

■ In Focus

Research Team

Edward FUNG
Head of Research
edwardfung@kimeng.com.hk
(852) 2268 0632

Ivan CHEUNG, CFA
ivancheung@kimeng.com.hk
(852) 2268 0634

Ivan LI, CFA
ivanli@kimeng.com.hk
(852) 2268 0641

Jacqueline KO, CFA
jacquelineko@kimeng.com.hk
(852) 2268 0633

Andy POON
andypoon@kimeng.com.hk
(852) 2268 0645

Alex YEUNG
alexyeung@kimeng.com.hk
(852) 2268 0636

Jeremy TAN
jeremytan@kimeng.com.hk
(852) 2268 0635

McapUSD625m ADTV USD1.3m

CN: TCL Multimedia (1070)

Industrials | Excellent 3D TV sales | BUY | TP HKD4.58

Consensus: 12 Buys, 4 Holds and 1 Sell, Consensus target HKD4.2

Alex Yeung

Event: August TV shipments announced. TCLM's sales performance was solid despite global uncertainties and a slowdown in consumption. The company sold 1.4m units of LCD TV in Aug 2012 (up 39% YoY), driven by high-margin products such as 3D TV and Smart TV in China. In 8M12, TCLM has delivered a total of 9m units of LCD TV (up 53% YoY), representing 59% of its 2012 annual target of 15.2m.

Implication:

Robust domestic sales. TCLM's core China TV business registered volume growth of 40% YOY to 0.8m units of LCD TV for the month, thanks to robust sales of high-margin products such as 3D TV (0.5m units) and Smart TV (0.2m units). As a result, the penetration rate of 3D TV jumped to 58% in August from 22% in July, which should help in enhancing its overall profitability.

Regaining its sales momentum overseas. Overseas LCD TV sales volume rose 37% YoY to 0.6m units in August. Compared to a YoY decline in June and a mid-teen growth in July, the overseas business has resumed its growth momentum. Sales in emerging markets (up 28% YoY) remain the major contributor to total overseas market sales.

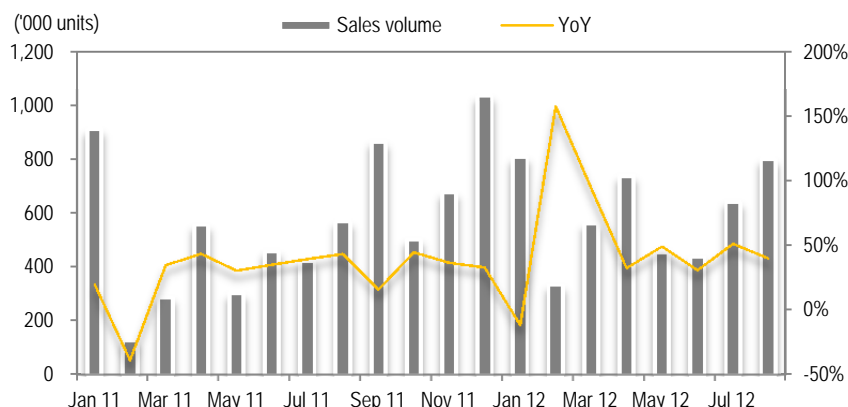
High proportion of 3D TV sales. We attribute the better-than-expected share of 3D TV sales to improving yields rate at CSOT's 8.5G LCD panel production line. CSOT has been able to produce larger-sized panels (such as 42" and 55") from 2H12. As these panels are usually equipped with 3D TV functions, TCLM's product mix can easily improve, especially as CSOT is one of TCLM's key panel suppliers.

Action: Maintain BUY. We keep our estimates and TP unchanged. The counter is trading at 6.4x FY12F PER, offering a 5.6% dividend yield, which is undemanding in our view. Our TP of HKD4.58 is based on 8x FY12F PER, implying 25% upside to the latest closing price. Reiterate BUY for TCLM's improving margin outlook on the back of product mix optimisation and synergies from vertical integration.

Key Indices

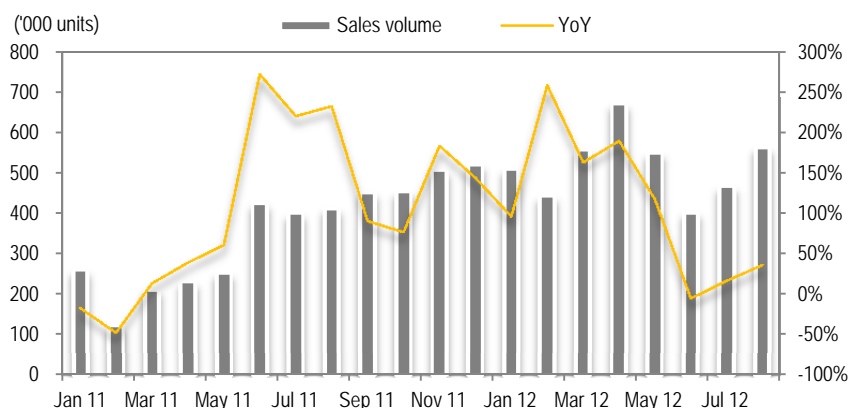
Index	Last	% Change
HSI	19,209	0.34
HSCEI	9,069	0.54
Light Crude	112.55	-1.13
BDI	675	-1.32

Figure 1: LCD TV shipments in China



Source: Company data, Kim Eng Securities

Figure 2: LCD TV shipments in overseas



Source: Company data, Kim Eng Securities

Market Talk

McapUSD2b ADTV USD3m
Andy Poon

HK: SmarTone (315)
Telecom | MTR Tries to Raise Facility Rental Fees | BUY | TP HKD20.00
Consensus: 8 Buys, 7 Holds and 2 Sell, Consensus target HKD17.64

Event: Local media reported that MTR (66) tried to raise the facility rental charge on the 4G network equipment of the HK telcos inside the MTR stations and railway.

Implication: The potential increase of the facility rental charge will increase the OPEX of the HK telcos and negatively affect the earnings of the HK telcos.

Action: Since the HK telcos are negotiating with MTR on the charge, we believe they are likely to align with each other and will be able to manage the charge against MTR. We will seek for more information from the HK telcos today. Currently, we have a Buy on SmarTone (315) with a target price of HKD20 and a HOLD on Hutchison Telecom HK (215) with a TP of HKD3.70.

McapUSD0.3b

ADTV USD1m

CN: TCL Communication Technology (2618)

Andy Poon

Technology | August Shipment without a Surprise | HOLD | TP HKD1.58

Consensus: 2 Buys, 11 Holds and 2 Sell, Consensus target HKD1.98

Event: TCL Comm. reported an uninspiring handset shipment for August. Total shipment increased 0.9% YoY / 23% MoM, reaching 65% of our full year shipment estimate. Meanwhile, smartphone shipment grew by 13% MoM to 0.6m units and shipment to China rose by 9% MoM to 0.5m units. During the period, TCL introduced 3 new smartphones, namely Baidu S710 (thousand dollars RMB, 1GHz dual-core processor, 4.3" screen, 8mega pixels camera, Android 4.0), S600 (thousand dollars RMB, 1GHz dual-core processor, 4.0" screen, 5mega pixels camera, Android 4.0, water-proof), and S800 (thousand dollars RMB, 1GHz dual-core processor, 4.3" screen, 8mega pixels camera, Android, water-proof). Also, TCL participated in the Eletrolar Show in Brazil for July and promoted the "ALCATEL ONE TOUCH" brand.

Implication: Overseas markets supported total shipment growth in August. Sales in the overseas markets for August improved 26% MoM and accounted for 86% of the total shipments (vs. 84% in July). However, it dropped 6% YoY. We believe the weakening global economies are still negatively affecting the overseas sales of TCL phones.

Sales in the China market remains uninspiring. Sales in the China market rose 9% MoM and accounted for 14% of total shipment in August (vs. 16% in July). Even though management said to switch their focus to the China market and increased the points of sales in China, the sales in China remained uninspiring. We believe TCL is likely to face higher competition in the China market.

Still waiting for sales breakthrough of their smartphones. Smartphone sales grew 13% MoM and accounted for 18% of total shipment (vs. 19% in July). Even though TCL continued to roll out new smartphone models with competitive features and prices, its competitors (e.g. ZTE, Huawei, Lenovo, China Wireless) also introduced competitive smartphones at similar prices. We believe TCL may need to lower the prices in order to make a breakthrough in its smartphone sales.

Action: We believe TCL has yet to transform itself into a competitive smartphone player and trading at 13x our FY12F PER estimate (vs. 7x PER of market FY12F estimate), risk is on the downside. We have a Hold rating with target price of HKD1.58.

Figure 1: Monthly shipments (million)

	Jan	Feb	Mar	Apr	May	Jun	July	August	MoM%	YTD	FY / KE FY Est.	%
Total												
2011	3.1	2.4	3.2	3.4	3.6	3.8	3.6	3.6	(0.3)	26.7	43.6	61.1
2012	2.0	2.4	3.5	2.9	3.5	4.3	3.0	3.6	23.1	25.2	38.8	65.0
YoY %	(36.0)	1.1	7.4	(13.6)	(1.5)	14.3	(18.3)	0.9		(5.5)	(11.0)	
Overseas												
2011	3.0	2.3	3.0	3.0	3.2	3.3	3.1	3.3	5.7	24.2	38.5	62.8
2012	1.9	1.9	2.8	2.5	2.9	3.7	2.5	3.1	25.8	21.4	31.5	67.9
YoY %	(37.4)	(18.2)	(6.5)	(14.9)	(8.3)	14.1	(20.5)	(5.5)		(11.6)	(18.2)	
% of total shipments (2012)	93.9	77.9	81.8	86.3	83.6	86.6	84.0	85.8		84.8		
China												
2011	0.1	0.1	0.2	0.4	0.4	0.5	0.5	0.3	(38.7)	2.5	5.1	48.7
2012	0.1	0.5	0.6	0.4	0.6	0.6	0.5	0.5	9.0	3.8	7.3	52.4
YoY %	(4.1)	505.8	220.2	(4.2)	58.0	15.8	(4.3)	70.1		53.5	42.7	
% of total shipments (2012)	6.1	22.1	18.2	13.7	16.4	13.4	16.0	14.2		15.2		
Smartphone												
2011	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	(0.0)	0.5	1.4	33.1
2012	0.1	0.3	0.3	0.4	0.5	0.6	0.6	0.6	13.3	3.4	10.2	33.4
YoY %	1,853.3	4,358.5	3,007.4	1,875.6	1,791.4	495.4	295.3	347.8		650.5	645.8	
% of total shipments (2012)	7.0	11.4	9.7	12.6	14.4	13.5	19.3	17.7		13.6		

Source: Company data, Kim Eng Securities

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. MKE may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. Maybank Kim Eng Securities (Thailand) Public Company Limited ("MBKET") does not confirm nor certify the accuracy of such survey result.

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of MBKET. MBKET accepts no liability whatsoever for the actions of third parties in this respect.

US

This research report prepared by MKE is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations.

UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd ("Maybank KESL") which is authorized and regulated, by the Financial Services Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938-H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This material is issued and distributed in Singapore by Maybank KERPL (Co. Reg No 197201256N) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Kim Eng Securities ("PTKES") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Thailand:** MBKET (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** MATRKES (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Kim Eng Vietnam Securities Company ("KEVS") (License Number: 71/UBCK-GP) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** Kim Eng Securities India Private Limited ("KESI") is a participant of the National Stock Exchange of India Limited (Reg No: INF/INB 231452435) and the Bombay Stock Exchange (Reg. No. INF/INB 011452431) and is regulated by Securities and Exchange Board of India. KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) **US:** Maybank KESUSA is a member of/ and is authorized and regulated by the FINRA – Broker ID 27861. **UK:** Maybank KESL (Reg No 2377538) is authorized and regulated by the Financial Services Authority.

Disclosure of Interest

Malaysia: MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 7 September 2012, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: KESHK may have financial interests in relation to an issuer or a new listing applicant referred to as defined by the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

As of 7 September 2012, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of MKE.

Definition of Ratings

Maybank Kim Eng Research uses the following rating system:

BUY	Total return is expected to be above 15% in the next 12 months
HOLD	Total return is expected to be between -15% to +15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

 **Malaysia**

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

 **Philippines**

**Maybank ATR Kim Eng Securities
Inc.**
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738

 **South Asia Sales Trading**

Connie TAN
connie@maybank-ke.com.sg
Tel: (65) 6333 5775
US Toll Free: 1 866 406 7447

 **Singapore**

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
9 Temasek Boulevard
#39-00 Suntec Tower 2
Singapore 038989

Tel: (65) 6336 9090
Fax: (65) 6339 6003

 **Hong Kong**

Kim Eng Securities (HK) Ltd
Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

 **Thailand**

**Maybank Kim Eng Securities
(Thailand) Public Company
Limited**
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

 **North Asia Sales Trading**

Eddie LAU
eddielau@kimeng.com.hk
Tel: (852) 2268 0800
US Toll Free: 1 866 598 2267

 **London**

**Maybank Kim Eng Securities
(London) Ltd**
6/F, 20 St. Dunstan's Hill
London EC3R 8HY, UK

Tel: (44) 20 7621 9298
Dealers' Tel: (44) 20 7626 2828
Fax: (44) 20 7283 6674

 **Indonesia**

PT Kim Eng Securities
Plaza Bapindo
Citibank Tower 17th Floor
Jl Jend. Sudirman Kav. 54-55
Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

 **Vietnam**

In association with
**Kim Eng Vietnam Securities
Company**
1st Floor, 255 Tran Hung Dao St.
District 1
Ho Chi Minh City, Vietnam

Tel : (84) 838 38 66 36
Fax : (84) 838 38 66 39

 **New York**

**Maybank Kim Eng Securities USA
Inc**
777 Third Avenue, 21st Floor
New York, NY 10017, U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

 **India**

Kim Eng Securities India Pvt Ltd
2nd Floor, The International 16,
Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: (91).22.6623.2600
Fax: (91).22.6623.2604

 **Saudi Arabia**

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787