



TCL 多媒體科技控股有限公司
TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
Stock Code: 01070

2016 Interim Results Presentation

(Unaudited results for the six months ended 30 June)



Agenda

- 1.** Financial Highlights
- 2.** Business Review
- 3.** Outlook



Financial Highlights

Financial Highlights (For the six months and three months ended 30 June 2016)

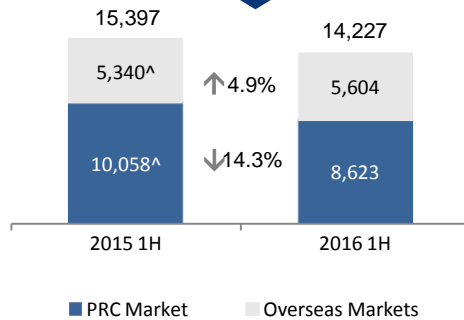
Turnover

(HK\$ million)

7.6%

4.9%

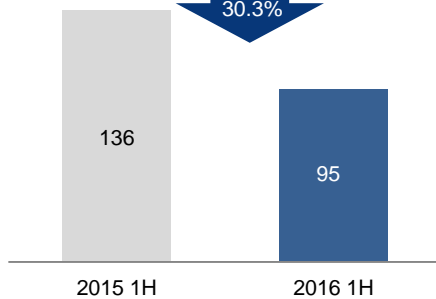
14.3%



Profit Attributable to Owners of the Parent

(HK\$ million)

30.3%



(HK\$ million)	2016 1H	2015 1H	Change	2016 Q2	2015 Q2	Change
Turnover	14,227	15,397	(7.6%)	6,869	7,112	(3.4%)
Gross profit	2,470	2,503	(1.3%)	1,087	1,315	(17.3%)
Gross profit margin (%)	17.4	16.3	1.1 p.p.	15.8	18.5	(2.7 p.p.)
Expense ratio (%)	15.9	14.3	1.6 p.p.	15.1	15.7	(0.6 p.p.)
Net profit after tax	88	122	(28.3%)	12	82	(85.8%)
Net profit after tax margin (%)	0.6	0.8	(0.2 p.p.)	0.2	1.2	(1.0 p.p.)
Profit attributable to owners of the parent	95	136	(30.3%)	21	90	(76.9%)
Basic earnings per share (HK cents)	6.54	10.25	(36.2%)	1.33	6.79	(80.4%)

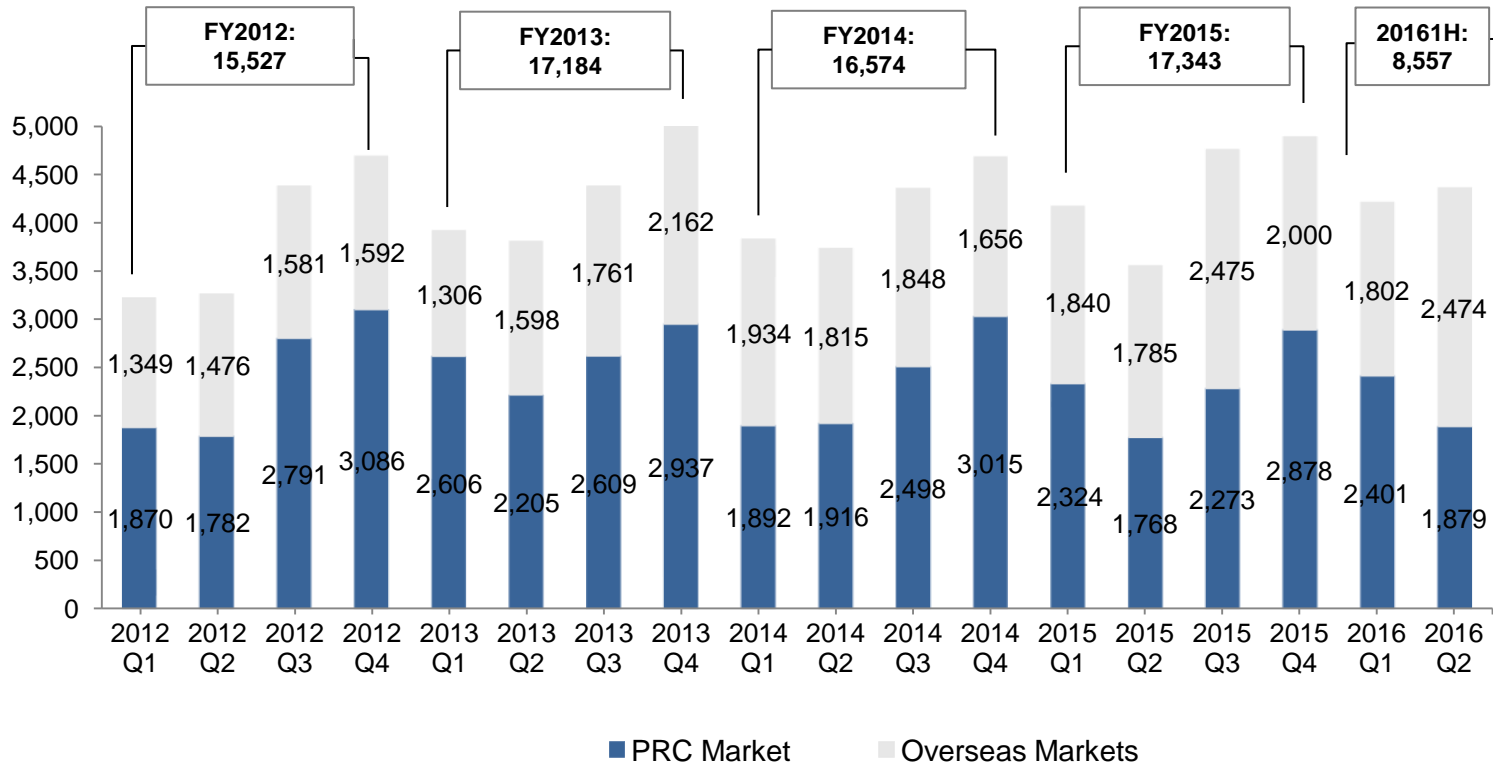
[^] Restated



LCD TV Sales Volume

LCD TV Sales Volume (by quarter)

('000 sets)



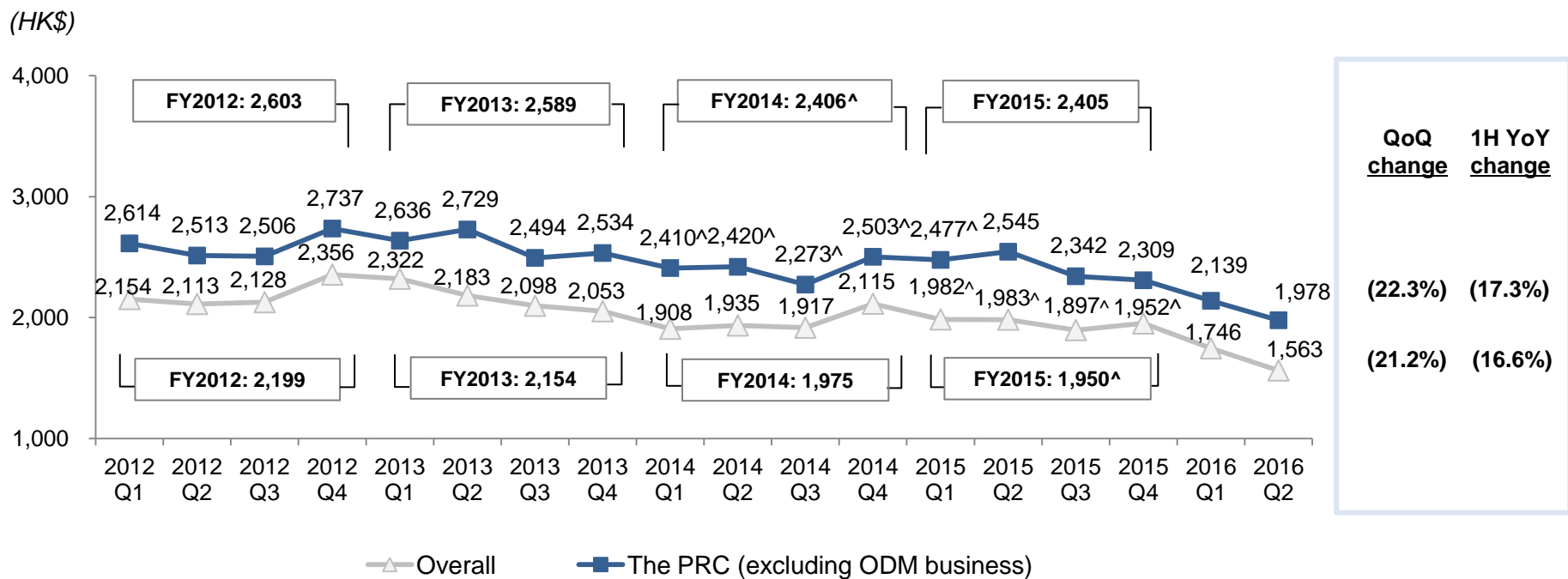
QoQ change	1H YoY change
22.5%	10.9%
38.6%	18.0%
6.3%	4.6%

^ Sales volume in the PRC Market and Overseas Markets for each quarter from 2012 Q1 to 2015 Q4 have been restated



LCD TV Average Selling Prices

Average Selling Prices of LCD TVs (by quarter)

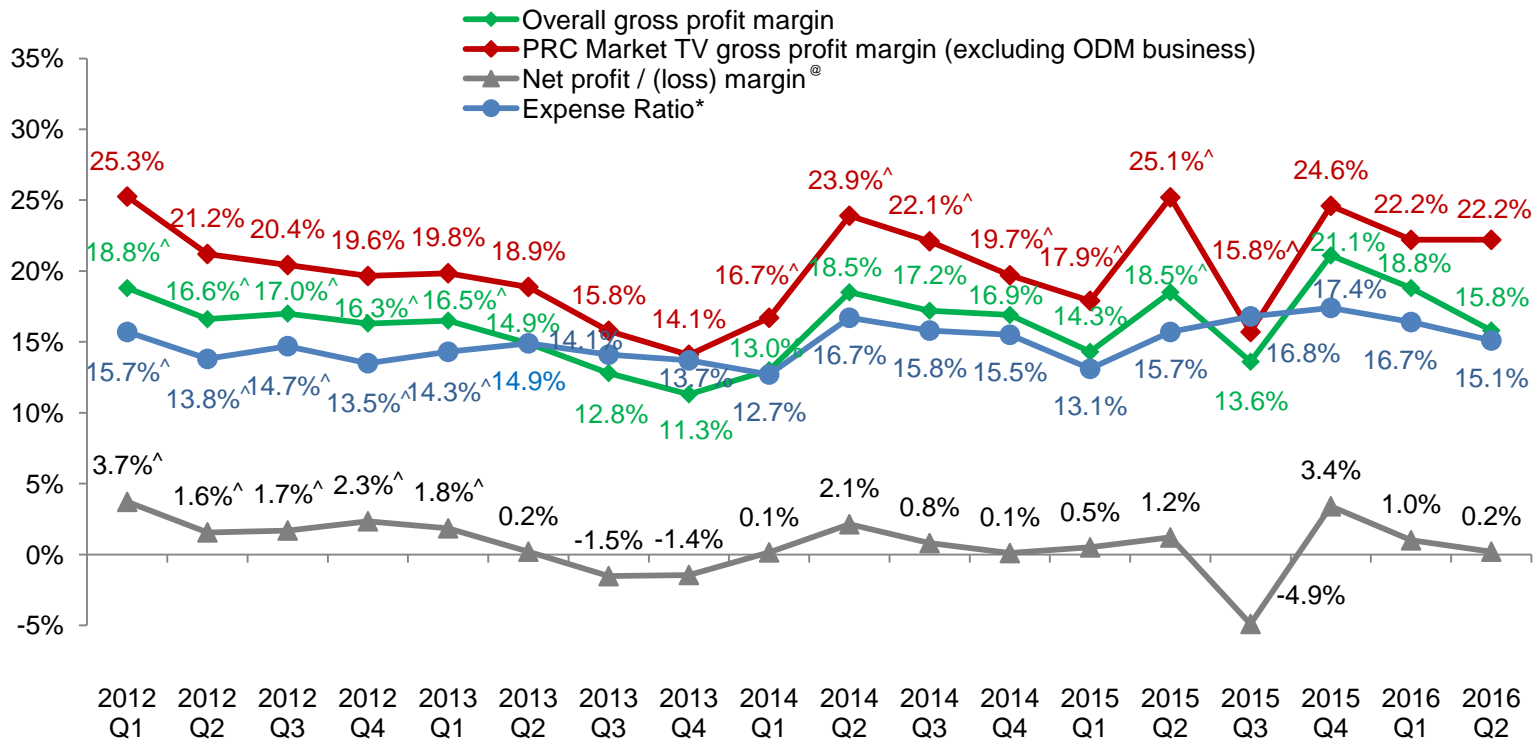


- Due to intensive market competition, impact of continued depreciation of Renminbi and the decrease in panel price, resulting in the year-on-year decline in average selling price of products
- Taking 32" LCD TV as an example, the retail price in the overall PRC LCD TV market decreased by 21.1% year-on-year in June 2016 (Source: CMM)

[^] Restated

Profit Margins and Expense Ratios

Profit Margins and Expense Ratios (by quarter)



QoQ change (p.p.)	1H YoY change (p.p.)
(2.9)	1.1
(2.7)	1.1
(0.6)	1.6
(1.0)	(0.2)

[^] Restated

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

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

Key Financial Indicators

	30 Jun 2016	31 Dec 2015	Change
Inventory turnover (days) ¹	46	52	(6 days)
A/R turnover (days) ¹	58	54	+4 days
A/P turnover (days) ¹	69	65	+4 days
Cash conversion cycle (days)	35	41	(6 days)
Current ratio (times)	1.5	1.2	+0.3x
Gearing ratio (total)(%) ²	25.0	60.6	(35.6 p.p.)
Gearing ratio (net)(%) ³	0 ⁴	7.2	(7.2 p.p.)

¹ The above turnover days are calculated based on the average balances for a 12-month period

² Gearing ratio (gross) = Total interest-bearing borrowings / Equity attributable to owners of the parent

³ Gearing ratio (net) = Net Borrowing / Equity attributable to owners of the parent. Net Borrowing = Total interest-bearing borrowings - Cash and bank balances - Pledged deposits

⁴ As at 30 June 2016, as the Group's total pledged deposits and cash and bank balances of HK\$2,681 million were higher than the total interest-bearing borrowings of HK\$1,630 million, the Group's gearing ratio (net) was 0%

Balance Sheet Highlights



<i>(HK\$ million)</i>	30 Jun 2016	31 Dec 2015	Change
Non-current assets	2,823	2,981	(5.3%)
Current assets	15,261	15,198	0.4%
- Inventory	3,197	3,283	(2.6%)
- Cash and bank balances	2,681	2,215	21.0%
Current Liabilities	10,333	12,605	(18.0%)
Net current assets	4,928	2,593	90.0%
Non current liabilities	1,124	1,165	(3.5%)
Net assets	6,627	4,409	50.3%
Net assets value per share (HK\$)	3.76	3.10	21.2%

Business Review

2022

A curved monitor is shown from a low angle, displaying a vibrant image of a blue ocean wave curling over. The year '2022' is overlaid in the center of the screen in a large, light gray, sans-serif font. The monitor is supported by a silver stand on a white surface.



Global LCD TV Market Share

Ranking	Brand	2016 Q1	2015 Q1
1	Samsung	21.0%	20.3%
2	LGE	13.3%	14.8%
3	TCL	6.5%	6.0%
	Hisense	6.5%	5.7%
5	Skyworth	5.2%	5.1%
6	Sony	5.0%	5.4%
7	AOC/TP Vision	4.0%	3.2%
8	Haier	3.8%	3.5%
9	Changchong	3.4%	3.0%
10	Vizio	3.1%	2.5%

Source: IHS Technology and Company data

The PRC LCD TV Market Share

Ranking	Brand	2016 1H	2015 1H
1	Hisense	17.2%	16.8%
2	Skyworth	15.8%	14.4%
3	TCL	15.0%	13.8%
4	Konka	11.5%	11.6%
5	Changhong	10.4%	11.0%
6	Haier	7.1%	4.3%
7	Samsung	5.2%	6.8%
8	Sharp	4.1%	6.3%
9	Pioneer	3.1%	3.0%
10	Sony	2.4%	4.0%

Source : CMM

LCD TV Sales Volume



<i>LCD TV Sales Volume ('000 sets)</i>	2016 1H	2015 1H	Change
Total	8,557	7,716	10.9%
Of which: Smart TVs	4,085	2,286	78.7%
- PRC Market	4,281	4,092 [^]	4.6%
- Overseas Markets	4,276	3,624 [^]	18.0%

[^] Restated

Segment Results (For the six months and three months ended 30 June 2016)

PRC Market TV Business

<i>(HK\$ million)</i>			<i>(HK\$ million)</i>			
2016 1H	2015 1H [^]	Change		2016 Q2	2015 Q2 [^]	Change
8,589	10,051	(14.5%)	Turnover	3,632	4,431	(18.0%)
1,743	2,105	(17.2%)	Gross profit	690	1,111	(37.9%)
20.3%	20.9%	(0.6 p.p.)	Gross profit margin	19.0%	25.1%	(6.1 p.p.)
198	518	(61.9%)	Operating results	33	232	(85.8%)

Overseas Markets TV Business

<i>(HK\$ million)</i>			<i>(HK\$ million)</i>			
2016 1H	2015 1H [^]	Change		2016 Q2	2015 Q2 [^]	Change
5,553	5,277	5.2%	Turnover	3,173	2,623	21.0%
692	396	75.1%	Gross profit	369	210	76.1%
12.5%	7.5%	5.0 p.p.	Gross profit margin	11.6%	8.0%	3.6 p.p.
123	(219)	N/A	Operating results	90	(103)	N/A

[^] Restated

1. The decline in turnover led to a higher expense ratio in the first half of 2016
2. The shrinking market price and rising panel price in the PRC Market in the second quarter resulted in a decline in gross profit margin
3. The overall profit decreased year-on-year. The Group will adopt product mix adjustment and improvement to increase gross profit margin and profitability in the second half of the year

TV Business in the PRC Market



- In the first half of 2016, LCD TV sales volume increased by 4.6% year-on-year to 4.28 million sets
- Turnover of LCD TVs fell by 14.5% year-on-year to HK\$8.59 billion
- The average exchange rate of Renminbi against Hong Kong dollars in the first half of 2016 depreciated by 6.1% compared to the same period of last year
- As the price of panel declined and the market competition has intensified, the average selling price of LCD TVs decreased by 18.3% year-on-year

Comparison of retail price in overall LCD TV market (Source: CMM)				
Size	June 2015 Retail price (RMB)	June 2016 Retail price (RMB)	YoY Change	June 2016 Retail market share
32"	1,452	1,146	(21.1%)	19.6%

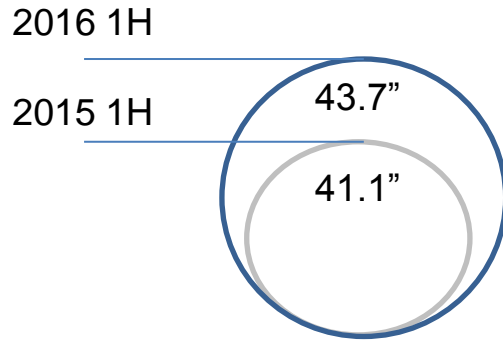
- Gross profit margin of LCD TVs fell slightly from 20.9% in the same period of last year to 20.3%
- Due to the shrinking gross profit margin triggered by market price decrease and panel price increase in the PRC Market in the second quarter, the overall profit was lower than in the same period of last year. The Group will adopt product mix enhancements to increase gross profit margin, thereby improving overall profitability
- TCL's accumulated LCD TV brand price index increased from 84 in the same period of last year to 92 in June 2016, reducing the disparity among major competitors

TV Business in the PRC Market

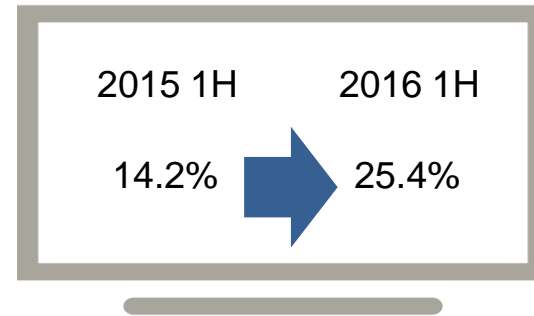


Continuous Enhancement in Product Mix and Increasing Proportion of High-end Products

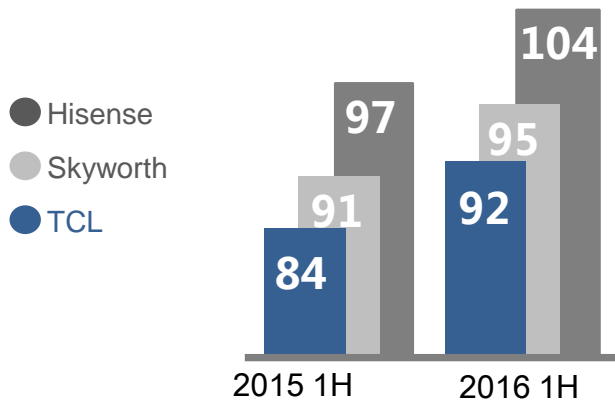
Change in average size[^]



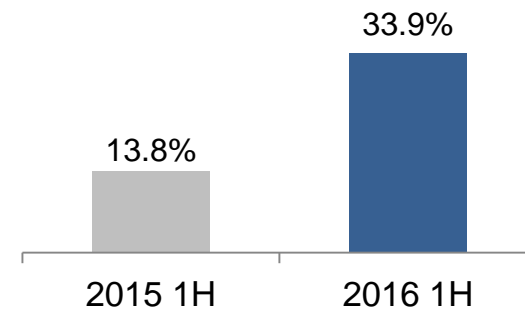
Change in proportion of ≥ 55" products[^]



LCD TV brand price index (Source: CMM)



Change in proportion of 4K products[^]



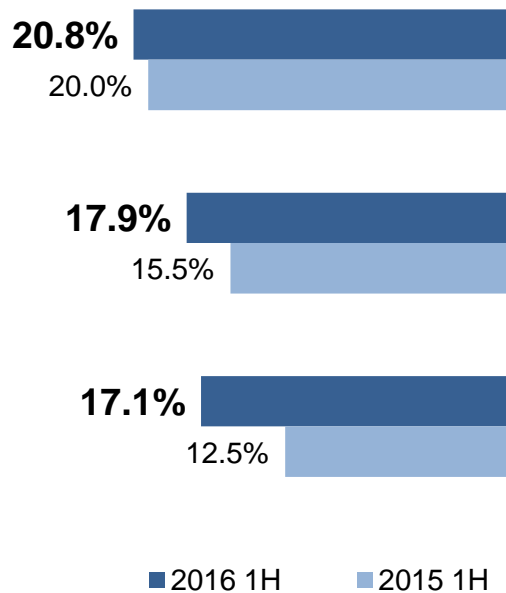
[^] excluding ODM business

Market Share and Average Selling Price of 4K TV in the PRC Market

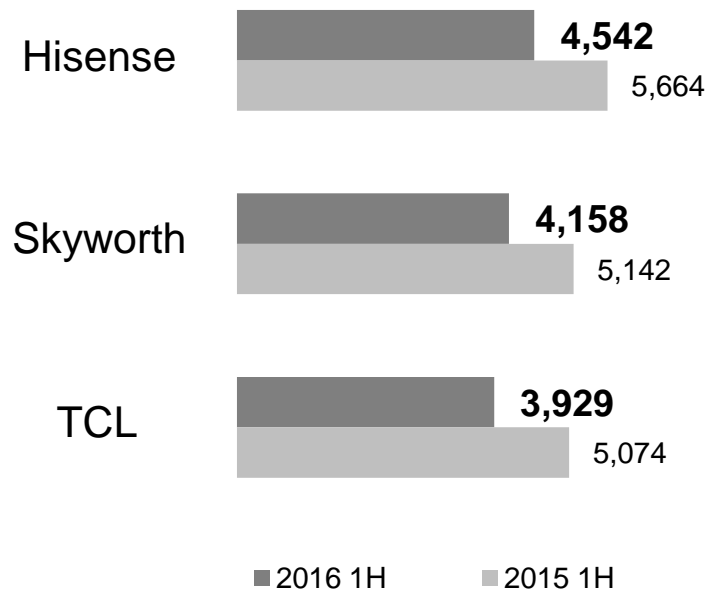
Narrowing Disparity Among Major Competitors



Market share



Average selling price (RMB)

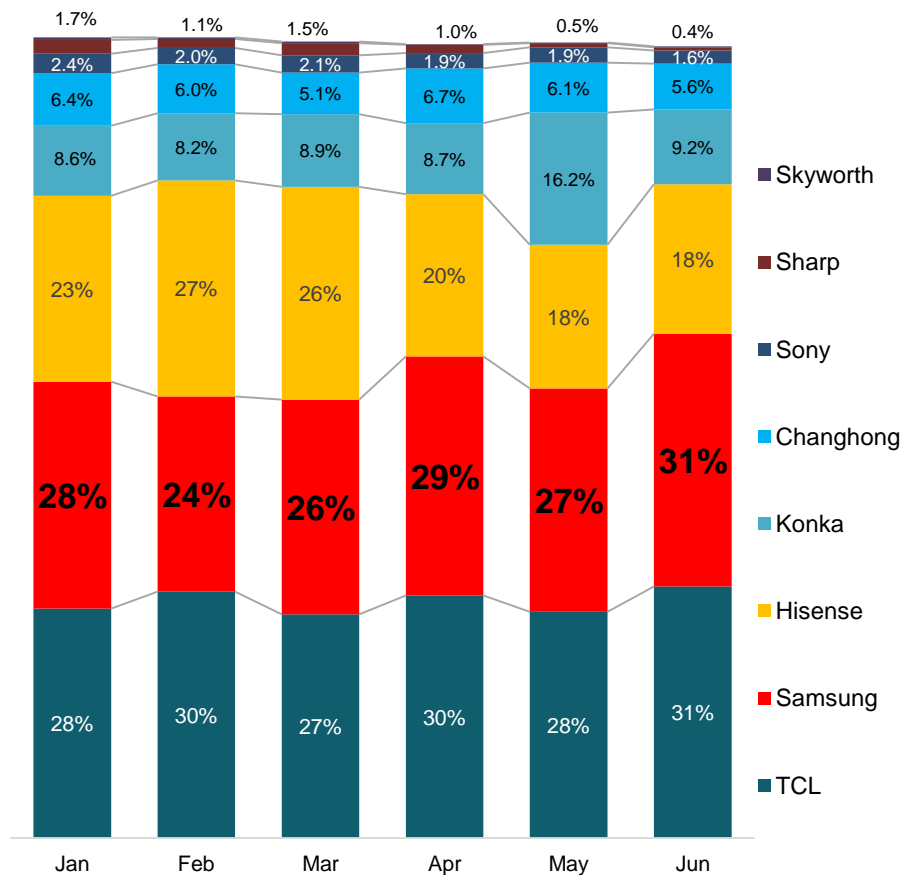


Source: CMM

Ranked No.1 Among Domestic Brands in Curved TV Market Share in the PRC



Proportion of Sales Volume of Curved TVs for Major Brands by Month



Source: CMM



Sales volume of the PRC's curved TV market (excluding ODM business) in June

Ranked No.1 among domestic brands with market share of 30.8%



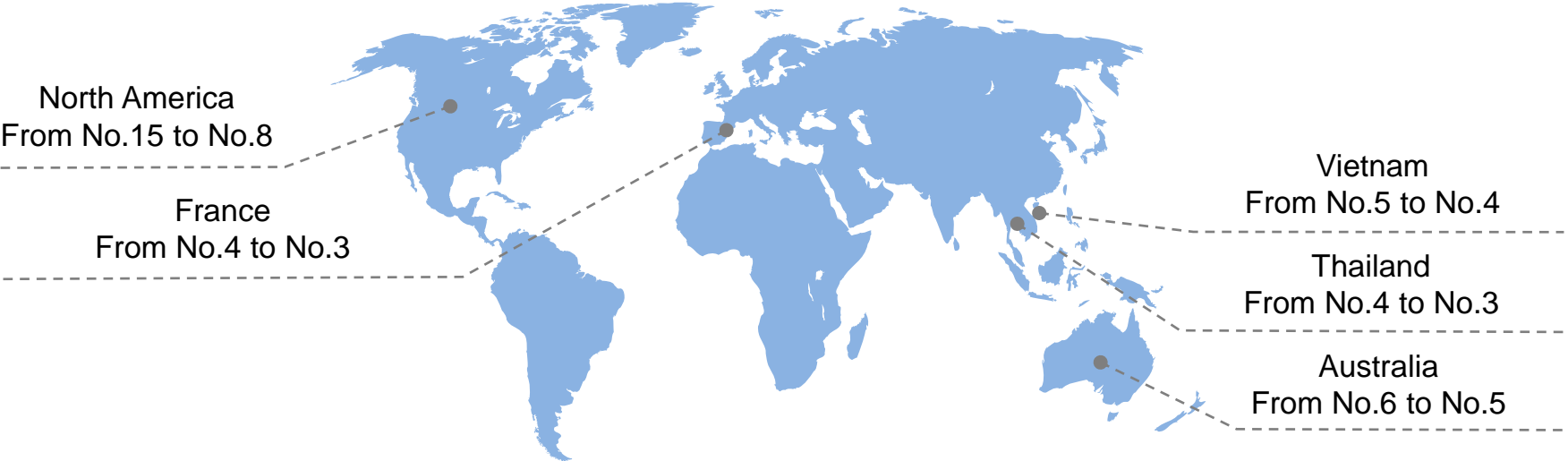
Source: CMM

TV Business in the Overseas Markets

- In the first half of 2016, LCD TV sales volume increased by 18.0% year-on-year to 4.28 million sets, turnover was up by 5.9% year-on-year to HK\$5.55 billion
 - In the North American Market, LCD TV sales volume surged by 165.0% year-on-year
 - LCD TV sales volume in the Emerging Markets and European Market rose by 36.4% and 13.1% year-on-year, respectively

- Despite the decrease in the average selling price of products, the proportion of sales volume of high-end products such as big screen, 4K and curved TVs continued to increase with continuously optimised sales channel establishment and product mix. Gross profit margin of LCD TVs rose to 12.5% from 7.5% in the same period of last year, which was mainly contributed by the improved sales structure in the Emerging Markets and overall market recovery in Europe

Sales volume from Jan to Jun 2015 and from Jan to Jun 2016
market share rankings (Source: GfK)



TV Business in the Overseas Markets



Improve supply chain efficiency through the China-Europe Block Train

- ✓ Reduce transportation lead time between the PRC and Poland from 38 days to 23 days
- ✓ Greatly improve logistic efficiency
- ✓ Reduce cost
- ✓ Accelerate market response
- ✓ Enhance competitiveness and market share in Europe



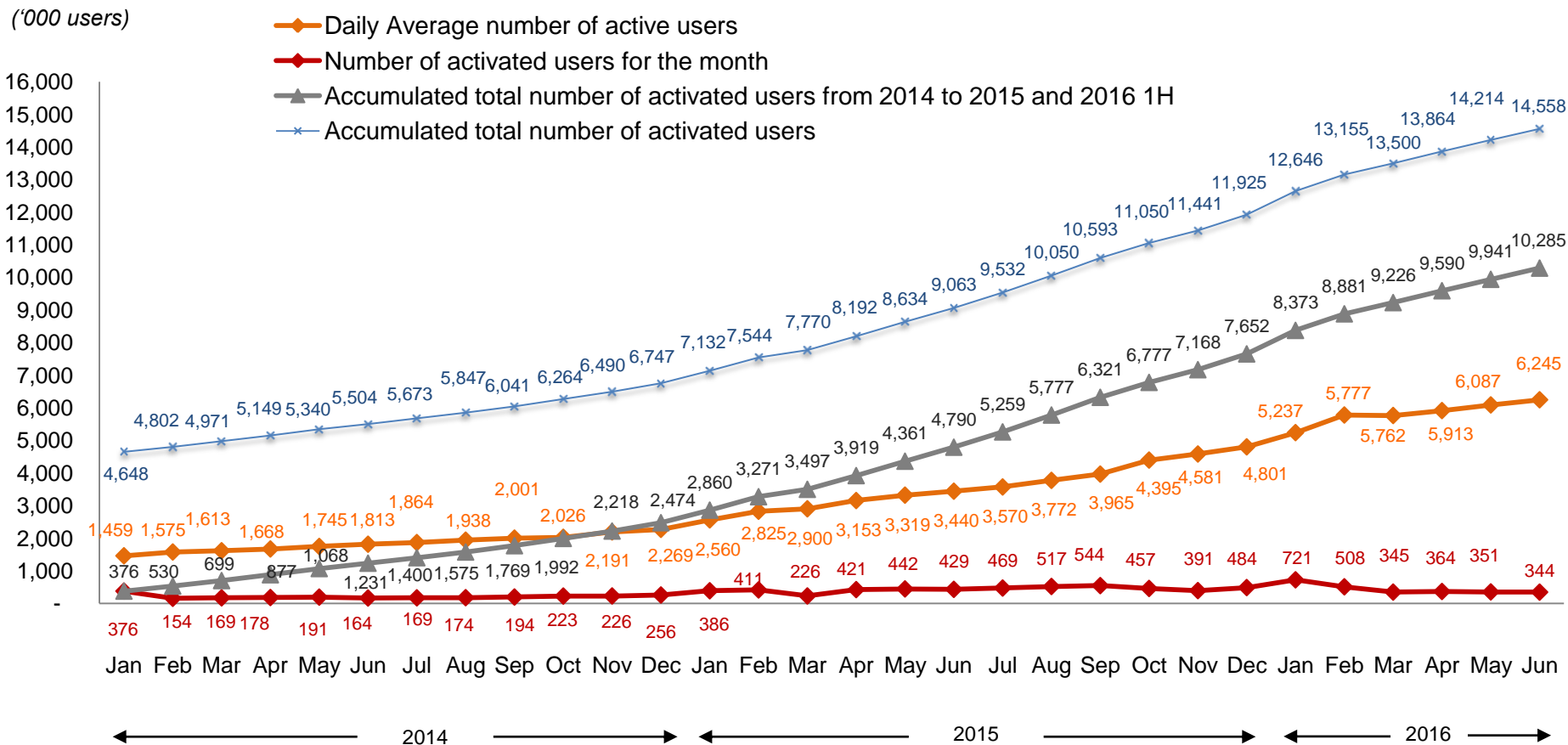
Poland



Chengdu

Internet Business

(TCL Smart TV Operation Statistics in 2014, 2015 and 2016 1H)

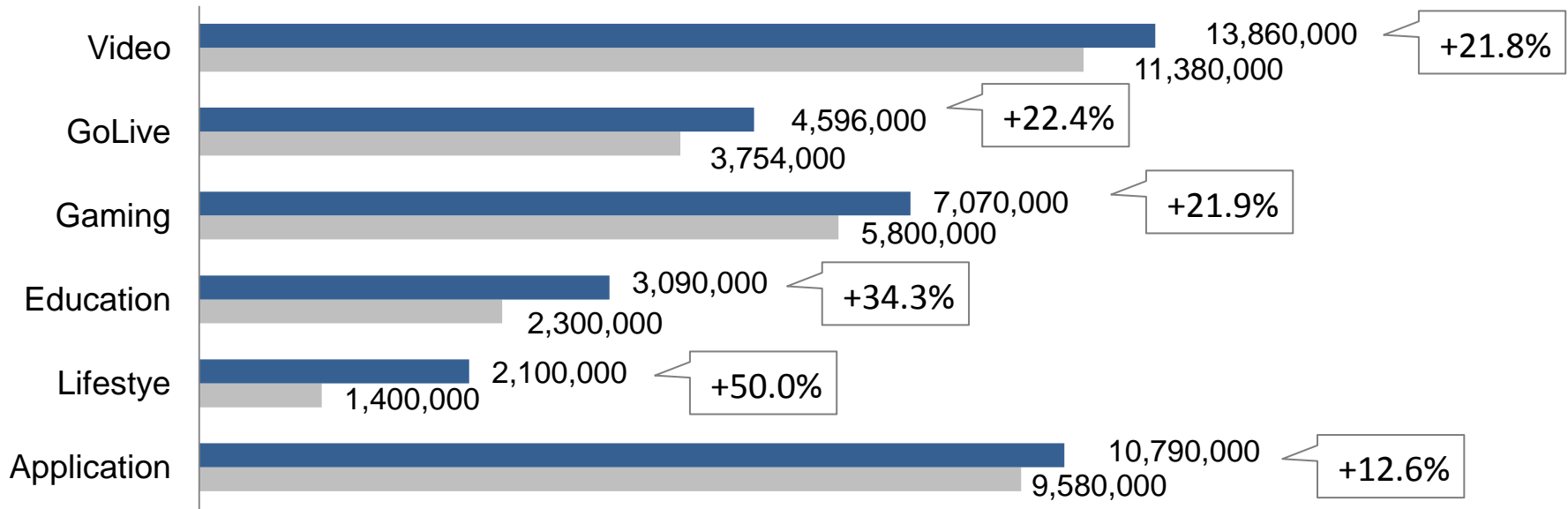


■ The accumulated total number of activated users in 2016 1H was up by 60.6% year-on-year, with an accumulated growth of 5.49 million users. As at the end of June 2016, accumulated total number of activated users was 14.56 million

Total Number of Users on Internet Business and Average Daily Viewing Time



■ 2016 1H ■ 2016 Q1



Average Daily Viewing Time



	Video	Gaming	Education
2016 1H	4.7 hours	68.7 minutes	51.2 minutes
2016 Q1	4.7 hours	70 minutes	40 minutes

Outlook

TCL

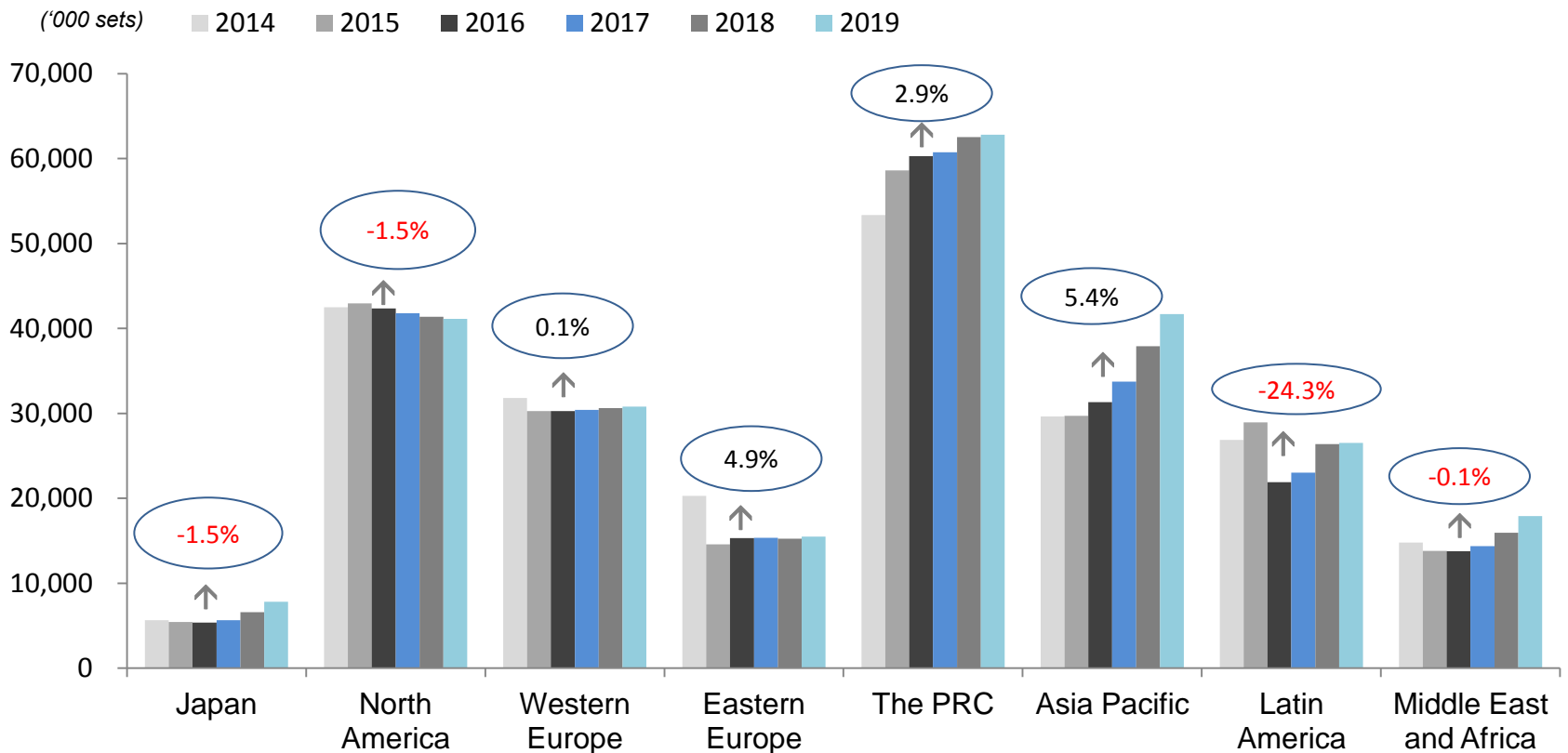


Global LCD TV Sales Volume Forecasts



Projection of 2016-2019 Global LCD TV Sales Volume

In 2016, overall LCD TV sales volume is expected to decrease by 1.7% year-on-year



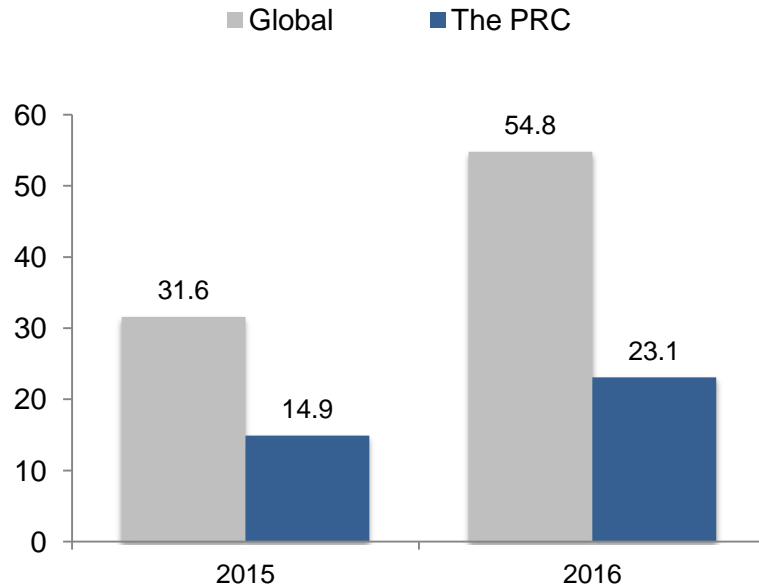
Source: IHS Technology

Growth Trends for Global and The PRC Curved TVs and UHD TVs



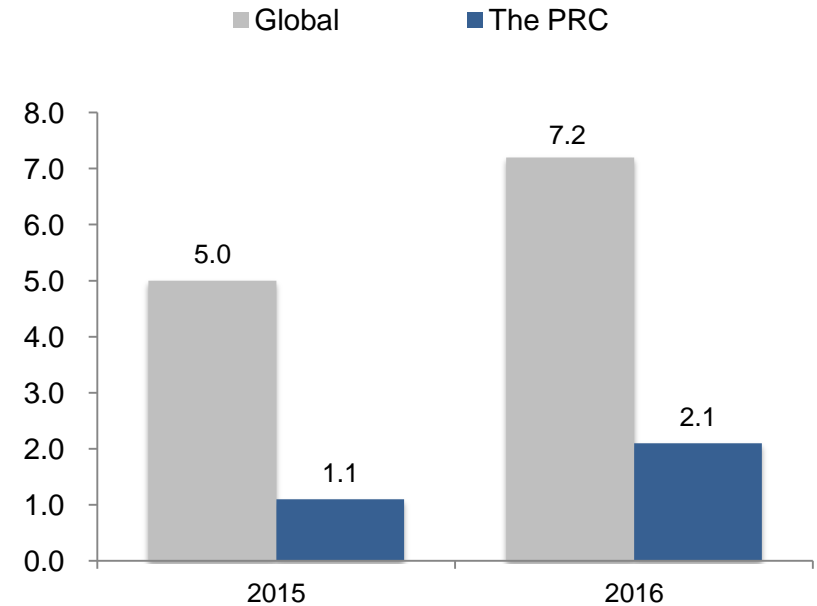
2015-2016 UHD TV Sales Volume Forecast

(million sets)



2015-2016 Curved TV Sales Volume Forecast

(million sets)



Source: IHS Technology

The PRC TV Market Forecasts

2016 Retail Sales Volume Forecast



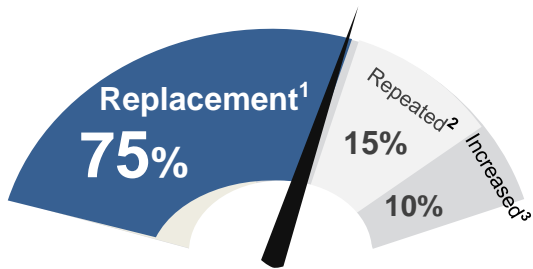
47.39M sets
(+1.4%)

2016 Retail Turnover Forecast

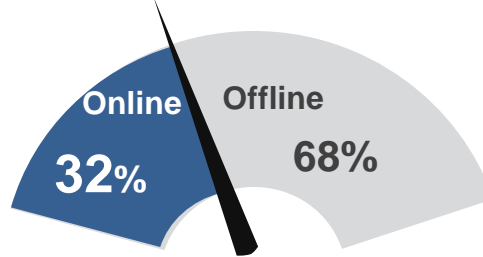


161.1B RMB
(+2.5%)

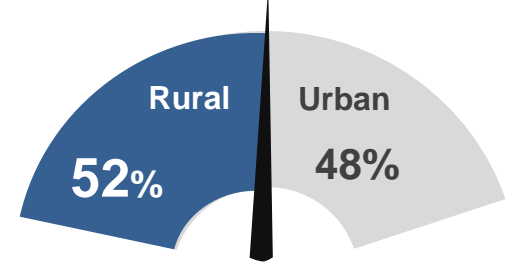
Retail Volume Demand Structure



Retail Volume Channels Structure



Retail Volume Area Structure



Notes: ¹ Replacement: High-end over low-end, replacement of 40"-50" over 32"
² Previous owners' second purchase
³ New buyers' purchase

Source: AVC

2016 TCL Spring New Product Launch – Eye On the Future



TCL Cooperate with Leading Brazilian Home Appliance SEMP to Set Up a Joint Venture in Brazil



SEMP

- SEMP is one of the largest home appliance enterprises in Brazil with substantial brand recognition. It manufactures and sells TVs, various small home appliances, home theatres and other consumer electronic products. It has over 8,000 sales outlets and nearly 400 after-sales service outlets in Brazil
- Brazil has a population of approximately 209 million, and is one of the world's largest countries in terms of population and market capacity, bringing immense growth potential



Sales volume of TCL branded products is expected to exceed

0.8 million sets

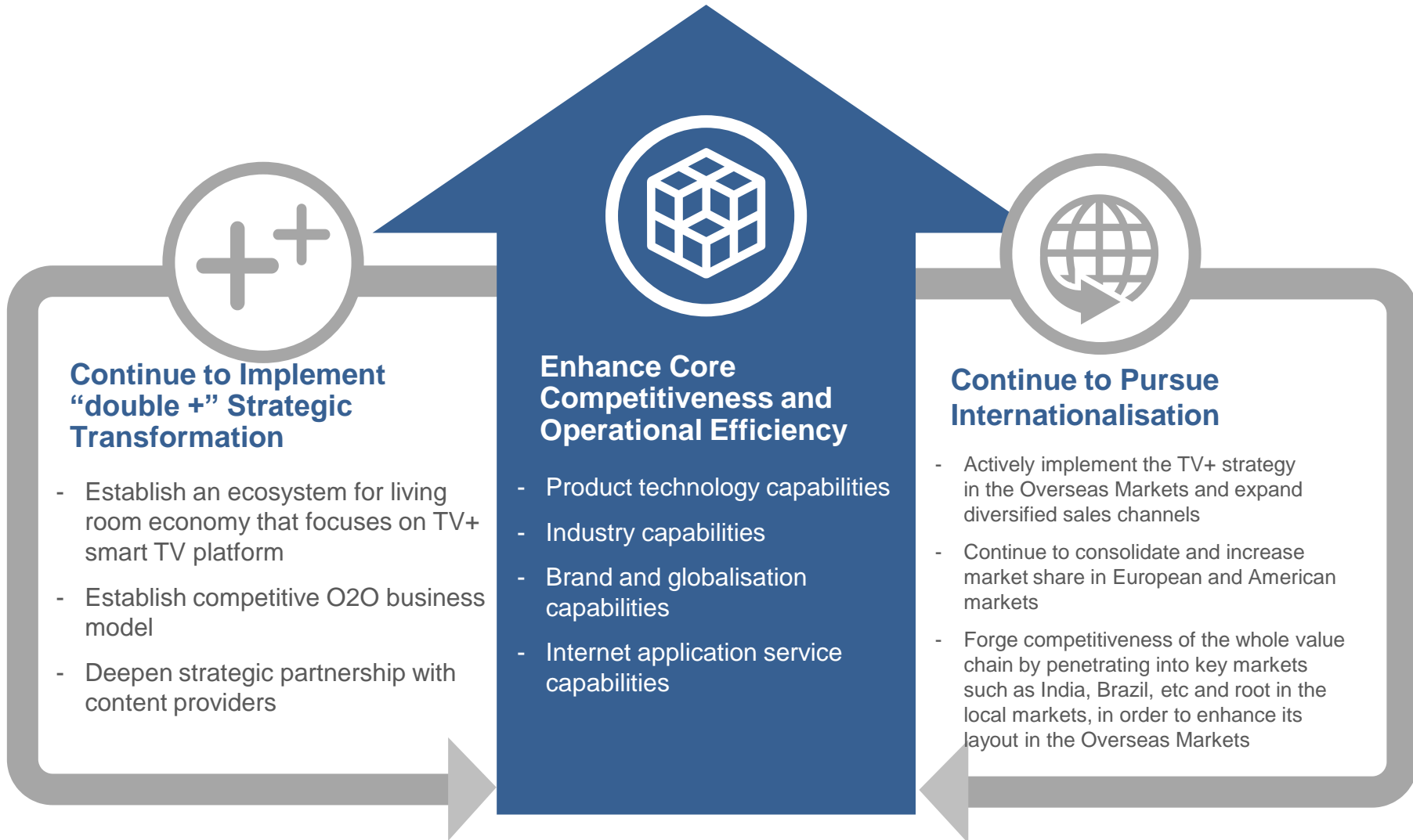
reaching a market share of over **8%**

Target to increase its market share to **10%**

in **Brazil**






with the **Top 3** ranking

Overall Strategy - Twin Drivers of “double +” Strategy and Internationalisation



2016 1H Internet Service Revenue Breakdown and Targets for 2016



	2016 Target (RMB)	2016 1H Actual (RMB)
 Video (GoLive included) and Advertising	91.86 million	23.68 million
 Gaming	3 million	109,000
 Education	2.5 million	77,000
 Lifestyle, App Store and Others	3.98 million	2.60 million
 Big Data	3 million	2.29 million
Total:	Approx. 100million	Approx. 28.75million



Targets for 2016 and Progress of Implementation

	2015					2016				
	Overall Actual	The PRC Market		Overseas Markets		Overall Target	The PRC Market		Overseas Markets	
		FY Actual	1H Actual	FY Actual	1H Actual		FY Target	1H Actual	FY Target	1H Actual
LCD TVs sales volume (million sets)	17.34	9.24^	4.09^	8.10^	3.62^	20.00	10.54	4.28 (↑4.6%)	9.46	4.28 (↑18.0%)

The PRC Market (excluding ODM business)	FY 2016 Target	2016 Q1 Actual	2016 1H Actual
Proportion of smart TV sales volume (%)	Adjusted up from 60% to 62%	63.7%	62.6%
Proportion of 4K TV sales volume (%)	Adjusted up from 28% to 32%	32.5%	33.9%
Proportion of curved TV sales volume (%)	8%	6.5%	7.4%
Proportion of online sales volume (%)	18%	22.4%	20.2%

	FY 2016 Target	2016 Q1 Actual	2016 1H Actual
Number of TCL activated smart TV users (Accumulated number at period end) (year-end/quarter-end) ¹	Adjusted up from 14,750,000 to 15,500,000	13,499,849	14,557,671
Daily average number of active users (year-end/month-end) ²	6,400,000	5,762,014 ³	6,244,653 ⁴
Internet Service Revenue (RMB)	Approximately 100 million	Approximately 3.59 million	Approximately 28.75 million

1. Number of TCL activated smart TV users (Accumulated number at period end) = Accumulated number of activated TV terminals

2. Daily average number of active users = Number of unrepeated individual users who visit within 7 days

3. March 2016 data

4. June 2016 data

^ Restated

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TCL 多媒體科技控股有限公司
TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
Stock Code: 01070

Q&A

