TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: http://www.tonic.com.hk

(Stock Code: 978)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL HIGHLIGHTS

	2008	2007
• Revenue (HK$M)	**2,421**	2,599
• EBITDA (HK$M)*	**142**	140
• Net profit for the year (HK$M)	**6**	24
• Basic earnings per share (HK cents)	**0.6**	2.5
• Total dividend payable/paid (HK$M)	**–**	9.5

* *EBITDA represents profit before interest, tax, depreciation and amortisation*

The board of directors (the "Board") of Tonic Industries Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2008 (the "Year") together with the comparative figures of the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Notes	**2008** ***HK$'000***	2007 *HK$'000*
REVENUE	*3*	**2,420,918**	2,599,414
Cost of sales		**(2,232,387)**	(2,474,909)
Gross profit		**188,531**	124,505
Other income and gains	*3*	**5,619**	14,332
Selling and distribution costs		**(11,862)**	(8,462)
Administrative expenses		**(84,471)**	(77,303)
Professional expenses on aborted projects		**(21,326)**	–
Fair value (losses)/gains on equity investment at fair value through profit or loss		**(6,432)**	8,964
Impairment of an available-for-sale investment		**(13,256)**	–
Finance costs	*5*	**(36,870)**	(30,351)
PROFIT BEFORE TAX	*4*	**19,933**	31,685
Tax	*6*	**(14,248)**	(7,673)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**5,685**	24,012
DIVIDEND	*7*		
Proposed final		**–**	9,529
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
– Basic		**HK0.6 cent**	HK2.5 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**736,084**	704,250
Prepaid land lease payments		**43,279**	44,155
Intangible assets		**22,716**	27,228
Available-for-sale investments		**–**	14,219
Non-current portion of an other receivable		**2,470**	4,780
Non-current portion of loans receivable		**–**	93
Deposits for acquisition of items of property, plant and equipment		**2,399**	5,510
Total non-current assets		**806,948**	800,235
CURRENT ASSETS			
Inventories		**526,835**	315,509
Accounts and bills receivables	*9*	**207,724**	199,162
Factored accounts receivables	*10*	**118,451**	–
Current portion of loans receivable		**93**	188
Prepayments, deposits and other receivables		**21,342**	61,772
Prepaid land lease payments		**971**	1,004
Equity investments at fair value through profit or loss		**4,080**	10,512
Derivative financial instruments		**–**	1,582
Tax recoverable		**–**	921
Cash and bank balances		**31,031**	92,698
Total current assets		**910,527**	683,348
CURRENT LIABILITIES			
Accounts payables	*11*	**507,856**	288,408
Accrued liabilities and other payables		**53,143**	65,858
Interest-bearing bank and other borrowings		**303,183**	373,111
Bank advances on factored accounts receivables		**118,451**	–
Derivative financial instruments		**3,325**	–
Tax payable		**18,635**	5,410
Total current liabilities		**1,004,593**	732,787
NET CURRENT LIABILITIES		**(94,066)**	(49,439)
TOTAL ASSETS LESS CURRENT LIABILITIES		**712,882**	750,796

	2008	2007
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**96,686**	156,785
Net deferred tax liabilities	**54,446**	52,641
Total non-current liabilities	**151,132**	209,426
Net assets	**561,750**	541,370
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**105,789**	95,289
Reserves	**455,961**	436,552
Proposed final dividend	**–**	9,529
Total equity	**561,750**	541,370

Notes:

1. **SEGMENT INFORMATION**

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information of the Group's business segments for the years ended 31 March 2008 and 2007.

Group

	Electronic products and components		Home appliance products		Corporate		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**2,120,846**	2,316,557	**300,072**	282,857	**–**	–	**2,420,918**	2,599,414
Other segment revenue	**2,040**	3,604	**–**	43	**–**	–	**2,040**	3,647
Total	**2,122,886**	2,320,161	**300,072**	282,900	**–**	–	**2,422,958**	2,603,061
Segment results	**93,624**	33,919	**8,319**	9,047	**(332)**	(543)	**101,611**	42,423
Interest income and unallocated income							**3,579**	19,649
Unallocated expenses							**(48,387)**	(36)
Finance costs							**(36,870)**	(30,351)
Profit before tax							**19,933**	31,685
Tax							**(14,248)**	(7,673)
Profit for the year							**5,685**	24,012
Assets and liabilities								
Segment assets	**1,567,060**	1,259,510	**115,211**	103,860	**–**	–	**1,682,271**	1,363,370
Unallocated assets							**35,204**	120,213
Total assets							**1,717,475**	1,483,583
Segment liabilities	**497,943**	292,782	**63,047**	61,475	**9**	9	**560,999**	354,266
Unallocated liabilities							**594,726**	587,947
Total liabilities							**1,155,725**	942,213

(b) Geographical segments

The following table presents revenue for the Group's geographical segments for the years ended 31 March 2008 and 2007.

Group

	Americas		Europe		Asia Pacific countries		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**1,187,108**	1,648,820	**665,456**	520,054	**519,569**	409,416	**48,785**	21,124	**2,420,918**	2,599,414

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings, derivative financial instruments and certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns, after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of electronic products and components	**2,120,846**	2,316,557
Manufacture and sale of home appliance products	**300,072**	282,857
	2,420,918	2,599,414
Other income and gains		
Handling fee income	**250**	228
Bank interest income	**1,504**	1,680
Dividend income from listed investments	**153**	134
Foreign exchange differences, net	**1,219**	544
Gain on disposal of a subsidiary	**1,922**	–
Gain on disposal of items of property, plant and equipment	**–**	8,871
Others	**571**	2,875
	5,619	14,332

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**2,224,861**	2,474,661
Provision against inventories	**4,201**	1,830
Fair value losses/(gains) on derivative financial instruments		
– forward currency contracts, net	**3,325**	(1,582)
Cost of sales	**2,232,387**	2,474,909
Depreciation	**73,333**	70,463
Amortisation:		
Software development costs*	**75**	79
Trademarks*	**280**	269
Recognition of prepaid land lease payments	**967**	1,004
Research and development costs:		
Deferred development costs amortised*	**11,280**	7,396
Current year expenditure	**4,789**	1,090
	16,069	8,486
Minimum lease payments under operating leases on land and buildings	**4,401**	3,999
Auditors' remuneration	**1,242**	1,085
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**166,140**	150,282
Pension scheme contributions	**2,446**	2,326
Less: Forfeited contributions**	**–**	–
Net pension scheme contributions	**2,446**	2,326
	168,586	152,608
Loss/(gain) on disposal of items of property, plant and equipment	**3,968**	(8,871)

* *The amortisation of software development costs, trademarks, and deferred development costs for the Year are included in "Selling and distribution costs" and "Cost of sales", respectively, on the face of the consolidated income statement.*

** *As at 31 March 2008, the Group had no forfeited contributions available to offset its future employers' contributions (2007: Nil).*

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans and facilities wholly repayable within five years	**35,518**	28,479
Finance leases	**1,352**	1,872
	36,870	30,351

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the Year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**6,666**	2,176
Overprovision in prior years	**(158)**	(303)
Current – Elsewhere		
Charge for the year	**8,362**	1,637
Deferred	**(622)**	4,163
Tax charge for the year	**14,248**	7,673

7. DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2007: HK1 cent per ordinary share).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the Year attributable to ordinary equity holders of the Company of HK$5,685,000 (2007: HK$24,012,000) and the weighted average number of HK$979,068,044 (2007: 952,889,962) ordinary shares in issue during the Year.

Diluted earnings per share amounts for the Years ended 31 March 2008 and 2007 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic earnings per share for these years.

9. ACCOUNTS AND BILLS RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Accounts receivables	**195,589**	186,348
Bills receivables	**12,135**	12,814
	207,724	199,162

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days, extending up to 90 days for major customers. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the Group's accounts and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group			
	2008		2007	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
0 to 30 days	**126,393**	**61**	125,828	63
31 to 60 days	**32,993**	**16**	10,098	5
61 to 90 days	**16,950**	**8**	47,828	24
Over 90 days	**31,388**	**15**	15,408	8
	207,724	**100**	199,162	100

The Group's accounts and bills receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

10. FACTORED ACCOUNTS RECEIVABLES

At 31 March 2008, the Group factored trade receivables of HK$118,451,000 (2007: Nil) to banks on a non-recourse basis for cash. The Group continued to recognise the factored accounts receivables in the consolidated balance sheet because, in the opinion of the Board, the Group still retained the risks and rewards of ownership associated with the accounts receivables and the financial assets derecognition conditions as stipulated in HKAS 39 *Financial Instruments: Recognition and Measurement* have not been fulfilled. Accordingly, bank advances from the factoring of the Group's accounts receivables have been accounted for as liabilities in the consolidated balance sheet. The maturity date of the factored accounts receivables range from 60 to 90 days. No impairment is made on the factored accounts receivables.

An aged analysis of the Group's factored accounts receivables as at the balance sheet date is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**40,172**	–
31 to 60 days	**31,231**	–
61 to 90 days	**36,728**	–
Over 90 days	**10,320**	–
	118,451	–

11. ACCOUNTS PAYABLES

An aged analysis of the Group's accounts payables as at the balance sheet date, based on the invoice date, is as follows:

	Group			
	2008		2007	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
0 to 30 days	**230,043**	**46**	111,368	39
31 to 60 days	**66,951**	**13**	44,628	15
61 to 90 days	**67,128**	**13**	44,869	16
Over 90 days	**143,734**	**28**	87,543	30
	507,856	**100**	288,408	100

The Group's accounts payables are non-interest-bearing and are normally settled ranges from 30 to 120 days. The carrying amounts of the accounts payables approximate to their fair values.

BUSINESS REVIEW AND PROSPECTS

The Group recorded a turnover of HK$2,421 million, EBITDA of HK$142 million and profit attributable to shareholders of HK$6 million for the year ended 31 March 2008, compared with HK$2,599 million, HK$140 million and HK$24 million respectively for the previous year.

The sale for high profit margin products like ATSC set top boxes, digital satellite receivers and digital cable set top boxes increased driven by the global switch from analogue to digital television services. However, overall sale for the Year as compared with the previous year was down as the result of the Group phrasing out some of the low profit margin products including DVD standalone players.

The operating environment was difficult during the Year. Appreciation of the Reminbi, increase in raw materials prices, crude oil price and minimum wages in Guangdong Province of the People's Republic of China ("PRC") and new labour law taking effect in the PRC posed serious pressure on the manufacturing industry including the Group which reported lower profit attributable to shareholders for the Year.

During the Year, the management implemented a number of cost cutting and system improvement measures to maintain operating expenses of its manufacturing plants in the PRC at the same level as the previous year or reduce it. The Group streamlined its production process and increased investment in production automation to reduce heavy reliance on labour. In addition, it passed on to customers increase in material and other costs to preserve margin.

In the early part of the Year, the management put strenuous efforts in identifying and exploring investment opportunities. However, those investments finally could not be pursued and the Group incurred expenses of HK$21.3 million in carrying out due diligence investigation on them. Together with the write off of approximately HK$13.3 million on an investment in DK Digital AG and loss on equity investment at fair value through profit or loss of approximately HK$6.4 million, administrative expenses were comparable to that of last year.

As stated earlier, the Group signed an agreement with an independent third party in May 2007 regarding the possible investment by the Group in business of development, distribution and retail of consumer electronics in the United States, Europe and Asia. The management terminated the agreement as the conditions stated therein had not been satisfied or waived.

In November 2007, the Company entered into an agreement with an independent party to dispose of its entire interest in the issued share capital of wholly-owned subsidiary Tonic Appliances Limited. The total consideration for the disposal was approximately HK$5.6 million. The disposal was completed in December 2007 and brought a gain on disposal of approximately HK$1.9 million to the Group.

In January 2008, the Group signed an investment framework agreement with several independent third parties wherein it proposed to subscribe for 60% of the enlarged share capital of Able Top Holdings Limited which will ultimately hold approximately 65% equity interest in a joint venture company in the PRC in the business of providing technical support and consultancy services to multi-media content producers. The management terminated the investment framework agreement in March 2008 as a result of unsatisfactory due diligence findings.

Subsequent to the balance sheet date, on 16 June 2008, Tonic Electronics Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the family members of Mr. Ling Siu Man, Simon, Chairman and controlling shareholder of the Company, pursuant to which, the Group conditionally agreed to dispose of and the purchasers conditionally agreed to acquire a property currently occupied by Mr. Ling for residential purpose at a consideration of HK$34 million. The transaction for the disposal of the property is subject to the approval of independent shareholders (shareholders other than Mr. Ling and his associates) of the Company. The Group will record a gain on disposal of approximately HK$29 million when the transaction is completed.

In the coming year, the Group expects raw material prices, labour cost and other production costs to continue to rise. The Reminbi is likely to keep appreciating. The Group expects those cost cutting and system improvement measures currently being implemented to effectively cap its factory overheads and operating expenses in the foreseeable future. The strong demand for set top boxes will persist for several years given that the transition from analogue to digital broadcasting has just begun worldwide. Benefiting from the robust demand for related products, the Group achieved double digit growth in turnover in the first quarter of financial year 2008/09 as compared with the last corresponding period. The Group is confident of maintaining the same level of turnover growth for the full coming year.

To achieve its goal, the Group will strengthen research and development for its set top box business and raise relevant production capacities to meet anticipated rise in demands. In addition to set top boxes, the Group has put resources into developing new products like blu-ray disc players with formal production scheduled to commence by the end of 2008.

The Group will also continue to diversify business by exploring investment opportunities with potential in bringing strong returns to the Group in the long run.

FINAL DIVIDEND

The Board does not recommend payment of a final cash dividend (year ended 31 March 2007: HK$1 cent per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 September 2008 to 18 September 2008, both days inclusive, during which no transfer of shares will be effected. To qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on 18 September 2008, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong. Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 15 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

Digital broadcasting which is fast replacing the obsolete anologue mode around the world has brought ample business opportunities to the Group. Since early 2007, the Group has been investing resources in research and development of ATSC set top boxes and its effort has been successful. The demand for ATSC set top boxes has been monumental in the North America market with the United States government offering a coupon programme to sponsor consumers who wish to purchase such products. The demand for basic digital cable set top boxes in the Chinese market has also been strong and, as sales of the products kept climbing in the market, pressure from appreciation of the Reminbi eased on the Group. There are clear market trends that indicate demand for digital cable set top boxes will remain strong worldwide in the next few years. To capture the demand, the Group has equipped its production base with reliable production facilities and skilled labour. In addition to set top boxes, the Group has been developing blu-ray disc products, which it believes will become another mainstream like DVD products. By seizing first mover advantage, the Group expects to secure a marked share of the blu-ray disc product market.

Liquidity Resources

On 23 March 2006, the Group signed a 3-year term loan facility agreement for HK$150 million with a syndicate of 7 international and local banks. The loan is on HIBOR basis and repayable by installment starting 18 months after the date of the loan agreement. This syndicated loan had been used to fully repay the syndicated loan obtained on 3 December 2003, with the balance of approximately HK$27 million for funding the Group's working capital requirements. Under the terms of the loan agreement, Mr. Ling Siu Man, Simon, Chairman of the Group, is required to maintain at least 40% shareholding of the Company, be the single largest shareholder and be actively involved in the management and business of the Group, otherwise it will constitute as default.

As at 31 March 2008, the Group had total borrowings of approximately HK$518 million, of which HK$503 million was bank borrowings and HK$15 million was for obligations under finance leases. The Group's borrowings are mainly denominated in Hong Kong dollars and bear interest mainly on HIBOR basis. Bank balances and cash on hand, mainly denominated in Hong Kong dollars, amounted to HK$31 million. Gearing ratio was 87% calculated based on net borrowings over shareholder funds.

The Group is not exposed to material currency fluctuation risks, as most of its receivables are in US dollars and payable in Hong Kong and US dollars. The Group purchases forward contracts with banks to hedge against confirmed US dollar receipts. In addition, the Group has Reminbi receipts from sales in the Chinese market to off set the rising Reminbi expenses of its manufacturing plants in the PRC. Appreciation of the Reminbi has no material impact on the Group in the short run. Except for a few customers to whom the Group transacts business on letter of credit, the Group offers credit on an open account basis or on factoring basis with all other customers.

Taxation

On 16 March 2007, the National People's Congress of the People's Republic of China enacted the Law on Enterprise Income Tax by Order No.63 of the President of the PRC, which will unify the tax rate at 25% for both domestic enterprises and foreign enterprises in the country. Furthermore, some expenses like professional expenses on aborted projects, fair value losses on equity investment at fair value through profit or loss and impairment of an available-for-sale investment, were non-deductible due to its capital nature. Correspondingly, the Group's taxation expenses increased during the Year.

Litigation

In April 2007, Toshiba alleged the Group of infringing its DVD technology patents and filed claims against some of the members of the Group. In response, the Group secured the DVD technology patents license with the DVD 6C Patent Licensing Group ("6C Group"). With the related license agreement signed on 25 July 2007, the Group has obtained the required license to use patented technologies of Toshiba, Mitsubishi, Hitachi, JVC, Panasonic, Samsung, Sanyo, Warner Brothers and Sharp to manufacture DVD player products. By reason that it is a member of the 6C Group, Toshiba subsequently dropped all its claims against members of the Group.

In September 2006, Applica Consumer Products, Inc. and Applica Asia Limited, two former customers of Tonic Appliances Limited, the subsidiary of the Company, jointly instituted legal proceedings against Tonic Appliances Limited seeking damages in the sum of HK$3,652,767 together with interest for breach of agreement for sale of goods. The Company disposed of its entire interest in the issued share capital of Tonic Appliances Limited in November 2007. Following the completion of the disposal, the claim against the Group ceased.

In October 2006, Tonic Digital Products Limited, an indirect wholly-owned subsidiary of the Company, instituted legal proceedings against former customer Senlan Limited for goods sold and delivered in the sum of US$456,135 (equivalent to approximately HK$3,557,853) together with interest. The proceeding is now in a pre-trial stage of discovery of documents of both parties and the date of trial has not been confirmed.

Employees Relations

As at 31 March 2008, the Group had 8,200 employees in Hong Kong and the PRC. Total salaries and wages amounted to approximately HK$169 million for the year under review. Salaries and wages are normally reviewed annually on the basis of staff performance appraisals and market conditions. The Group provides year-end double pay, discretionary bonuses, provident fund, medical insurance and job training to its employees. Employee welfare is decided with reference to prevailing labour laws in Hong Kong and the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. Mr. Pang Hon Chung, chairman of the committee has the appropriate professional qualification and experience in financial matters as required by the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). This committee is appointed by the Board and responsible for reviewing the financial reports and internal controls principals. The Audit Committee has reviewed the Group's consolidated financial statements for the Year, including the accounting principals and practices adopted by the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice ("CG Code") during the year ended 31 March 2008 as set out in Appendix 14 to the Listing Rules save as disclosed below:

The Company's Articles of Association, are inconsistent with code provision A.4.2 of the CG Code, which provides that one-third of the directors for the time being (save for the Chairman or managing director or joint managing director), or if their number is not three nor a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years and being eligible, offer themselves for re-election at annual general meetings. The Board considers that Mr. Ling Siu Man, Simon, Chairman of the Board, should not be subject to retirement to ensure continuity of leadership and stability for growth of the Company.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ling Siu Man, Simon is the Chairman and chief executive officer of the Group. He is responsible for the Group's overall strategic planning, management of the Board's affairs. The Board considers that this structure is more effective and efficient in running the business. The Board believes that Mr. Ling's appointment to the posts of Chairman and chief executive officer is beneficial to the business prospects of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted its code of conduct for securities transactions by directors of the Company ("Directors") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year of 2008.

DIRECTORS

As at the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Lam Kwai Wah as executive Directors and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as independent non-executive Directors.

On behalf of the Board
Ling Siu Man, Simon
Chairman & Managing Director

Hong Kong, 18 July 2008