



Tonly Electronics Holdings Limited
(Stock Code: 01249)

Tonly Electronics Announces 2019 Interim Results
Turnover Increases by 25.6% to Over HK\$3.5 Billion

Outstanding Performance in the Three Pillar Businesses
Refined Production Layout and Efficiency

Gross Profit Grew by 33.7% to HK\$ 457 million with an Increased Gross Profit Margin of 13%

Results Highlights (For the six months ended 30 June 2019)

Turnover⁽¹⁾	1H 2019 (HK\$'000)	1H 2018 (HK\$'000)	Change (%)
Audio products ⁽²⁾	2,502,579	2,012,758	24.3%
Headphones	421,474	246,131	71.2%
Video Products ⁽³⁾	137,077	262,387	-47.8%
IoT Related Products ⁽⁴⁾	77,677	79,623	-.2.4%
Ancillary Products ⁽⁵⁾	304,866	186,315	63.6%
Other Businesses	74,503	14,981	397.3%
Total	3,518,176	2,802,195	25.6%

- (1) The turnover breakdown by product for the six months ended 30 June 2018 were revised for the product form adjustment
- (2) Mainly include smart voice speakers, wireless speakers, soundbars, home theatres, and mini speakers
- (3) Mainly include DVD players, BD players, OTT set top boxes (STB), and other products
- (4) Mainly include smart plugs, smart gateways and other IoT products
- (5) Mainly include fabric covering for external sales, plastic injection structural parts, speakers, wireless modules, and other components. The ancillary products of Regency Optics-Electron, a subsidiary of the Group, began to be consolidated into the revenue of ancillary products of the Group in the first quarter of 2019
- Gross profit increased 33.7% year-on-year to approximately HK\$ 457.2 million; gross profit margin increased to 13.0% comparing to the same period last year.
 - Profit attributable to the owners of the holding company increase 15.1% year-on-year to HK\$ 98.3 million, attributable to the increase in turnover and gross profit margin.
 - The revenue of audio products increased 24.3% year-on-year to HK\$2,502.6 million, among which smart speakers grew rapidly.
 - The headphone business grew considerably by 71.2% year-on-year to HK\$421.5 million. The True Wireless Stereo (TWS) earphones achieved a breakthrough from zero and realised wholesale shipment in the first half of the year.
 - Benefiting from the overall market growth and entering into the supply chain of an overseas mainstream internet corporation, the ancillary products contributed a revenue of HK\$304.9 million to the Group, representing a year-on-year increase of 63.6%.

(14 August 2019, Hong Kong) **Tonly Electronics Holdings Limited** (“Tonly Electronics” or “the Group”; SEHK stock code: 01249) today announced its unaudited interim results for the six months ended 30 June 2019 (“the period under review”).

During the period under review, the Group recorded a turnover of approximately HK\$3,518.2 million, up by 25.6% year-on-year. Gross profit increased by 33.7% year-on-year to approximately HK\$457.2 million. Operating profit rose by 14.2% year-on-year to approximately HK\$133.0 million. Profit attributable to the owners of the holding company climbed by 15.1% year-on-year to approximately HK\$98.3 million. Attributed to the improvement of production layout and efficiency, the gross profit margin of the Group in the period under review increased to 13.0% comparing to the same period last year.

Benefiting from the rapid growth in the global market of smart products and the Group’s advantage in product technology, the Group’s audio product business recorded a revenue of HK\$2,502.6 million, representing a year-on-year increase of 24.3%. The new audio business maintained its advantage in scale, and maintained a relatively rapid growth together with the smart audio speaker business. In the period under review, the revenue of headphones increased by 71.2% year-on-year to HK\$421.5 million, reinforcing the Group’s leading position in the headphone industry and securing more new customers. True Wireless Stereo (TWS) earphone business also achieved a breakthrough and strengthened its competitiveness. For the ancillary product business, benefiting from the overall market growth and entering into the supply chain of an overseas mainstream internet corporation, the ancillary products contributed a revenue of HK\$304.9 million to the Group, representing a year-on-year increase of 63.6%.

During the period under review, the Group continuously enhanced its capabilities in speaker units and structural components, especially the new structural parts related to precision moulding in order to reinforce its vertical integration capability of the supply chain. Leveraging on its extensive experience in professional electro-acoustic design and pioneer advantages in smart speakers, the Group constantly innovates in product development. During the period under review, the Group’s product research and development (R&D) expenses amounted to HK\$169.5 million, accounting for 4.8% of its total revenue. The R&D team is devoted to introducing news products epitomised by smart voice speakers in response to consumers’ specific requirements, as well as developing screening-equipped smart products centring smart voice and all kinds of smart voice eco-ancillary products to secure more new customers and explore new fields.

The Group also continuously refines its production and supply chain management. The Group used Huizhou Zhongkai as a core base and moulding centre integrating research, production and sales. Phase Two of Second Plant on land parcel No.42 commenced operation in March 2019, enhancing the overall production management and efficiency, as well as reducing external fees. The Group's Huizhou Puli Electroacoustics Tongqiao Industrial Park was also put into operation, forming a comprehensive industrial chain integrating carpentry, speaker assembly, high-end wooden boxes, speakers, and plastic injection. In order to enhance the overseas supply chain capability and to proactively respond to the potential impact of the U.S. tariff, the Group set up a subsidiary in Vietnam in the first half of the year, and plans to establish its own overseas plant which was strived to commence operation in the second half of 2020 to realise the overseas extension of the Group's vertical integration capability of the supply chain.

The management of Tonly Electronics stated: "The smart product industry is likely to maintain a relatively rapid growth amid the sluggish global economy. The Group strives to provide brand companies and customers with outstanding quality products and services by expanding new businesses, exploring new technologies and products, and enhancing its productivity. As the smart and ancillary product business is becoming more mature, we believe the smart products, headphones and ancillary products of the Group will account for an increasing proportion to its turnover in 2019, contributing to a strong business growth in the future. Meanwhile, more intense market competition can be foreseen along with the continuous development of smart audio products. In face of the various risks and opportunities, the Group will keep on looking for business expansion opportunities, which, coupled with its own strengths, will enlarge its business portfolio, enhance the long-term value of the Group, and proactively generate more return for its shareholders."

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About Tonly Electronics

Tonly Electronics Holdings Limited (SEHK stock code: 01249), a high-tech smart products manufacturer with competitive industrial advantages, is principally engaged in the research and development, manufacturing and sales of audio and video products as well as wireless smart interconnectivity products. It is also developing into smart business. The Group is committed to becoming a one-stop smart IoT solutions provider based on the electroacoustic and wireless technologies.

For more information, please visit its website at www.tonlyele.com.

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