between 16-31 is the major age group that goes to cinemas for movies, those who do not belong to this age group will be the potential users who watch movies on TV at home
- Game:** Game services are free of charge yet props are charged and the revenue will be shared with content providers; Besides, there are approximately 1.6 mobile phone users per TV set, who switched their games from mobile phone to TV
- Education:** The user base of children education is wider than that of adult education
- Living:** There is greater potential for social platforms targeting at relationships and the elderly

Promote O2O Business Development

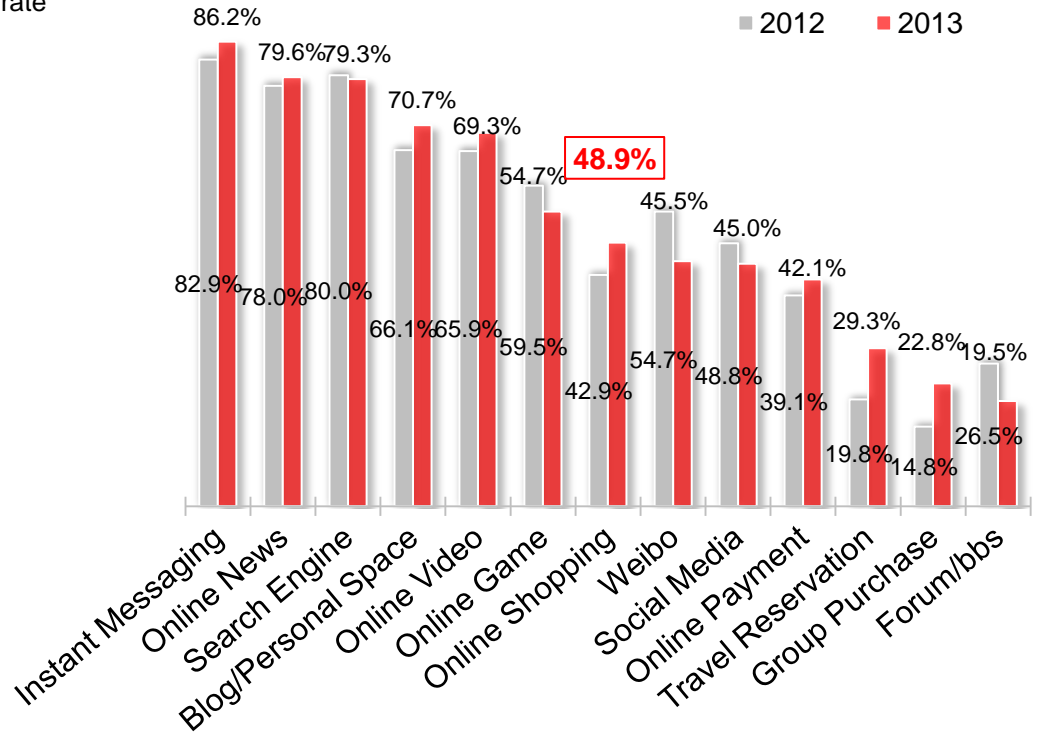
■ As at December 2013, the number of online shoppers in the PRC exceeded 300 million, up by 24.7% when compared with that of 2012

Size of the Online Shopper Population in the PRC and the Growth Trend

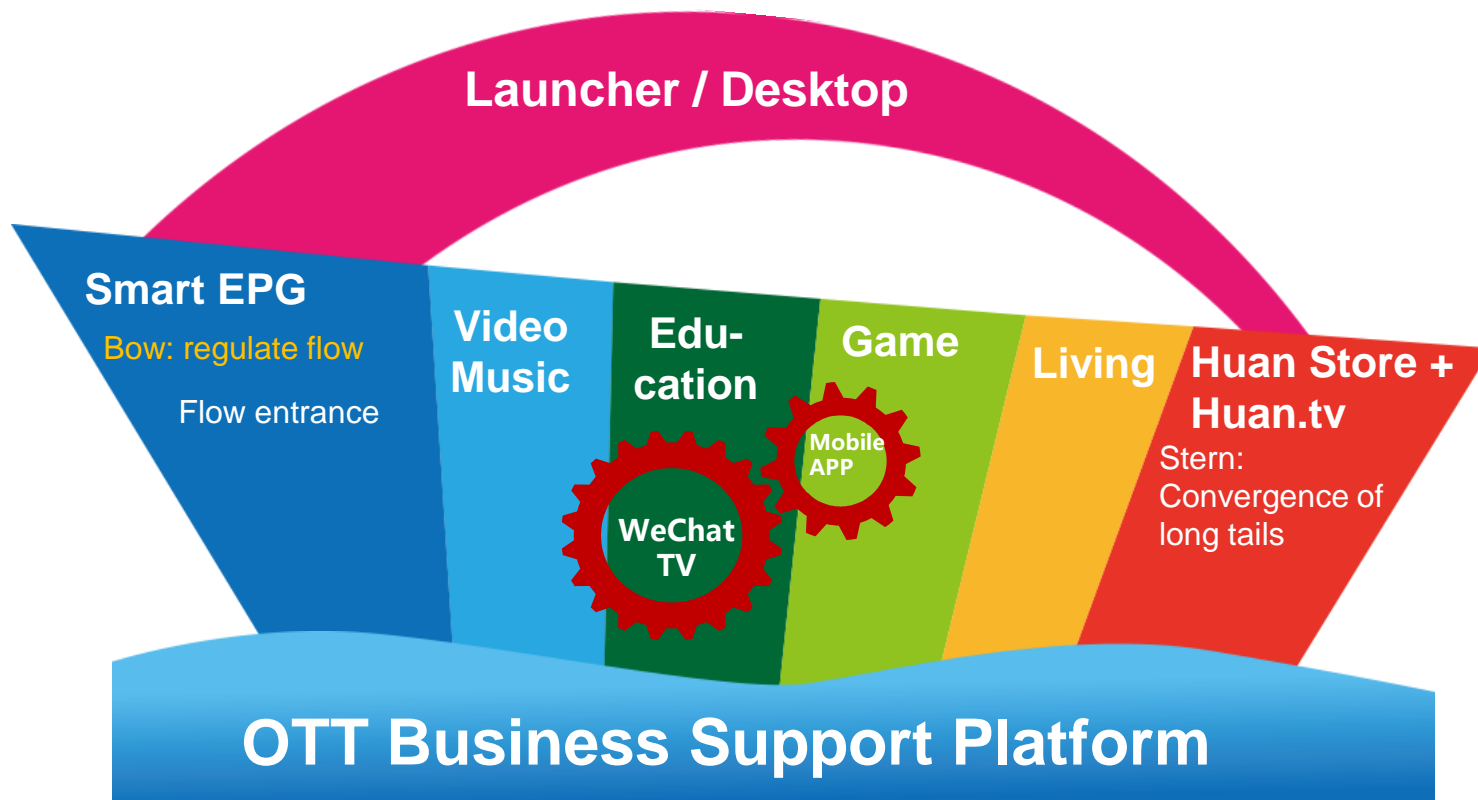


Source: CMM

Usage rate of Chinese Netizens in various Internet applications



TV+ Service System (Smart TV Noah Ark)



Annual ARPU Value Target at Terminals (Overall TV Value)

	2014	2015	2016
Number of active daily TV+ users*	2,000,000	3,200,000	4,800,000
Revenue from product and content# (RMB) (Advertisement/ Game/ Big data/ Living/ Education/ App store)	6.6	174.2	205.0
TCL's share of revenue (single user)(RMB)	1.8	30.0	37.9
Revenue from TCL services (total)(RMB)	3,600,000	78,100,000	151,600,000

* As at year end as the base

Refers to the ARPU value from a single TV set

Implement “double +” Strategy – Further Enrich the TV+ Platform



Implement “double +” Strategy – Continue to Launch High-end New Products

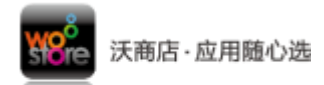


QLED H9700 Series

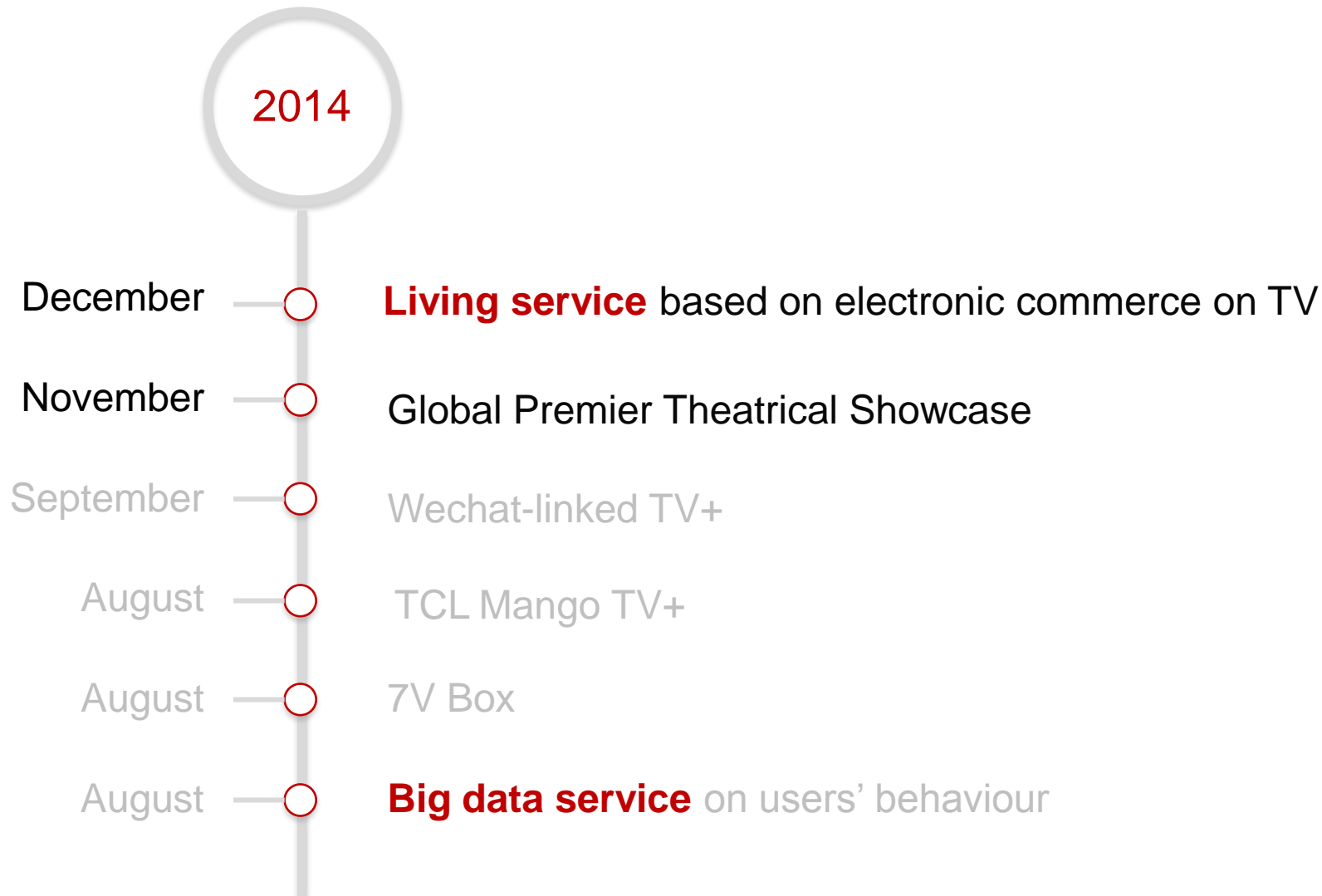


Implement “double +” Strategy – Game Business

TCL Game TV Ecosystem Strategic Alliance



Launch Schedule for Key Products and Services



**ENTERTAINMENT
AS IT SHOULD BE**