

2009 Q1 Results Corporate Presentation

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Corporate Development

Corporate Development

- **Total number of handsets sold was 2.3 million in the first quarter of 2009, representing a decrease of 34% over the fourth quarter of 2008.**
- **The successful reorganization of both Alcatel brand and TCL brand, together with the completion of right-sizing of the Group, laid a solid foundation for the Group's sustainable business growth.**
- **During the GSMA Mobile World Congress 2009 held in Barcelona, Spain, "Jade" and Mini" models developed by the Group were greatly appreciated by major operators.**
- **The Group carried out various measures to retain its competitive edges:**
 - Stringent cost control
 - Clearance of inventories
 - Improvement in operating efficiency

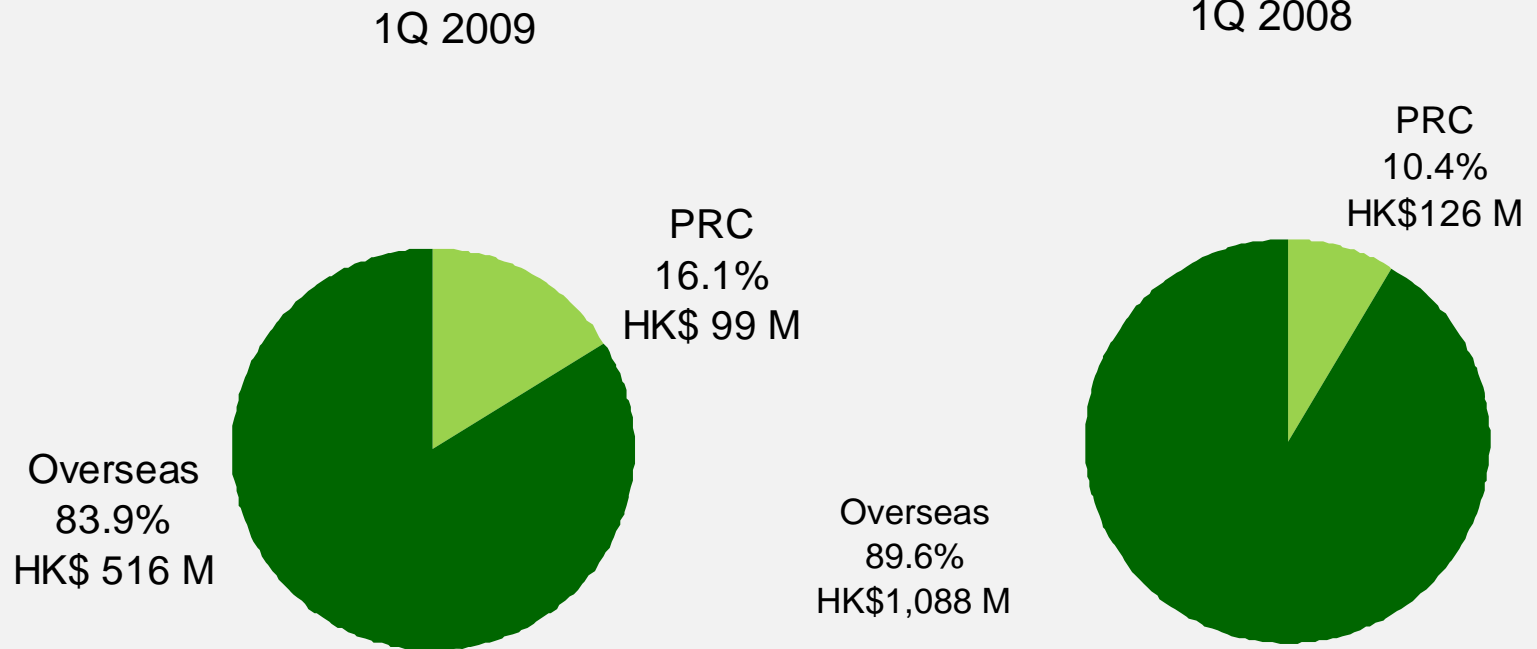
Financial Highlights

Unit Sales

('000 units)	1Q 2009	1Q 2008	Change (%)
Overseas	1,787	3,108	-43%
The PRC	489	266	84%
Total	2,276	3,374	-33%

Revenue by Region

- Overseas sales continued to be the main revenue contributor



Results Highlights

(HK\$ 000)	1Q 2009	1Q 2008	Change (%)
Turnover	614,549	1,214,339	-49%
Gross profit	85,519	214,405	-60%
Profit/(loss) before the effects of convertible bonds	-42,388	827	N/A
Effects of convertible bonds			
-- Changes in fair value of the derivative component of convertible bonds	-6,246	29,418	N/A
-- Interest on convertible bonds	-4,717	-9,949	-53%
Profit attributable to equity holders of the parent	-53,354	20,170	N/A
Basic EPS (HK cents)	-7.46	0.28	N/A

Key Financial Indicators

	1Q 2009	1Q 2008
Inventory turnover (days)*	23	20
Trade receivable turnover (days) **	69	66
Current ratio (times)	1.22	1.28
Interest bearing borrowings / total assets (%)	36%	43%
Cash position as at 31 March 2009 HK\$ 350m (31 March 2008: HK\$ 586m)		

* Finished goods only

** Included trade receivables and factored trade receivables

Business Review

Market Overview

Overseas Market

- Overall demand for handsets slowed down markedly whilst the financial tsunami was inundating the global economies.
- Sales performance in the emerging markets remained flat.
- Consumers in mature markets were more reluctant to spend on new or additional units while sales volume in the emerging markets dropped significantly due to the increase in selling prices resulting from the devaluation of domestic currencies against USD.
- Handset sales in mature markets including the United States, Western Europe and Japan further weakened as these regions were firmly in the grip of the credit crunch.

PRC Market

- The roll-out of long-awaited 3G services will contribute to increasing demand from first-time buyers in the country. Demands for 3G products are expected to climb in the 2nd half.
- Sales volume will pick up in the second quarter on the back of the stimulus measures introduced by the government to boost domestic demand, in particular the subsidy scheme for rural residents to buy home appliances.
- Sales performance of local brands was adversely affected by the copycat phones in the market.

Business Review – Market Strategy

- Maintained price competitiveness for entry-level products
- Leveraged on our research and development capabilities to develop more value-added products so as to improve overall ASP and gross profit margin
- Expanded into the new market and implemented the new business model
- Enhanced relationship with operators and distributors through effective customer relationship management

Branding Strategy

ALCATEL
mobile phones

Primary brand in overseas
markets

- EMEA
- LATAM
- APAC
- India
- ODM
- China



Primary brand in
the PRC market

Business Review – Product Development

- Product strategy: commitment to improving users' experience through personalized design, user friendly interface and enriched application functionality
- TCL & Alcatel mobile phones brands: features rich, fashionable, and value for money
- 4 new Alcatel products launched worldwide in 1Q 2009
- Following the issue of 3G licenses in China, the Group will roll out a number of 3G products, including:
 - U298 TD-SCDMA Feature Phone, U888 TD-SCDMA Smart Phone and U118 TD-SCDMA USB Dongle
 - TF100 wireless handsets passed China Mobile's product test and entered the first round of bidding for orders from Guangdong Mobile



1Q 2009 Business Review

Overall

- Sold 2.3 million handsets, representing 33% YoY decrease and 34% QoQ decrease
- Continued to promote sales of entry-level products and beefed up efforts in clearing up inventories piled up at the end of last year
- The successful reorganization of both Alcatel brand (“Alcatel”) and TCL brand

EMEA

- ASP for the region was maintained in the first quarter because the higher margins of USB 3G modems offset the lower margins of low-end products
- Handset shipment to Russia and Spain was low during the period as the economic crisis wreaked havoc with the economies of both countries
- Shipment to the region was approximately 930,000 units, accounting for 41% of the Group’s total sales volume

LATAM

- Consumer confidence further weakened amid the deepening recession, resulting in a stacking of inventories
- As the proportion of sales in low-end products slightly increased relative to total sales volume, ASP for the LATAM market decreased by 13% as compared to the same period last year
- Achieved sales volume of 790,000 units, a 48% YoY decrease from the corresponding period last year

PRC

- Announcement of new strategy for the market: 3G + 4C; enhanced efforts in developing TD-SCDMA products including handsets, wireless phones, data cards and netbooks

Outlook

Outlook

- We have completed the reorganization of human resources and corporate structure and have developed a strong sales team and a powerful R/D team for the launch of new products.
- In light of current developments, we expect the market condition will improve in the second half. The Company will strive to achieve stable and healthy results for 2009 by developing innovative products, increasing new product lines and enhancing operational efficiency.
- We are determined to strengthen our market position in the PRC by enhancing the brand power of TCL in the country.
- Sales target for 2009 was no less than 10 million units.
- **WE ARE READY TO TACKLE THE CHALLENGES IN 2009!**

Open Forum

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