



**Tonly Electronics' Net Profit Increased by 12.0% Year-on-year to
Approximately HK\$123.7 Million for the First Three Quarters of 2014**

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**Significant sales growth in new audio and media box products
Further optimized product structure**

Results Highlights:

- For the nine months ended 30 September 2014, the Group's turnover increased by 25.1% year-on-year ("yoy") to approximately HK\$4,012.2 million, attributable to the growth in audio products and OEM business while turnover of video disc players did not fall as the market expected.
 - The sales revenue of video disc players reached approximately HK\$1,586.5 million, up 0.4% yoy;
 - The sales revenue of audio products reached approximately HK\$1,495.7million, up 39.5% yoy;
 - The sales revenue of media box products reached approximately HK\$499.7 million, up 3,618.1% yoy, and
 - The sales revenue of other products (mainly advanced broadcasting system-satellite receivers ("ABS-s") products) reached approximately HK\$430.3 million, representing a decrease of 20.5% yoy.
- Gross profit was approximately HK\$500.7 million, increased 30.8% yoy, gross profit margin widened to 12.5% from 11.9% for the corresponding period of 2013. Operating profit rose by 3.2% yoy to approximately HK\$145.1million. Net profit of the Company was approximately HK\$123.7 million, up 12.0% yoy. Profit attributable to owners of the parent reached approximately HK\$113.0 million, representing an increase of 27.4% yoy, which was mainly due to the completion of the Group's acquisition of the remaining 20% equity of the subsidiary, Tonly Electronics Limited, on 15 May 2014.
- The Group further optimized its product structure. Sales of new audio and media box products grew significantly, which had become the key business drivers of the Group.
- The consistent improvement in operation has restored production efficiency to the normal level of the industry. The Group will persistently seek further improvement.

(22 October 2014, Hong Kong) **Tonly Electronics Holdings Limited** ("Tonly Electronics" or "the Group"; SEHK stock code: 01249) today announced its unaudited quarterly results for the nine months ended 30 September 2014.

The Group continues to transform and upgrade its businesses in order to expand its product portfolio. It has also launched its development in the OTT (over-the-top) business in the beginning of this year. For the nine months ended 30 September 2014, the Group recorded a turnover of approximately HK\$4,012.2 million, up by 25.1% yoy. The Group began research, development and production of new types of products since the third quarter of 2013, which required higher labor cost and additional factory floor space. It also relocated its production facilities to its current production plant last year and experienced a decline in operational efficiency. However, with the hard work of the management and staffs, the operational efficiency has restored to a satisfactory level. For the third quarter of 2014, gross profit grew by 30.8% yoy to approximately HK\$500.7 million. Gross profit margin widened to 12.5% from 11.9% for the corresponding period of 2013. Operating profit rose by 3.2% yoy to approximately HK\$145.1 million. Net profit of the Company was approximately HK\$123.7 million, up 12.0% yoy. Profit attributable to owners of the parent reached approximately HK\$113.0 million, representing an increase of 27.4% yoy, which mainly due to the completion of the Group's acquisition of the remaining 20% equity of the subsidiary, Tonly Electronics Limited, on 15 May 2014. Basic earnings per share were 75.33 HK cents (first 9 months of 2013: 66.52 HK cents).

During the period under review, the performance of the Group's video disc player business outperformed the overall industry and was better-than-expected, thereby continued to expand market shares of its products. Revenue from video disc player business slightly increased by 0.4% yoy to approximately HK\$1,586.5 million, accounting for 39.5% of the Group's turnover. The increase was attributable to the gradual withdrawal of selected competitors, the Group's close accommodation with the important clients' marketing and product strategies, its ability to fully leverage the technologies that it has built up over the years and its advantages in production, supply chain and customer relations.

The Group has always been actively strengthening research efforts in the audio and electroacoustic fields and developing new types of innovative audio products in order to enhance the overall design capability and production effectiveness. During the period under review, revenue from audio products rose by 39.5% yoy to approximately HK\$1,495.7 million, accounting for 37.3% of the Group's turnover, of which sales of new types of audio products continued to rise rapidly by 120.4% yoy to approximately HK\$676.2 million.

To capitalize on the development of Internet technologies, the Group teamed up with domestic and foreign Internet and telecommunications companies to jointly develop the media box business with the aim of enriching and expanding its product portfolio. The business segment's revenue for the first nine months of 2014 surged 3,618.1% yoy to approximately HK\$499.7 million, accounting for 12.5% of the Group's turnover. The Group will enhance the competitiveness of its products by strengthening its software development capabilities and improving product design. Meanwhile, it will expand the customer base for this business segment and strengthen relationships with the customers. The Group expects that the media box business will become an important component of its businesses.

The revenue of other business declined by 20.5% yoy to approximately HK\$430.3 million, accounting for 10.7% of the Group's turnover. Since some provincial government postponed or suspended their tenders of ABS-s in 2014, sales of the Group's ABS-s products for the first nine months of 2014 declined 41.8% yoy to approximately HK\$255.8 million.

The Group is gradually improving its labor structure and successfully retaining more skillful staff, the per capita productivity improved significantly. It also started to adopt more automation in its production and commenced tests on automation in response to the tightening labor supply in China. The actual production capacity of the Group's production base in Huizhou has gradually stabilized at designed production capacity level. Production efficiency has recovered to a reasonable industry level since May this year. Although the Group has seen its new plant officially commenced production in July 2013, in order to meet its future business needs and further improve its production efficiency, the Group has identified a suitable land parcel and is planning to build new plant facilities to expand the production capacity. For its R&D, the Group appropriated about 4.3% of its total revenue as R&D expenses during the period under review. The Group's R&D expenses as a percentage of turnover was higher than the industry average.

Mr. Yu Guang Hui, Chief Executive Officer of Tonly Electronics, said, "Looking ahead, the Group will seek to breakthrough bottlenecks in its business growth by actively expanding its production capacity and increasing its production efficiency. It will also speed up the development of media boxes business by enhancing its cooperation with domestic and foreign Internet and telecommunications companies. Meanwhile, the Group will attempt to enter other new businesses, expand its existing businesses and enlarge its income source through both organic or acquisitions expansion. In addition, the Group will strengthen its integrated production capabilities, especially those of developing electroacoustic technologies for the high-end products. This will improve the Group's profitability in the future and reinforce its leading position in the global market for audio-visual products, and thus maximize value for the customers and shareholders."

The sales of the Group by products are set forth as follows:

	First nine months of 2014	First nine months of 2013	Change
	(HK\$'000)	(HK\$'000)	
Video disc players⁽¹⁾	1,586,546	1,581,008	+0.4%
Audio products			
— Traditional audio products ⁽²⁾	819,513	765,555	+7.0%
— New audio products ⁽³⁾	676,150	306,750	+120.4%
Subtotal	1,495,663	1,072,305	+39.5%
Media boxes⁽⁴⁾	499,747	13,441	+3,618.1%
Other products			
— ABS-s product	255,831	439,940	-41.8%
— Components	118,906	63,701	+86.7%
— R&D	55,540	37,311	+48.9%
Subtotal	430,277	540,952	-20.5%
Total	4,012,233	3,207,706	+25.1%

⁽¹⁾Mainly DVD players and BD players

⁽²⁾Mainly HTS and Micro & Mini speakers

⁽³⁾Mainly wireless speakers, soundbars and audio docks

⁽⁴⁾Mainly OTT (provision of over-the-top Internet service and contents)

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About Tonly Electronics

Tonly Electronics Holdings Limited (stock code: 01249) is a global leading vertically-integrated manufacturing services provider in the audio-visual products. It is the largest video products manufacturer and the fourth largest HTS manufacturer in the world, and is principally engaged in the research and development, manufacturing and sales of audio-visual products (excluding TV sets) and media box products for international brands on an ODM basis. Tonly Electronics is also one of the ABS-s manufacturers under the programmes of “Hu Hu Tong” and “Cun Cun Tong” initiated by The State Administration of Radio, Film, and Television. Its ultimate controlling shareholder is TCL Corporation. For more information, please visit www.tonlyele.com.