

**TONLY ELECTRONICS HOLDINGS LTD:
THIS COMPANY IS FACING PROBLEMS**

One should have no illusions about Tonly Electronics Holdings Ltd () (Code: 1249, Main Board, The Stock Exchange of Hongkong Ltd): It sought a listing via Introduction of its Entire Share Capital on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) because Management perceived that such a listing would make it easier to raise more money, somewhere down the Yellow Brick Road, leading to the Company's bankers.

This is stated, very plainly, at Page 99 of the Introduction Document, dated July 17, 2013.

It states, inter alia:

'(e) the Spin-off will provide separate fund-raising platforms for the TCLM Group and for us with respect to their respective operations and future expansion, which will in particular boost our smooth transformation towards a dedicated company for its business ...'.

The reference to *'the TCLM Group'* is because TCL Multimedia Technology Holdings Ltd (TCL), a subsidiary of T.C.L. Industries Holdings (Hongkong) Ltd (T.C.L.[]), which, in turn, is a wholly owned subsidiary of TCL Corporation (TCL), the last-named corporate entity, being the Ultimate Controlling Shareholder of Tonly Electronics.

TCL Corporation is listed on The Shenzhen Stock Exchange, being Stock Code, Number 100, and TCLM is, already, listed on the Main Board of The Stock Exchange of Hongkong Ltd, being Stock Code, Number 1070.

In the opinion of **TARGET** (), of the six reasons for Management's attractiveness of Tonly Electronics to list on the Main Board, the fifth one, is the *raison d'être*.

The other five reasons are:

1. To allow separate platforms for the businesses of the two groups – Tonly Electronics and the TCLM Group;
2. To offer investors two groups of companies in which to invest;
3. To enable TCLM to focus on building the core business of the TCLM Group;
4. To attract and to motivate Management of Tonly Electronics; and,
5. To give investors more details of the results of operations.

Utter, unadulterated rubbish!

Tonly Electronics, domiciled in the Cayman Islands, is 61.31 percent owned by TCL Corporation, which, in turn, is owned as to 38.65 percent by the Investing Public.

In short, Tonly Electronics is, simply put, a spin-off of TCL Multimedia Technology Holdings Ltd.

The Business of Tonly Electronics

Page 100 of the Introduction Document gives an '**OVERVIEW**' of the business of Tonly Electronics as follows:

'We are a vertically integrated manufacturing services provider in the AV (Audio-visual) Products industry, and principally engaged in the research and development, manufacturing and sales of AV Products (excluding TV sets) for third parties' brands on an ODM (Original Design Manufacturing) basis. Our products generally fall into three categories, namely (i) video products, mainly DVD Players, BD (Blue Ray) Players and Media Boxes; (ii) audio products, mainly HTS (Home Theatre System), Micro & Mini, Soundbars, Dockings and Wireless Speakers; and (iii) other products, mainly ABS-s (Advanced Broadcast System - satellite) and components. During the Track Record Period, the Group only conducted a small amount of AV Products business on an OEM (Original Equipment Manufacturing) basis in 2010.

'We commenced our DVD Players manufacturing business on an ODM/OEM basis in 2002, and have since then expanded and diversified our product portfolio progressively to include audio products and other products such as ABS-s. Among our products, the sales of DVD Players accounted for approximately 66.0%, 64.2%, 34.4% and 25.1% of our turnover for each of the three years ended 31 December 2012 and the three months ended 31 March 2013. However, in view of the shrinking global market demand for DVD Players in recent years according to Euromonitor, we expect that our future growth will mainly be driven by the further increase of our market share of the traditional AV Products (such as BD Players, HTS and Micro & Mini, excluding TV sets), our expansion into the growing new audio products sector and our continued development in the ABS-s market in China. For the three years ended 31 December 2012, the turnover of our video products represented a CAGR (Compound Annual Growth Rate) of approximately -15.0%, while the turnover of our audio products and other products represented a CAGR of approximately 92.2% and 34.3%, respectively.'

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