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 2007

FINANCIAL HIGHLIGHTS

	2007	2006	**Amount increase**	**Percentage increase** %
• Revenue (HK$M)	**2,599**	2,392	207	9
• EBITDA (HK$M)*	**140**	117	23	20
• Net profit for the year (HK$M)	**24**	19	5	26
• Basic earnings per share (HK cents)	**2.5**	2	0.5	25
• Total dividend payable/paid (HK$M)	**9.5**	9.5	0	0

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

The directors (the "Directors") of Tonic Industries Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007 (the "Year") together with the comparative figures of the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
REVENUE	3	**2,599,414**	2,392,219
Cost of sales		**(2,474,909)**	(2,269,816)
Gross profit		**124,505**	122,403
Other income and gains	*3*	**14,332**	8,390
Selling and distribution costs		**(8,462)**	(9,872)
Administrative expenses		**(77,303)**	(69,057)
Other operating income, net		**8,964**	904
Impairment of an available-for-sale investment		**–**	(11,110)
Finance costs	*5*	**(30,351)**	(23,149)
PROFIT BEFORE TAX	*4*	**31,685**	18,509
Tax	*6*	**(7,673)**	101
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**24,012**	18,610
DIVIDEND	*7*		
Proposed final		**9,529**	9,529
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
– Basic		**HK2.5 cents**	HK2.0 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**704,250**	633,120
Prepaid land lease payments		**44,155**	35,277
Intangible assets		**27,228**	17,233
Available-for-sale investments		**14,219**	14,219
Non-current portion of an other receivable		**4,780**	5,706
Non-current portion of loans receivable		**93**	281
Deposits for acquisition of items of property, plant and equipment		**5,510**	31,765
Total non-current assets		**800,235**	737,601
CURRENT ASSETS			
Inventories		**315,509**	354,277
Accounts and bills receivables	*9*	**199,162**	277,427
Current portion of loans receivable		**188**	188
Prepayments, deposits and other receivables		**61,772**	29,588
Prepaid land lease payments		**1,004**	9,521
Equity investments at fair value through profit or loss		**10,512**	10,380
Derivative financial instruments		**1,582**	–
Tax recoverable		**921**	1,700
Cash and bank balances		**92,698**	99,971
Total current assets		**683,348**	783,052
CURRENT LIABILITIES			
Accounts payables	*10*	**288,408**	441,887
Accrued liabilities and other payables		**65,858**	77,555
Interest-bearing bank and other borrowings		**373,111**	254,588
Derivative financial instruments		**–**	1,496
Tax payable		**5,410**	1,310
Total current liabilities		**732,787**	776,836
NET CURRENT ASSETS/(LIABILITIES)		**(49,439)**	6,216
TOTAL ASSETS LESS CURRENT LIABILITIES		**750,796**	743,817

	2007	2006
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**750,796**	743,817
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**156,785**	206,239
Net deferred tax liabilities	**52,641**	29,512
Total non-current liabilities	**209,426**	235,751
Net assets	**541,370**	508,066
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**95,289**	95,289
Reserves	**436,552**	403,248
Proposed final dividend	**9,529**	9,529
Total equity	**541,370**	508,066

Notes:

1. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit and certain asset and liability of the Group's business segments for the years ended 31 March 2007 and 2006.

Group

	Electronic products and components		**Home appliance products**		**Corporate**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**2,316,557**	2,141,160	**282,857**	251,059	**–**	–	**2,599,414**	2,392,219
Other segment revenue	**3,604**	5,346	**43**	751	**–**	–	**3,647**	6,097
Total	**2,320,161**	2,146,506	**282,900**	251,810	**–**	–	**2,603,061**	2,398,316
Segment results	**33,919**	48,852	**9,047**	5,070	**(543)**	(532)	**42,423**	53,390
Interest income and unallocated income							**19,649**	3,431
Unallocated expenses							**(36)**	(15,163)
Finance costs							**(30,351)**	(23,149)
Profit before tax							**31,685**	18,509
Tax							**(7,673)**	101
Profit for the year							**24,012**	18,610
Assets and liabilities								
Segment assets	**1,259,510**	1,280,620	**103,860**	113,948	**–**	–	**1,363,370**	1,394,568
Unallocated assets							**120,213**	126,085
Total assets							**1,483,583**	1,520,653
Segment liabilities	**292,782**	458,008	**61,475**	61,427	**9**	7	**354,266**	519,442
Unallocated liabilities							**587,947**	493,145
Total liabilities							**942,213**	1,012,587

(b) Geographical segments

The following table presents revenue for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Group

	Americas		Europe		Asia Pacific countries		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**1,648,820**	991,863	**520,054**	998,780	**409,416**	347,192	**21,124**	54,384	**2,599,414**	2,392,219

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 – The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 – Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 – Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has reassessed all the relevant arrangements and concluded that this interpretation has had no material impact on these financial statements.

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:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of electronic products and components	**2,316,557**	2,141,160
Manufacture and sale of home appliance products	**282,857**	251,059
	2,599,414	2,392,219
Other income and gains		
Handling fee income	**228**	1,737
Bank interest income	**1,680**	1,094
Dividend income from listed investments	**134**	355
Foreign exchange differences, net	**544**	61
Gain on disposal of items of property, plant and equipment	**8,871**	1,626
Others	**2,875**	3,517
	14,332	8,390

4. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**2,474,661**	2,268,188
Provision against inventories	**1,830**	132
Fair value (gains)/losses on derivative financial instruments – forward currency contracts, net	**(1,582)**	1,496
Cost of sales	**2,474,909**	2,269,816
Depreciation	**70,463**	70,100
Amortisation of software development costs and trademarks*	**348**	287
Recognition of prepaid land lease payments	**1,004**	761
Research and development costs:		
Deferred development costs amortised*	**7,396**	4,455
Current year expenditure	**1,090**	1,280
	8,486	5,735
Minimum lease payments under operating leases on land and buildings	**3,999**	4,029
Auditors' remuneration	**1,085**	905
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**150,282**	126,496
Pension scheme contributions	**2,326**	2,344
Less: Forfeited contributions**	**–**	(39)
Net pension scheme contributions	**2,326**	2,305
	152,608	128,801
Fair value (gains)/losses on equity investments at fair value through profit or loss	**(8,964)**	233
Gain on disposal of an equity investment at fair value through profit or loss	**–**	(356)
Gross and net rental income from land and buildings	**(1,788)**	(84)

* *The amortisation of software development costs and 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 2007, the Group had no forfeited contributions available to offset its future employers' contributions (2006: Nil).*

5. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans and facilities wholly repayable within five years	**28,479**	21,547
Finance leases	**1,872**	1,602
	30,351	23,149

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**2,176**	1,528
Overprovision in prior years	**(303)**	(751)
Current – Elsewhere		
Charge for the year	**1,637**	1,319
Deferred	**4,163**	(2,197)
Tax charge/(credit) for the year	**7,673**	(101)

7. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final – HK1 cent (2006: HK1 cent) per ordinary share	**9,529**	9,529

The proposed final dividend for the Year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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$24,012,000 (2006: HK$18,610,000) and the 952,889,962 (2006: 952,889,962) ordinary shares in issue during the Year.

Diluted earnings per share amounts for the years ended 31 March 2007 and 2006 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

The Group's trading terms with its customers are mainly on credit. The credit period granted by the Group to customers generally ranges from 7 days to 35 days, extending up to 100 days for selected 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, is as follows:

	Group			
	2007		2006	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
0 to 30 days	**125,828**	**63**	140,346	50
31 to 60 days	**10,098**	**5**	36,343	13
61 to 90 days	**47,828**	**24**	23,814	9
Over 90 days	**15,408**	**8**	76,924	28
	199,162	**100**	277,427	100

10. 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			
	2007		2006	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
0 to 30 days	**111,368**	**39**	164,073	37
31 to 60 days	**44,628**	**15**	117,403	26
61 to 90 days	**44,869**	**16**	42,881	10
Over 90 days	**87,543**	**30**	117,530	27
	288,408	**100**	441,887	100

BUSINESS REVIEW AND PROSPECTS

In the financial year ended 31 March 2007, the Group achieved a turnover of approximately HK$2,599 million, representing an increase of 9% when compared with the previous financial year. EBITDA and profit attributable to shareholders were HK$140 million and HK$24 million respectively, representing a 20% and 26% increase against last year.

The increase in turnover was mainly due to rise in sales of cable set top boxes in the domestic market and satellite receivers in overseas markets during the period under review. Heeding the continuous surge in demands for ATSC (a USA digital broadcasting standard) products such as digital high definition television (HDTV), standard definition television (SDTV), data broadcasting and interactive television, the Group expects the sales of cable set top boxes and satellite receivers to continue to increase in the coming years.

During the year, as explained in the interim report, the adverse impacts of continuous increase in material prices as well as labour cost and other production cost affected the Group's profit margin. However, part of the increase in cost was offset by the Group's efforts to diversify into products of high profit margin.

The Group also strived to diversify its products to cover high profit margin DVD/RW+VCR combo, TV+DVD combo, iPod video products, HD and internet radio, cable set-top boxes, satellite receivers, TV and GPS products, thus reduced its reliance on the production of low profit margin DVD standalone players.

The Group also invested resources in the research and development of ATSC products to meet anticipated significant market demand. It has been working closely with a software development house on developing new technologies for products like HDMI DVD player, ATSC flat panel TV and HDMI DVD recorder. Those new product technologies when ready will enhance competitiveness of the Group's products.

A well-known US-based global digital video product enterprise has contracted the Group to manufacture five additional models of 1000W receiver, 5CD audio system and home theatre system for the US market. Since May 2007, the Group has secured orders of US$60 million from this customer. The Group expects the customer to order more new product models from it, and turnover from business with the customer to increase. Taking into account also sales to other customers, the Group believes its business will continue to grow robustly in the year ahead.

The Group reviewed the production capacity of its Shi Pai factory which is currently about 50%-60% utilized. It is confident of achieving full utilization of the production capacity of Shi Pai factory by the end of 2007 to cater for already secured and anticipated orders.

As a part of the Group's long term strategy, on 9 May 2007, it signed an agreement with Cove Sunrise Inc. ("Cove Sunrise") to subscribe for not more than 45% of the total capital stock of Cove Sunrise. Cove Sunrise is currently identifying opportunities to invest in business of development, distribution and retail of consumer products in the USA, Europe and Asia. It expects the investment to bring to the Group a network of distributors and synergies for its manufacturing operation, which will translate into long term benefits for the Group.

Looking forward, the Group will continue to focus on developing digital products of superb designs using innovative technologies to meet the needs of customers. The Group believes that its wide variety of digital products will allow it to expand its customer base and existing markets and meet growing demands for its products in coming years. It is committed to controlling cost effectively and continuously improving operational efficiencies. It is optimistic about achieving yet stronger results in the future.

FINAL DIVIDEND

The Board of Directors recommended the payment of a final cash dividend of HK1 cent (year ended 31 March 2006: HK1 cent) per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 September 2007 to 25 September 2007, both days inclusive, during which no transfer of shares will be effected. To qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong. Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

Demand for electronic products especially those with advanced features increased during this Year. Demand from the America markets was significant. Sales to the markets increased by 9% compared with last year, while cost of sales was stable throughout the Year.

Property, Plant and Equipment

The Group revalues its properties every two years. During the Year, the value of its properties increased by HK$25 million. Last year, the Group invested HK$32 million as deposit in machinery and equipment to support product diversification. The amount was recorded as deposit of property, plant and equipment last year and was transferred to property, plant and equipment this Year. Net additions to property, plant and equipment amounted to HK$63 million this Year.

Liquidity Resources

On 23 March 2006, the Group signed a 3-year term loan facility agreement for HK$150,000,000 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. Under the terms of the loan agreement, Mr. Ling Siu Man, Simon, the 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 2007, the Group had total borrowings of approximately HK$530 million, of which HK$504 million was bank borrowings and HK$26 million was for obligations under finance leases. The Group's borrowings are 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$93 million. Gearing ratio was 81% 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 Renminbi receipts from domestic sales to off set the rising Reminbi expenses of its factories in the PRC. Inflation of the Renminbi had no material impact on the Group in the short run. Except for a few customers to whom we offer credit on an open account basis, we transact business with all other customers on letter of credit.

Litigation

In April 2007, Toshiba alleged the Group of infringing on its DVD technology patents and filed claim. The claim is now under court proceedings. To resolve the case quickly, the Group has agreed with the DVD 6C Licensing Agency to obtain a 6C licence for the use of DVD technology patents. Since Toshiba is a member of the 6C group, obtaining a 6C License will in effect resolve the row with Toshiba. Meanwhile, the Group has provided sufficient reserve in the financial statements to cover Toshiba's claim.

On 12 September 2006, two former customers of Tonic Appliances Limited ("Tonic Appliances"), a wholly-owned subsidiary of the Company, commenced legal proceedings against Tonic Appliances claiming for damages for breach of agreement for sale of goods. As at the date of approval of these financial statements, the case is still undergoing discovery stage and both parties had not yet exchanged their evidence.

In the opinion of the directors, the case is still in its preliminary stage and it is premature to speculate the outcome of such claims therefore, no provision has been made as at 31 March 2007.

Employees Relations

As at 31 March 2007, the Group had 160 employees in Hong Kong and 7,700 workers in its factories in the PRC. Total salaries and wages amounted to approximately HK$153 million for this Year. 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 staff. Staff welfare is set with reference to prevailing labour laws in Hong Kong and China.

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 a Non-Executive Director and three Independent Non-executive Directors. Mr. Pang Hon Chung, being the Independent Non-executive Director, chairs the Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2007, including the accounting principals and practices adopted by the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code of Corporate Governance Practice during the year ended 31 March 2007 as set out on Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 subject to retirement to ensure continuity of leadership and stability for growth of the Company.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

With effect from 1 October 2006, Mr. Ling Siu Man, Simon had tendered his resignation as Managing Director of the Company and Mr. Liu Hoi Keung, Gary was appointed as the Chief Executive Officer of the Company. Mr. Ling remains as Chairman of the Board of Directors of the Company and continues to be involved in the business development of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted its code of conduct for securities transactions by 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 2007.

DIRECTORS

As at the date of this announcement, the Board of Directors comprises seven executive Directors – Mr. Ling Siu Man, Simon, Mr. Liu Hoi Keung, Gary, Mr. Lee Ka Yue, Peter, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Lam Kwai Wah, one non-executive Director – Mr. Wong Wai Kwong, David, and three independent non-executive Directors – Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul.

On behalf of the Board
Ling Siu Man, Simon
Chairman

Hong Kong, 25 July 2007